TORONTO REGION BOARD OF TRADE

WOODGREEN

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Housing a Generation of Essential Workers

Modelling Solutions

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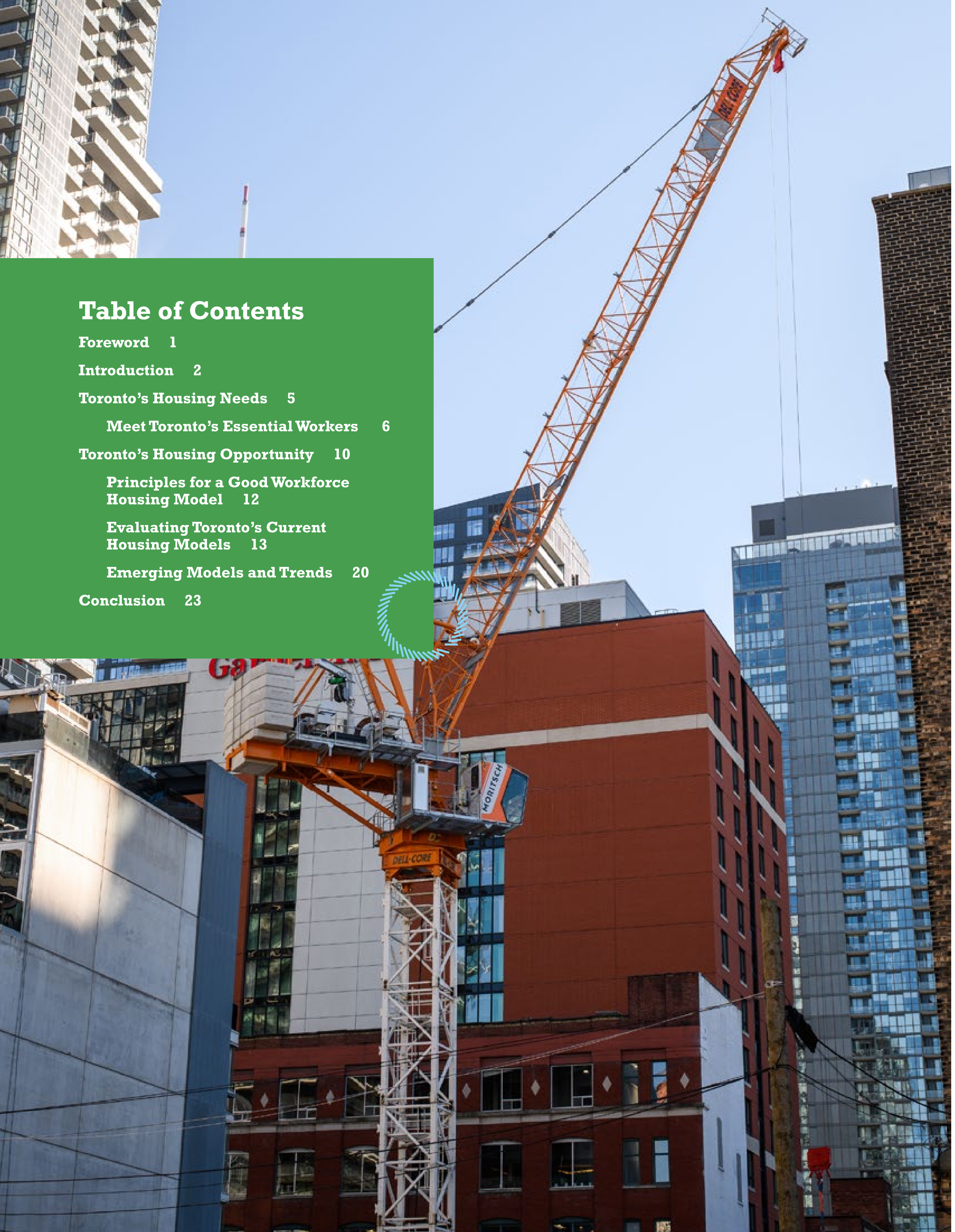

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Foreword

When the pandemic began, some predicted a "mass exodus" of Toronto residents – people heading for more spacious suburban and rural communities to avoid contracting COVID-19 in a densely populated city. The truth, however, is that Toronto workers were feeling pressure to leave long before the virus arrived in the region. In fact, if we don't act, they'll continue to be forced out even after a vaccine is deployed – all because of Toronto's growing unaffordability problem.

In 2018 alone, home prices went up four times faster than income. Rent increases doubled wage increases. An analysis by the Toronto Region Board of Trade's Economic Blueprint Institute shows as many as 90,000 essential workers in Toronto earn between $40,000 to $60,000 annually – making too little to afford housing in the city, but too much to apply for social housing. Someone making $50,000 a year, for instance, could afford to rent a one-bedroom unit in only three Toronto neighbourhoods. Increasingly, families are living in multi-generational households and crowded conditions in one- and two-bedroom apartments to manage their housing affordability.

The pandemic has illustrated just how essential – and how vulnerable – these workers are. Health-care workers, cooks, custodians and social workers have been asked to assume the risks of leaving their homes – often situated in neighborhoods with some of the highest rates of COVID transmission – and go to work, regardless of COVID-19 case numbers. These same workers are being priced further and further out of the city.

