PH14.3.5

June 12, 2020

Planning and Housing Committee
c/o Nancy Martins
Committee Secretariat
phc@toronto.ca

Re: PH 14.3 – Housing Now Initiative – Annual Progress Report

Dear Planning and Housing Committee Members:

Over the past year, the Toronto Region Board of Trade ("the Board") and WoodGreen, one of the largest providers of affordable housing in Toronto, have come together to advocate for more affordable housing options for our city's workers. Without a strong supply of affordable housing, we will not be able to help our communities and economy recover from the impacts of COVID-19.

In support of the committee's efforts through the *Housing Now Initiative* and the *HousingTO 2020-2030 Action Plan*, we are submitting our report "Housing a Generation of Workers" for your information. This report helps highlight the need for more housing for middle-income workers in sectors like healthcare, education and hospitality. Our report focuses on workers earning between $40,000 to $65,000, overlapping with the higher range of income served by *Housing Now*.

Pulling lessons from case studies in British Columbia, California, and the United Kingdom, the report also recommends best practices that will accelerate the development of workforce housing in Toronto. It makes the case for employers to assist with providing more affordable housing for their workers.

A new analysis by the Toronto Region Board of Trade's Economic Blueprint Institute shows as many as 90,000 essential workers in Toronto earn between $40,000 to $60,000 annually. Initiatives like *Housing Now* are a critical part of increasing the supply of housing that these individuals can afford.

The next report in the series, currently planned for the fall, will profile other made-in-Toronto workforce housing solutions, and explore the critical question of whether those models can scale to meet our city's steep needs. The initial analysis indicates that denser, mixed-income models are able to make a larger contribution in delivering affordable units.

WoodGreen and the Board support *Housing Now* and Council's continued efforts to address our city's housing crisis. We hope this research and our future reports will aid the committee's work, and we are happy to meet to discuss our efforts further.

Sincerely,

Farah Mohamed
SVP, Strategic Initiatives, Policy, Economic Blueprint Institute & Public Affairs
Toronto Region Board of Trade

Mwarigha
VP, Housing and Homelessness Services
WoodGreen

Attachment: *Housing a Generation of Workers*

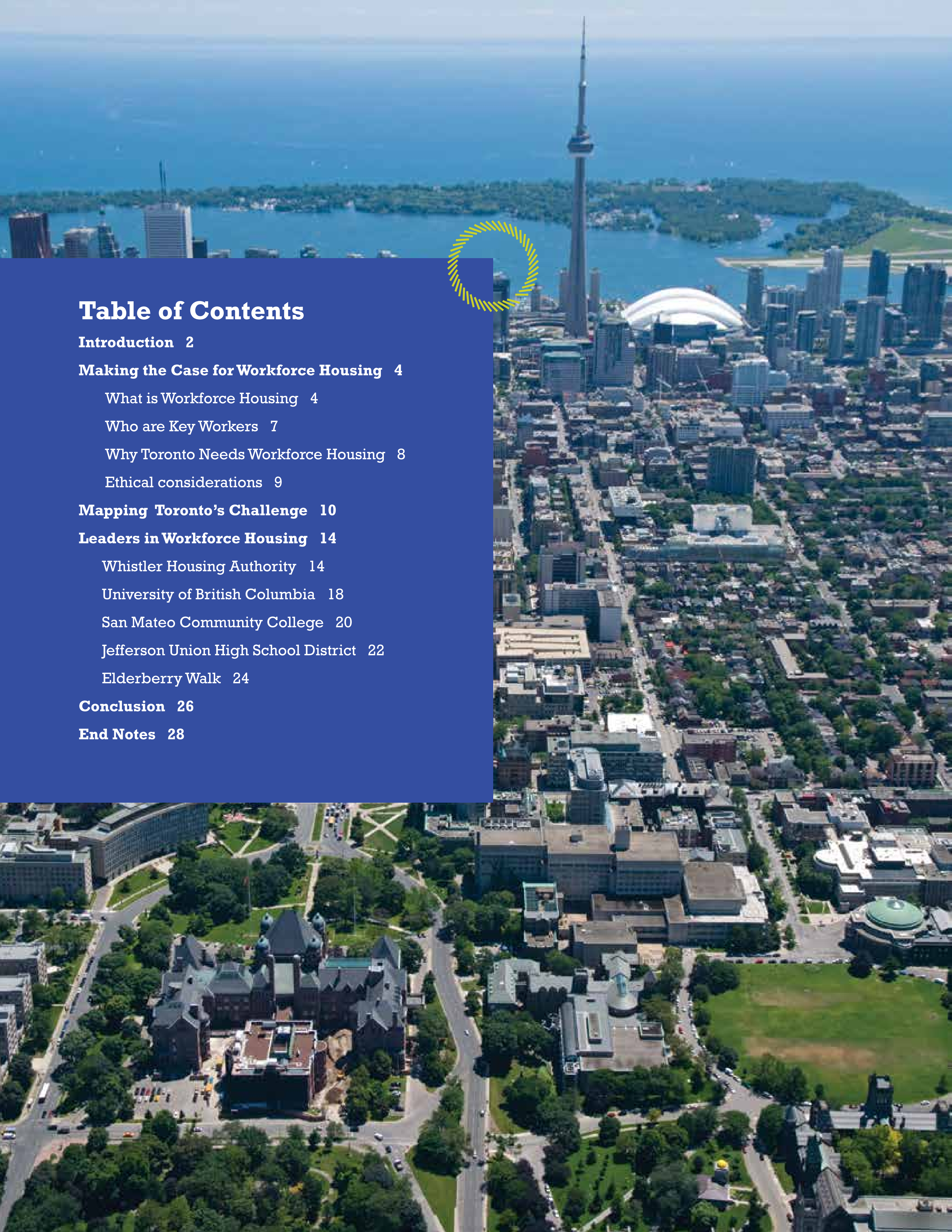
TORONTO REGION BOARD OF TRADE

Sponsored by TD

Housing a Generation of Workers

Defining the problem

1



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Foreword

Toronto's economy is strong and growing. Employment trends, wage growth and productivity all signal that Toronto is riding positive momentum that is driving prosperity in both Ontario and Canada. Unfortunately, that growth is not felt by all who contribute to it – posing a threat to our continued economic growth.

People of all incomes are feeling increasingly squeezed by housing costs. One in five Toronto renters live in overcrowded units, and nearly half of them spend more than a third of their income on rent. If these trends continue, Toronto will follow San Francisco and New York as places where only a select class of professionals can afford to live.

No area highlights the economic and social challenges of shared prosperity more than housing. This is why the Toronto Region Board of Trade and WoodGreen, one of the largest providers of affordable housing in Toronto, have come together to investigate how workers are affected by this challenge. This report is the first in a three-part series that proposes options to increase workforce housing, makes the economic case for action and recommends solutions for Toronto's employers and developers in partnership with school boards, universities, unions and non-profit organizations.

