

The GTA Affordable Home Ownership

CRISIS

A DEEPER UNDERSTANDING AND THE
PATHWAY TO THE SOLUTION



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Forward

There are numerous articles, blogs and reports written on different aspects of affordable home ownership.

This is the book on the GTA Affordable Home Ownership Crisis.

Its purpose is to bring an understanding of the relevance and implications of the GTA Affordable Home Ownership Crisis, expose the drivers behind the problems, and point towards a pathway to the solutions.

The solution will only grow through comprehension, resonating from professionals in the development industry to the public, and it is only through public awareness that government and non-governmental organizations will have the motivation, and the ability, to make the needed changes.

Despite the seriousness and the complexity of the issues, this book is rich with ideas and breaks down the elements of the crisis in an interesting way. Some of the ideas are examples and welcome more thought and the potential spark of additional creative solutions.

Recognizing that we live in an age where we are inundated with information, the book takes a concise and approachable magazine style format with pictures and infographics.

The time is now for developers, their employees and consultants, the public and politicians to make a difference. More than just our economic future is at stake.

The solution begins today with understanding.

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Why is Affordable Home Ownership So Important?

The problem of affordable home ownership is out of control.

Home ownership is the gateway to personal wealth in the GTA.

The vast majority of GTA residents count their personal residence as their largest asset, the home to most of their equity and their wealth.

Residents who have lived in their GTA home during any 10 or 15 year period over the last 35 years were potentially able to pay down a significant proportion of their mortgage, keep up with inflation through huge gains in the value of their homes and thus increase their personal net worth.

In contrast, residents who chose to rent over the same period of time have received no return on what is traditionally their largest expense, did not build any equity from their payments and, unless they invested elsewhere, did not keep up with inflation.



85%

Owning a home is the consumer dream for over 85% of people in the US but ownership rates are struggling.

2016 US home ownership rate of 63.1% was the lowest in 50 years, recovering to 64.2% in 2019. US home ownership rates fluctuate between 62.9% (1965) and 69.2% (2004).

In Canada, ownership rates fluctuate between 63% (1999) and 67% (2013). Currently the rate is 66.4% (2017) up from 66.2% in 2016.



Sources:

<https://www.forbes.com/sites/lawrenceyun/2016/08/12/why-homeownership-matters/#38521ef1480f>

<https://www.census.gov/housing/hvs/index.html>

<https://tradingeconomics.com/canada/home-ownership-rate>

In fact, the cost to live in your own home after 10 to 15 years is generally cheaper than the cost to a tenant to rent someone else's property, in the mid and long term.

If a tenant is paying more monthly in rent than an owner is to carry his property, and it is their largest expense, with all being equal, the tenant will have less after tax income to invest in order to build some personal wealth and to save for retirement.



From 2000 to 2017, rent prices increased 37% in Toronto while average wages only increased by 10% from 1998 to 2011. Condo rents have averaged +4.1% since 2010. As of 1st Qtr. 2019, a 2-bedroom condo in Toronto rents for nearly \$3,000/month



Sources:

<https://www.torontorentals.com/blog/average-rent-in-toronto-since-2000>

<https://www.livabl.com/2019/04/torontos-2-bedroom-condo-rent-just-climbed-3000-month.html>

<https://www.bnnbloomberg.ca/toronto-rents-poised-to-ease-in-2019-after-last-year-s-surge-1.1197051>

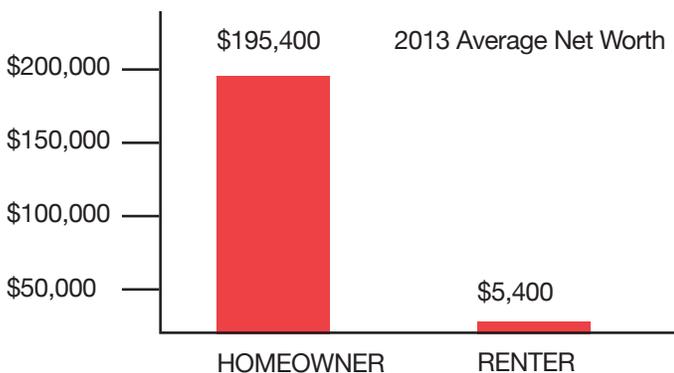
A homeowner of 10 or 15 years will generally have more reason to feel more financially secure than someone renting for the same period of time.

