



Redefining Affordable Housing in Toronto

AFFORDABLE FOR WHO?

JULY 2018



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Introduction

Staggering rental costs in Toronto make it difficult for low-income individuals and families to find housing that is **adequate, suitable and affordable**. Since 2011, the average market rent of a one-bedroom apartment has risen by **almost one third**. Low and moderate income people are being forced out of the city, or left with nowhere to go. ACORN feels strongly that municipal programs offering “affordable” housing miss the mark, as the definition of affordability used by the City **does not meet the needs** of Toronto tenants.

ACORN demands an alternative definition of affordable housing. We call on Mayor Tory and members of Toronto City Council to change how we define affordability to ensure the definition used for all affordable developments meets the needs of our most vulnerable community members.

How is Affordable Housing Defined Right Now?

The definition of affordable housing varies across different levels of government. Key definitions used by each jurisdiction include:

Toronto

Affordable housing is defined as housing where the total monthly shelter cost (including heat and hydro) is at or below Toronto’s average market rent (AMR) by unit type. The Canada Mortgage and Housing Corporation (CMHC) reports AMR each year. The average market rent for a one-bedroom apartment in 2018 is \$1,202 and for a two-bedroom apartment is \$1,426.

Notably, the length of affordability was changed by Mayor Tory and the current council. Development incentives, such as exemption from building and planning permit fees, that were previously only applicable to permanently affordability developments were expanded to benefit private developers building housing that is affordable for 25 years, with a five-year phase out.

Provincial

The Province of Ontario defines affordable housing as the least expensive of:

- 1) a unit for which the rent does not exceed 30 per cent of gross annual household income for low and moderate income households; or
- 2) a unit for which the rent is at or below the average market rent of a unit in the regional market area.

Federal

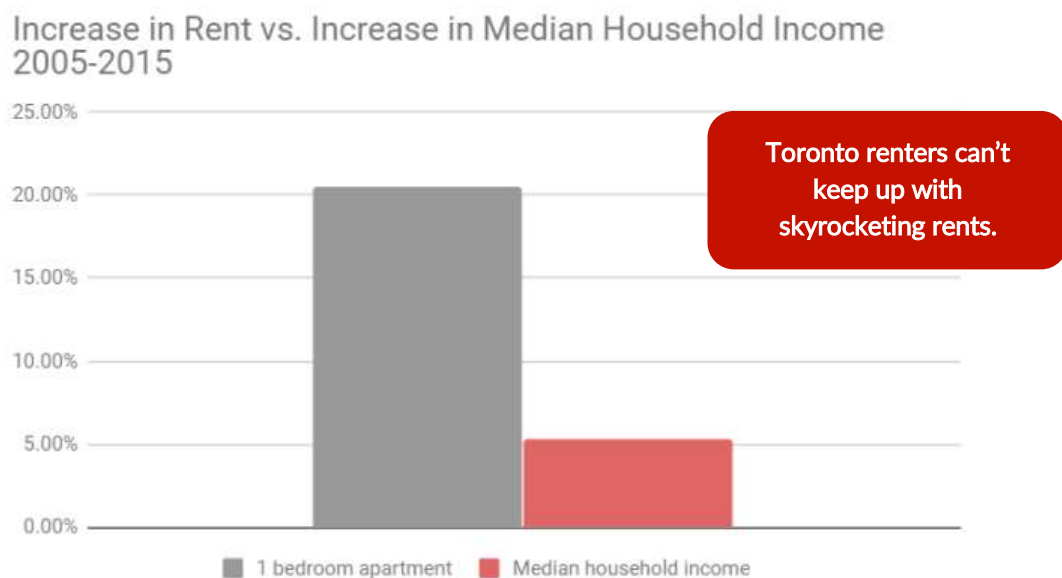
Federally, CMHC defines affordable housing as shelter costs that equate to less than 30 per cent of a household’s pre-tax income.

Why Using AMR to Define Affordability is Problematic

AMR is not based on ability to pay, therefore does not meet the needs of many households who struggle to find affordable rent. By basing the definition of affordability on AMR, affordable housing solutions that are supposed to benefit low and moderate income renters are inadequate. To afford a 2-bedroom unit at 99 per cent AMR, a household would need to earn over \$50,000 in annual income, well above the two-person low-income measure of \$36,000. Yet, this unit would meet the City's current definition of affordable housing.

Between 2005 and 2015, one-bedroom apartment rents increased by 20 per cent, while Toronto median household income increased by 5 per cent.

Toronto renters are unable to keep up with rising rents. This leads to many being forced to live in substandard housing as they cannot afford to live elsewhere. A 2016 ACORN survey of 174 tenants found that 95% of reported living with a violation of municipal property standards.