Research shows that improving housing options has multiple positive spinoffs. By building homes close to employment, we can help reduce commutes, congestion and air pollution while improving workers' quality of life and productivity.

Workforce housing is only one piece of Toronto's housing needs, but it is an essential one. There is increasing competition for social and low-cost rental housing by middle-income workers who have run out of options. This domino effect means that if we build more workforce housing, we can free up these in-demand units and help complement other efforts to reduce homelessness.

With Toronto expected to add one million people to its population by 2030, this challenge is too big for governments to solve alone. By having businesses, non-profits and the public sector work together to ensure the city has a healthy mix of housing options, we can help keep Toronto liveable for the generations of workers needed to fuel our continued economic growth.

Jan De Silva
President & CEO
Toronto Region Board of Trade

Anne Babcock
President & CEO
WoodGreen

Introduction

What do you do when you can no longer afford to live in the city where you work?

It's a question that a growing number of Torontonians are asking themselves for the first time, as they are forced to choose between unaffordable housing and leaving the city altogether.

In booming cities like Toronto, too many low- and moderate-income households are being priced out. The supply of housing has not kept up with population growth, job creation or changing housing needs and preferences. As rising rents and home prices outpace wage increases, even higher-wage workers are asking whether it's time to leave the region. The loss of these workers comes with real economic and social costs that must be confronted.

Silicon Valley presents a cautionary tale. While creating a record number of well-paying jobs, reaching the highest average wages worldwide in 2019, the area has also seen homelessness rise by 17% and the loss of up to one-fifth of all teachers in a school district each year.[1] The region is now working to solve these problems before losing the teachers and service workers needed to keep the area liveable and productive.

In Toronto, median income has climbed to $71,631, while over 9,200 people are homeless every night. Warning signs are in the air. **Toronto's continued economic growth depends on finding an answer to this increasingly urgent problem before it is too late.**

When a city becomes unaffordable, it forces out key industry workers (or "key workers") – such as cooks, social workers, nurses, tradespeople, childcare workers and teachers. Without people to fill these jobs, businesses suffer and the city becomes less livable for everyone.

In summer 2019, the Toronto Region Board of Trade ("the Board") examined how a range of workers are affected by the expensive housing market. For example, a community service worker earning an average salary could only afford to rent a 1-bedroom unit in three of Toronto's neighbourhoods. "Priced Out," a *Toronto Star* series based on the Board's research, spoke to workers struggling to stay in the neighbourhoods where they work.[2] This research reinforced the need for action, including implementing Toronto's *HousingTO Action Plan*, Ontario's *Housing Supply Action Plan* and the federal government's *National Housing Strategy* as quickly as possible.

WoodGreen and the Board have partnered on this research series in order to draw attention to the challenge, identify solutions that provide housing for key workers, and encourage key partners to take action on this urgent issue. This first brief defines the challenge and urgency of addressing workforce housing in Toronto and profiles how other jurisdictions are building affordable housing for key workers. Future briefs in this series will focus on the specific challenges and opportunities facing Toronto, including regulatory and financial structures, and examine the economic cost of inaction while recommending how Toronto can further develop workforce housing.

This research series is for governments, employers and citizens that believe addressing urban housing affordability is an economic and social necessity. Toronto's diversity and economic growth is at stake – but the housing challenges facing the region cannot be addressed by government alone. The examples profiled in this brief identify the critical role of employers in building or funding housing for the workers they need. All partners with a vested interest in solving this problem need to be at the table, particularly those who have never before been engaged on housing issues.

325,000+ jobs
102,000 new homes
from 2016 to 2019 in the Toronto area[3]

2% of housing has been affordable
in the last 5 years, built or approved in Toronto.[4]

50,000 people
moved out of the Toronto area for other regions of Ontario, between 2017 and 2018.[5]

"If we don't address this challenge, we will lose an entire generation of service workers, police, firefighters, teachers, garbage collectors – the folks we depend on to make our communities and societies run efficiently."

- Kalimah Salahuddin, Trustee, Jefferson Union High School District Board of Trustees

Making the Case for Workforce Housing

What is Workforce Housing?

Workforce housing typically refers to households that fall within a specific income range, and is meant to capture the needs of households who earn above thresholds for traditional social housing programs, yet still struggle to find suitable accommodation within their budget. Housing that is dedicated for certain groups of workers is often a subset of workforce housing.

The Urban Land Institute defines Workforce Housing as a unit that is affordable for households earning between 60% to 120% of area median income (AMI). Toronto's *Housing Now* plan is targeted at a similar band of workers, though its definition is based off between 40% and 100% of average market rent (AMR) rather than AMI. *Housing Now* is designed to meet the needs of households who earn between $21,960 and $54,580, which includes workers such as cashiers, personal support workers, security guards and social service workers. This range is still below Toronto's median total household income, which was $65,829 in 2015.

Because existing social and affordable housing programs are targeted at households earning less than $40,000, this report series will focus on an income range of $40,000 to $65,000. In doing so, we acknowledge that all three levels of government must work together and with non-profit organizations to improve options for people with little or no income. Given the extent of Toronto's housing shortage, even workers with incomes significantly above the median income level may face challenges accessing appropriate and affordable housing.

$549

Cashier's Affordable Monthly Rent

TORONTO HOUSING NOW INITIATIVE — *Affordability Rent Bands*[6]

Sample Professions	Average Annual Income	Affordable Rent Level
Dental Assistants, Social Service Workers, Secretaries	$54,880	$1,372 (100% of CMHC average market rent)
Security Guards, Factory workers, Data Entry Clerks	$43,920	$1,098 (80% of CMHC average market rent)
Hotel Receptionists, Personal Support Workers, Nannies, Daycare Workers	$32,920	$823 (60% of CMHC average market rent)
Cashiers, Retail Sales Associates, Cab Drivers	$21,960	$549 (40% of CMHC average market rent)

Defining Affordability

Housing affordability can be used to describe situations where housing costs do not place undue hardship on a person or family's income. **Affordable housing** is often defined with specific income or rent-based benchmarks, as seen below.

The **City of Toronto** defines affordable housing as housing where the total monthly shelter cost is at or below Toronto's average market rent (AMR) by unit type. The Canada Mortgage and Housing Corporation (CMHC) reports AMR each year.[7] In the HousingTO Action Plan 2020-2030, released on December 3, 2019, the City committed to adopt a new income-based definition of affordable rental housing.[8]

Ontario defines affordable housing as a unit for which the rent does not exceed 30% of pre-tax annual household income, or a unit for which the rent is at or below the AMR of a unit in the regional market area – whichever is lower.[9]

Federally, **CMHC** defines affordable housing as shelter costs that equate to less than 30% of a household's pre-tax income.[10]

The **United States Department of Housing and Urban Development (HUD)** also uses the metric that housing should cost no more than 30% of pre-tax household income to be affordable, and goes further in specifying three bands of affordability needs: for extremely low income households (earning at or below 30% of AMI), very low income households (31-50% of AMI), and low-income households (51-80% of AMI).[11]

Why Metrics Matter – AMI versus AMR: The yardstick used to measure affordability impacts who can afford those units that are built. Because rents are rising faster than incomes in many major cities like Toronto, units deemed affordable are increasingly out of reach for lower-income residents. For example, a 2-bedroom unit priced at 80% of Toronto AMR would be unaffordable to a family earning 50% of Toronto AMI. Measuring affordability based on residents' income levels presents a more accurate picture of whom new affordable housing projects can serve.