To sound the alarm on these workers leaving the city, and the impact that has on our social fabric, the Toronto Region Board of Trade and WoodGreen released *Housing a Generation of Workers: Defining the Problem* in January 2020. We called for workforce housing to become a priority for city planners and businesses if we wanted to keep our communities and economy growing.

Swap "growth" for "recovery," and the message remains the same. If we hope to rebound from the massive economic shock caused by COVID-19, and sustain possible future waves of the pandemic, we need to ensure workers at every income level can not only stay in the city they serve, but reside in adequate housing. One in five Toronto renters live in overcrowded units, where there are more people than bedrooms. When going to work or riding transit increases one's risk for transmission, being underhoused becomes a legitimate health risk for workers and their families as well.

Addressing unaffordable housing in the city, and quickly, might seem impossible – but if the response to COVID-19 has proved anything, it's that things previously thought impossible can happen overnight.

This *Housing a Generation of Essential Workers* sequel report, *Modelling Solutions*, explores several potential approaches and models for scaling up affordable housing projects – evaluating them against a rubric that includes values like sustainability, replicability and long-term affordability.

As Toronto's Housing Now Initiative begins to deliver on its affordable housing mandate, the lessons highlighted in this report can help reinforce and strengthen its ability to create more homes for middle-income workers. Essential community workers are the often-invisible backbone of our city. The pandemic made clear just how much we need them. We must protect their ability to live and work in Toronto. Our recovery depends on it.

Jan De Silva
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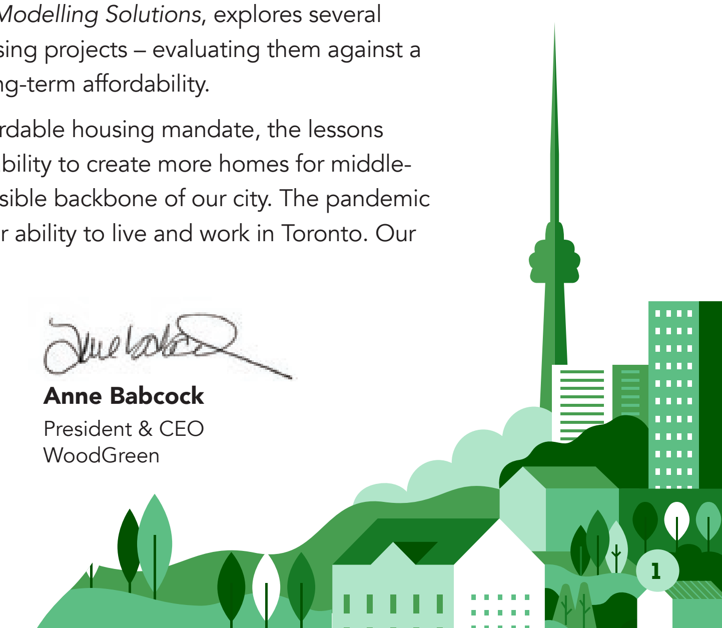


Introduction

People who serve the city yet can't afford to live in it.

That's how we described the increasing number of key workers at risk of being priced out of Toronto due to the ever-rising costs of living in *Housing a Generation of Workers: Defining the Problem*.

The first of three parts, *Defining the Problem* explored the challenge and urgency of addressing workforce housing in Toronto and profiled how other jurisdictions are building affordable housing for key workers.

Now, the COVID-19 pandemic has laid bare just how much our city – and our world – depends on these key workers, such as nurses, shelter staff, custodians, transit operators and restaurant workers, deemed "essential" for the services they provide.

As economies restart, the Toronto region's housing challenges remain urgent. The sudden shock to workers and families has starkly illustrated the precarity of many people's housing situations. In recovering from this crisis, Toronto must redouble its commitment to create more homes where essential workers can afford to live.

To address the wide range of housing needs, we will need a portfolio of solutions that are built with scalability in mind. In this follow-up report, *Modelling Solutions*, we strive to answer three central questions:

1. What is the scope of the housing challenge in the Greater Toronto and Hamilton Area (GTHA)?
2. Who needs new housing options in the GTHA?
3. What constitutes a good, effective housing model that can be scaled to meet the needs of essential workers?

To put faces to the numbers, this report profiles two essential workers who live in Toronto and feel limited in their housing options. These residents also explain how COVID-19 has impacted their housing situations.

Additionally, this report examines housing development approaches already tested in Toronto, evaluating them against our recommended factors for a good model. Incorporating a principles-based approach, these case studies will help demonstrate which models hold the most potential to be scaled up to address collective affordable housing needs in the city.

Though the pandemic's full economic impact is yet to be felt, it appears that employees' sources of capital are more likely to be reserved for supporting core business needs. As a result, *Defining the Problem*'s recommendation to engage employers in meeting the housing needs of their workers must be reassessed. In a pandemic-driven recession, these partners are less likely to provide financial subsidies towards workforce housing. They will, however, need to remain an active collaborator in offering land or other forms of support to make these housing projects and partnerships possible.

Modelling Solutions builds toward a third and final report which will seek to examine the most pressing question yet: What are the potential economic and social costs of inaction if the Toronto region does not develop sufficient workforce housing?

