

Ep 24 - (un)affordable housing

We sit down with MCC's Ontario advocacy guru Greg deGroot-Maggetti as he breaks down our affordable housing crisis: where we are, how we got here, and three (of many) solutions.

Advocacy actions:

1. [Say Yes to Fair Rents! - Advocacy Centre for Tenants Ontario - ACTO](#)
2. [Take Action: More Urgency on Housing Affordability - The National Housing Accord: A Multi-Sector Approach to Ending Canada's Rental Housing Crisis](#)

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VO: Welcome to UNDERCURRENTS, my name is Ken Ogasawara. I'm part of the Communications team at Mennonite Central Committee in Ontario. This podcast is just one way of telling all the amazing stories coming out of our community of program participants, staff, partners and others. Undercurrents is brought to you in part by Kindred Credit Union. Kindred's purpose is cooperative banking that connects values and faith with finances, inspiring peaceful, just, and prosperous communities. Safe and affordable housing is a key part of a prosperous community and Kindred has created innovative products, like the Affordable Housing GIC which supports loans to providers of long-term, permanent affordable housing. This episode is about affordable housing.

VO: If you've been a loyal Undercurrents listener from the beginning you may remember Wayne who shared his rich life story, including his transition from home-owner, to shelter-living, to affordable housing. We heard from Pete, who challenged youth groups to engage with people living on the streets. In Season 2, we heard from Marjorie about the importance of a living wage, and in Season 3, Suzi and Lucas shared the impact of meaningful work for those with disabilities.

VO: The challenges these individuals faced did not happen in a vacuum. MCC's local programs in Ontario can support many to respond to these challenges but there's something even more powerful that can affect the lives of tens of thousands, hundreds of thousands, even of millions of people. And that thing is public policy. Today, we're going upstream on Undercurrents - and we'll be exploring housing policy, which has impacted not only all of MCC's programming in Ontario, from supporting folks returning to community after serving a prison sentence, to resettling newcomers to Canada, to walking with people in poverty - but also affects working professionals, young families, and retired pensioners.

Greg: Yeah, so where really the whole housing crisis and how housing affordability and homeless issue really has come close to home for me.

VO: This is my colleague Greg deGroot Maggetti. He is the advocacy associate at MCC in Ontario and has been deep into the weeds on public policy and poverty reduction for many years. In this conversation, Greg shows us where we are in the current housing crisis, how we got here, and what we can do about it - all in under 30 hours. And he's starting from his own neighbourhood.

Greg: There's a development of seven townhouses and six apartment units in another building that have been in the neighbourhood for well over a century, really. And there's 13 units, 34 people living in those units. And though they are not nonprofit housing, they are affordable. So it was quite a shock several months ago to see a sign go up where developers were planning to tear those houses down and replace them with a 12 story building with one and two bedroom apartments.

And at one level we do need more housing and we need more housing in the urban core close to public transit. So it seems like a win-win, you're going to get 80 some more housing units, but the hard reality is that those new units will be more expensive and they will not be covered by rent control because the provincial government in 2018 changed the rules around rent control to say any new apartment buildings built after 2018 are not covered by any rent control.

Housing crisis: How did we get here?

VO: What is rent control? Rent control is a set of policies created to help keep rent prices stable and affordable. As Greg mentioned, in Ontario, if your building was made before November 2018, it is rent controlled. That means that the landlord can only increase the rent every 12 months by the amount set by the province, which is currently a maximum of two-and-a-half percent. However, this policy has been weakened significantly by the provincial government and we'll hear more about that later in the episode. If your unit was made after November 2018, like the ones that might replace Greg's neighbour's affordable apartments, there is no limit to how much rent can be raised annually which means housing can get even MORE expensive, real fast. More on that later as well.

Greg: So there's a real concern, and we heard it in the voices of our neighbours living in those units, they have no idea where they will go. Right now, a recent vital signs report from the Community Foundation noted that one bedroom apartments, the average rent for them right now is close to \$1,900 a month. And so the standard for what makes for affordable housing is that it should take up no more than 30% of your gross income. Based on that metric, to rent an apartment at \$1,900 a month, you would need to have an annual income of \$75,000. People on Ontario Disability Support payments get just over \$1,200 a month for their total income. About \$500 of that is supposed to be allocated to housing.

Greg: So you can see the crisis that this creates, and the Vital Signs report pointed out that at the moment there's a 0% vacancy rate for apartments that are a thousand dollars a month or less and though the region, the Waterloo region, the government is trying very hard to build more nonprofit housing, affordable housing, and they're building about 500 units a year, which is quite an increase from past years.