Average Market Rent (AMR): The average rents for private market rentals, as reported annually by CMHC.

Area Median Income (AMI): The household income for the middle household in a selected region.

Toronto Median Market Income

$71,631
2019[12]

$65,829
2016[13]

$58,381
2011

Who are Key Workers?

Places with dedicated housing for workers have defined eligibility in different ways, often determined by local needs and whether institutions are providing their own capital. Institution-led projects often restrict eligibility to their own workers, such as faculty and staff from a school board or community college. The University of British Columbia prioritizes tenure-track faculty in its worker housing, but also accommodates a broader range of staff and others who work at non-university facilities on campus (including a hospital and public school).

Other definitions are more inclusive. The U.K. Government specifically defines key workers as those who work in the broader public sector, such as clinical healthcare staff, teachers, police officers, community support officers, prison service staff, social workers, firefighters or local government employees.[14] The Whistler Housing Authority operates with a very broad mandate, serving all full-time workers based in the municipality regardless of wage or occupation.

This series takes a community building approach to defining workforce housing, referring to people who serve the city and yet can't afford to live in it – including nurses, custodians, health care workers, shelter staff, hotel workers, teachers, artists, cultural workers and restaurant workers.

This work will also focus on institutions that employ key workers and have significant real estate holdings to examine their opportunities to contribute to the solution. This could include school boards, hospitals, post-secondary institutions and municipalities.

Why Toronto Needs Workforce Housing

Toronto's economic growth is being harmed by an insufficient supply of new homes at all income levels, driven by accelerated population and economic growth. Toronto is expected to add up to one million new residents by 2030.[15] As a global magnet for the tech and innovation sector, Toronto has to supply a full continuum of housing options to meet the needs of both the new high-tech workers and workers for the five-fold spin-off jobs expected to be created.[16]

On the supply side, while the number of high-end condos and houses continues to grow, Toronto is investing billions simply to maintain its existing social housing units for an ever-growing waitlist. Programs to encourage private and not-for-profit developers to build affordable units for middle-income households have had some success, but progress has been slow compared to the level of need.

A lack of housing options creates a cascading effect. Historically, people would move into higher-priced rental or buy a home as their income increased, allowing others to move into their more-affordable units. But as rents and housing prices continue to increase, tenants have fewer options for moving and are therefore choosing to stay put. The private apartment turnover rate in Toronto fell from 14.5% in 2017 to 11% in 2018, leaving fewer units on the market at increasingly higher prices.[17] In the absence of new purpose-built rental housing, condos have filled the gap but often at higher prices and with no long-term tenancy guarantees.

High rents and house prices lead to unrealized spending, when money that could have been spent on economic activities is instead covering housing costs. A 2016 report estimated that if New York City rents had increased at inflation since 2010, $7 billion more could have been spent in the broader economy.[18]

Addressing the challenge of workforce housing will not solve the problems faced by people experiencing homelessness or in need of subsidized units. Even within the incomes served by workforce housing, the challenges and solutions will look different for households with a $35,000 annual salary compared to $70,000. However, given the interconnected nature of the housing market, adding new supply for one group of people will help relieve the pressure across the entire spectrum.

The experience in other cities illustrates the urgency of this challenge. Metro areas like San Francisco, New York and Vancouver are dealing with neighbourhoods losing their distinctive shops, services and character as long-time residents and key workers are forced out by rising prices.

For this report, we interviewed 22 experts from British Columbia, California, New York, Ontario and the U.K. Several key themes emerged in these discussions about why ensuring an affordable supply of housing for workers is essential:

Corporate Retention and Expansion

Companies need an adequate talent pool to draw from. If their workers cannot afford to live in a city, companies will relocate to other parts of the metro region, or another jurisdiction entirely.

Access to Talent

A shortage of affordable housing may lead key workers to relocate to more affordable jurisdictions, depriving the city of skilled workers that contribute to economic growth.

Education and Child Development

Without affordable housing, teachers may be more likely to leave the profession or spend time commuting rather than leading extracurricular activities. Impacts on the learning environment may have serious repercussions for the child's development and future economic productivity.

Access to Opportunity

From the worker's perspective, affordability challenges may force them to choose between a career they are passionate about and where they want to live.

Community Development

Mixed-income communities where all people can afford to live allows for more sustainable economic growth, better health outcomes and stronger social cohesion.

Toronto Factbox

- The **population** of Toronto grew 10.6 times faster than the number of rental units being built in 2018.[19]
- **Housing prices** have grown 4 times faster than income, while rents of unoccupied units have grown more than 2 times faster than income.[20]
- Almost 21% of households are in **core housing need.**[21]
- **Vacancy rates** are critically low at 1.1% and 0.7% in the purpose-built and condominium rental markets, respectively.[22]