A homeowner has the security of knowing that they have built equity for a rainy day, for their retirement, or to help their children get a start in life.

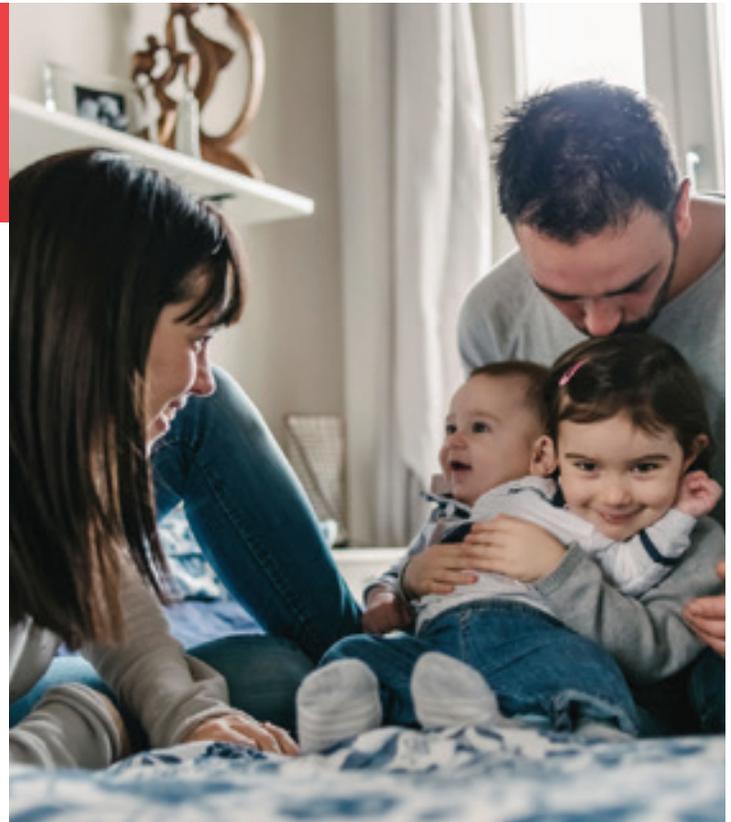
The feeling of real financial security, and prosperity, generally leads to greater hope and happiness in life.

Median homeowner will be ahead of a typical renter by a multiple of 45 on a lifetime financial achievement scale.

2013 Average Net Worth:
HOMEOWNER \$195,400 RENTER \$5,400



Source:
Federal Reserve's Survey of Consumer Finances, 2013



Satisfaction levels are highest with home ownership vs. renting

- *Research supports a positive relationship between homeownership and residential satisfaction (Kinsey and Lane, 1983)*
- *Important goal of a very large percentage of Americans and a cultural symbol of social and economic success (Rohe and Watson, 2007)*
- *Ownership seen to result in social benefits including:*
 - *psychological health*
 - *physical health*
 - *parenting and children's academic achievement and behavior*
 - *social and political participation*
 - *neighborhood/social capital*
- *Even after the US housing crisis, attitudes were strongly positive with 73% of New York respondents preferring to buy vs. rent*
- *US studies through the 2010's consistently reported the majority believes that ownership is a safe investment (81%: Pew Research Center, 2011).*
 - *good place to raise children*
 - *a safe place*
 - *having control over living space (Drew and Herbert, 2012)*

Source:
<https://www.jchs.harvard.edu/sites/default/files/hbtl-04.pdf>

It is not difficult to see that home ownership over the mid and long term, is smart, benefits society and is more likely to lead to happiness and prosperity. Renting over the mid and long term is not financially smart, is less beneficial to society and is more likely to lead to poverty and unhappiness.

Although GTA residents who have owned their homes for 10 to 15 years or more have done well, their children will not be so lucky.

With average new GTA condo prices at \$500,000, average new GTA house prices at \$1,000,000 and resale at about \$800,000 generally speaking, the next generation has little chance at home ownership without a significant financial contribution from their parents.

How difficult is it for a young person to save a 20% down payment, \$100,000 or \$200,000 while living a lifestyle that makes them happy?