What is workforce housing?

Workforce housing typically refers to households that fall within a specific income range, and is meant to capture the needs of households who earn above thresholds for traditional social housing programs, yet still struggle to find suitable accommodation within their budget. Housing that is dedicated for certain groups of workers is often a subset of workforce housing.

In the context of Toronto, we define this as serving people with incomes of $40,000 to $65,000, including healthcare workers, restaurant, grocery & pharmacy staff and social workers.

Toronto's Housing Needs

Defining the Problem notes that Toronto's economic growth is threatened by an insufficient supply of new homes at all income levels.

Workforce housing is needed to support the region's accelerating population. Toronto is expected to add up to one million new residents by 2030. While the number of high-end condos and houses continues to grow, Toronto is investing billions to simply maintain its existing social housing units for an ever-growing waitlist.

As a response, the City of Toronto approved the *HousingTO Action Plan 2020-2030* in December 2019. The plan takes a broad approach to meeting the housing needs of the city's growing population over the coming decade – calling for 40,000 new rental units to be built over the next 10 years, including 18,000 supportive units.

Of the many challenges to achieving this target, the most significant is whether projects will be able to achieve the necessary scope and density to deliver this volume of units. Land is a finite resource, and rising construction costs have made project finances more difficult. When approval processes prioritize neighboring homeowners' concerns and reduce a building's size, it decreases the project's overall viability and leaves potential homes on the table.

The length of approvals processes is another challenge that increases project costs. Even if reviews and regulations are streamlined, it will still take years for projects to hold community consultations, receive planning approvals and building permits, and complete construction. A model in this regard is the city's modular supportive housing initiative, which took less than eight months from council approval to resident occupancy through using city-owned land, modular construction and a Minister's Zoning Order which eliminated months or years of approvals and appeals.

While innovations like modular construction or repeatable floor plans can reduce the time and costs of some stages, increasing site density is critical to ensuring the potential of each project is maximized to deliver affordable units. This potential is further amplified with the help of non-profit housing providers who can deliver and operate a variety of affordable housing units, particularly in transit-connected areas.

According to the Toronto Region Board of Trade's Economic Blueprint Institute, there are around 330,000 workers in Toronto earning between $40,000 and $60,000 annually, with about 90,000 who could be classified as essential workers. Although the extent of COVID's impacts on housing needs are still uncertain, one thing is clear: many more affordable units are needed now, and more will be needed in the years to come.

Meet Toronto's Essential Workers

The global pandemic has brought many essential workers into the media spotlight. However, there is still much to learn about the needs of these workers, especially as it relates to housing. Meet two of Toronto's essential workers who are willing to share their stories.

> **"I have good credit, but I never get a call back for housing. Because of people's social background or skin colour, housing can be harder to access."**

Rechev

34 years old
Full-Time Grocery Store Worker
Lives with family
Previous rent of $1,150 per month
Income of approximately $44,000 per year

Rechev migrated to Canada from St. Vincent 13 years ago as a young boy. "Canada is advertised as a multicultural society with good healthcare," he says. "But once you get here, all you do is struggle."

Having lived close to the Etobicoke grocery store he works at, Rechev was forced to move back in with his family in North York after struggling to meet the costs of living. This move has turned his 15-minute bike ride into a 90-minute bus ride each way. "That used to be another way to save costs, by riding my bike to work, but now I can no longer do that."

Though he works as a cashier full-time and earns above minimum wage, Rechev finds that his income still doesn't meet the costs of living in the Toronto region, particularly during the current global pandemic.

"For me, COVID-19 has made things more complicated," he explains. "You're working harder but you're not making more money. I do a lot of work and I do save a lot. But [at some point, you realize] it's beyond you, it's just the housing market and how expensive it is. Housing prices aren't going down during COVID. In some cases, they're actually going up."

For Rechev, the search for affordable housing is aggravated by the systemic barriers placed ahead of people of colour. "I have good credit, but I never get a call back for housing. Because of people's social background or skin colour, housing can be harder to access."

On addressing affordable housing, Rechev suggests that governments ensure the basic right of housing is being met for all Canadians. If housing affordability does not improve in the city, he fears we will see more homelessness and young people less sure of their housing and economic future.

"The goal when you step on that plane to come to Canada is to own property one day, but it's a lot harder than you realize."

Bonnie

66 years old
Home Visit Coordinator, Community Services Agency
Owns a home in east Scarborough
Income of approximately $43,000 per year

Bonnie has lived in her home near the Pickering-Scarborough border for 20 years, and in the area for over 30 years. Due to the onset of COVID-19 and a resulting reduced number of care staff available for support, Bonnie has recently moved in to assist her adult daughter, who has Down syndrome and lives nearby in a rental apartment.

Prior to the pandemic, her daily routine consisted of a 90-180 minute commute (depending on traffic) to and from her work in the East end of Toronto. One of the few positive outcomes about the pandemic, Bonnie notes, is that she's gotten back two hours of every day. "I enjoy not having to drive downtown or pay for parking," she says. "I can afford to live in the area that I'm in now, but could not in the area where I work. I also support my daughter's housing situation and she definitely could not afford to live in that area."