Ethical Considerations

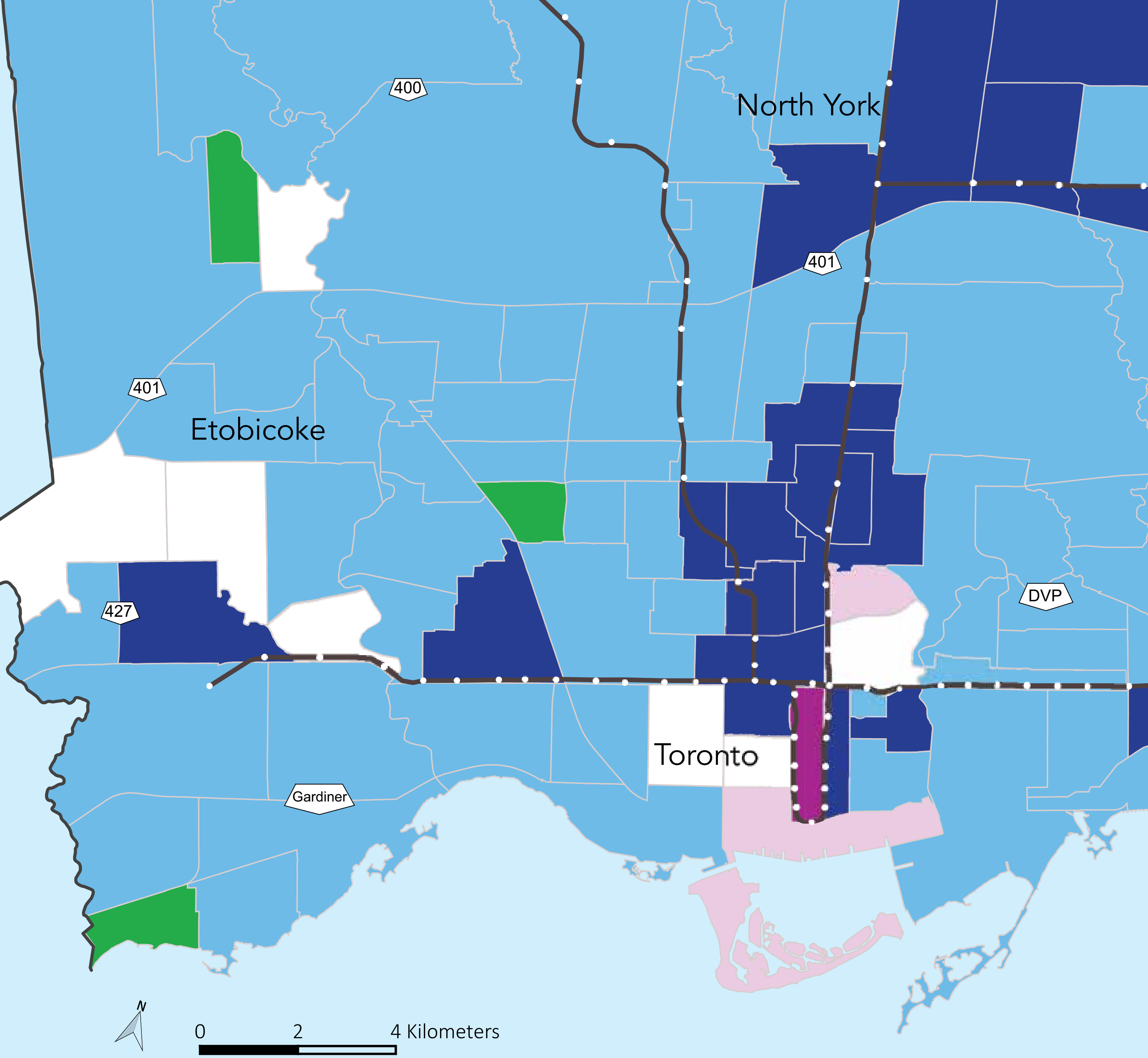
Workforce housing is not an unconditional good and it does not exist in a vacuum; neither do workers and people facing challenges with housing unaffordability. The following concerns must be considered when exploring whether or how to replicate different models.

First, workers with the strongest housing needs are often low-income; wage increases are one tool that can help improve affordability. Workers may also face other barriers including precarity of work or housing, racism, credentialism, classism, sexism, ageism, ableism and other forms of discrimination. Efforts to build housing for workers should consider the range and intersection of these issues and consider how to address them, or at the least avoid exacerbating and further marginalizing them.

There are also ethical implications of designing housing tied to employment. Having employers become landlords for workers and their families could increase the workers' vulnerability. It could have a limiting influence on workers' abilities to accept a better job if their housing would also be at risk, particularly if they are already marginalized. Some types of employers, such as the broader public sector, may be better-positioned to partner on workforce housing. Specific policies or guidelines might be required to avoid making workers more vulnerable to their employers.

Finally, workforce housing has the potential to be either a band-aid on a problem or part of a transformational solution. Workforce housing could perpetuate income inequality and prevent workers from building assets, harming their ability to access other options in the housing market. However, it could also add to their knowledge and financial capacity, support them in building equity and help them consider ownership, shared ownership or co-op models.

While these considerations are essential to address, they should inform but not prevent discussions on scaling and building much-needed housing that workers can afford.

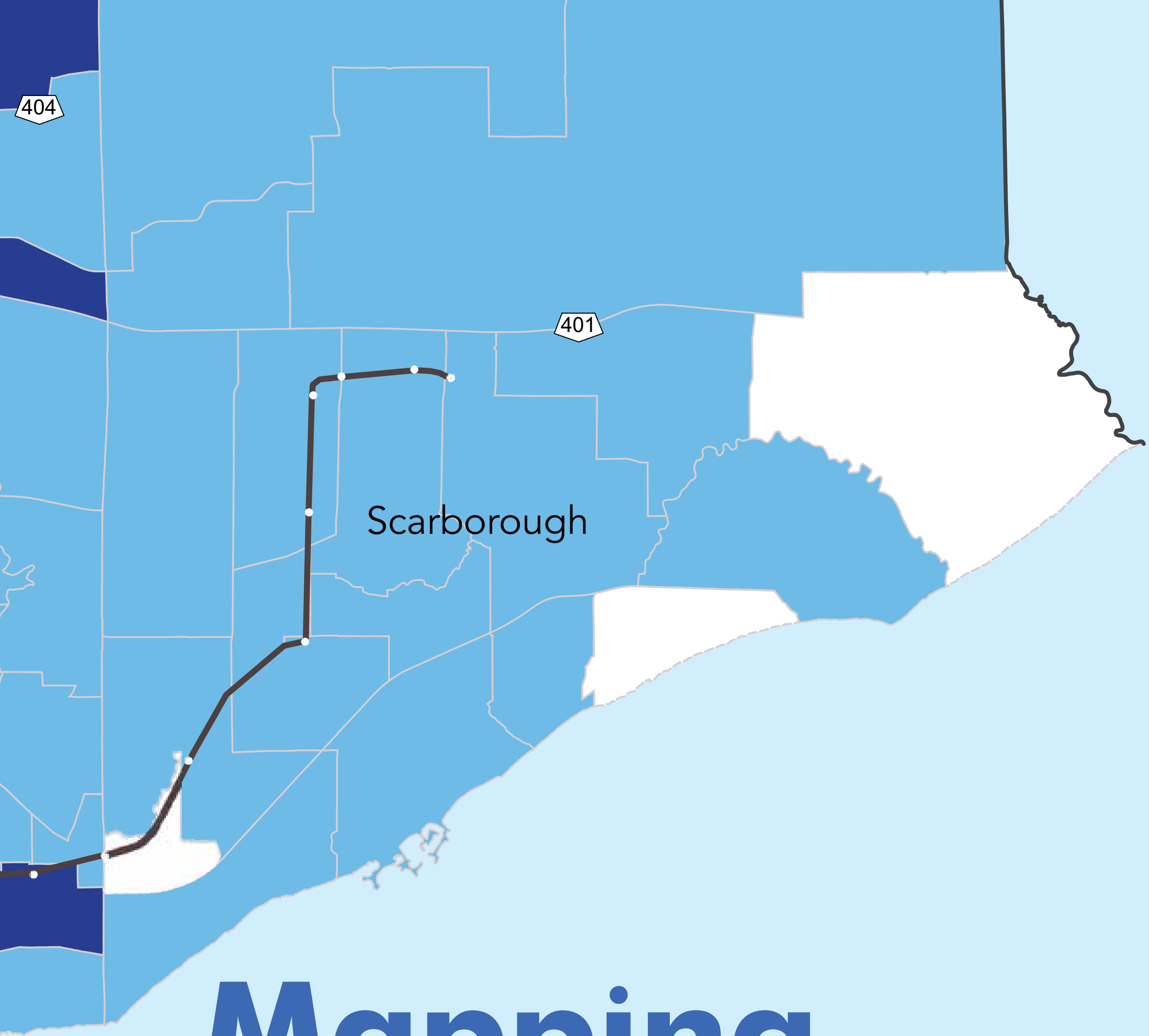


$50,000

Community service worker salary could only afford to rent a 1–bedroom unit in 3 Toronto neighbourhoods