On our current path, even with a financial boost from their parents, most of the next generation to buy will not be able to afford the same size of home that they grew up in.

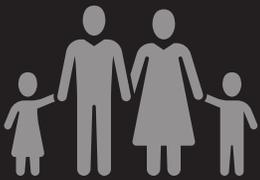
The GTA Baby Boomers enjoy the highest standard of living and are the wealthiest generation ever.

The next generation will be the first generation since the beginning of the Industrial Revolution to be worse off economically than their parents.

Those lucky enough to buy will likely live in a small downtown Toronto condo and not be able to afford a car, or the lucky ones, a townhouse in the suburbs or outside of the GTA.

Are we willing to leave our children, and their generation, a future without affordable home ownership, understanding that homeownership is the path to prosperity, hope, and happiness?

There are a number of important elements to understand about the affordable home ownership crisis and why solving it is so vital.



A recent OREA / Nanos survey also found that 58.7% of non-millennial Ontarians agree or somewhat agree that home ownership is unaffordable in their neighbourhood, while 41% listed saving enough for a down payment as the most important barrier to owning a home.



Source:

<https://www.livabl.com/2018/05/despite-record-unaffordability-84-canadian-millennials-still-dream-owning-home.html>

Excessive Taxes Have a Punitive Effect on New Home and Condo Buyers

The most obvious element driving unaffordability is the fact that there is a punitive amount of tax on new homes and condos.

Depending on the municipality, an alarming 22% to 25% of the price of a new home or condo is tax, in one form or another.

This means generally first time home and condo buyers are expected to pay more in taxes than even their 20% down payment of \$100,000 or \$200,000.

These taxes include lot levies, education levies, park levies, public art levies, Section 37 charges, HST, land transfer tax and, in addition to the 25% tax mentioned, excessive new carbon taxes on the production and delivery of building materials.



Lot Levies
 + *Education Levies*
 + *Park Levies*
 + *Public Park Levies*
 + *Section 37 Charges*
 + *HST*
 + *Toronto Land Transfer Tax*

= 22% - 25%
of New Home
Price

+ *New Carbon Taxes*

People need to break free from politics and return to a non-political, practical approach to solving the affordable home ownership crisis.

Eliminating Section 37 charges, HST on new Real Estate purchases, carbon taxes and the City of Toronto Land Transfer Tax in the next Ontario budget would be a start to addressing this affordability crisis affecting our future generation's chance of future prosperity and happiness.

We, the public, must wake up and realize that our Politicians need to dramatically reduce government spending before it is too late to change what currently lies ahead for our children's potential future happiness and prosperity.

Ontario's debt of \$311.7 Billion is larger than the GDP of 75% of the world's countries.

Ontario has more debt per capita than California and the different regions of Greece.

You and I are going to pass this debt on to our children and future generations.

If we do not change our thinking, the debt will continue to mount.

Again, if we are going to solve this serious crisis we must put our political biases aside and focus on an open minded, knowledgeable, fact-based approach.



As of March 31, 2018, the Ontario government's total debt is projected to be CDN \$348.79 billion. The Debt-to-GDP ratio for 2017-2018 is 37.1% and interest on the debt is CDN \$11.97 billion, representing 8.0% of Ontario's revenue and its fourth-largest spending area.



**How did the government
get away with taxing new
homes and condos by an
alarming 22% to 25%?**



“

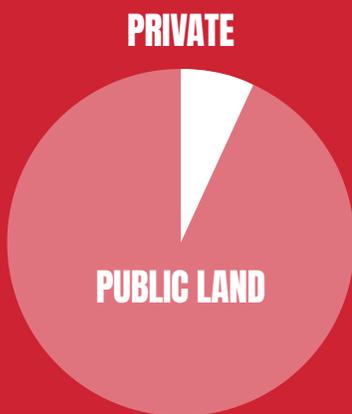
DEVELOPERS
HAVE BEEN
DEMONIZED
BY POLITICIANS.

”



Politicians have misdirected the public into thinking that developers are the bad guys. They destroy green space and they deserve to be taxed into oblivion!

Yet we know that when you tax developers, it is buyers who pay and not the developers.



