



# Case-in-Point 2023

Figure 1: Housing in Toronto

## A CASE FOR NOT-FOR-PROFIT AFFORDABLE HOUSING ACQUISITION PROGRAMS

### An Analysis of Toronto's Multi-Unit Residential Acquisition Program

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#### Abstract

In Canada, for every new affordable unit created, 15 existing affordable units in the private market are lost (Pomeroy, 2020, p.1). A not-for-profit affordable housing acquisition strategy is the best chance at saving the naturally occurring affordable housing units in the private sector. Toronto's Multi-Unit Residential Acquisition program (MURA) will be analyzed for its benefits and challenges in addressing an issue that continues to worsen throughout the country.

#### 1.0 Background & Context

Toronto is one of Canada's most expensive cities to live in and the city is losing affordable rental housing faster than it is being built (August & Walks, 2018). This is a common reality for Canadian cities as the commodification and financialization of housing has continued to accelerate over the last decade. The Canadian Housing Policy Roundtable estimates that in Canada from 2010 to 2020, 60,000 affordable units were sold every year and subsequently lost their

affordability (Sullivan, 2023). Affordable units were defined as monthly rents below \$750 which would be necessary for annual incomes under \$30,000. The financialization of housing occurs when housing is used as an investment rather than as a home. It often intensifies when governments lose interest in social housing and decrease regulations, such as rent control (August & Walks, 2018; Whitzman, 2022, p 308). Increasingly, investors such as REITs, capital funds and individual investors have been purchasing 'underperforming' affordable housing properties in the private market. When investors are interested in making the largest return on an investment property, expenses are reduced to a minimum which negatively impacts tenants' standard of living. Tenants are left in a situation where they end up paying much higher rent for a lower quality of housing or face displacement. Rents continue to rise in Toronto with gaps in rent control legislation and few regulations to slow down the financialization of housing (Parkdale Neighbourhood Land Trust, 2022, p. 69). The loss of naturally occurring affordable housing units in the private sector has resulted in fewer options for low-income earners and has exacerbated the number of people experiencing homelessness (August, 2022, p. 32).

The National Housing Strategy was announced in 2017 and was initially branded by the federal government as a solution to the housing crisis. Yet, the National Housing Strategy does not have an effective solution to achieve the right to housing in Canada, which would require protecting and expanding the number of affordable housing units for low-income earners (August, 2022). The federal government seems to be reluctant to halt the financialization of housing as financial institutions, including Canada Mortgage and Housing Corporation, function to generate profits through the commodification of housing to promote economic development. Yet, there has been a growing call for governments

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- Sullivan, 2023

to fund an affordable housing acquisition strategy for the not-for-profit housing sector (Biss & Raza, 2021). With adequate funding, not-for-profit housing providers could acquire existing at-risk affordable housing in the private sector to ensure units are kept at affordable rental rates. The lack of a federal acquisition housing program has put the pressure on provincial governments and municipalities to develop their own programs. Toronto's Multi-Unit Residential Acquisition program was announced in 2021 and is one of the first programs in Canada that is dedicated to halting the loss of naturally occurring affordable housing units.

## **Facts of the Case**

The solution to the financialization of housing must be consistent government policies and funding that de-commodify housing and build the capacity of the social housing sector to meet the needs of those living in core housing need (Moore & Skaburskis, 2004; Raynor & Whitzman, 2021). A not-for-profit affordable housing acquisition program is one important tool that is needed to ensure existing affordable housing is not lost. MURA is a \$20 million fund dedicated for non-profit and Indigenous housing providers to purchase, renovate and operate at-risk private market affordable housing buildings (City of Toronto, 2022). Without an effective not-for-profit affordable housing acquisition program, the City of Toronto's target to create 40,000 affordable units by 2030 would be ineffective



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*- Biss & Raza, 2021).*

due to the loss of naturally occurring affordable housing. Furthermore, achieving this goal would be unnecessarily costly as the City would rely on new construction (City of Toronto, 2022). Preserving already existing affordable housing is cost-efficient as it costs 30 to 60 percent less than new construction (Parkdale Neighbourhood Land Trust, 2022).

