



➤ Mobilizing Private Capital in an Era of Public Constraint

York Region Make Rental Happen Awards and Housing Symposium

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About the IMFG

The IMFG is a *non-partisan research hub* based in the Munk School of Global Affairs at the University of Toronto.



What types of work do we do?

- ❑ Research (e.g. academic & shorter papers)
- ❑ Events (e.g. conferences, speakers, etc)
- ❑ Presentations in Canada & abroad (Tokyo, Helsinki, ...)
- ❑ Roundtable convening & government advising

What issues do we focus on?

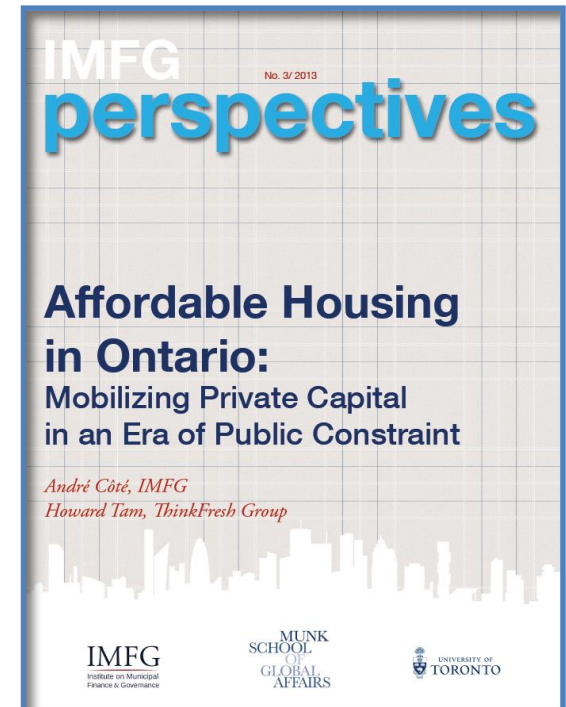
- ❑ City finance & governance issues in Canada and globally
- ❑ The fiscal health of big Canadian cities
- ❑ Recent work touched on provincial-municipal relations, housing and Section 37 agreements, transportation, etc.



IMFG's Affordable Housing Project

- ❑ IMFG's focus on broader fiscal challenge housing poses for cities
- ❑ Asked to convene public, private & non-profit sector representatives, in a neutral space
- ❑ The paper: a 'primer' to frame the discussion

How do you create the conditions for greater private participation in affordable housing?