Less than 15% of Ontario lies in private hands, the rest either fallow Crown Land or public resource lands, those latter more severely restricted every year. That 15% available to private citizens lies under increasingly strict regulation, having to conform to the 70 environmental acts, plans and agreements with their attendant regulations and rules, put in place since 1972

This is actually a misdirection tactic from Sun Tzu, The Art of War, the ancient book that purports to contain the aggregate of knowledge of the hundreds of years of military strategy and tactics of the Chinese generals.

All land is owned by someone and it will not be kept in its natural state as growth progresses. This is not the fault of developers, simply the result of increasing populations who need places to live, work, learn and play. In fact, only 15% of land in Ontario is privately owned.

Source:

Financial Post: <https://business.financialpost.com/opinion/save-our-private-land-increasingly-strict-regulations-limits-land-development>



The Government and the public need to understand that developers generate \$210 Billion of Canada's GDP, of which \$87 Billion is residential construction.

Developers work in one of the most challenging and high-risk industries. They must manage diverse teams of tradespeople. They need to be successful at not only seeing and assessing future sites, but also adept at taking their vision through many layers of planning and approvals.

In reality, they should be admired and respected.

Developers overcome an amazing number of challenges in their day-to-day work, investing millions of dollars in a project and often having to wait 5 to 15 years in order to see any revenue, not to mention profit.

They have the courage to take huge financial risks, without a traditional income stream to carry the risk.

They must battle the weather, government bureaucracy, government or union strikes, a shortage of trades or materials, changing costs of labour and materials, and the volatility of both the volume of sales and the prices of the real estate market.

Developers need to be smart, able to put their fear and doubts aside, have the ability to solve problems quickly, efficiently and creatively, and must be determined to let nothing get in the way of their success.

If not, they will succumb to failure and lose everything.

We need to understand that developers are strong, smart, capable members of society who risk millions of dollars of their own money to build affordable new homes and condos.

I have learned much from them, over many years.

Without the risk that developers take, we would have a much larger shortage of homes available for sale, in both the GTA resale and new home and condo markets.

Source:

<https://www.thetrowel.ca/2019/03/28/canadian-construction-costs-total-210b-in-2018>



Over one million Canadians work in the construction industry.

The more new homes and condos that developers can supply, the more new construction jobs can be created, the greater the construction industry can contribute to Canada's GDP, and the more new affordable home ownership will be available.

Responsible spending by politicians, and reducing taxes on new homes and condos will lead to happiness and prosperity for both homebuyers and developers.

Developers and new home and condo buyers share the same interests to reduce high taxes on new homes and condos, and irresponsible government spending.

It is virtuous to want happiness and prosperity for everyone.

Developers need to be seen as the champion of their customers, fighting alongside them for affordable home ownership.

The ownership satisfaction and prosperity of new home and condo buyers, developers and a stable society depend on it!

Excessive Canadian Mortgage Regulation



The second major element that is preventing affordable home ownership is the excessive regulation in the banking industry.

DOES THE BANKING INDUSTRY HAVE A RESPONSIBILITY TO BE FAIR TO CANADIANS?

Canadians are experiencing dramatic changes to the mortgage rules that are making it more difficult to obtain mortgages and are limiting competition between banks.

Excessive new mortgage regulation is contributing to the affordable home ownership crisis.

The Office of the Superintendent of Financial Institutions (OSFI) has recommended the implementation of eight mortgage regulation changes over the last two years, changes that include the reduction of the amortization period, the elimination of equity based mortgage approvals, and the interest rate stress test on both conventional (low risk) and high ratio (high risk) borrowers, among others.

Most Canadians do not realize that OSFI is not a regular government agency, that it is not arm's length from the banking industry.

OSFI is an agency that is independent from the Canadian Government and is responsible for the supervision and regulation of federally registered banks.



According to the OSFI website, OSFI is: an organization that is independent from the government; funded by the banking industry; administered by paid banking industry professionals; and is mandated to protect the interests of the owners (stakeholders) of the banks rather than the public.

Does the banking industry have a responsibility to be fair to Canadians?



“In October 2001, Bill C-8, An Act to Establish the Financial Consumer Agency of Canada, and to Amend Certain Acts in Relation to Financial Institutions received Royal Assent.”