Her housing choices are directly connected to ensuring her daughter's needs are met. Due to high rental costs and long waitlists for apartments in her area, Bonnie was planning to subdivide her home into two apartments, one for her and the other for her daughter and a roommate – a plan which has now been put on hold. Though her daughter's rent has decreased slightly during the pandemic, the costs are still relatively high and challenging to support.

Bonnie sees housing affordability as an intergenerational issue, as well as a challenge for lower-income workers who may choose to move further away from Toronto's downtown core, now that virtual work has become more accessible. "Support staff will become increasingly difficult to find for both baby boomers who are aging and adults with developmental disabilities."

She thinks there should be more employment opportunities and new housing built in the older suburbs of Toronto to create connected, safer communities.

"Buildings need to be multipurpose – business, recreational and residential – as well as multi-priced, with affordable rental and ownership options all in the same building," explains Bonnie. "Supportive housing could also be part of this. Connected communities make for safer communities, so ensuring that the infrastructure is there to help communities connect is extremely important."

"Buildings need to be multipurpose – business, recreational and residential – as well as multi-priced, with affordable rental and ownership options all in the same building."

Toronto's Housing Opportunity

To address Toronto's urgent housing shortfalls, a variety of new housing options must be explored to meet the diverse needs of different communities. So what is needed to deliver housing at the right price points and scale?

First, leveraging government-owned lands. With the cost of land as one of the highest barriers to building affordable housing, government-owned lands offer a unique opportunity. Many government-owned sites are in prime locations near transit and amenities. If developed into mixed-use, mixed-income neighbourhoods, these sites can continue to provide a public good.

Second, getting housing density right. The data analysis group HousingNowTO estimates that the average densities required to achieve affordability for 99 years on an urban site is a minimum of 200-250 units per acre, with a development period of roughly 3-5 years from the first proposal until unit-occupancy.

Using the 3-5 year period for regular development, they estimate 100-125 individual project sites would need to be in the development pipeline by 2025/26 to have a chance at welcoming residents by 2030. They suggest the City leverage Miniter's Zoning Orders (MZO) approvals and modular-housing construction to accelerate those timelines.

Third, more mixed-income projects. The former Sidewalk Labs' Quayside project proposed a compelling case to offer 40% of their residential units on the site at "below-market rates." This would have been done in a three-tiered pricing structure, where 20% would be affordable rental housing, 15% would be mid-range rental units and the remaining 5% of properties would be for purchase through a shared equity partnership for those priced out of the housing market. While this framework stands out as an ambitious affordable housing model that may not be feasible for most developers without subsidies, it is still instructive for assessing the potential of mixed-income projects in Toronto. In 2019, construction started on 18,877 apartment and condo units in Toronto.[1] If the Sidewalk formula were applied to all these developments, there could be as many as 7,500 new below-market units, including almost 1,000 deeply affordable units. Mixed income projects have the benefit of strengthening neighbourhoods through allowing a more diverse cross-section of Torontonians to live in the same place.

"Deep" Affordability

When it comes to housing, many people have different definitions of "affordable." In many policy frameworks, housing is considered affordable if it is equal to the average market rent (AMR) for an area – but this price can still be out of reach for many low- and middle-income workers and families. Rent levels that are further below AMR, and therefore affordable to workers with a lower salary, are considered to be more deeply affordable. "Deep affordability" is usually reserved for rents that are at or below 60% of AMR.

Another measure of affordability is the Shelter Consumption Affordability Ratio (SCAR), developed by the Canadian Centre for Economic Analysis (CANCEA).[2] The SCAR index measures how much of someone's income goes toward shelter costs after other necessities are covered. The higher the ratio, the lower the affordability.

Principles for a Good Workforce Housing Model

In reviewing existing workforce housing models in Canada and abroad, we identified important factors that have the potential to produce a good workforce housing model. We then grouped these factors into six categories, highlighting several questions that can help determine each project's affordability and scalability.

PURPOSEFUL BUILDING

A good model factors the needs of essential workers into the structure and functionality of the housing in question.

- Was the model designed for the future occupant (with consideration for factors such as location, access to transit, and the inclusion of family-sized units)?
- Is the workforce housing available directly tied to employment (i.e. if one were to lose their job, would they also lose their housing)?

LAND MAXIMIZATION

Because land is a finite resource, it is important that developers maximize as much of the land available in order to save on costs and keep the housing affordable.

- Was a project successful in maximizing the number of affordable units per acre?
- What is the total number of units per acre?

FINANCIAL SCALABILITY

The ability to scale up construction of affordable housing for workers is constrained by the need for the project to be financially sound, including how much equity is available to invest in the project and accounting for rising construction costs.

- How much did this model rely on grants from Canada Mortgage and Housing Corporation or other sources?
- How much did it rely on support from "density bonuses"? (Section 37 of the Planning Act authorizes increases in permitted height and/or density through the zoning bylaw for developers in return for community benefits. This measure is in the process of being replaced by a new Community Benefits Charge.)
- How much did it rely on one-off support or philanthropy?

LONG-TERM AFFORDABILITY

While some projects only guarantee affordability for as little as ten years, longer timelines increase the value and benefits that come from investing in affordable workforce housing.

