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**REPORT TITLE:**     **Broadening Advocacy Priorities to Improve Housing Affordability In Peel**

**FROM:**               Sean Baird, Commissioner of Human Services

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## **RECOMMENDATION**

- 1. That the priorities outlined in the report from the Commissioner of Human Services, listed on the May 26, 2022 Regional Council agenda titled “Broadening Advocacy Priorities to Improve Housing Affordability in Peel” be endorsed; and**
- 2. That the priorities outlined in the subject report be included in the Region of Peel’s ongoing housing and homelessness advocacy efforts with all levels of government.**

## **REPORT HIGHLIGHTS**

- Housing advocacy by the Region of Peel has traditionally prioritized its role as service manager, focusing on the funding and policy changes needed to improve the community housing system.
- Through this report, staff recommend that the Region of Peel’s advocacy for improved housing affordability be broadened to include positions that address the lack of affordable market housing, specifically:
  - Encouraging the use of housing for homes;
  - Increasing the supply of new affordable housing in complete communities and ensuring the longevity of existing affordable housing;
  - Expanding the scope of social programs to assist families in carrying high housing costs; and
  - Strengthening the capacity of the Service Manager and community housing sector to respond to rapidly growing need.
- With Council endorsement of the advocacy priorities outlined in this report, staff will immediately begin to work with the Government Relations Committee, the Regional Chair, Mayors, and other members of Council to advance these messages, beginning with the Association of Municipalities of Ontario (AMO) conference in August 2022.

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## **DISCUSSION**

### **1. Background**

The Region of Peel is the service manager for the affordable housing system. In 2020, this system provided emergency, transitional, supportive, subsidized, and affordable rental housing to over 20,000 households in Peel. The system also provided funding and supports

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to approximately 2,300 families to prevent eviction. Demand for these services grew during the pandemic and updated statistics for 2021 will be reported in June 2022.

Addressing the affordability housing crisis in Peel requires an all of government approach. Traditionally, the Region's advocacy to federal and provincial governments has focused on the funding and legislative changes needed to improve the affordable housing system. Advocacy to highlight the funding gap for the Region's Housing Master Plan, serves as a recent example. To date, Regional Council has not endorsed advocacy priorities that address broader market housing affordability and the failure of the market to provide suitable, affordable housing to a growing number of households in Peel.

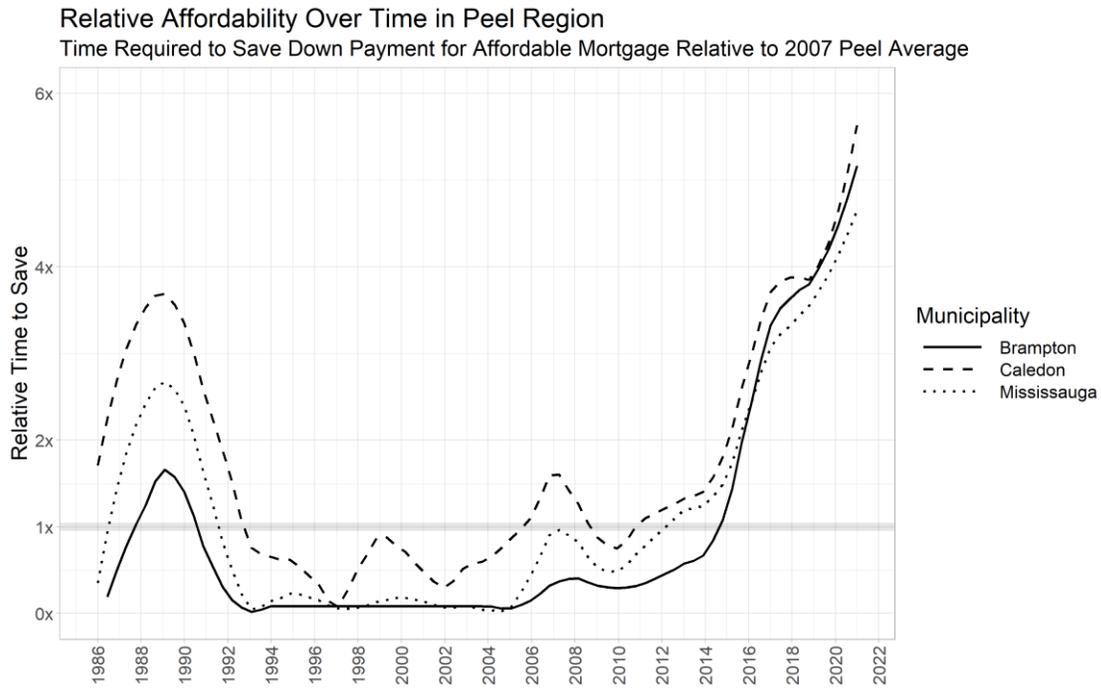
Recognizing the limits of the Region's influence over general market conditions for housing and given that an estimated 70,000 low- and moderate-income Peel households live in core housing need, this report sets out broadened direction for regional advocacy on the affordability of housing.