“The Act effectively removed from OSFI’s mandate the responsibility for overseeing consumer protection.”

Source:

<http://www.osfi-bsif.gc.ca/Eng/osfi-bsif/Pages/so-sf.aspx?pedisable=false>



WITH EXTRA RIGHTS COME EXTRA RESPONSIBILITIES.

The Canadian banking industry has the right to use an 11:1 capitalization rate. The system is called Fractional Reserve Banking and is used by most banks around the world. Unusually, Canadian banks have a 0% reserve requirement.

This means that if a regular Canadian has \$100,000, he or she can lend it out once as a first or second mortgage.

When a Canadian Bank has \$100,000, the bank can essentially lend \$100,000 out to 11 different borrowers. In fact, the same money can be lent out to many borrowers at the same time.

The security of a Fractional Reserve Banking system came under scrutiny during the US financial crisis with its tsunami of bad debts. The system allows banks to lend “money-created-out-of-thin-air”, charge interest, and assume no risk in the case of a CMHC insured mortgage default. In early 2009 at the peak of the financial crisis, Canadian banks received \$114 Billion in bailouts, according to the Canadian centre for Policy Alternatives.

With the right to enjoy the benefits of the Canadian capitalization system, the banking industry has an obligation to be fair to Canadians.

The stress test, as an example, is not fair to Canadians.

There was a record low mortgage default rate of less than one third of 1%, and according to the OSFI website at the time the stress test was first introduced, record low interest rates were just as likely to go down as they were to go up.



In other words there was no market catalyst to introduce such a measure as the stress test, on either high or low ratio mortgages.

Source:

<https://www.bankofcanada.ca/2019/05/financial-system-review-2019>

Most Canadians don't realize that the stress test does not apply to current customers when they renew their mortgages.

This means that at the end of a five-year mortgage term, Canadians who want to switch banks will have to endure the stress test and potentially qualify for their mortgage based on an interest rate that is 2% higher than the rate they are going to pay.

Canadians who don't want to switch banks do not have to qualify using the interest rate stress test.

The result is less competition for mortgage renewals from qualified customers between the banks. Customers are, in effect, being held captive by their bank, instead of being able to shop around for a better mortgage and borrowing rate.

So, the stress test reduces competition between the banks for their repeat customers, their best customers.

It also shuts out many first-time buyers and potential trade-up buyers who can keep up with mortgage payments but cannot purchase due to more stringent mortgage qualifications than the current interest outlook requires.

This causes a roadblock in the market where buyers can't step onto the property ladder, others can't move forward, and a great number of homeowners cannot change their mortgage supplier.

Thus, it seems obvious that the banking industry did not act fairly to Canadians when it established the stress test.



What is the banking industry's position on whether it should be fair to Canadians?

The Canadian Bankers Association, the more open sister of OSFI, is the official lobby group of the Canadian banking industry.

What is the CBA's position on being fairer to Canadians?

The CBA openly states on their website, the following quotes:

“Making ‘fair treatment’ itself a regulatory requirement is not appropriate.”

“First, a fairness regime would inevitably weaken banking policy”... and

“Second, an obligation to observe a general standard of responsibility, such as to treat consumers fairly, is not helpful.”

Does this translate into fairness? Would weaker bank profits and stronger accountability for fairness to consumers weaken their authority?

The banking industry does not believe that it is acting unfairly to Canadians.

“Canada simply has not had examples of demonstrably unfair treatment.”

The CBA's approach to fairness to consumers is based on:

- disclosures that are clear and simple and not misleading
- accessible banking
- robust complaint resolution processes
- fraud prevention and protection

The CBA does not believe that there should be “the need for new regulatory initiatives each time a new type of product or service is developed.”

The CBA mentions that, “It is essential to protect consumers' rights while also recognising the fact that these rights do come with consumer responsibilities.”

So the banking industry doesn't seem to be focussed on the fact that its own rights come with responsibilities.

The banking industry is not being accountable to Canadians.



Source:

https://cba.ca/Assets/CBA/Documents/Files/Article%20Category/PDF/sub_20140227_consumerprotection_en.pdf



In addition to reducing competition between the banks, the eight changes to the mortgage rules are preventing many Canadians from purchasing the size of home in the location of their choice, and creating a moderate cooling effect on general consumer confidence in the Canadian real estate market.