Based on [Census and City of Toronto data](#)

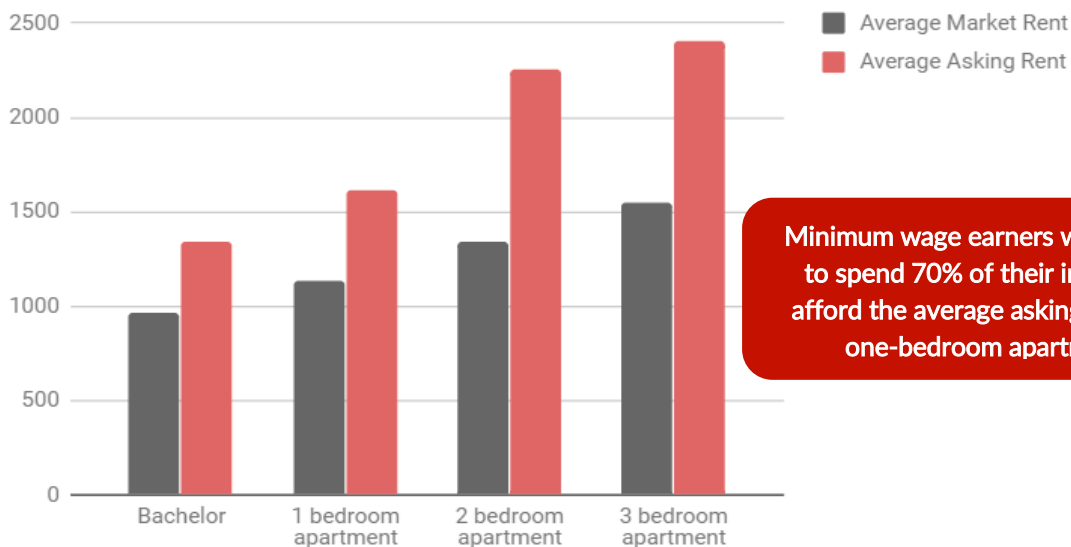
In other jurisdictions, market-based definitions of affordability have failed. For example in London, United Kingdom, switching from an income-based definition of affordability, calculated from local wages and local rental values, to a market-based definition (80% of average market rent) resulted in rents increasing by 40 per cent¹. In the US, the Department of Housing and Urban Development (HUD) calculates the subsidy provided to Housing Choice Voucher recipients based on market rent. This typically does not reflect true market conditions, as the HUD's calculations cannot keep up with rents which tend to fluctuate upwards. The HUD's approach also falls short as it is metropolitan-wide, rather than based on

¹ Heywood, A., 2013. *The Affordable Rent Model in London: Delivery, Viability, Potential* <<https://www.futureoflondon.org.uk/wp-content/uploads/delightful-downloads/2017/10/The-Affordable-Rent-Model-in-London-Delivery-Viability-Potential-Web.pdf>>

individual postal codes, which often results in low-income households being concentrated in the same neighbourhoods, rather than promoting diverse communities.

A 2018 City of Toronto report revealed that average market rent does not reflect average asking rents in the city, which are almost 1.5 times higher than AMR². This indicates that low and moderate income households are struggling to find adequate housing that is affordable. It means that housing that is labelled “affordable” is neither affordable nor reflective of the actual housing that is available to renters in the City.

Toronto: Average Market Rent vs. Average Asking Rent 2017



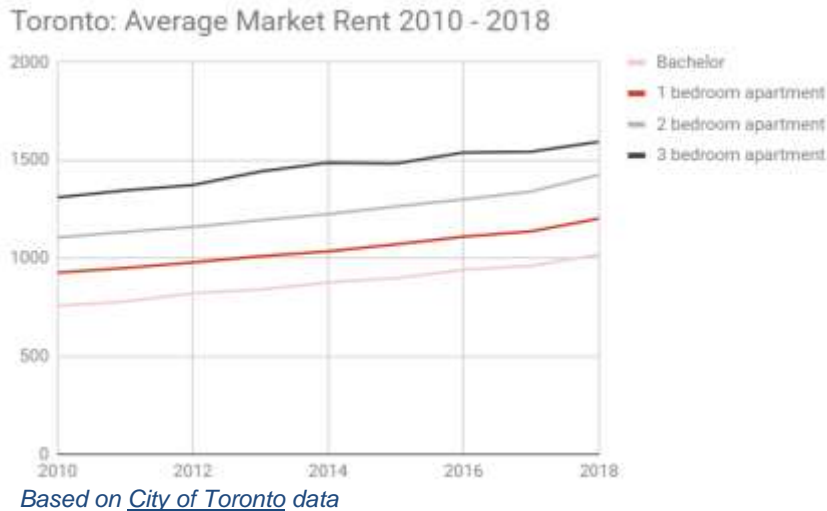
Based on [Tenant Issues Committee](#) and [City of Toronto](#) data

Despite the minimum wage increase of almost 21 per cent in 2017, a minimum wage earner would need to spend around 70 per cent of their gross income to afford the average asking rent of a one-bedroom apartment, or around 52 per cent of their income to afford the average market rent.