That Vital Signs report noted that between 2016 and 2021, the region was losing about 2,100 affordable units every year. So more than four times what the region is creating through the nonprofit sector, right.

Ken: They've been losing.

Greg: That's right. That's right.

Ken: And what are they being lost to? How are they...

Impact of policy changes

Greg: What has happened over the years, it's been about a 30 year process. This is the dynamic that's been going on in Canada and around the world. So most of us probably think of housing as a place to call home, and that's the basis for what you'll hear people talking about the right to housing as a basic human right, but housing can also be seen as a commodity and an investment asset. And over the past 30 years, that balance has shifted so that our housing market in Canada and in many other places in the world is predominantly being viewed as an investment asset, and that's as a result of public policy changes.

VO: For about the 30 years leading up to the 1990s, the federal government was investing heavily to build nonprofit, cooperative housing - rental apartments for renters only. At one point they were building something like 20,000 units of affordable housing PER YEAR.

Then, in the mid 1990s, the federal government basically stopped investing in affordable housing and instead, thought that the private sector could continue this work. To incentivize private investors, the government gave a generous tax break for profits on rental housing, assuming this would spur the building of NEW rental apartment buildings.

Instead, real estate investment trusts, previously investing in commercial real estate like shopping malls and stores, figured out it was cheaper and more profitable to buy up EXISTING rental apartments and systematically raise rents.

Greg: In about 1993, there were zero apartment units owned by real estate investment trusts. But by 2020, there were about 200,000 of the rental apartment purpose-built rental apartment units in Canada were then owned by real estate investment trust. And by 2023, that number had increased at something over 340,000, making up about 20 to 30% of the purpose-built rental housing market.

Greg: So when I say purpose-built, that means apartment buildings that are built to be rental apartments as opposed to say, condos that are built and that people who buy a condo unit then rent it out, or if you buy a house and decide to rent to rent it. So from 0% of the market owned by real estate investment trusts to 30%. And it's not just real estate investment trusts, it's pension funds, it's insurance companies, I mean even the Canada Pension Plan Investment Board is invested in real estate and housing. And when the provincial government, which sets rent control, decided to get rid of rent control on vacant units, that created a powerful incentive to purchase apartment buildings and then systematically increase rents and they can do that in a couple of different ways. One is as tenants move out, they can charge whatever the market will bear.

VO: This is something called "Vacancy decontrol" which means a landlord can increase the rent however much they want on a vacant apartment, even if it was first occupied before the rent control cutoff date. This incentivises landlords to move one tenant out so another, who can afford to pay more rent, can be moved in.

One classic way to do this is the reno-viction, where the landlord evicts the tenant in order to do renovations on a unit, and then charge 'market rate' for the next tenant. But even without evicting the tenant, there's another way to increase rent, called "above guideline increases".

Greg: So the province will say this year, landlords can raise rents by 2%. It's usually something related to inflation, but a landlord can apply for a larger increase, but they have to justify it by saying they have some extraordinary expenses for capital expenses, repair, not just ordinary repairs. And so these real estate investment trusts have been very active in using that above guideline rent increase rule. And what happens is they can raise the rent, and it's not just to pay for fixing up the parking garage and just covering that cost. It becomes when they get that above guideline increase, that becomes now the base rent going forward even after those expenses are paid. So this has really driven rents very high right now.

VO: In other words, even in provinces like Ontario with some sort of rent control, the loopholes are exploited so aggressively that they become nearly meaningless.

Greg: Now, I don't know if it's irony, but maybe I hope that it's one of these unintended consequences that comes from policy - so both the tax change at the federal level that gave preferential treatment to real estate investment trusts and the change in relaxing rent control, the idea, as I understand it, was to stimulate new apartment construction. The unintended consequence was actually real estate investors realized, oh, we can make a lot of money just by buying existing units and systematically raising the rents on that.

Housing Crisis Symptom - Encampments

Greg: As those rents have increased, there's been a massive transfer of wealth from - most renters are relatively lower income, low modest income, and these real estate investors are

getting windfall profits out of this. And that includes pension funds. I mean, even the Canada Pension Plan Investment Board is invested in real estate and housing. So this creates a dilemma, and this is really why we're seeing a rise in tent encampments.