- How long is affordability preserved for these units?
- How deep is the affordability offered? In other words, what income level would people need to be able to afford these units?

MODEL REPLICABILITY

To help meet the scale of Toronto's housing needs, successful workforce housing models should be as easy as possible to replicate.

- How long did it take to complete this housing project?
- How easy would it be for another organization to emulate this housing model?

STRATEGIC PARTNERSHIPS

Finally, good workforce housing models depend on the effective partnerships at their core, to support the projects through to their completion and long-term success.

- How many partners were involved?
- Were all the right players at the table?
- Did these partners provide relevant support and resources (such as land, equity, programs, rent subsidies) towards the project?
- Are the partnerships that made this project possible easy to reproduce?

Evaluating Toronto's Current Housing Models

Using the recommended factors for a good housing model, we analyze three of Toronto's existing models to gauge which could be scaled to meet the needs of Toronto's essential workers. These models are evaluated on a scale from fair (meets some of the priority criteria); to good (meets the priority criteria); to excellent (exceeds in meeting the priority criteria).

The models below have taken a different approach than the examples from other jurisdictions profiled in *Defining the Problem*. Too frequently, approvals and financing constraints in Ontario have prevented the development of at-scale solutions. While the case studies we have selected all serve a need and have been developed with the best of intentions, it is evident that the scalability of models remains a challenge across the board. In the conclusion, we highlight what needs to change to unlock the solutions for the homes that Toronto needs.

CASE STUDY #1

Workforce Housing for Artists

Artscape Bayside Lofts

OVERVIEW

Artscape is a Toronto-based, not-for-profit urban development organization that builds and operates complex, multi-tenanted residential and commercial spaces for artists, art organizations and broader communities within Toronto. Founded in 1986, Artscape sought to intervene as artists were increasingly priced out of Toronto amid a growing housing affordability crisis.

After an early focus on affordable studio space, Artscape has adopted a broader mandate to support artists and the city's neighbourhoods and communities. Their projects include live/work artist studios, affordable condominiums, community cultural hubs, entrepreneurship spaces and performance and event venues. Artscape has produced about 67 affordable ownership units and over 200 affordable rental units for artists and arts administrators. Over 2,700 people live and/or work in their spaces. Tenants recently moved into Artscape Bayside Lofts, 80 dedicated rental units within the larger 225-unit Aquavista development on Queen's Quay East.[3]

SCALABILITY ASSESSMENT

PURPOSEFUL BUILDING

Artscape's live-work artist studios and affordable condominiums are available to artists, arts administrators and their families. Artscape and existing tenants review applicants to ensure they meet the eligibility requirements.

Good

LAND MAXIMIZATION

Artscape applies various ownership and affordable rental models at the housing sites they provide across Toronto, often managing a portion of the units in a larger, privately-owned condo development for artists. In essence, this functions as a form of inclusionary zoning – the sites typically achieve strong density, with a small percentage of units designated as affordable. At Artscape Bayside Lofts, the 13-storey building includes 225 units total, with 35% operated as affordable housing.

Excellent

FINANCIAL SCALABILITY

Projects have largely been financed through city grants and Section 37 "density bonus" agreements with developers. The affordability models they use are mixed and based on the types and uses of the space. The City of Toronto approved $26 million in funding and more than $7.6 million in indirect contributions to purchase the 80 affordable units in Bayside Lofts, working out to $420,000 per unit.

Good

LONG-TERM AFFORDABILITY

Artscape collects residential rent-geared-to-income and below-market rent at their live/work sites and affordable housing units. They also facilitate the purchase of units through an affordable ownership program. Artscape Bayside Lofts units are secured at 80% of average market rent for at least 50 years.

Good

MODEL REPLICABILITY

This model has the potential to scale and replicate in a variety of contexts, for many different types of workers. One of the challenges faced by Artscape has been its reliance on Section 37 agreements to fund affordable units, since developers and city councillors may want to use those funds for other priorities. The Bayside Lofts project also benefited from a city by-law requiring a minimum 20% affordable housing in the East Bayfront district.