### **2. The unprecedented scale of the market housing affordability crisis**

In Canada, housing is not only home, but a store of wealth. This housing wealth is expected to supplement the social safety net, secure one's retirement, and leave a legacy. However, this cycle entrenches the problem of housing affordability for aspiring owners and tenants.

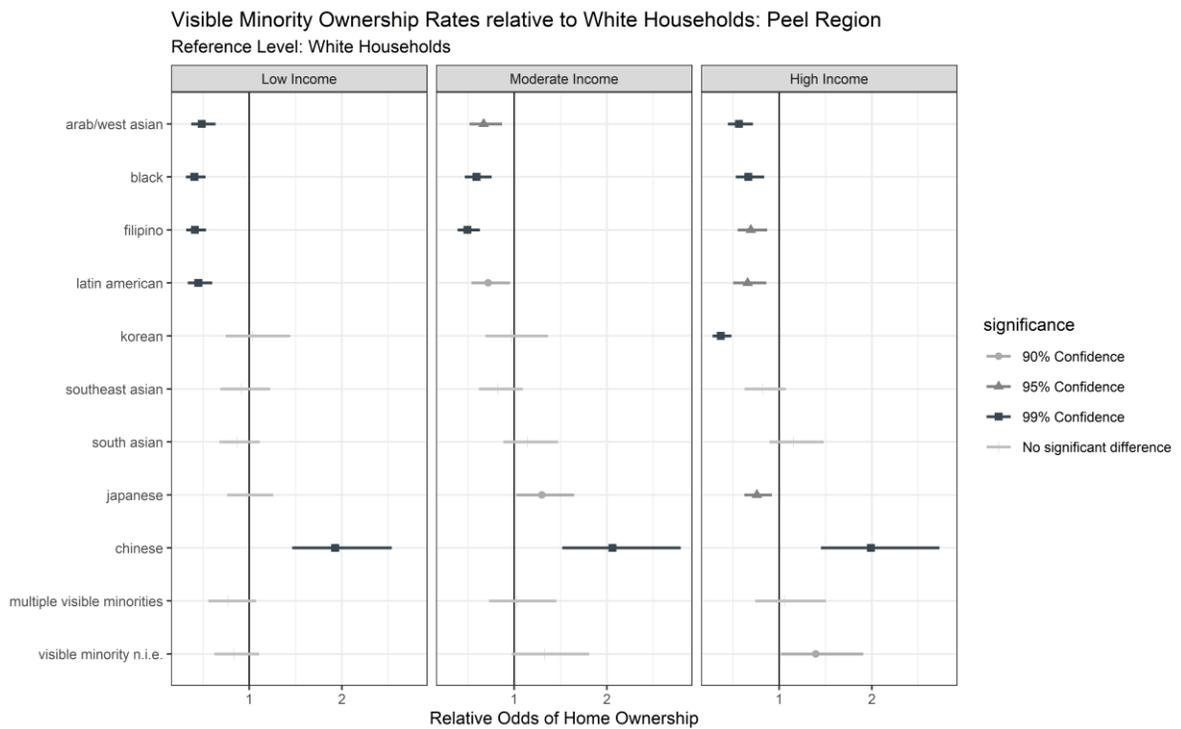
The Toronto Region Board of Trade, alongside many others, highlight that high housing costs have a negative impact on economic opportunity in addition to community health and well-being. By the end of 2021, average resale prices in Peel neared \$1.2M, while monthly rates for purpose built rental units reached \$1,835. Condominium rental rates exceeded \$2,390. Staff estimates that, at these prices, it would take the average household in Peel up to 30 years to save for a down payment and closing costs to ensure affordable monthly mortgage costs on a 25-year mortgage. A dual minimum wage income household would need 53 years of saving while spending half (purpose-built) to two-thirds (secondary market) of their income on rental housing. As such, in Peel, there is no longer a viable pathway to traditional home ownership for both moderate- and low-income households. In fact, staff calculate that current ownership affordability is nearly twice as poor as the peak of the 1989 market, illustrated in the figure below.