Greg: Tent encampments and the growing number of tent encampments in Canadian cities is the most glaring or most obvious symptom of our housing crisis. About seven years ago or so I mean, there was real hope actually that we might be able to solve the problem of chronic homelessness. There were periodic counts of how many people were experiencing chronic homelessness, and it's not just living in tent encampments, but it could be people that are in the emergency shelter programmes or put up in motels and stuff like that. And at the time, there were about 470 people in the region and the different outreach staff, they knew them by name. And there was this hope that by pursuing the housing first policy, which was get people into housing and then provide the wraparound supports that they might need, that we could solve that problem.

Greg: But as the housing crisis, the affordable housing crisis intensified the chronic homelessness problem intensified so that in the past year or so in Waterloo Regional alone, the number of people experiencing chronic homelessness has increased to over 1300.

And I heard just last night at a city council meeting that was looking at this proposed redevelopment in my neighbourhood that one of the outreach workers who goes to the encampments is that they're beginning to see people who've never been homeless before, people who are working, people who are working, coming to live in an encampment because they cannot afford housing.

Greg: I talked to senior women I know who are living on their own in apartment buildings who find out, and one woman that I know that her landlord had applied for an above guideline rent increase three years ago, and it was approved finally and so then she suddenly had to pay three years of back rent on that above guideline increase and now has permanently higher rent and is living on a fixed pension and not a very big fixed pension.

She's not the only person I know that's in that situation. pretty well not a week goes by that I don't run into somebody who's struggling with their housing.

Things we can be doing better

Ken: So Greg, you've given us a great idea of where we are and how we've gotten here in terms of affordable housing or unaffordable housing as the case is and so what can be done about it? It's such a big question, every community group and politician and council at every level of government is wrangling with this question, and it's complicated, but from where you sit from your many years of advocacy and historical context, what are some things that we are doing and what are some things maybe that we could be doing better? I don't know.

Greg: Yeah, that's a great question. One of the solutions that is very prominent that you hear a lot about is we just need to build more housing. It's just an issue of supply and we just need to build more housing and the national housing strategy that the federal government has, has kind of relied on that and really pursued trying to get private builders to build more units and give them grants so that some of those units will only be at about 80% of market rent. So 80% of that \$1,900.

Ken: Which is not affordable.

Greg: It's still not affordable for most people. So this heavy reliance on just private for-profit builders is not the full solution. There are several things that need to happen. One is that the federal government, they really have been absent for about 30 years from the housing market in terms of building new nonprofit and cooperative housing. They're still not investing nearly as much as they need to, but nonprofit housing providers and cooperative housing providers want to get in there and build more. And even as little bits of money have come, I shouldn't say little bits, but the money that the federal government has made available for nonprofit development that's enabled communities like Waterloo region to increase the number of nonprofit housing, housing units provided a year from about 50 a year that they were doing five, 10 years ago to 500 a year.

So even the little bit of federal money that's coming through for nonprofit housing is being well used. The purpose of a nonprofit housing provider or a cooperative housing provider is to provide housing, decent affordable housing and that is a huge part of this solution.

Greg: The other elements of that we actually do need to restore rent control. It's interesting, I was just reading a Canada Mortgage and Housing Corporation Study about the impact of rent control on new construction of apartment buildings, and contrary to kind of the received wisdom that says, well, if there's rent control that'll suppress apartment construction.

This research could not find evidence for that in the Canadian markets that they looked at. What they did find that where rent control was lax, then the rent levels were very sensitive to supply and demand in the market, which means that as there's not enough supply, rents will skyrocket. That's exactly what's happened in Ontario. So rent control needs to be restored for vacant units and for new apartment units. And those other tools like providing financing for apartment construction at lower interest rates, or even these tools of removing HST from new apartment construction will be more effective in bringing on new for-profit housing supplies. So there's that element that also needs to happen.

The third piece is that Canada and Ontario, we really need to rein in that short-term rental market.

Greg: If you look at the statistics, and I've looked at the numbers for Ontario, there's been a stunning rise in the number of short-term rentals to the extent that for every two new units of housing that have come on the market, there's a unit that's registered as a short-term rental.

So that's things like Airbnb and VRBO that's just exploded. And there are initiatives underway in provinces like Quebec and British Columbia to really try to get that under control a little bit, because originally Airbnb, if you think of it, the concept behind Airbnb was you had an extra space in your place, you put out an air mattress and let somebody stay there overnight, right? It was supposed to be the sharing economy thing, right? What's happened is there are corporate investors or people that are kind of getting in.

Ken: It's a business.

Greg: It's a business. So you'll get businesses that are buying up multiple properties to rent out as short-term rental. So it's not just renting out an extra room in your house anymore, or if you split your house and have an extra apartment renting them out. So that's taken out - in Ontario, I think there's about, last time I looked about 70,000 short-term rental units in Ontario - and that's about, I think a 40% increase year over year, something along that scale.