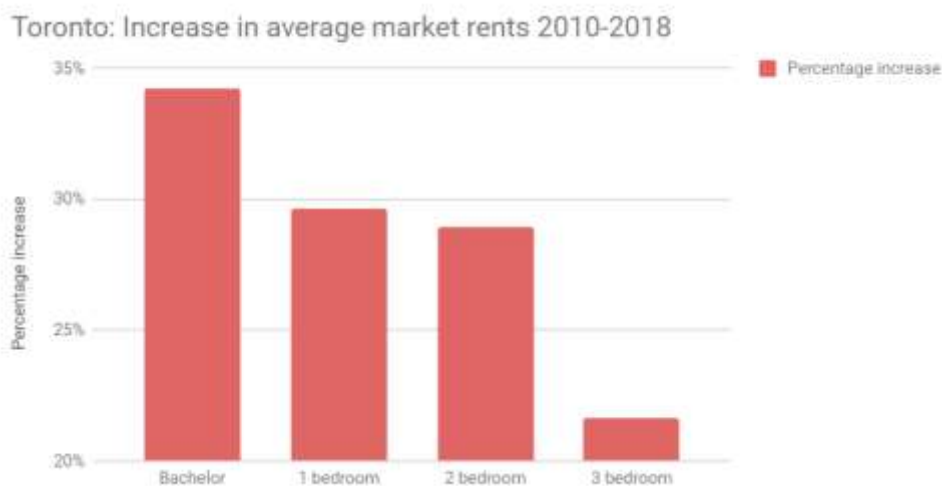
For a minimum wage worker, both the average market rent and average asking rent are in excess of the Provincial and Federal governments’ definitions of affordability, which define affordability as rental costs that do not exceed 30 per cent of gross income.

Average market rents have increased drastically for all unit types. However, the sharpest increases are apparent for bachelor, one and two bedroom apartments. These are the cheapest options available, outside of shared accommodation. As a result, low and moderate income tenants are vulnerable to unaffordable rents.

² Tenant Issues Committee, 2018. 2018 Rental Housing Market Conditions in Toronto <<https://www.toronto.ca/legdocs/mmis/2018/td/bgrd/backgroundfile-112710.pdf>>



From 2010 to 2018, bachelor apartment rents have risen by almost 35 per cent, while one and two-bedroom apartment rents have increased by over one quarter.

