

# **Developing Affordable Communities by Definancializing Housing**

## **by Jaden da Silva**

### **The Financialisation of the Home**

Privatisation and the oversight of financial actors in the housing market of the Greater Golden Horseshoe have created an increasingly financialised view of housing. With one in five house purchases done as an investment (Luck et al., 2022), the financialisation of home ownership has become the main driver of housing unaffordability in the region. In the coming years, two realities will be faced by Canadians of the Greater Golden Horseshoe as an entire generation of prospective home-buyers are priced out of the housing market: either the laws and legislature that define housing as a scarce good will be changed, or a combination of a plummet in living standards and mass exodus will befall the region. Ultimately, housing can either be treated as a scarce investment asset or an essential good, not both; a society's commitment to universally accessible and affordable housing requires that this culture of financialisation changes. Definancializing housing allows more affordable and denser housing to be built, and it marks a direct reversal of the social attitudes that created the housing unaffordability crisis.

### **Zoning Laws in the Greater Golden Horseshoe**

With nearly 10 million residents, the Greater Golden Horseshoe is the largest urban megaregion in Canada. Zoning laws, which determine the legal land usage of a region, dedicate 65% of residential land area in Toronto for single-family detached housing, with comparable figures in nearby cities and less than 5.7% of housing located in mixed-use zoned areas (City of Toronto, 2021). Empirically, local governments' efforts to build more dense housing in city centres without upzoning housing development availability are largely ineffectual. The City of

Toronto, for example, removed rent control measures for building projects built during and after 2018, hoping to increase housing supply and address the market shortage. However, despite a tripling in rental purpose-building proposals, Toronto will still see a 170000 unit shortage for projected demand in the coming decade (Powers, 2023) - the underlying economic force being that the actual supply of housing has not increased, only the quantity supplied under the same economic conditions. The model of suburbanisation adopted by Canadian cities in the Greater Golden Horseshoe has created a legal and cultural environment that prevents the creation of sustainably affordable housing in an urban megaregion that is increasingly lacking in area to suburbanize. There is no recourse to an endemic of chronic housing insecurity in the face of restrictive zoning laws, under which houses cannot be built in the densest metropolitan regions where the greatest demand for them exists.

### **Cultural Attitudes Towards Housing**

Across cultures, a home often symbolises prestige, social standing, and safety. How culture is developed around the symbol of the house is significantly influenced by housing laws and restrictions (Frankel & Braun, 2021). Law-makers are thus presented with the dilemma of utilising their simultaneous legal and cultural power in a way that is economically advantageous to homeowners and societally beneficial for all residents of the Greater Golden Horseshoe.

### ***North American Housing Financialisation and Local Legislature***

Homes are typically the most expensive asset an individual will own, are passed on through generations and are, particularly within the Greater Golden Horseshoe, a forever-appreciating asset (Knueven, 2019). Consequently, there exists a financial disincentive to

promote affordable housing developments in the region to maintain and improve their image and prestige. Municipalities in Canada are often responsible for determining and administering zoning laws, and the Canadian First Past the Post electoral method, which often leads to minority governments through promoting polarised policy on contentious issues such as housing costs, results in a loss in the collective welfare of society (Van Geyn & Kinsinger, 2023). It is only through the enablement of municipally determined zoning laws that the financialisation of housing and maintenance of exclusionary policy can exist. Ultimately, what the North American housing and legislature model has created are public but functionally exclusive, gated communities for the wealthy that comprise the majority of cities in the urban complexes of the Greater Golden Horseshoe.

### ***European Alternative Living***

Suburbanisation and urban sprawl were the North American solutions to a housing affordability crisis. However, in cities such as Vienna, Austria, an alternative approach to housing an exponentially increasing population has focussed on providing middle-class public housing. Additional policies such as Gentle Urban Renewal are employed to ensure that subsidised and public housing is maintained even in the gentrification of a neighbourhood so that the public perception of social housing is not negatively impacted (City of Vienna). Additionally, Denmark has implemented cohousing projects where entire communities live in connected buildings with shared kitchens and living areas in an effort to maintain affordable housing in the urban centers that comprise the majority of the Danish population (Collington, 2022). Cohousing eliminates the personal incentives to create exclusive and expensive communities whose influence in local policy creates functionally gated communities. Where public housing in

Canada is specifically designed for only “the most vulnerable Canadians” (Government of Canada, 2023), more than half of Viennese live in some form of subsidised housing, and seven percent of Danes live in cohousing projects (Collington, 2022). Viennese and Danish legislatures have moulded public perceptions of subsidised housing through laws that make it both highly accessible and socially desirable, thus definancializing housing. Housing is then perceived by society as a right rather than an asset.

