

Housing Accessibility in the Greater Golden Horseshoe

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Rental Housing Crisis in the Greater Golden Horseshoe

At a popular event attended by 10,000 people, one conference room in the middle of the building attracts half the attendees. Within that room, a situation is developing where almost a quarter of all the people in the building are clamouring. The interest is so intense that newcomers to the building are crushing the situation directly, at 1,000 people every 5 seconds. Very quickly, the event organisers realise they will need more room. The organisers need help getting chairs or somehow stacking people on top of each other, and they do so quickly. The organisers scrambled to find better solutions but only alleviated the issue with band-aid fixes, such as offering free-meal coupons and future-event ticket "discounts," ignoring policies that would have accommodated the explosion of attendees they knew were coming.

The organisers could have prepared for the popular event by renting out a stadium with enough seating. Instead, the attendees had no choice but to spill into adjacent rooms just to watch an awful televised live event version. Much to the event organisers' horror,

newcomers leave the event in frustration and disgust. This scenario is analogous to the affordable housing fiasco occurring in the Greater Golden Horseshoe (GGH) region. Fragmented land-development policies and the absence of a unified municipal housing strategy significantly exacerbate the rental housing crisis in the GGH. If these challenges remain unaddressed, this region's golden opportunity to benefit from the tremendous growth spurred by immigration will be undermined. More alarmingly, short-sighted policies will likely trigger a spill-over effect, pushing the crisis beyond the GGH and driving population growth away from Canada.

The GGH Population Forecasts to 2051

Most people think North Americans are migrating to New York or Florida. Interestingly, Toronto nets more than double the international immigration of any other metro area in North America, including New York City and Miami (Clayton & Kyle, 2022). In 2023, Canada welcomed more than 465,000 newcomers (An Immigration Plan to Grow the Economy, 2022). Just over 1.3 million new immigrants settled permanently in Canada from 2016 to 2021, the highest number of recent immigrants recorded in a Canadian census. Immigration is projected to account for 98% of Canada's population growth (Statistics Canada, 2023), and the population is expected to reach 15 million by 2051 (An Immigration Plan to Grow the Economy, 2022). The GGH region is primed for continued economic and closely linked population growth, with an outsized contribution from international immigration of over 1 million newcomers every five years.

Thankfully, long-term economic growth is sufficient to absorb the expanding labour force growth from migration. (Hemson Consulting, August 26, 2020, 6). However, diverse housing needs are developing as Canada's aging population means that the worker-to-retiree ratio is expected to shift from 7 to 1 from 50 years ago to 2 to 1 by 2035. (An Immigration Plan to Grow the Economy, 2022). To further exacerbate matters, there is a mismatched shift of the labour force to service-oriented sectors (Hemson Consulting, August 26, 2020, 7) and a significant shortfall in the construction and trades sector (Clayton, 2020). Growth in the construction and trade employment sectors would have directly helped to resolve the affordable housing crisis.

Required Housing in the GGH

In recent years, as Millennials enter into their family-forming years, greater demand for more family-oriented housing is expected. On the other hand, if affordable family-oriented housing is not developed, a shift in the existing demographic of Millennials into regions beyond geographical GGH where more affordable housing likely will occur. Over 1 million of the GGH population is expected to migrate away from the GGH through inter- and intra-provincial migration (Hemson Consulting, 2020). Presently, the environmental impact of trade infrastructure enhancement, such as building and maintaining roads, bridges, and required infrastructure to connect communities from their homes to their jobs and schools, seems to ignore the impact on the needs of new and developing communities (Construction Connect, 2024). Further, labour productivity in construction needs to catch up with that of other sectors.

This emphasises a need for improvements throughout the housing supply chain. Specific challenges include the retirement of baby boomers, labour shortages, and the unique nature of housing production. (Hughes, 2024). However, the Auditor General discovered that most municipalities are missing growth plan targets, with 92% of recommendations by the Auditor General not implemented from the 2021 reports (Office of the Auditor General of Ontario, 2023). A significant disparity among federal, provincial, and municipal policies worsens housing affordability problems in Canada, hindering new housing development and driving up costs. Improved intergovernmental policy coherence is essential to effectively tackle the housing affordability crisis (Filipowicz & Lafleur, 2023). Additionally, labour contributions, vital for economic growth, have slowed housing development, with the average production home taking 4-6 months to complete ("Construction in Your Neighborhood: How Long Will It Take?").

Current State of the Rental Market

The GGH economy creates many high-income paying jobs, particularly in finance and technology. The average household income is expected to rise 3-4% annually. However, average home prices and rents will grow faster, increasing by 4-5% yearly, outstripping affordability. As a result, overall affordability will continue to decline as new housing supply lags demand. The main supply obstacle is an excessively restrictive land-use planning system (Clayton, 2020). Population growth is projected to be entirely from immigration, and most of their professions are highly skilled. However, fewer construction and trade jobs would help

with housing development, compounding the shortfall in the housing supply (Clayton, 2020).