The banking industry is a major contributor to the affordable home ownership crisis.

Solving this element in the current affordable home ownership crisis begins with the public's understanding of the facts.

There seems to be misdirection from the banking Industry and the government, that Federal Politicians are responsible for the changes to the banking industry.

This is simply not true.

The non-Government, privately funded agency admits on their OSFI website, "OSFI continued to work closely with its federal regulatory partners – the Department of Finance, the Bank of Canada, the Financial Consumer Agency of Canada (FCAC) and the Canada Deposit Insurance Corporation (CDIC)."

"2017 marks OSFI's 30th Anniversary and the approach that has guided our work – working together with government partners and various stakeholders to strike an effective balance between allowing financial institutions to manage their risks and supervising them so as to protect the rights and interests of their depositors, policyholders and creditors."

The banking industry must be held accountable for their actions through OSFI.

Public awareness will pressure Canadian banks to change their behaviour.

If not, public awareness would give the Ontario Government the public support to bring in a few U.S. banks under the Provincial system, to pick up the market share that the Canadian banks are leaving out in the cold.

The Canadian banks have full access to the U.S. market.
Canadian bank branches can be seen in most major American cities.

So perhaps if the banking industry does not want to play fair, we should allow a limited number of U.S. banks to pick up the share of the market that is being cast aside by our own banks.

One way or another, the excessive regulation in the banking industry that is preventing affordable home ownership must be addressed.

The Importance of Market Forces on Supply and Demand



Market forces normally drive prices.

What are the major market forces that are driving supply and demand?

Demand is being driven by extremely low interest rates and the approximately 160,000 newly arrived immigrants annually that are choosing Greater Toronto as their home.

The collapse of the oil-based Alberta economy has driven 200,000 people out of work. Many of these unemployed people, and many immigrants that would normally choose Alberta as their new home, are likely migrating to the Greater Toronto Area and compounding the problem of overheated demand.

Both factors, extremely low interest rates and large numbers of new residents have been occurring for several years and are expected to continue in the foreseeable future.

*High Demand
+ Low Supply*

**= Increased
Prices**

The GTA offers a rich environment of jobs, government and private services, including health care, social programs, and education. It is a safe, clean region that has great entertainment, restaurants, and shopping, and is multicultural.

Demand is increasing, so logically supply needs to follow suit in order to accommodate the larger population. Unfortunately, this is far from the case.

Supply is being limited by the number of new homes and condominiums that Toronto Area Developers are permitted to build.

The Ontario Government has restricted the amount of land for development with the Oak Ridges Moraine Act, 2001, and further legislation.

Protected Greenbelt lands create a barrier for residential real estate development that contains the expansion of the GTA from Brampton to Oshawa. Higher demand for real estate in an environment of constant or limited supply puts upward pressure on prices.

Intensification and high-rise accommodations seem to be the preferred route for expansion in cities worldwide, leading to fears of eventual overcrowding and the societal stresses that will result. In addition, research points to the need to build single family detached, semis and townhomes; the missing middle product that homeowners want.



The single family detached home remains the preference for Toronto homeowners, even if only 50% can currently afford to own one.

- 83% of “modern family” homeowners in Toronto prefer a detached single family home if budget were not a consideration.
- 17% prefer a condo or attached/duplex/multiplex housing

Sources:

Mustel Group and Sotheby’s International Realty Canada 2018

<https://sothebysrealty.ca/insightblog/2018/11/01/2018-modern-family-home-ownership-trends-report/>

LET'S REVIEW:

The major drivers affecting the supply and demand, therefore prices, of Toronto Area Real Estate are:

An imbalance in the number of new immigrants arriving versus the number of new residents that the Greater Toronto Area can comfortably absorb.



The Oak Ridges Moraine Act and other regulations limiting the availability of land for residential development.



WHAT IS THE SOLUTION?

Common sense would be to address the number of new immigrants coming to the GTA with an eye to smooth integration, and to increase the amount of land available to be developed through new provincial policy.