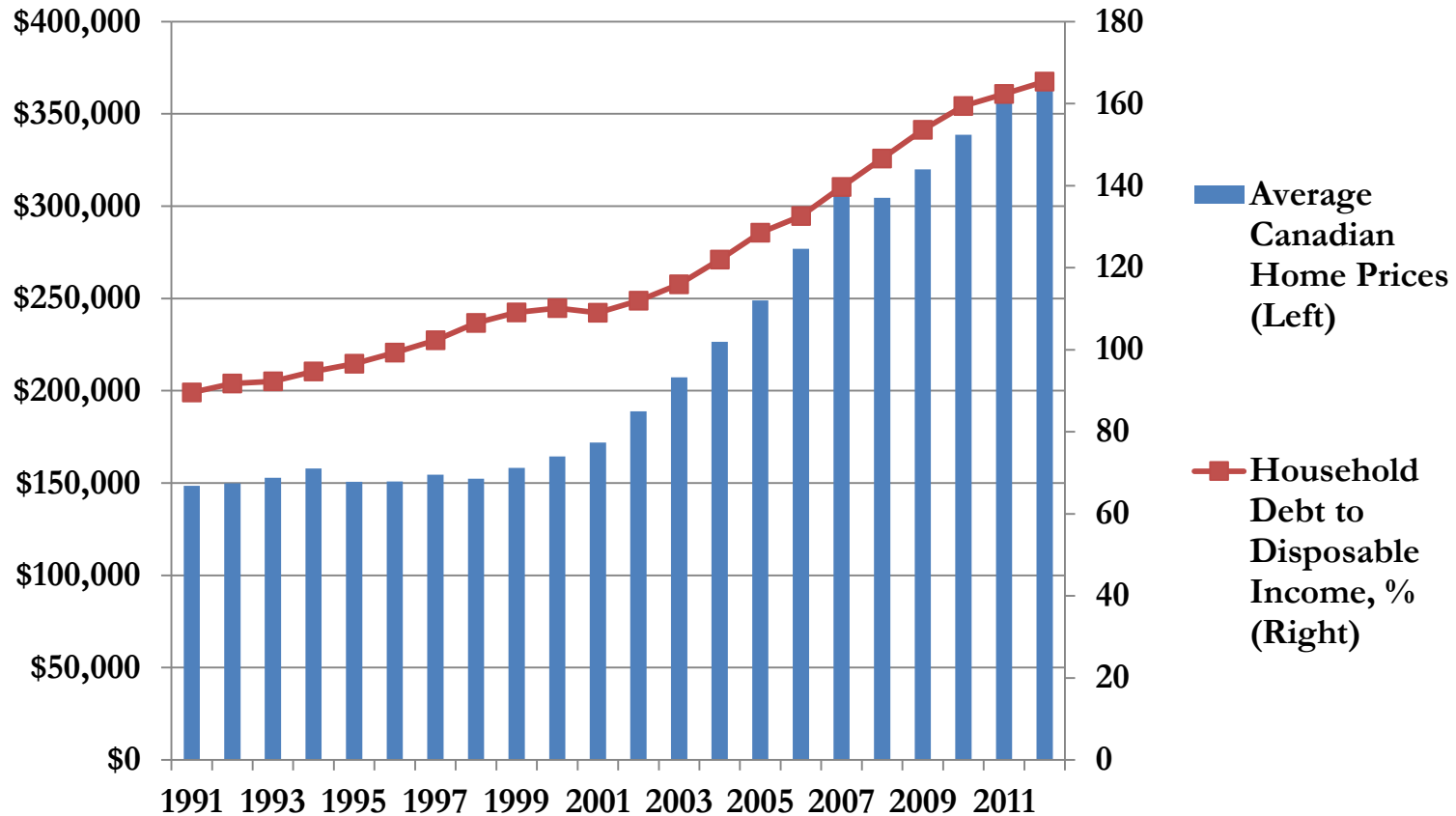


The Landscape

- ❑ House prices and rents have raced ahead of incomes for most
- ❑ Households have taken on debt to keep up
- ❑ Nearly 20% of Toronto CMA households in 'core housing need', higher than Ontario or Canada (CMHC)
- ❑ A housing boom but little new affordable housing or purpose-built rental development

Household debt levels have spiked...