Greg: And so it does mean that the folks who have made that their business model, it's going to hurt them, but if we take the perspective that housing is a human right, that the priority has to make sure that everybody has a safe, affordable, adequate housing, that requirement has to be met first. And once we have got our housing market to the point where we can meet that, then some of those other pieces, we are going to need short-term rentals and things like that for a variety of reasons but first, we have to fix the long-term rental market and make sure that there's housing that people can afford.

Ken: Basics first.

Greg: Right.

What can people do? - Advocacy

Ken: Okay. So last step here, Greg. What can folks do, are there some bit of advocacy that we can do ourselves to petition to our government or to our representatives to let them know that we care about this and we want to push in this direction?

Greg: So there are a couple fairly easy things that folks could do if just even to get started in terms of action, things around rent control the Advocacy Centre for Tenants in Ontario has a petition campaign to the provincial government to bring back rent control for vacant units and new rental apartment units. And again, as I said, now that the province and the federal government have removed the HST on new apartment construction, which will be a much more effective tool to stimulate new apartment construction, the justification for removing rent control is no longer there. It's not necessary. It's time to bring back rent control. That's one action folks can do.

Greg: There's another action at the federal level. The Canadian Alliance to End Homelessness has been advocating to the federal government to do a number of things to increase investment in affordable housing, to create a more stronger Canada housing benefit to help especially lower income folks manage the high cost of housing.

Greg: And there's a call for the federal government to create an acquisition fund, a housing acquisition fund, to enable municipal, indigenous and nonprofit housing providers to purchase existing apartment housing and convert that into nonprofit, because if we're going to double the supply of nonprofit housing, just to try to build new housing, it we'll just take too long. The real estate investment trusts have realized that they can buy existing apartment buildings and not-for-profits can do that as well. There are some initiatives, community land trusts in different communities.

So this call to the federal government to create this acquisition fund, MCC Canada has written to the Minister of Housing to Community Infrastructure Minister Frazier, urging the federal government to implement that acquisition fund.

Greg: And then talk with your neighbours, talk with your friends, your family.

I have learned a whole lot by talking with my neighbours about the reality of what's going on in the rental housing market. It really wasn't until the community meeting in my neighbourhood where residents of those townhomes and apartments came to tell us about the fact that they were going to be evicted for this tower to get built, that I really began to understand about the impact of the changes to rent control and vacancy D control. And since I've had those conversations with other people I've really gained a deeper understanding of what are the many, many challenges that folks are facing today with their housing.

VO: The night before our conversation, Greg had sat in solidarity with his neighbourhood group as they shared their concerns with regional councilors about the potential demolition of their affordable apartments.

Greg: I was incredibly proud of my neighbourhood and my neighbours, because they all came forward, people who lived there for a long time. I remember in the morning meeting one of the counsellors asking, "So why is your group concerned about this?" To a woman who's been a leader of the neighbourhood group. And she's like, "We live in a mixed neighbourhood and we value that. We value everybody who lives here." So when the people that lived in the development came out to the community meeting and told us about this thing, everybody in the room and it's true was like, "We got to do something." And to hear people standing up talking and the people that lived in the place with great courage told their story, it was really moving.

VO: You may have started this episode thinking, "Ugh - Public policy - it's not for me." But as Greg has shared with us, public policy is for everyone. Ultimately, policy is about people. This is why specific, policy-oriented advocacy is important - if policy *isn't* working the way it should, we

have an obligation to let our lawmakers know that we care. Through this, public policy can change the lives of hundreds of thousands, even millions of people.

VO: If you want to learn more, to add your voice to create positive change for many people, there are a few things you can do. The first is to sign and share the petitions that Greg talked about - I've included links to them in the show notes. You can stay tuned with MCC's Peace and Justice Newsletter, a monthly dose of advocacy on various issues that MCC is working on. And thirdly, look for the next episode of Undercurrents, where we'll hear from Dan Driedger from Beyond Housing, a cooperative housing non-profit that has been building affordable housing in Ontario since 2001.

VO: I'd like to thank Greg for sharing his knowledge with us and trying to distill many many episodes worth of complexity into a single conversation. Editorial support for this episode came from Christen Kong, original music by Brian MacMillan, and artwork by Jesse Bergen.

Huge thanks to Kindred Credit Union for their ongoing support of Undercurrents. And of course, thank you for listening and sharing these stories, it helps us know that these stories are valued. My name is Ken Ogasawara, have a great rest of your day.

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