Percent of Income Required for a Social & Community Service Worker to Rent a 1-Bedroom Unit

- No data
- Less than 20%
- 20% - 30%
- 30% - 40%
- 40% - 50%
- 50% - 60%
- 60% and over

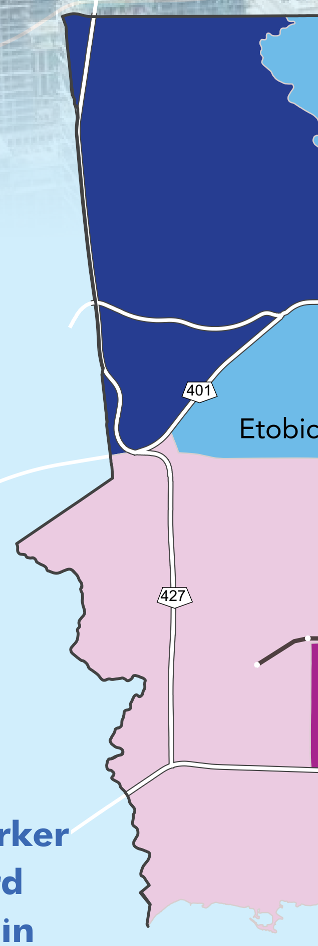


Mapping Toronto's Challenge

Toronto's housing affordability challenges extend far beyond the downtown core. Over the last decade, housing prices have increased dramatically in neighbourhoods across the city, and people at a range of income levels are finding it harder to find an affordable place to live.

In summer 2019, the Board examined how a range of workers are affected by the expensive housing market in Toronto. Based on data from CMHC, the Toronto Real Estate Board and Statistics Canada, the Board's Economic Blueprint team calculated what percentage of a single earner's after-tax income would be spent on purchasing or renting various types of homes in the City of Toronto. These maps illustrate the scale of the affordability challenge for key workers in Toronto.

For example, a community service worker earning a salary of $50,000 could only afford to rent a 1-bedroom unit in Long Branch, Keelesdale-Eglinton West or Rexdale-Kipling.



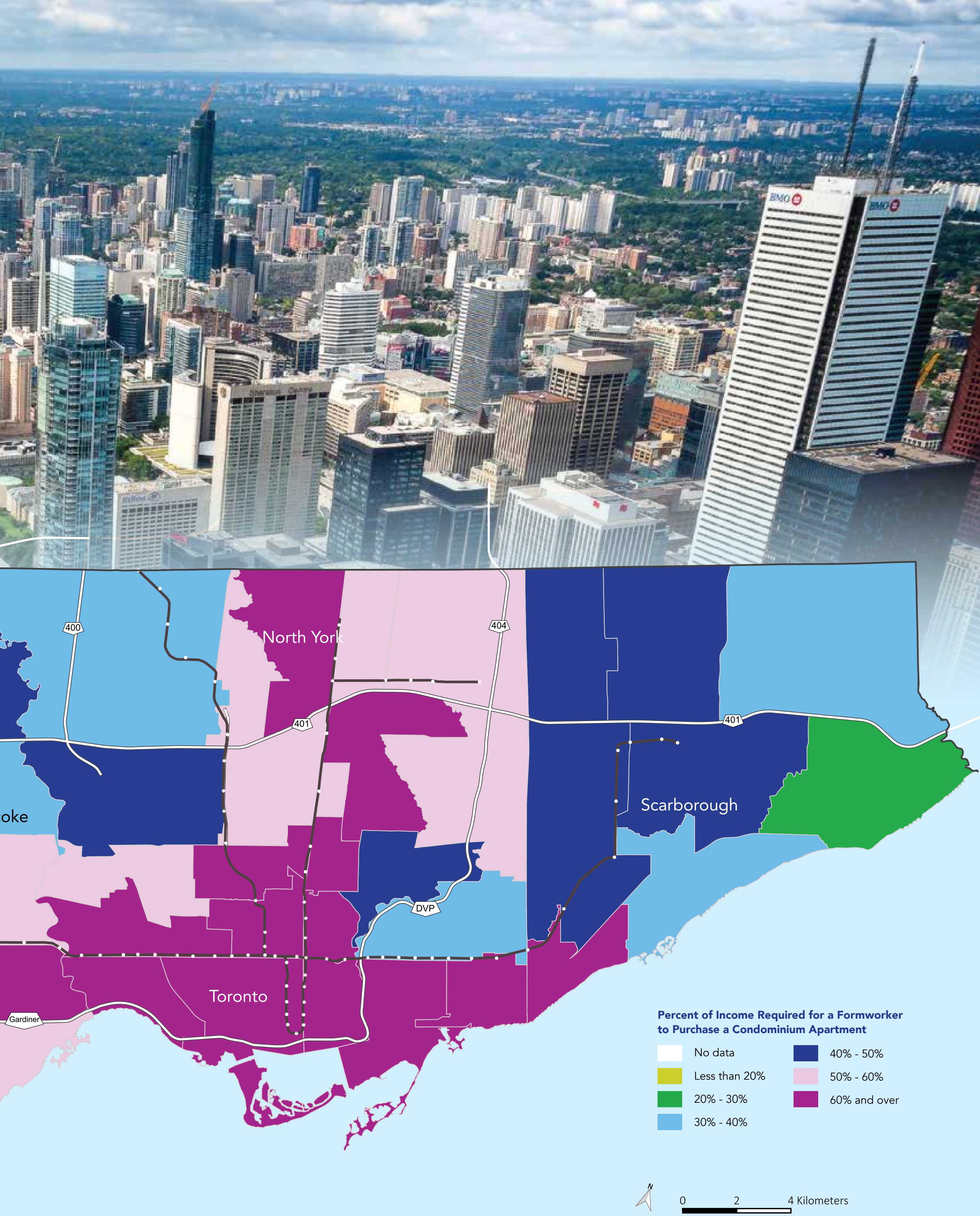
The challenges extend to those at higher income levels as well. For a construction formworker earning a salary of $80,000 and looking to purchase a condo, east Scarborough provides the only affordable option.

This data highlights that affordability is a concern in nearly every neighbourhood of Toronto, particularly for those with modest incomes.

