

Centre for Urban Research
and Land Development

Five Principles That Can Improve Housing Affordability in the GTA

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Once the current buyer frenzy in the GTA deflates and the temporary surge in housing prices ceases, new and improved policies will be needed to tackle the consistently deteriorating housing affordability for renters and homebuyers in the region.

Recent research from the Centre for Urban Research and Land Development at Ryerson University shows that municipalities in the GTA must consider five fundamental principles to enhance housing affordability in the long run.

Firstly, there are two separate but related affordable housing challenges that need to be addressed – the region struggles to provide adequate housing for low-income households, and housing is too expensive for a growing number of middle-income households.

Municipalities in the GTA are failing to provide an adequate supply of approved, serviced housing sites to the marketplace, making it impossible for builders to meet the demand for a variety of housing types in a variety of locations, and forcing lower-income households to compete with middle-income ones for a shrinking supply of affordable accommodation.

Second, housing policies must be uniformly applied across municipalities if there is to be a substantial improvement in housing affordability, mainly because the GTA comprises a single labour market where people work and live. With no region-wide governance body and the unlikelihood of simultaneous action by municipalities, the Ontario government should coordinate the necessary action across all municipalities in the GTA.

Even if an individual municipality in the region, such as the city of Toronto, successfully generates a sizable supply of additional affordable housing units, its success would be short-lived. Residents from adjacent areas would move to the municipality, causing prices and rents to increase once again.

Third, a sustained improvement in housing affordability also depends on an increase in approved, serviced sites that municipalities continually replenish.

The ratio of housing cost to income can improve if household choice increases and builders have more competition – bringing purchase prices and rents more in line with household incomes.

This requires having enough approved, serviced sites for a range of housing types, and seismic reforms to land-use regulation in the GTA for both built-up and greenfield areas.

The current approvals and zoning systems lack the flexibility to expeditiously produce the number of shovel-ready serviced sites needed to accommodate the growing housing demand and allow for choice and competition.

The Ontario government has taken several steps to increase the supply of such sites in the GTA, including an amendment to the Provincial Policy Statement (PPS) in 2020 for the housing types in each municipality to meet the projected market-based needs. The PPS now requires municipalities to maintain an ample supply of serviced sites and sites in the development pipeline to meet anticipated market demand by unit type – something the previous PPS did not do.

The Ontario government should prioritize this policy, especially the requirement to maintain a minimum three-year supply of ready-to-go sites at all times, by regularly monitoring municipal compliance, encouraging municipalities to exceed the minimum land inventories specified, and requiring laggard municipalities to take corrective action.

Fourth, the only sustainable way to make housing more affordable for middle-income households is reforming land-use regulation to significantly increase the inventory of approved, serviced sites and expedite planning applications through approvals and zoning processes for all housing types.

Although many municipalities have initiated a policy thrust to subsidize new housing projects and offer affordable units to middle and low-income households, these policies will help only a fortunate few without addressing the GTA's fundamental affordability problem.

In short, municipalities should focus on easing land-use regulatory burdens and facilitating infrastructure expansions to allow the market to operate more efficiently in delivering housing to middle-income households, while redirecting the scarce subsidy funds to increase aid solely for low-income households living in core housing need.

Last, but not least, it's better to support low-income households through demand-side rather than supply-side housing subsidies.

Instead of subsidizing new housing construction, municipalities should provide a subsidy to low-income households in need of affordable and acceptable housing, to make up the difference between market rent and the rent they can afford. This can lead to increased mobility for low-income households, allowing them to find affordable housing closer to jobs and transit.

The National Housing Strategy's program of rent supplements to community housing residents, while modest in scale, is a step in the right direction.

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