MURA projects are selected through an annual call for proposals made through the Housing Secretariat. The program covers capital costs of up to \$200,000 per apartment building unit and up to \$150,000 for single occupancy rooms (City of Toronto, 2022). Successful proponents pre-qualify for MURA funding and receive a conditional letter of commitment, 10 percent of the maximum approved funding and up to \$25,000 in pre-acquisition funding by the City of Toronto within 60 days of approval (City of Toronto, 2021). Proponents may also be eligible for a municipal and school property tax exemption for a 99-year term (City of Toronto, 2021). In addition to funding, the City of Toronto's Open Door Program is available to proponents to take advantage of affordable housing incentives such as access to surplus public land, fee exemptions and the expedition of planning approvals (City of Toronto, 2022). Once a property is identified, proponents submit full project details which include capital and operating budgets to the Housing Secretariat. The Housing Secretariat then confirms that the proposed project meets the program criteria and forwards the approval to the City. Upon final approval the City forwards the total funding to the

proponent within 30 days (City of Toronto, 2021).

### 3.0 Outcomes

According to the City of Toronto, MURA was designed to "remove properties from the speculative housing market and create permanently affordable rental homes; improve housing stability for current and future tenants; improve the physical conditions of buildings; increase capacity in the non-profit and Indigenous housing sectors; and ensure the long-term financial sustainability of the homes (City of Toronto, 2021, p.1). To date, MURA has awarded funding to six organizations which will go towards the purchase of 140 housing units (Budget Notes Housing Secretariat, 2023).

While information on the outcomes of all the projects have not been made publicly available, one of the proponents was the Parkdale Neighbourhood Land Trust (PNLT). PNLT is "Ontario's first-ever community land trust, created to preserve land for affordable housing as well as affordable working spaces for nonprofits, social enterprises, and businesses run by new immigrants" (Vancity Community Investment Bank, 2022, Para 2). In 2017, the PNLT started to identify and purchase at-risk affordable housing buildings. Prior to MURA, the PNLT had considerable difficulty when purchasing properties in the real estate market as government funding



Figure 2: Parkdale Neighbourhood Land Trust Rally

and private investments and donations were needed to finance real estate acquisition. It was often the case that the PNTL could not get financing together in time to compete with private developers who had the means to purchase property quickly (Vancity Community Investment Bank, 2022). In 2021, PNTL was able to purchase an affordable housing property with 36 units. The building was financed with a \$8.5 million loan from a community investment bank which was supported by \$2.6 million in guarantees from investors. The acquisition would have been nearly impossible for the organization if it were not for the unique financing solution of the PNTL's community investment bank who partnered with the organization to create a "first-of-its-kind impact investment program that held funds from values-aligned investing organizations in Impact GICs to guarantee financing" (Vancity Community Investment Bank, 2022, para 9). A year after the building was purchased, PNTL bought out the investors' 30 percent equity in the building with MURA funding which reduced the \$8 million dollar loan to a \$2.79 million dollar mortgage.

MURA funds enabled PNTL to reduce their loan, thus reducing monthly mortgage payments and building equity for the organization which ultimately increased the organization's capacity to be able to purchase and preserve the affordability of more buildings. This case shows that organizations that were actively seeking to preserve affordable housing buildings before MURA had a difficult time. Ultimately the PNTL was limited in their abilities before MURA. PNTL was only able preserve affordable housing before MURA due to the organization's unique circumstances. MURA enables not-for-profit and Indigenous organizations to acquire at-risk affordable housing units in the private market that do not normally have these unique financing resources available to them. MURA ultimately allows housing providers to work in opposition to a private investor to maintain affordability and improve

quality through reduced financing costs.

## 4.0 Lessons Learnt

MURA has several lessons learnt as housing advocates have quickly weighed in on the program's successes and challenges:

### Challenges

1. MURA has reduced its annual budget from \$20 million in 2022 to \$18.85 million in 2023 (Ferguson, 2023). These funds included approximately \$15 million in unspent departmental funding from previous years and \$3 million in new funding. It is assumed that there will need to be \$7 million in new funding for 2024 (Ferguson, 2023). City Council passed a motion to identify funding for \$10 million in funding each year which could result in the program having less funding than it did when it was announced (Ferguson, 2023). This is a huge challenge for the scale of the program as Toronto is a city with very high property acquisition costs. There are local calls to increase the funding to ensure more units of housing stay affordable (Thornley, 2023; Ferguson, 2023; Parkdale Neighbourhood Land Trust, 2022). Increasing the program's budget would better meet the needs for affordable housing in the city since there are approximately 17,000 eviction applications a year for tenants who cannot pay their rent (Parkdale Neighbourhood Land Trust, 2022). Toronto's City Council did note that for 2023