The 2023 GTA rental market analysis shows an increase in average rental rates alongside rising interest rates and population growth. Despite a 10.2% increase in supply, competition among renters has increased rental rates. The vacancy rate across the GTA remains exceptionally low, contributing to the competitive rental landscape. This scenario presents challenges and opportunities for real estate investors, with a strong demand for housing continuing to drive rental rates upward (Ho, 2023).

On March 17, 2023, the Prime Minister's Office announced the launch of the Housing Accelerator Fund (HAF), a \$4 billion initiative to fast-track the creation of 100,000 new homes across Canada. This fund addresses the challenge of building sufficient and affordable housing in cities nationwide by funding local governments to develop innovative action plans. These plans will remove barriers to building more homes quickly, focus on speeding up development and approvals, reform zoning to allow more density and incentivise development near public transit, among other strategies. The initiative reflects the government's broader goal to double the rate of housing construction over the next decade as part of making housing more affordable and building an economy that works for all Canadians (Building More Homes, Faster, 2023; CMHC, 2023).

Surprisingly, some programs that could have developed innovation have been discontinued, such as the Rent to Own initiative and the Affordable Housing Innovation Fund (CMHC, 2022). Those were replaced with one-time band-aid fixes such as the Canadian Housing Benefit to help low-income renters with a one-time top-up of \$500 for renting. (Government of Canada, 2023). While housing interventions can offer short-term financial relief, they will not provide a durable solution to deeper-rooted issues. (Laberge, 2024). One of the new plans is the First Home Savings Account, which allows up to \$40,000 of tax-deferred savings at a 5% first-home buyer down payment that will only allow the purchase of a home at a maximum value of \$800,00, far below the average home sale price of \$1.2 Million in Toronto. Ultimately, these one-time band-aid housing interventions ignore the systemic fragmentation and restrictiveness of housing development, directly impacting housing prices and availability. (Clayton, 2024). In short, an acute shortage of affordable housing means no homes to buy, even with the government's financial assistance.

Comparing the 2021 and the follow-up 2023 reports on Land-Use Planning in the Greater Golden Horseshoe by the Auditor of Ontario reveals significant continuity in challenges and minimal progress on recommended actions. In 2021, the audit identified widespread shortcomings in meeting Growth Plan targets, frequent amendments to land-use policies, inadequate municipal support, and a surge in Minister's Zoning Orders (MZOs) that often bypassed normal planning processes. Surprisingly, by 2023, only 8% of the Auditor's recommendations had been fully implemented, with 92% showing little or no progress. The follow-up underscores persistent issues like the underutilisation of MZOs,

ongoing changes to land-use planning policies, and a lack of integrated infrastructure planning. Notably, the Ministry had yet to establish and communicate a straightforward, formal process for MZO's or address the disconnection between planning processes and the execution of provincial policies, despite these being critical areas of concern highlighted in the initial report. (Office of the Auditor General of Ontario, 2023).

Working Towards a Solution

The solution is not surprisingly multifaceted for the affordable housing challenge but can be easily defined. The most impactful solution involves policy unification and rethinking immigration policies. Most significantly, the governance of GGH housing development should be unified for each municipality. Municipality unification should work to remove the current imposition of complex layers of municipally unique planning. Unified municipalities should consider the impact of land use planning, assess short-term land inventories, and identify regions of housing production to understand better the relationship between all these variables and their implications on housing affordability (Clayton, 2024). All housing policies must be tempered by long-term impact while avoiding band-aid solutions. Canadian Immigration policies must carefully balance employment sectors to recognise the population explosion's impact and shore up the construction and trade sectors.

The GGH Now and Then

The GGH will experience significant population growth, primarily from migration. This will prolong the disparity between increased housing demand and supply shortfall. Our rental

market must help accommodate the increasing demand (LaFleur, 2024). Unfortunately, the municipalities are missing their population growth plan targets, with evidence of a worsening rental housing crisis due to building requirements, ancillary cost, land cost, scarcity, and uncertainty of municipality plan development for builders. With these barriers come significant opportunities for affordable housing reform and housing development in general.

The GGH region demands coordinated planning to accommodate the resulting evolution in demographics, employment, and supporting infrastructure. Incorporating "Black Swan" events like the COVID-19 pandemic into GGH strategic plans is essential. Coordinated policy integration among Ontario's governmental agencies is crucial to bridge the gap between strategy and execution in housing initiatives. GGH housing development could benefit from a unifying body that defragments the complicated and inconsistent planning and land use layers to maintain economic growth trajectories and eventually sail in calmer economic waters.

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