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Sources: TRREB; Bank of Canada; Statistics Canada

Moreover, staff has also determined that households identifying as Black, Filipino, Arab/West Asian, or Latin American, are approximately 1.5 to 2.5 times more unlikely to own as compared to non-visible minority households in Peel, even after accounting for income and relative share of the population. This is illustrated in the figure below.



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### **3. Priorities for resolving the affordability crisis**

Drawing upon the work of advocates and experts, staff concur that there are no ‘silver bullets’ to quickly resolve the unprecedented affordability crisis. While *ad hoc* responses and pilot programs continue to be important, they are insufficient to resolving a systemic crisis in which many policy levers and enabling resources are outside regional jurisdiction. It is important to recognize that property taxes are not a sustainable nor efficient way to fund redistributive programs like affordable housing.

As such, immediate, coordinated action by all levels of government is necessary to improve the lives of Peel residents and to reduce pressures on the Region in its role as service manager. Staff recommend that advocacy encompass the need for all of government action for:

- Encouraging the use of housing for homes;
- Increasing the supply of new affordable housing in complete communities and ensuring the longevity of existing affordable housing;
- Expanding the scope of social programs to assist families in carrying high housing costs; and,
- Strengthening the capacity of the Service Manager and community housing sector to respond to rapidly growing need.

#### **a) Encouraging the use of housing for homes**

There is a need for more housing supply that is affordable. However, simply building more homes is insufficient to quickly resolve the affordability crisis by itself. New housing supply requires many factors to come together – over time – to improve affordability. As such, while new housing supply is built, it is important to put in place a framework to ensure that new and existing housing supply is used for homes – especially at affordable rates.

While investors are important in providing rental supply and getting homes built, some can outbid those who simply want a place to live, while other investors are content with using the homes they buy for short-term residential uses or simply keeping them vacant. Consider that by 2019, about 1 in 10 homes in Peel were owned by investors, and by 2021, about 1 in 4 homes sold in Ontario were purchased by investors. Moreover, in Peel, about 17,000 homes, or about 4 per cent of housing supply, were unoccupied during the 2021 census – up from 1.5 per cent of homes in 2001. Ernst and Young has also estimated more than 3,000 vacant homes in their analyses informing the Region’s examination of the Vacant Home Tax. Finally, there were also about 1,300 homes listed on major short-stay rental services in Peel in Q4 2021.

Additionally, money laundering can impact housing prices and remove homes from the housing supply. Expert advice to the Government of British Columbia concluded that money laundering has resulted in 5 per cent increase in prices in their jurisdiction. While a similar study has not been conducted in Ontario, Transparency International has highlighted that “at least \$20 billion appears to have entered the Greater Toronto Area

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housing market in the past 10 years without due diligence on beneficial owners and source of funds”.