Good

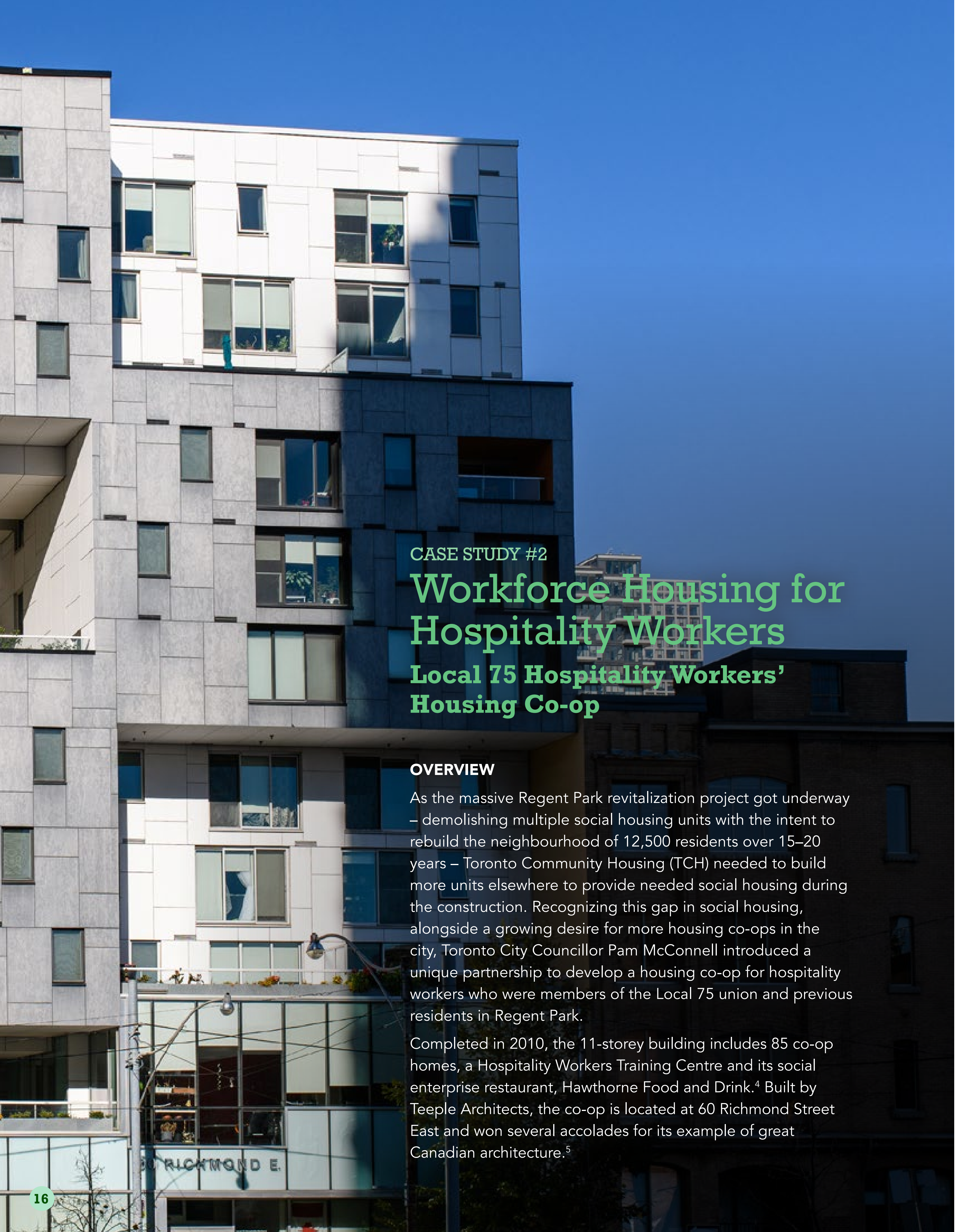
STRATEGIC PARTNERSHIPS

Artscape Bayside Lofts was a partnership with the City of Toronto, Waterfront Toronto and private developer Hines/Tridel. Other developers Artscape has worked with include Urbancorp, Great Gulf, Diamond Corp. and Sorbara. Some of their sites are owned by the City of Toronto and leased by Artscape. They also operate in some privately owned spaces. These partnerships bring the public, private and not-for-profit sector together to develop affordable units for artists.

Excellent

Does it scale?

This case study offers insight into a robust partnership that was leveraged to serve a very specific population. It can and should be scaled, however the approach is limited in how many units it can produce in each project. With the City of Toronto's forthcoming Inclusionary Zoning policy, this will be a model that other not-for-profits and developers can learn from and replicate.



CASE STUDY #2

Workforce Housing for Hospitality Workers

Local 75 Hospitality Workers' Housing Co-op

OVERVIEW

As the massive Regent Park revitalization project got underway – demolishing multiple social housing units with the intent to rebuild the neighbourhood of 12,500 residents over 15–20 years – Toronto Community Housing (TCH) needed to build more units elsewhere to provide needed social housing during the construction. Recognizing this gap in social housing, alongside a growing desire for more housing co-ops in the city, Toronto City Councillor Pam McConnell introduced a unique partnership to develop a housing co-op for hospitality workers who were members of the Local 75 union and previous residents in Regent Park.

Completed in 2010, the 11-storey building includes 85 co-op homes, a Hospitality Workers Training Centre and its social enterprise restaurant, Hawthorne Food and Drink.[4] Built by Teeple Architects, the co-op is located at 60 Richmond Street East and won several accolades for its example of great Canadian architecture.[5]

SCALABILITY ASSESSMENT

PURPOSEFUL BUILDING

The project was designed for people who lived in TCH rent-geared-to-income (RGI) housing. Priority was given to existing Regent Park residents who were Local 75 members, but eligibility was expanded to include other hospitality workers and those interested in a co-op. Units were not reserved for union members when they turned over, however, so now there are approximately half as many members as when the building opened.

Good

LAND MAXIMIZATION

As previously noted, the building offers 85 units (ranging from 1-4 bedrooms per unit) on a 2.3 acre site. The 11-storey building was well-designed, but did not maximize density on the site.

Fair

FINANCIAL SCALABILITY

The project benefited from municipal affordable housing grants, Section 37 funding and funds related to the Regent Park redevelopment. Co-ops have proven difficult to get off the ground in the current financial and regulatory environment because most of them were enabled through robust government funding programs that no longer exist.