Some workers try to address this problem by moving outside Toronto and commuting to the city for work. However, this is unlikely to reduce their overall costs. A 2018 CMHC study examined the combined housing and commuting costs for a range of GTA municipalities and found that “the costs of longer commutes can completely offset the savings from moving to more affordable municipalities.”[23] These findings suggest that, in order to increase affordability for workers, more housing must be built close to employment centres.

$80,000

Construction formworker salary can only afford to purchase a condo in east Scarborough


BMO
North York
Scarborough
Toronto
oke
400
404
401
DVP
Gardiner
Percent of Income Required for a Formworker to Purchase a Condominium Apartment
No data
Less than 20%
20% - 30%
30% - 40%
40% - 50%
50% - 60%
60% and over
N
0
2
4 Kilometers

Leaders in Workforce Housing

Toronto is not alone in facing a shortage of affordable housing for key workers. Other cities have experienced these challenges and are on the leading edge of finding solutions for specific groups of workers. While these solutions are specific to their contexts, they provide insights into the circumstances that have prompted action to build badly needed housing units and can serve as inspiration for how to serve these residents. These case studies were informed by interviews with professionals directly involved in each project and supported by secondary research.

Whistler Housing Authority | Whistler, British Columbia

The problem: As a resort community, Whistler's growth in the 1970s and 1980s came with significant demand for tourist accommodation and second homes for vacationers. This put upward pressure on real estate prices, making it increasingly difficult for local workers to find affordable places to live. In 1983, employers came together to form the non-profit Whistler Valley Housing Society to address this growing challenge. With the need for affordable housing growing beyond the capacity of the volunteer Whistler Valley Housing Society, in 1997 the Whistler Housing Authority (WHA) was created as a subsidiary corporation of the Resort Municipality of Whistler (RMOW).

The solution: Developers of new commercial, tourist or industrial properties are required to either build accommodation for their future workers or provide cash-in-lieu for the WHA to build workforce housing. The WHA can also negotiate with private residential developers to grant higher density rights if that increase is used for affordable housing for the workforce. As of 2018, the WHA oversees a housing inventory of 6,500 beds in 2,033 rental and ownership units for local workers. The RMOW has a community goal of housing a minimum of 75% of the workforce within the municipality's boundaries, a goal which has been exceeded for the last decade.

Affordable home ownership units are bound by a covenant registered on title restricting the ownership and occupancy to a resident employee of Whistler. Qualified occupants must work a minimum 30 hours per week at a local business and must occupy their unit full-time as their primary residence. WHA enforces these rules by an annual attestation and a complaints-based investigation and enforcement process.

In order to maintain the units as affordable for local workers when they are resold, the WHA maintains a waitlist of qualified purchasers and sets maximum resale prices tied to the core consumer price index. This price restricted approach removes the speculation from the housing market and keeps the unit affordable for the local workforce in perpetuity. In addition, the WHA also holds a right of first refusal/option to purchase, in order to block a sale should a buyer attempt to sell to a non-qualified purchaser.

The WHA also owns a portfolio of 800 affordable rental beds with occupancy restricted to local employees. Rates are significantly below Whistler's market rental rates and are restricted to increase at inflation.

Unit Type	Median WHA Rental Rate	Median Market Rent
1-bedroom	$1,050	$2,000
2-bedroom	$1,480	$3,000

Source: WHA 2019 Business and Financial Plan

Partners/Financing Model: Whistler's approach for affordable workforce housing places requirements on new developers to partner with the municipality to ensure housing units are built for local workers. The WHA now has significant equity to invest in new developments, and grants and loans from CMHC and BC Housing assist in keeping housing costs affordable. Conventional financers also assist with longer-term loans. The WHA works closely with municipal departments and can move quickly through the development process because of their experience, but receive no special treatment on development charges, building permit fees or property taxes.

Innovation: WHA continues to push the boundaries on housing innovation and higher density projects. Recent projects have prioritized environmental sustainability, including a Passive House Certified Apartment Building that opened in Fall 2019, with an expected 50% energy efficiency improvement over a new building at BC Building Code standards.

Challenges: With the growth of remote workers and the desirability of Whistler as a place to live, the municipality is facing challenges with a rise in full-time workers who live in Whistler but are employed by companies outside of the municipality's boundaries. Given the limited number of employee-restricted units available, the WHA is continually monitoring and analysing the changing demographics of the workforce and evolving Whistler's affordable housing program as necessary to ensure the program is continuing to address the needs of the community.

Lessons for Toronto

- Employers are necessary partners in building workforce housing.
- Having substantial real estate equity enables the developer to fund new builds more easily and quickly.
- Stringent regulations and requirements can enable workforce housing to be built and preserved in perpetuity.

"Each new commercial development creates a strain on Whistler's housing supply by creating the need for more employees to service the business, so while they contribute to Whistler's affordable housing challenges they also become part of the solution to provide staff housing relative to the staffing needs of the business.

It's a symbiotic relationship – if we're not collaborating and providing housing for the workers, then no one will be available to run these local businesses."

- Marla Zucht, General Manager, Whistler Housing Authority

University of British Columbia
Vancouver, British Columbia

The Problem: When the University of British Columbia (UBC) was founded in 1908, the Province gave an endowment in land. This has proven invaluable to the university to fund its growth and academic mission. Starting in the 1980s, UBC developed and sold market-priced housing to fund its ongoing activities (the homes are lease-hold – the university maintains ownership of the land). But as housing prices in Vancouver began to skyrocket, UBC faced trouble recruiting and retaining faculty – highly-mobile leaders in their field who could choose from prestigious institutions in both large cities and small towns.

The Solution: Using its in-house development expertise, UBC started constructing rental units set aside for faculty and staff. Currently UBC has 685 units, more than 10% of its campus housing portfolio, offered to full-time faculty and staff for 25% below market rates, with a waitlist of over 2,000 people. They also offer units at market rental rate, restricted to anyone who studies or works on the campus (which could be for the university or for the hospital, high school or other organizations).

UBC is piloting a rent geared to income (RGI) program for lower-income staff with 100 of its existing 685 units. The rent subsidy is fully offset by the university. UBC also supports home ownership programs for faculty, offering low interest rate loans and down payment assistance in the form of grants.

"Knowledge sharing is critical. Public sector organizations that don't have the expertise should draw on the experience of others that have successfully built affordable housing."

- Chris Fay, Senior Manager, Strategic Policy, Campus + Community Planning, UBC

Partners/Financing Models: The university itself is not allowed to borrow money or carry debt, so all development activities happen through the UBC Properties Trust. The Trust uses its revenue from market housing to self-finance its equity contribution, borrowing from a major bank to fund the rest of the project. The Trust has its own development managers and property managers to oversee operations, leading to lower costs than if those services were provided by third parties.

Challenges: The ability to scale up construction of affordable housing for employees is constrained by the need for the project to be financially sound, including how much equity is available to invest in the project and accounting for rising construction costs. UBC must also consider opportunity costs, as market-rate units generate revenue for academic priorities. New projects also face growing complexity as the campus grows to more than 12,000 people living at UBC.