Given the use of homes for non-housing purposes, advocacy focused on encouraging the use of housing as homes could advance approaches such as:

- Implementing a vacant homes tax, as implemented in Vancouver.
  - The Region is actively exploring the implementation of such a tax and on 30 March 2022, the Government of Ontario signaled a willingness to work with municipalities interested in implementing such a tax.
- Significantly expanding the use of tax measures to encourage the use of housing for long-term residential use.
  - On 7 April 2022 the Government of Canada proposed ‘anti-flipping’ measures such taxing resales of condominium assignments and homes resold within 12 months of initial ownership.
  - On 30 March 2022, the Government of Ontario announced its intention to expand its non-resident speculation tax.
- Further discouraging the use of homes for short-stay rentals.
  - The Cities of Mississauga and Brampton, and Town of Caledon have already taken some steps to regulate the short-stay rental market.
- Increasing transparency in the in the property market.
  - In the confidence and supply agreement announced on 30 March 2022, the Government of Canada stated its intention to “implement a publicly accessible beneficial ownership registry by the end of 2023.”

Without measures for encouraging the use of housing as homes, there will be limits to the utility of building more homes to improve affordability.

### **b) Increasing the supply of new affordable housing in complete communities and ensuring the longevity of existing affordable housing**

New housing by itself is limited in its ability to rapidly shape broader price trends. Nevertheless, intentional efforts must be made to ensure that new supply is intentionally affordable to low- and moderate-income families. Housing advocates across the political spectrum – despite differing perspectives on managing demand – have all highlighted the need for homes of more types and tenures, especially ground-orientated homes such as multiplexes in existing neighbourhoods.

In addition, a significant source of low and moderate-income affordable market housing is the nearly three-quarters of purpose-built rental units in Peel that are 40 years or older. These homes constitute the backbone of existing market affordable rental supply, so there is a pressing need to ensure their longevity.

Staff recommend that advocacy focused on increasing the supply of new affordable housing in complete communities and ensuring the longevity of existing affordable housing, could assist in advancing measures such as:

- Reducing barriers for housing developments that include units affordable to moderate and low-income households.
- Growing non-traditional tenures, as found across Group of Seven (G7) nations, such as co-ownership, price-increase regulated ownership, and co-operatives.

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- Increasing the share of publicly produced housing, aimed at both moderate- income and low-income households.
  - The share of public housing in Canada is below the European Union and the Organisation for Economic Co-operation and Development average and can have a moderating effect on market housing prices.
- Financially assisting homeowners in legalizing unregulated secondary suites given the prominent presence of secondary suites in Peel.
- Supporting legacy purpose-built rental communities to preserve and extend the longevity of existing rental stock at affordable rates.
- Engaging with equity-deserving groups to ensure affordable supply is accessible to all.

Ultimately, excessive increases in housing prices mean there is not enough supply to address housing demand from residents and investors. While any meaningful response to address the market housing affordability crisis must include a supply response, affordability must intentionally be prioritized.

### **c) Expanding the scope of social programs to assist families in carrying high housing costs**

Given the societal importance of housing as a store of wealth, a systematic effort to reduce housing prices to naturally affordable levels in Peel would have unintended, negative, outcomes. As such, families must be better equipped to carry higher housing costs for the long-term, by reducing other costs of living. This could be accomplished in large part by expanding the scope of social programs to assist families in carrying high housing costs.

Research consistently highlights that enhancing social programs and infrastructure creates more economic wealth and employment. For instance, the Canadian Centre for Economic Analysis (CANCEA) found that every dollar invested in affordable housing is believed to grow gross domestic product by \$2.40, reduce health and social costs by a combined \$1.45, while increasing private investment by \$0.65 and tax revenues by \$0.60.