Due to the obvious economic benefits that new immigrants bring to the Canadian economy, we should expect a lack of political will to address this side of the issue of imbalance.

It is unfair to both potential new and existing Canadians, to invite new immigrants to the GTA without supporting the zoning changes needed to house them.

We are beginning to see the new Ontario Government move towards increased allowable density along transit routes.

This is a very positive first step.

In 2018, the U.S. government began creating "opportunity zones" in poor neighbourhoods and has had great success by giving tax breaks to both developers and non profits to develop in less desirable neighbourhoods.





Increasing Supply



The most powerful solution to affordable home ownership is to increase supply.

There are obvious benefits to the economy in both jobs and GDP, as mentioned earlier.

More supply naturally brings prices down.

Instead of creating negative pressures on demand by levying a 15% tax on new immigrants buying real estate or the damaging effects of overregulation from the banking industry, the obvious and more palatable solution to the politicians is to increase supply.



Supply can be increased by:

- 1) Governments increasing investment in infrastructure that would enable more land to be developed into residential;
- 2) The Planning Departments adopting a policy to allow greater density on proposed low and high rise residential developments (where possible);
- 3) Developers proposing denser low-rise property types, like the examples that will be detailed in Chapter 7;
- 4) Commercial developers should have a second look at box malls and strip plazas. Reacting to the changing landscape of retail sales, there is opportunity in redeveloping commercial properties in key locations with a residential high-rise component;
- 5) The Planning Department could investigate and be flexible to the rezoning of downtown industrial and commercial land to residential;
- 6) The Planning Department should take a balanced approach to respecting the land rights of land owners and the taxpayers who will buy new homes and condos in the free market versus NIMBY neighbours who are against local Development; and



While the federal government seeks to boost first time home ownership through a part-ownership scheme, the Ontario government's new Bill 108 tackles the root problems of supply and overregulation that hinder timely and efficient new construction. Tabled May 2, 2019 and entitled More Homes, More Choice: Ontario's Housing Supply Action Plan Bill 108 will:

- Increase supply (rental and owned)
- Lower municipal costs imposed on development
- Expedite the land use appeals process
- Improve new housing mix (ie: missing middle)
- Set limits to Section 37 charges
- Encourage innovation



7) Land Developers and the Planning Department should work together to create more super projects like Downtown Markham. We could create the downtown North York that Mel Lastman championed in Aurora, Newmarket, Stouffville, or Milton. (I met with a leading real estate CEO whose company is interested in providing huge neighbourhood improvements for their super projects to a level that has never been seen before.)

The Provincial Government has many steps it can take to support affordable home ownership by creating a balance between supply and demand with effective policy.

With the recent release of Bill 108, the Ontario government is taking effective steps to increase supply.

If the government only takes steps to increase supply, without addressing the other factors mentioned in this book, the crisis will not be successfully averted.

Source:

<https://news.ontario.ca/mma/en/2019/05/ontarios-government-for-the-people-to-make-home-ownership-affordable-for-more-ontario-families.html>



“More Homes, More Choice introduces new measures, across multiple ministries that focus on five themes: Speed, Cost, Mix, Rent and Innovation that will improve housing supply and affordability, while protecting health and safety, a vibrant agricultural sector and the environment - including the Greenbelt,” said Steve Clark, Minister of Municipal Affairs and Housing.

New Thinking From the Government is Needed



Real Estate industry consultants, developers, and both the government and non-government organisations need to take an effective new approach in order to commit to solving the Affordable Home Ownership Crisis in the GTA.

Once we understand that funding affordable home ownership creates an environment that leads to more financial security, social stability, hope for the future, and the potential for greater happiness, it changes our perspective.

What the government funds, we get more of.

We will always need temporary, socially assisted housing along with an exit strategy that will lead to future prosperity, rather than long-term dependence and poverty.

If more people can afford to buy, less people will be renting and there will be more rentals available for those who choose to do so. The basic rules of supply and demand indicate that less demand for rentals will generally mean less pressure pushing rent prices higher.



Politicians need to remember that they are public servants not our masters.

If Politicians really care about the future prosperity and happiness of the voters and society, politicians need to change the way they think about affordable home ownership and change their focus on what to fund.