Fair

LONG-TERM AFFORDABILITY

The building has preserved affordability for its residents with 47 RGI units and the remainder as long-term affordable rental units. The site is secured as affordable housing until at least 2057.

Excellent

MODEL REPLICABILITY

Some individuals were reluctant to move in, as it meant giving up their eligibility to return to other rental units in the TCH stock. Furthermore, over time, the building has become more of a general co-op rather than one focused on certain types of workers.

Fair

STRATEGIC PARTNERSHIPS

The project was successful in large part due to Councillor McConnell's determination. Additional partners involved included TCH and Local 75, although Local 75 did not provide capital and instead focused on identifying members who were eligible to move in. Further assistance was provided by the City, which provided the land through a long-term lease arrangement and offered additional subsidies.

Though an ideal group of partners, the likelihood of replicating a similar project model using this partnership approach is limited.

Good

Does it scale?

This model is excellent in how it meets the needs of the end user. However, it may be hard to replicate because of the unique conditions that made it happen. This approach presents many of the right ingredients for scalability if density could be solved for.

The increase in hard construction costs for new developments since this project was completed in 2010 means that a mid-density affordable housing project in downtown Toronto is no longer financially viable. A similar project in 2020 would need to be at least 50% larger in order to meet construction financing thresholds.

The return of government incentives to develop co-op units could go a long way toward making projects like this feasible. Lessons learned should be adapted to other scenarios with more stable funding sources and land available to scale.

CASE STUDY #3

Affordable Ownership

Options for Homes

OVERVIEW

Options for Homes (Options) is Canada's largest non-profit developer working solely to make home ownership affordable. A mission-based social enterprise, Options works to build good quality condominiums that are accessible to middle-income households who are able to save just 5% toward their down payment. Options creates affordability for these households through their down payment loan program – a shared-equity mortgage with no interest and no payments required, until the buyer sells the unit and pays Options back their share in the home.[6]

Since 1994, Options has delivered housing to more than 3,000 people across 13 condo communities in the GTA. Its first development was a series of townhouses in Weston Village, followed by a condo development in the Distillery District. Recent projects include the Village by Main Station and Jasper Condos. Options' latest Toronto-based project, The Humber, is currently under development, and there are an additional 2,000 units in its development pipeline.[7]

SCALABILITY ASSESSMENT

PURPOSEFUL BUILDING

Options units are available to buyers who do not already own another home and are legal permanent residents of Canada. The new home must be the principal residence of the buyer, ensuring that it is end users and not investors who benefit.

Good

LAND MAXIMIZATION

Options developments range from stacked townhomes to high-rise buildings. Some of its projects have achieved impressive density – for example, The Humber condominiums include 232 residential units on less than an acre of land.

Excellent

FINANCIAL SCALABILITY

Projects are largely self-financing, with affordability secured through down payment support and offering fewer amenities, rather than through subsidies. One constraint is that construction lenders require organizations to have a balance sheet with assets that can provide security sufficient to ensure the lender's loan will be repaid, even if the project were to be unsuccessful. Having access to government loan guarantees could allow Options to scale up their supply by having their balance sheet unencumbered.

Excellent

LONG-TERM AFFORDABILITY

Options' down payment model makes home ownership more accessible by lowering the size of the mortgages required by their clients and reducing the amount needed to save for a down payment. This assistance is available for the original purchaser of the unit – resales occur at market prices, meaning the unit is affordable to the first purchaser.

Fair

MODEL REPLICABILITY

With a collaborative approach alongside its construction partner, Deltera, the Options model has the potential to scale and replicate depending on the target client. Scaling the Options model, however, may be constrained by having to seek capital on a project-by-project basis due to a limited equity pool. This can limit the ability to take advantage of opportunities in the market when they arise, as well as the supply of affordable housing ownership that can be offered.

Good

STRATEGIC PARTNERSHIPS

The Options model is built on multiple partnerships. In addition to Deltera, financing is arranged through Home Ownership Alternatives (HOA), CMHC, and several banks and credit unions which recognize the Options down payment contribution as part of a purchaser's own down payment.

The City of Toronto also provides Options developments with a development charge deferral program that expands the down payment support for households who need extra help to achieve home ownership.

Excellent

Does it scale?

This model is the best positioned for large scalability in terms of being able to produce the highest number of units. Affordable home ownership is an important kind of housing to be produced as part of a healthy housing ecosystem. The partnership model Options has developed, as well as their financial model, can and should be replicated by other kinds of affordable housing providers as an impressive way to produce larger quantities of units.

Emerging Models and Trends

Existing workforce housing models in the Toronto region show potential for scalability. Yet, a number of new and exciting workforce housing models and trends are emerging. As these models are further developed, they should adopt lessons from the case studies above to maximize their potential impact.

Ownership models which provide affordability in perpetuity.

TRENDSETTER: Habitat for Humanity GTA[8], who is expanding upon its traditional homeownership model to offer a range of equity-generating housing models including restricted equity homeownership, rent-to-own, land leases and equity co-ops.