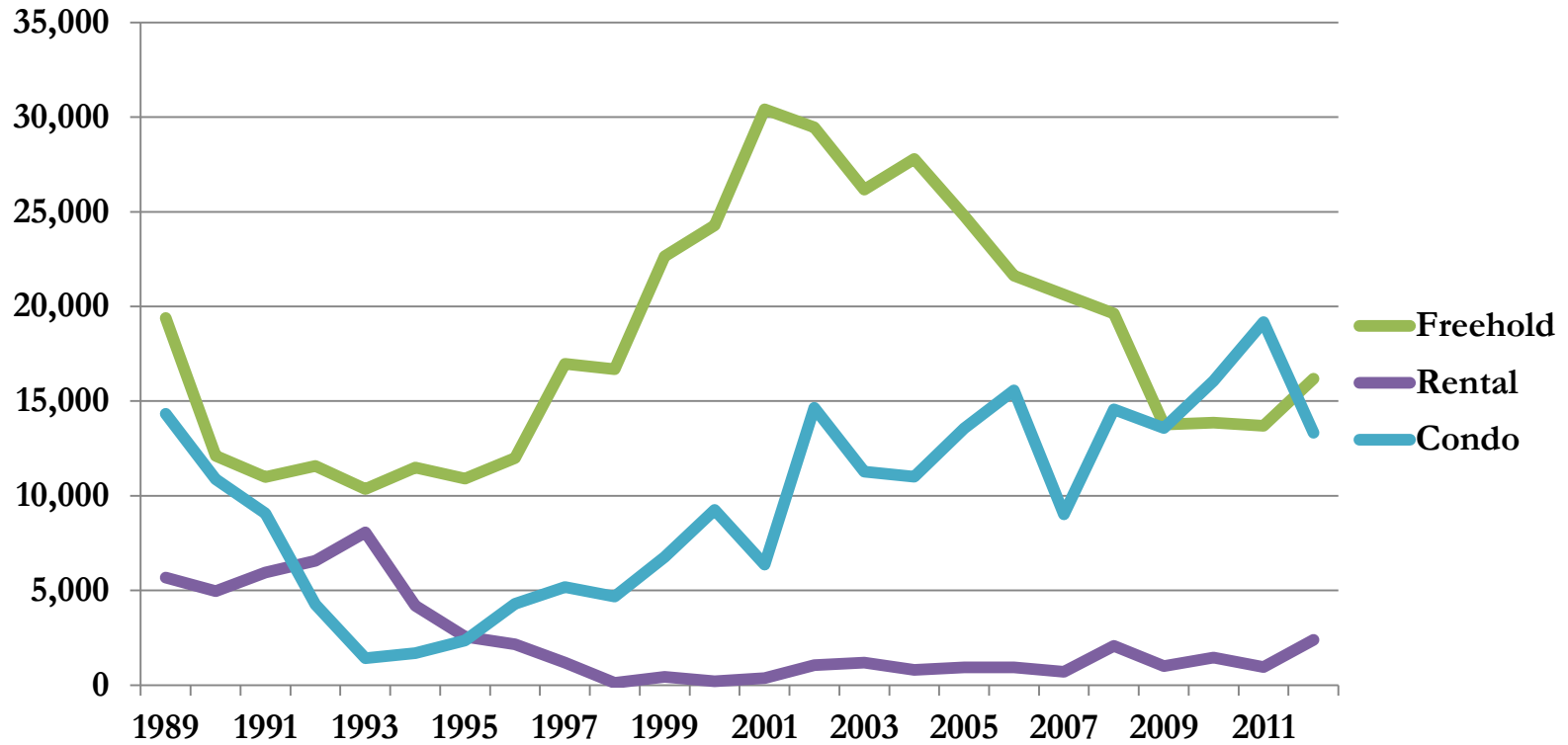
Canadian Home Prices and Household Debt



Source: Canadian Real Estate Association, Statistics Canada

A housing boom but little new rental

Toronto CMA* Housing Completions



Source: Canada Mortgage and Housing Corporation

*Roughly analogous to GTA, minus Burlington, Oshawa, Barrie and some smaller municipalities.

The Symptoms of an Affordability Crisis

1. Economic/labour market trends impacting demand

- ❑ “Demand side” pressures from stagnant incomes with rising housing costs
- ❑ 150,000 households on wait-lists across Ontario (~9,000 in York Region)

2. The economics of private rental development haven't worked

- ❑ Rental development is riskier and more costly than condos
- ❑ Result is tighter supply, low vacancy rates, and rising private rents

3. Gradual federal-provincial withdrawal from public housing field

- ❑ 1990s / 2000s downloads
- ❑ Relatively little public investment in recent decades

4. Social housing providers struggling just to maintain what they have

- ❑ Huge repair liabilities: 70% of units across Ontario, totaling \$1.2B
- ❑ Little capacity to invest in new social housing stock

York Region as a unique case

- Higher share of homeownership vs. renters
 - 88% in York Region vs. 78% in Peel, 54% in Toronto
- Fewer social housing units (and associated liabilities)
 - 20 units per 1,000 households vs. 30 in Durham, 60 in Ottawa & Hamilton, 80 in Toronto (OMBI)
- Big issues with affordability
 - 55% of home sales over \$500k in 2012, but 'affordable' price of \$410k
- Two-tier structure as a coordination challenge
- Fewer legacy issues, so more flexibility to innovate?

Where to from here?

1. Senior governments are not coming to the rescue
2. Local governments need to get on with it, using the tools at their disposal (or ask for new tools)
3. Need to create the conditions for private investment and collaboration

Shifting provincial-federal role

- “The days of writing big cheques are over”
 - The old model of large-scale investment or subsidies is likely a thing of the past (but what’s the new model?)
- Federal commitment to social housing withdrawal
 - \$1.7B in operating agreements wind down by 2030s
- Ontario entering an era of constraint
 - For Ontario to address budget crisis, a “sharp degree of fiscal restraint [is needed] over the next few years.” (Drummond)
- Investment in Affordable Housing (IAH) not to scale
 - York Region’s IAH 2 share: ~45M over 5 yrs (2014-19)

Part of a broader shift?



The onus is on local government

- Multiple avenues to support affordability
- A suite of tools
 - Policy, planning and regulation
 - Public land
 - Development cost waivers (e.g. DCs, S37, parkland)
 - Property tax exemptions or incentives
 - Own source revenues
 - Low cost financing
 - Leverage Prov-Fed support such as IAH funding
- Ask for new local taxes?

Creating conditions for private participation

- **Big ticket tax and policy reforms**
 - ❑ E.g. more favorable rental tax treatment, US Low Income Housing Tax Credit (LIHTC), Australia's National Affordable Rental Scheme
 - ❑ Not always transferable, and mostly out of municipal hands
- **Public-private investment models**
 - ❑ Use suite of tools to make the economics work
 - ❑ E.g. social housing P3s and revitalization projects, affordable ownership / rental in private developments, renovation or retrofit financing
- **New collaboration spaces**
 - ❑ 'Neutral-space' processes to bring the players together, build relationships, identify shared objectives, and experiment / pilot / scale new models
 - ❑ E.g. NYC or Evergreen CityWorks in the GTA

Thanks!