Lessons for Toronto

- Having available land, development expertise and urgent business needs create a powerful impetus for workforce housing.
- Using in-house development expertise can assist with lowering project costs.
- Institutions can build workforce housing without subsidies, but must be able to cross-subsidize with market-price units.

"There was initial resistance, but now the conversation is: why aren't we building more? Our struggle now is that we will never be able to meet the demand for affordable housing."

- Mitchell Bailey, Vice-Chancellor and Chief of Staff, SMCCCD

San Mateo Community College District

San Mateo County, California

The Problem: Located in Silicon Valley between San Jose and San Francisco, San Mateo County has experienced a high-tech job boom and related housing affordability challenges. When the San Mateo County Community College District faced challenges in recruiting and retaining staff, it decided to build units where staff could live.

The Solution: In 2005, the District developed its first complex of 44 rental units. Due to overwhelming demand for the units, it has since built a second complex with 104 units and is currently developing its third project. The units range from one- to three-bedrooms, and staff are eligible to live there for up to seven years.

The District offers programs to help employees purchase homes, including a second loan program at 67% below market rates, and a matching loan program to assist with down payments. The District also offers shared-equity mortgage support, in which they share ownership of a property with an employee to lower initial costs, both benefiting from increases in property value.

Partners/Financing Models: Gaining municipal support and partnering with a developer and credit union has enabled the college to continue building units. The projects are self-financed through issuing Certificates of Participation, a lease-financing agreement that is tax-exempt, does not count against a municipality or entity's debt levels and – importantly for California – does not require voter approval.[24]

Challenges: The project was a first of its kind 15 years ago, and this unfamiliarity initially caused resistance from faculty and staff. One concern was that the employer was also becoming a landlord, creating potentially problematic power dynamics. To address this, the District created an arms-length non-profit to manage the housing operations and policy. While there was also strong initial resistance from neighbours, dedicated community engagement and increased familiarity with the project has turned these neighbours into advocates for both the second and third projects.

Lessons for Toronto

- Rental and ownership-support programs can work together to create a continuum of support, giving employees time to build the equity required to purchase a home.
- Establishing a clear separate corporation for the property operator can help alleviate concerns about power dynamics between the employer and employee.
- Institutions should anticipate concerns from workers and neighbours, and work with them to find solutions and build trust.

Jefferson Union High School District

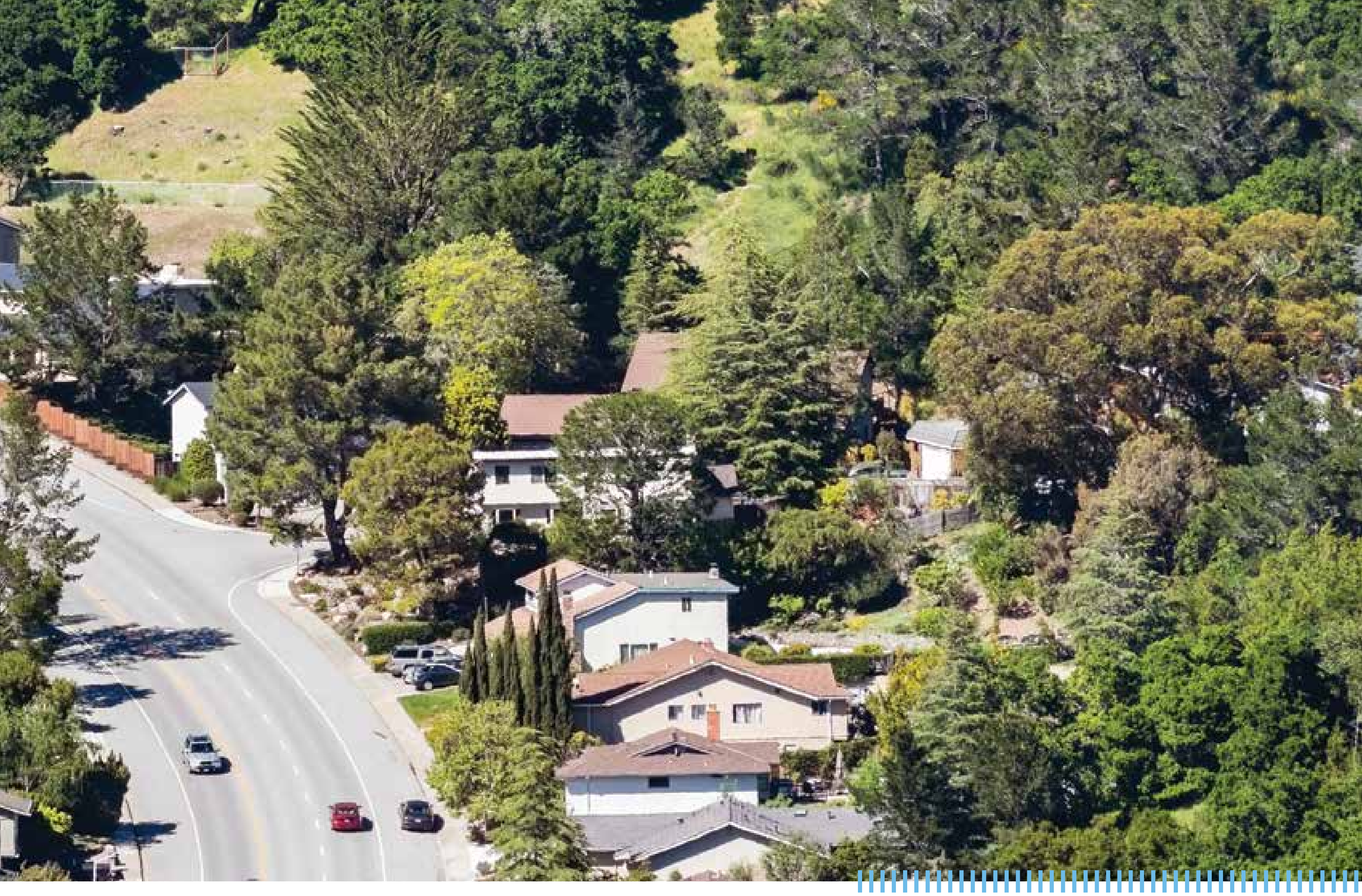
San Mateo County, California

The Problem: The growth of the tech industry in Silicon Valley created new high-paid employment opportunities and strong upward pressure on housing costs. For example, the average market-rate apartment rent rose from $1,700 in 2010 to $3,200 in 2018.[25] For teachers in the local Jefferson Union High School District, their starting salary of $55,000 made it very difficult to afford to live in the area – particularly when they could get hired at a tech company for double the salary. The situation came to a head when the district lost 20% of its teachers in one year.

The Solution: The District's Board of Trustees started with a needs assessment of the teaching workforce, which found that nearly a third of their teachers were considering leaving the district. Based on that worrying statistic, the Trustees decided to build a 120-unit project. The project will include a mix of units from junior 1-bedroom to 3-bedroom apartments, with construction slated to begin in February 2020.