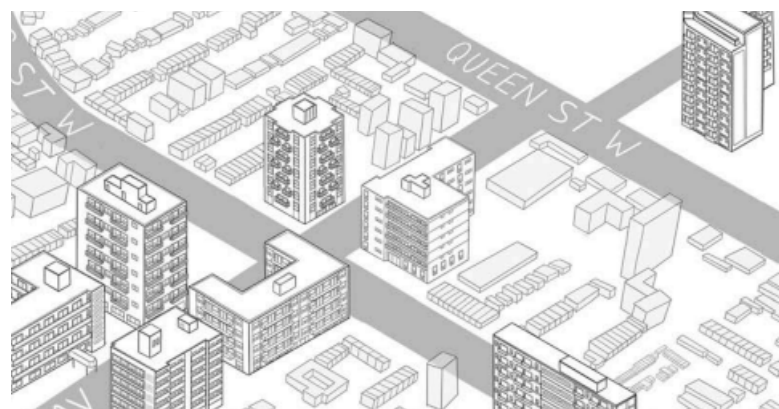


Figure 3: Highlighting the Towers in Parkdale Toronto

and beyond, city staff will leverage the success of the 2021 and 2022 proposal calls to advocate for funding from the federal and provincial governments to support the continuation and enhancement of the program (City of Toronto, 2021).

2. Toronto is known for its towers and many of the older high-rises provide affordable housing. Yet, buildings with more than 60 units are not eligible for MURA funding. The program would require additional funding to enable the purchase of at-risk affordable towers (Parkdale Neighbourhood Land Trust, 2022). Parkdale Neighbourhood Land Trust's 2022 report, *Parkdale Tower Rental Housing Study* recommends the province provide new capital funding for the acquisition in addition to new rent-g geared-to-income rental housing supplements to ensure that acquisition projects are able to be kept at affordable rates (Parkdale Neighbourhood Land Trust, 2022, p. 71). The Study recommends the province use funds that were directed to the Ontario Priority Housing Initiative that ended in 2021 and enabled municipalities to fund local housing priorities (Parkdale Neighbourhood Land Trust, 2022).

3. There is not have an equivalent provincial or federal program to make MURA compatible for stackable funding. Provincial and federal funding is crucial to expand the program in Toronto and elsewhere. MURA would be the most efficient with a provincial and federal program that work together to fill policy and funding gaps. For instance, MURA does not provide low-interest loans for the remainder of the project costs. Low-interest loans are a key aspect in the federal government's new construction streams in the National Housing Strategy and the Canada Mortgage and Housing Corporation would be well suited to integrate low-interest loans with MURA projects.

## Successes

1. MURA has been successful in

achieving its objective of securing some at-risk affordable housing units in the private sector. While funded MURA project details that outline the level of affordability have not been made public, the not-for-profit housing sector will ensure rental rates are as affordable as funding levels allow for.

2. MURA has demonstrated that governments can disburse funds rapidly for the acquisition of real estate. MURA has a two phased funding application review process that allows non-profit organizations and Indigenous organizations to be in partnership with the City of Toronto to move quickly to purchase affordable housing before it is sold off for redevelopment. The federal and provincial governments could consider a similar program design to ensure an expedited funding application review process of 30-60 days (Parkdale Neighbourhood Land Trust, 2022).



Figure 4: 36 Units of MURA Supported Housing

3. The federal government's new constructions' funding agreements only ensure that the program's required level of affordability is in place for 10 to 20 years. This means that billions of dollars in federal funding were not used as long-term investments in affordable housing. Yet, MURA funding agreements ensure affordable housing will be secured for 99 years. This will help to ensure that the efforts of MURA will be permanent.



## 5.0 Conclusion

MURA has demonstrated that cities can play a major leadership role in addressing housing challenges through effective programs and funding. Yet, to address the scale of the loss of naturally affordable housing, the co-operation of all levels of government are needed. The successes of MURA could be utilized when designing complementary provincial and federal programs to create an inter-jurisdictional not-for-profit affordable housing acquisition strategy in Canada.

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## Figures

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