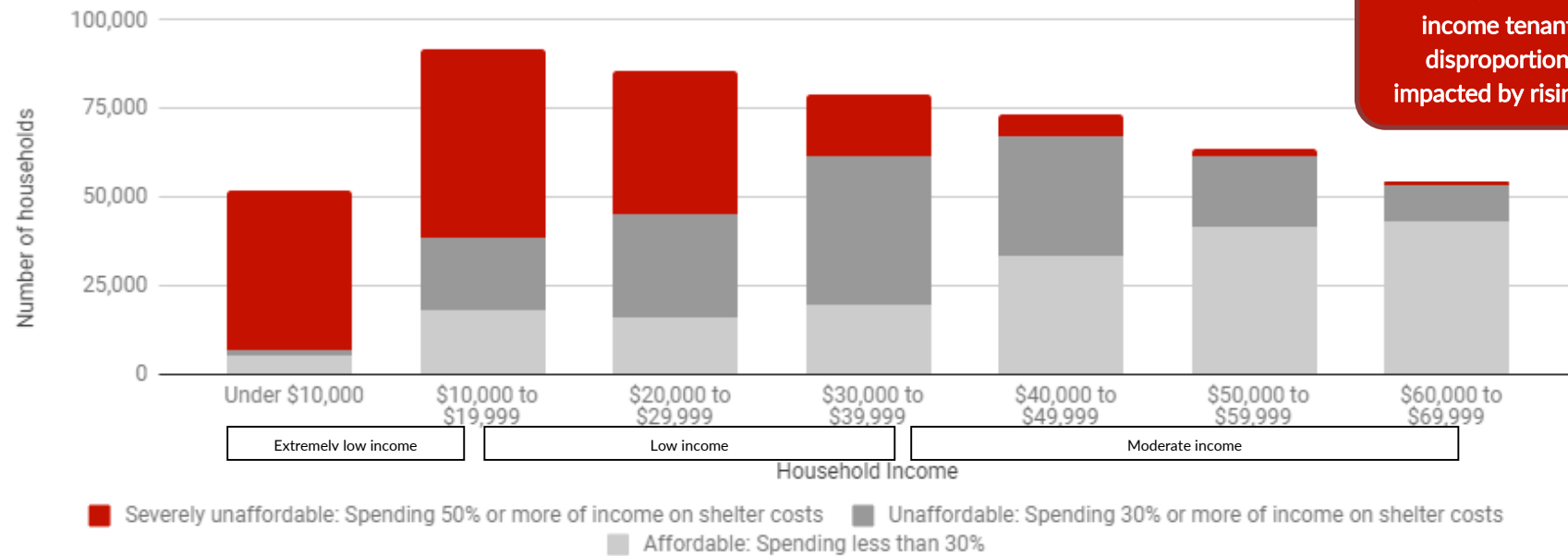


Case Study: ACORN member Ebony, Toronto

The cost of renting in Toronto has been a persistent barrier to finding affordable, livable housing for Ebony. She is far down the social housing waitlist and pays a huge amount of her small income on rent. At one point, she was living in an apartment she could afford but the landlord refused to do any maintenance or renovations until finally she was forced to leave and he could raise the rent. To afford a place with enough space and a backyard for her children, she would need to sacrifice essentials like food and clothing. Currently, Ebony is living in a house with her mother-in-law which is infested with cockroaches, like many of her previous apartments. Most of her friends have moved out of the city and Ebony worries that she is probably going to have to do the same soon.

Ebony believes that everyone deserves an affordable, decent place to live.

Which Renter Households Have Unaffordable Housing in Toronto?



Based on [Census 2016](#)

Renter Households in Unaffordable Housing

Many low and moderate income earners cannot afford to pay average market rent, which exposes a huge flaw in the City's definition of affordability and impacts the number of households experiencing unaffordable housing. ACORN members are concerned about the prevalence of severely unaffordable and unaffordable housing within extremely low-income, low-income and moderate-income Toronto households. The number of households in severely unaffordable housing increases with lower household income levels. Less than 10 per cent of extremely low-income households live in affordable housing; almost 85 per cent spend more than 50% of their income on rent. More than half of people earning \$30,000 - \$39,999 spend more than 30 per cent of their income on shelter costs, while almost the same number of households earning \$20,000 - \$29,999 spend over 50 per cent of their income on shelter costs. 1 in 5 households earning close to the Toronto median income of \$65,829 spend over 30 per cent of their income on shelter.

What's Affordable?

To ensure the definition of affordable housing is truly affordable for low and moderate income people, ACORN members propose an affordability matrix based on the Area Median Income (AMI). As of 2016, Toronto's AMI was \$65,829³. The table below provides an example of what this definition of affordable housing would look like would look like. However, in practice, median income should be updated annually and should be broken down by household size so that rents can be determined based on income and unit type. Any new affordable units should be affordable on a permanent basis.

Why AMR-based definitions do not work

Income Category	Percentage of Toronto AMI	Annual Household Income	Affordable Rent (30% of income)	Affordable Rent as Percentage of AMR
Extremely low income	0 - 20%	<\$13,000	<\$330	0 - 25%
Low income	20 - 60%	\$13,000 - \$39,000	\$330 - \$990	25 - 75%
Moderate income	60 - 100%	\$39,000 - \$66,000	\$990 - \$1,650	75 - 125%

What's Affordable? Case Studies

Case Studies	Annual Household Income	Affordable Rent	Percentage of Toronto AMI	Percentage of AMR
Single on OW	\$8,700	\$220	10%	20%
Single on ODSP	\$13,800	\$350	20%	30%
Single Senior on GIS	\$18,600	\$470	25%	40%
Single parent, Ontario Works and Canada Child Benefit	\$21,500	\$540	30%	40%
Single full-time minimum wage worker at \$14/hour	\$28,000	\$700	40%	50%
2-person household at Low Income Measure	\$36,100	\$900	50%	70%

Rents are unaffordable for low and moderate income Toronto tenants, who are disadvantaged by the City's inadequate definition of affordable housing. The case studies above confirm that 100%, or even 80%, of AMR is not affordable to low and moderate income households. Low and moderate income tenants refuse to be priced out of our communities. We call on the Mayor and City Council to adapt the definition of affordability to ensure new affordable housing meets the needs of our community members.

³ Statistics Canada. 2017. *Focus on Geography Series, 2016 Census*. Statistics Canada Catalogue no. 98-404-X2016001. Ottawa, Ontario. Data products, 2016 Census.

What is ACORN Canada?

ACORN Canada (Association of Community Organizations for Reform Now, Canada) is an independent national organization of low- and moderate-income families. Founded in 2004, we have rapidly grown into one of the country's most effective voices for low and moderate income Canadians, with over 113,000 members in Canada. Our central purpose is to effectively represent and champion the interests of Canada's low and moderate income urban citizens on the critical issues of social and economic justice.

This report was created by ACORN Canada with input from the Wellesley Institute and Scott Leon.

To find out more about ACORN, visit www.acorncanada.org

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