"None of the people who ran for school boards did it to become developers – but we had a problem we had to solve."

- Kalimah Salahuddin, Trustee, Jefferson Union High School District Board of Trustees



Partners/Financing Models: The Trustees proposed a $33 million bond to help build the project, which was approved by local voters – a first for a school district in the U.S. The remainder of the funding came from a Certificate of Participation loan. This funding model meant they could offer rent at 50% below market value, in a range of rents that teachers and staff could afford. The Trustees partnered with Brookwood Group, a local company, to help understand, design and structure the project.

Challenges: The biggest challenge was resistance from the local education community and the teachers' union, who felt the project would use money that should be directed to salary increases. The Trustees worked with the community, parents and teachers to convince them of the need for the project to retain teachers for the long term as rising costs for housing would negate any salary increase within a few years.

Lessons for Toronto

- From crisis comes opportunity – significant staff turnover can create the conditions for innovative housing projects.
- Voters may be willing to back creative financing solutions, even if it leads to higher taxes.
- Interest in units is likely to grow over time, surpassing initial expressions of interest.

Elderberry Walk

Bristol, United Kingdom

The Problem: Bristol, a city west of London in the United Kingdom, has seen housing prices continue to move beyond what average families could afford. While a mortgage was once three times the average salary, it has now risen to eight times higher. Workers were, and are, finding it increasingly difficult to stay in the city.

The Solution: The Mayor and local council prioritized addressing the housing crisis through offering public land for an affordable housing scheme with a variety of tenures. United Communities, a registered provider of affordable housing, won a bid to develop the site of a former school. The **Elderberry Walk** project features 161 homes with a mixture of social housing, affordable rental, key worker rental, shared ownership, rent-to-buy houses and market sales. Key workers are eligible to rent at 90% of market rent (compared with 40% for social rental and 80% for affordable rental). The first tenants are set to move in February 2020.

Partners/Financing Models: United Communities partnered with Cheyne Social Property Impact Fund and Bristol & Bath Regional Capital to deliver the project, in addition to funding provided by the local council and Homes England. Several national programs will make more of the units affordable for new buyers, including the Help to Buy program and the shared ownership structure.

Challenges: Given the innovative mixture of tenures on the site, it added complexity when seeking grants from the local council and national government to enable the project. The site also had an unexpected level of asbestos contamination, slowing construction and adding pressure on the financing during construction.

Lessons for Toronto

- Although more difficult to arrange, mixed-tenure projects have the potential to meet a wider range of housing needs.
- There is demand for affordable ownership tools to give workers more housing security and preserve affordability in perpetuity.
- Venture capital can be unlocked for affordable housing projects, not just luxury units.

"It's incredibly difficult for people who want to do key worker jobs. They depend on their partners for financial support, or have to live in shared accommodation even when they're in their 30s and 40s. It's shameful, really."

- Sally Gilbert, Development Director, United Communities

Conclusion

The statistics, trends and residents all tell the same story: housing in Toronto is increasingly unaffordable, unsuitable and unavailable. Not enough homes are being built, and the ones that are often do not meet the needs of lower- and moderate-income people. Employers are finding it harder to recruit and retain employees, and workers are facing tough choices between more expensive housing and longer commutes. Left unchecked, these forces will drive Toronto in the same direction as San Francisco, New York and other global cities where only a select class of professionals can afford to live.

The good news is there is still time to act, and Toronto can benefit from the experience and successes of alternative approaches. Building dedicated housing for workers is one approach that broadens the pool of organizations taking responsibility for ensuring employees have a place to live.

The case studies in this report highlight valuable lessons on what makes for a successful approach, including:

- **Political will:** Visionary and brave leaders at all levels of government must support the many projects, partnerships and developments required to deliver the housing Toronto needs.
- **Non-traditional partners:** Governments cannot solve this challenge on their own. Organizations with real estate holdings, including school boards, universities and hospitals, have an asset that can be used to build much-needed housing. These initiatives are costly and will require all available resources and strong partnerships with experienced developers and innovative financers.
- **Community engagement:** Neighbours and stakeholders are likely to be concerned about new models and approaches. Strong engagement can help answer questions and address community needs, but these projects are too important to allow a not-in-my-backyard (NIMBY) fear of change to prevent these essential projects from getting started.
- **Prioritizing the end user:** Beginning with a needs assessment of the intended beneficiaries of a project will help to optimize its design, including the number of units and mix of unit sizes. Each scenario will inform whether time-constrained rental, long-term rental or affordable ownership options best meet their needs. Prioritizing workers' voices will help produce better housing options for the community.

The next report in this series will explore Toronto's challenges and opportunities in greater detail and will profile the organizations who are already tackling this issue. These include Artscape, which builds both live-work studios and condos for artists, and the Local 75 (Hospitality Workers) Co-op, which brought together Toronto Community Housing and the Local 75 union to build Toronto's first co-op in 15 years.

Toronto's motto is "diversity our strength." Working together, we can ensure our city lives up to its words through ensuring that the diverse range of workers who make our city thrive can continue to call Toronto home.

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Interview Participants

Ana Bailão, Deputy Mayor of Toronto and City Councillor, Ward 9

Mitchell Bailey, Vice Chancellor and Chief of Staff, San Mateo County Community College District

Andy Broderick, Managing Director, New Market Funds

Paul Clifford, Past President, UNITE HERE Local 75

Mark Conway, President & Senior Partner, NBLC

David Crenna, Director, Crenna Consulting Inc.

Paola Durán, Director of Housing and Community Development, HANAC

Frank Dubinsky, Vice President, Monadnock Development

Chris Fay, Senior Manager, Strategic Policy, Campus + Community Planning, University of British Columbia

Sean Gadon, Director, Housing Secretariat, City of Toronto

Sally Gilbert, Development Director, United Communities

LoriAnn Girvan, Senior Advisor, Social Purpose Real Estate, Artscape

Mark Guslits, Principal, Mark Guslits & Associates Inc.

Jonah Letovsky, Development Manager, Westbank Corp

Jan Lindenthal, Chief Real Estate Development Officer, Midpen Housing

Michele McMaster, Multi-Unit Client Solutions Specialist, Canada Mortgage and Housing Corporation (CMHC)

Lisbeth Pimentel, National Representative, Organizing Department, Unifor

Mark Richardson, Technical Lead, @HousingNowTO

Kalimah Salahuddin, Trustee, Jefferson Union High School District Board of Trustees

Graeme Stewart, Director, Centre for Urban Growth and Renewal

Adam Vaughan, MP, Spadina—Fort York

Marla Zucht, General Manager, Whistler Housing Authority

Future reports in this series will explore…

Toronto Challenges and Opportunities

- Examples of local leadership
- Regulatory and financing barriers
- Models of potential projects

The Cost of Inaction

- Calculating the economic and social cost
- Building successful coalitions
- Recommendations and call to action

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