### ***Tokyo: The Last Bastion of Urban Affordability***

Tokyo is the only global city with accessible housing for the average earner (Harre, 2017). Tokyo has created a 10 million unit surplus in dwelling units, despite having a population four times the size of the Greater Golden Horseshoe in about half the space and growing at a comparable rate (Daisuke, 2022). Overcrowding has not prevented Tokyo from developing affordable housing, so what prevents the Greater Golden Horseshoe from matching Tokyo’s affordability? With inheritance taxes capped at 55%, which include transfers of real estate, and the region being situated in a hotbed of earthquakes, owning a house is often seen as a liability rather than an investment asset (Tyton, 2023). Additionally, federally lax zoning laws that allow for the construction of homes in nearly every zoning class allow for prevalent mixed-use buildings (Real Estate Tokyo, 2022). Consequently, community prestige cannot be artificially promoted by local governance, and more homes can simply be built. Amongst regions of comparable size and population, the defining difference in what makes Tokyo affordable and housing in the Greater Golden Horseshoe a far-off dream for many is how legal influence is used to shape how housing is treated - one a universally recognised necessity and the other an instrument of prestige and the accrument of wealth, specifically engineered to remain scarce.

## **Addressing Housing Unaffordability**

### ***Pursuing Housing as a Public Good***

Public goods are both non-rival, in that the consumption of an item of the good does not prevent another party from using it, and non-excludable, in that a party cannot be prevented from accessing the good. The government of Canada believes in the human right to housing (Tasker, 2017), however, achieving universally attainable and guaranteed housing is only possible if housing as an asset class is a public good and meets the criteria of both non-rivalry and non-excludability. Under current zoning laws and culture, housing meets neither of these criteria. While physical objects or areas will technically always be rivalrous goods, rivalry and excludability exist as a continuum. So long as Canada acknowledges the inalienable human right to housing, as a matter of definition, it should pursue the non-excludability and non-rivalry of housing that, due to the conditions of financialisation, is entirely rivalrous and excludable. Addressing North American housing unaffordability requires at least the construction of accessible and desirable public housing and cohousing, whose shared living style removes the personal incentive to make private goods scarce for economic gain, thus promoting the non-rivalry of housing. Municipalities, provincial bodies, and the government of Canada must reevaluate the impact of single-use zoning laws on urban regions and recognize how their ineffectual attempts to operate within the current system of housing are a sign that the zoning system itself needs to be changed to make cohousing and mixed-use construction legal in urban centres.

## **Five Years From Now**

## ***The Canadian Housing Market Bubble***

The housing market in the Greater Golden Horseshoe is dependent on consumers who simply will not be able to afford its products, as two-thirds of Canadians are beginning to experience general expenses that exceed their income (Freestone, 2024). Mitigating this requires intervention from a Provincial and Federal government that carries in mind the best interests of Canadians and is incentivised to act in that pursuit. However, the Canadian legislature system is comprised of local governments who serve the interests of the microcosm of their neighbourhoods and lack the incentive to act in the pursuit of collective benefit. In five years, the Greater Golden Horseshoe will be offered two paths: one of continued suburbanisation that continues to price the next generation of homeowners out of the housing market and the other of inclusively zoned neighbourhoods. Tokyo experienced something similar in the post-war economic boom; they adopted the model of North American suburbanisation and exclusionary zoning laws and experienced a housing unaffordability crisis similar to today's Greater Golden Horseshoe (Thomas, 2023). It took a combination of mass exodus and outpricing of the market for the Japanese government to implement their current model of mixed-use zoning laws, and the Greater Golden Horseshoe will only see healthy price adjustments if they, too, liberalise zoning policy in the interest of all Canadians. Otherwise, the next five years will follow the pattern laid out by Tokyo: a loss of quality of life, flight from the region, and still-rising housing costs.

## **Promoting Systemic Change**

A housing supply shortage is not merely a fiscal issue in a developed society; it points to a core dysfunction in how housing itself is perceived and treated by both regulators and consumers. How housing is perceived is a function of the laws society abides by and the

environment these laws create. Thus, so long as housing is treated as an exclusive and excludable financial asset, housing will never be affordable, much less universal. As housing unaffordability reaches a precipice in the coming five years, the regulation of housing financialisation is liable to come only after a threshold of loss in population or deterioration of quality of life is passed in the Greater Golden Horseshoe. Definancializing housing, starting with federal or provincial requirements for inclusive and mixed-use zoning, will not only alleviate supply restrictions that cause price increases in the housing market but will also be the beginning of unravelling the cultural attitude towards housing financialisation that caused the housing unaffordability crisis in the Greater Golden Horseshoe.

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