BENEFITS: Traditional homeownership delivers the pride, stability and equity benefits of ownership to the first homeowner but often at the cost of losing the home to the market at resale. Modified equity models can deliver similar benefits to the owner/occupant but with the ability of the non-profit to repurchase the home in the future, thus keeping the home affordable through multiple generations of occupants. More broadly, keeping these equity units affordable in perpetuity enables communities to remain inclusive.

POTENTIAL: Affordable home ownership occupies an important space in the housing ecosystem, enabling people to enter into home ownership with the help of shared equity from a not-for-profit organization like Habitat for Humanity or Options for Homes. By providing not only shelter, but also the opportunity to build equity and economic advancement from one generation to the next, these models help to address the growing wealth inequality in our communities.

SCALABILITY:

Creating community owned assets via community trusts

TRENDSETTER: Parkdale Neighbourhood Land Trust[9] and Community Affordable Housing Solutions[10] are trusts designed to acquire and hold land and housing assets for community benefit in perpetuity Both of these initiatives are collaborations of multiple non-profits and community stakeholders.

BENEFITS: This multi-stakeholder trust model ensures that affordable housing assets are used for community benefit in perpetuity. Operators of housing within the trust can access the benefits of economy of scale, and assets in the trust can be leveraged to provide funding for capital improvements and growth.

POTENTIAL: Trusts are able to accumulate assets and surpluses to be used for improvements and expansion. Eventually, a successful growth-oriented trust can contribute significantly to both housing supply and affordability that is independent of government assistance and the unpredictable nature of housing policies. Projects within the trust are preserved in perpetuity, particularly important in neighbourhoods that are rapidly changing and gentrifying.

SCALABILITY:

Building housing faster on sites that are ready for development

TRENDSETTER: Modular supportive housing sites[11] with the City of Toronto and modular Long-Term Care[12] partnerships led by the Ontario government.

BENEFITS: Modular construction allows housing projects to be built in factories and assembled on site, resulting in faster and cheaper construction that can be easily tailored for the needs of the end user.

POTENTIAL: The city's modular housing initiative produced 100 new homes over two sites in under eight months. This trend can be paired with other solutions, including rapid zoning approval or pre-zoned sites, to rapidly scale the deployment of new units.

SCALABILITY:

Leveraging institutional land to build affordable units

TRENDSETTER: University Health Network's Parkdale Campus of Care[13] and the Toronto Lands Corporation's new strategy to rethink and adapt Toronto schools for multiple purposes[14].

BENEFITS: This trend encourages institutions to think beyond their typical mandate and explore how to address broader community needs through the redevelopment of their existing land holdings.

POTENTIAL: Hospitals, school boards, post-secondary institutions and other government agencies control a lot of land. The UHN land in Parkdale that is being offered to develop a new "campus of care" is nearly 7 acres, offering significant redevelopment potential. Redeploying this land to build housing could significantly add to housing supply, as demonstrated by the institutions profiled in *Defining the Problem*.

SCALABILITY:

Conclusion

When *Defining the Problem* was released, it aimed to make the case that workforce housing was an urgent issue for the region to address. If there was any doubt to that, the impacts of COVID-19 have wiped it away.

A diverse workforce is essential for our economic success, and quality housing is necessary for the essential workers who keep our city running. This crisis could be the moment our region takes bold action to truly address this challenge. Our success, however, depends on what kind of action we take.

The models evaluated in this report each have strengths and weaknesses. While no single model can address the range of housing needs faced by essential workers like Rechev and Bonnie, together they provide approaches and tools that can be adapted, scaled up and rapidly deployed to illuminate a path forward for the region. Through the course of our analysis, three principles emerged as especially salient for developing scalable solutions.

First, **creative partnerships:** successful projects are often a product of collaboration between developers, financers, governments and service providers. As noted in *Defining the Problem* and illustrated in this report's case studies, political will to make systemic changes and enable scalability is invaluable. However, a workforce housing project's viability cannot depend on government participation alone. Other traditional and non-traditional partners, including employers, should be brought in early, engaged along the way, and given time and resources to forge enduring partnerships that can be repeated – as with the Options model. These partners should also be invested for the long haul to enable a pipeline of projects to be developed.

Second, **leveraging density for mixed-income developments**: land is a valuable and finite resource, particularly in neighbourhoods close to services, transit and essential workplaces. Building at the appropriate density can help maximize this resource and allow more affordable units to be built by cross-subsidizing with market-priced units. Inclusionary zoning will allow this approach to become more widespread, and models like Artscape and Toronto's Housing Now Initiative are leading the way.

Third, **putting the future residents' needs first:** the project design should be driven by the needs of workers and not based on assumptions. In the Hospitality Workers Co-Op, some eligible union members turned down the chance to move in because of the low number of parking spots. Even a little input early on can have big impacts on the project's success, and partners should be ready to adjust as needed to accommodate residents' priorities. If these needs are not considered, we will end up building the wrong type of housing and leave our essential workers even further behind.

The models profiled here demonstrate that the Toronto region has the expertise, creativity and ambition to build what is urgently required. The next and final report of this housing series will examine what might happen to our economy and society if we do not act soon. COVID-19, an ever-aging population and an increasingly in-demand social service sector mean that time is no longer on our side. Our region's long-term economic success will undeniably depend on housing action – but will we take that action in time?

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