Staff recommend that advocacy to focused on expanding the scope of social programs to assist families in carrying high housing costs could address measures such as:

- Providing truly universal healthcare by expanding services through the *Canada Health Act* and through the Ontario Health Insurance Plan including, but not limited to, prescription drug coverage.
  - The federal government has indicated it is working towards pharma care and means-tested dental coverage.
- Introducing universal pre-kindergarten to post-secondary education.
  - The Government of Ontario and the federal government recently signed an agreement to reduce child-care fees for families across Ontario to an average of \$10-a-day by September 2025.
  - Most Nordic nations have low-cost or free post-secondary education.
- Enhancing the Canada Pension Plan and other transfers to households like the Canada Child Care Benefit and Old Age Security.
- Instituting living wage, to ensure basic costs of living with dignity can be met through full-time work.

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These measures are largely beyond the authority and fiscal capacity of local municipal and regional governments. Federal and provincial leadership is critical to advancing these measures.

### **d) Strengthening the capacity of the Service Manager and community housing sector to respond to rapidly growing need**

Service Managers such as the Region of Peel, alongside community housing providers and agencies, see the impacts of affordable housing crisis firsthand.

In addition to the actions detailed in the preceding sections, the Region requires enhanced operational and capital investment from other levels of government towards strengthening the capacity of the Service Manager and community housing sector to respond to rapidly growing need. Advocacy could address measures such as:

- Providing an appropriate level of service to address all low-income households in core housing need.
- Closing the \$319.6M funding gap to enable completion of the \$1B initial phase of the Housing Master Plan, which will develop approximately 2,240 new affordable units and shelter beds.
- Adapting funding programs, such as the Rapid Housing Initiative, to better reflect the realities of development processes and minimize the impact to regional taxpayers.
- Assisting the Region, local municipalities, non-profit community, and development industry to implement a robust inclusionary zoning system that includes the administration of units.
- Ensuring the expiration of mortgages and agreements with community housing providers does not result in the loss of affordable housing.
- Facilitating equity-based measuring and monitoring to respond to the racialization of the housing crisis.

In short, the provincial and federal governments must provide more funding to enable the Region to not only address its operational and capital needs for affordable housing, but to be able respond to the true scale of the housing affordability crisis. The Regional municipal property tax base alone is insufficient to achieve this.

## **4. Next Steps**

With Council endorsement of the advocacy priorities outlined in this report, staff will immediately begin to work with the Government Relations Committee, the Regional Chair, Mayors, and other members of Council to advance these messages.

These advocacy priorities will complement the preliminary measures introduced by the Province of Ontario and Government of Canada on 30 March 2022, and 7 April 2022, respectively, to assist in increasing the supply of market housing and moderating the use of homes for speculative purposes, and actions already underway by the Region and local area municipalities.

Appendix 1 summarizes the priorities outlined in this report that will be incorporated into the advocacy action plan.

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### **RISK CONSIDERATIONS**

This report identifies additional advocacy priorities to improve market housing affordability.

In the absence of improved market housing affordability, the risks to Peel – including economic risks – will grow. In addition, there will be increasing demands on the Region of Peel as Service Manager to support growing numbers of households in need. The Region is limited in its ability to respond to this growing need through the regional property tax base.

It is also important to note that there are some influential factors impacting market housing affordability outside of direct government authority such as interest rate direction set by the Bank of Canada. While higher interest rates can impact price growth in housing, even a modest decline in housing prices would still leave housing unaffordable to most.

### **FINANCIAL IMPLICATIONS**

Financial implications are minimal from adopting the recommendations in this report. The advocacy priorities outlined in this report build on those approved by Regional Council on 25 June 2020. However, and as previously noted, staff will be returning to Council in 2023 with more details and recommendations on the enhanced level of funding needed by the Service Manager, to better meet the core housing needs of low-income and increasingly middle-income households in Peel.

### **CONCLUSION**

By itself, the Region of Peel is limited in its ability to address the scale of the market housing affordability crisis and to reshape the housing market. In addition to the steps taken by the Region as service manager for affordable housing, more action is needed by all levels of government to make the significant, systemic changes that can fully address the housing affordability crisis.

With Council endorsement of the advocacy priorities outlined in this report, staff will immediately begin to work with the Council to advance these messages.

### **APPENDICES**

Appendix I – Summary Table

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Sean Baird, Commissioner of Human Services