With abundant affordable home ownership opportunities, many lower or mid level income GTA tenants would have the hope to work hard, work smart, and reach up to home ownership.

If prices continue to rise at current levels, tenants have little hope of home ownership, and the potential for greater happiness and prosperity that owning a home brings.

So how can the government encourage the creation of more affordable housing with policy changes?

At present, a condominium high rise developer may have to donate as much as 25% of a given piece of development land to create a public park, pay extremely excessive fees for public art, or excessive development charges in areas that are already developed with infrastructure.

What if a Developer were to avoid giving 20% or 25% of its land for a park, and instead, provided a short term land lease to 20% of its condo Buyers who qualify as low or mid income first time buyers?



For the developer, instead of giving away 25% of his land, he waits five to eight years to be paid, and collects interest at a low rate, and his money is secured by the property.

It is better to wait a few years for money, rather than give it away.



Municipal requirements for builders to include parkland in their communities is driving GTA housing prices up by tens of thousands of dollars, sometimes even up to \$50,000, due to escalating land prices, says a recent study.

Source:

<https://business.financialpost.com/real-estate/parkland-requirement-for-new-developments-driving-up-gta-housing-costs-study-finds>

A new study by Altus Group found that municipalities across the GTA have accumulated \$1.13 billion in unspent parkland reserve funds on the backs of parkland cash-in-lieu parkland payments by homebuilders. Over the 2006-2017 time period, they have increased from just over \$300 million to \$1.13 billion.

Source:

<https://www.globenewswire.com/news-release/2019/05/13/1822344/0/en/Median-Municipal-Parkland-Charges-Have-Increased-by-250-per-cent-since-2006-Adding-Tens-of-Thousands-of-Dollars-to-the-Cost-of-a-New-Home-in-the-GTA.html>

For the low or mid income level first-time buyer, there is a delayed payment of 20% of their purchase price which helps qualify them for a mortgage, or purchase a property that is of a size or in a location that better suits their needs.

As prices continue to rise, the buyer can simply refinance their property after their first five-year term, and pay off the land lease.

During that five or eight year land lease, the buyer is leveraging the full value of the property, rather than the 80% portion that they have paid for with the down payment and mortgage, and as the market continues to rise, the new buyer receives a 20% appreciation bonus.

So how would this work? The Ontario Government would create a type of charge that would be registered on title after the first mortgage of 80%. The land would be owned freehold. The term land lease would be a marketing name for this delayed payment that would not impact the qualification of the first mortgage, as a second mortgage would.

Land leases were a very effective tool in the 1960s and early 1970s in the Region of Peel.

Unlike the old land lease, there is no stigma on a house or condo that was a land lease after the charge on the mortgage is paid off.

This is just one example of a creative solution that would give hard working, low and mid-level income, GTA residents a hand up, rather than a hand out.

Real Estate industry professionals, developers, and politicians need to work together to discover and implement other creative solutions that will solve the Affordable Home Ownership Crisis.



New Thinking in Design



Another important way to decrease the cost of land per unit is through innovation and efficiency in home plans and community designs.

The following are just a few of the many possible solutions that can be used as inspiration for new thinking in design.

Looking elsewhere can also be useful as ideas are being tried in communities around the world who are also being challenged by the global push for urban intensification.



One such innovation is “**Back-to-Back Singles.**”

It is essentially a semi-detached house that shares the same outside wall as the house behind it.

From the street it appears to be detached.

Like Mattamy Homes’ “wide lot” (aka wide shallow) design it would be a shallow, more square than rectangular house design.

So like Mattamy’s design, it would appear larger than it actually is, and it would also be more prestigious looking than a regular semi-detached.

No outside space, you say?

Add a hidden roof top terrace, completely private from view behind a pitched roof.

Many first time buyers are millennials who prefer not to have to cut grass.

They would have the benefit of the outdoor space without the maintenance of a backyard.

It could be designed to be safer for small children than a backyard.

Reducing the amount of land used by one-third means developers could supply significantly more houses in their development.

A higher density of homes in a development contributes in a positive way to the shortage of supply in the marketplace.

A lower price means more first-time buyers can afford to buy the **“Back-to-Back Singles,”**
Reducing the cost of land by one third could save consumers \$150,000 or more!

Convertibles

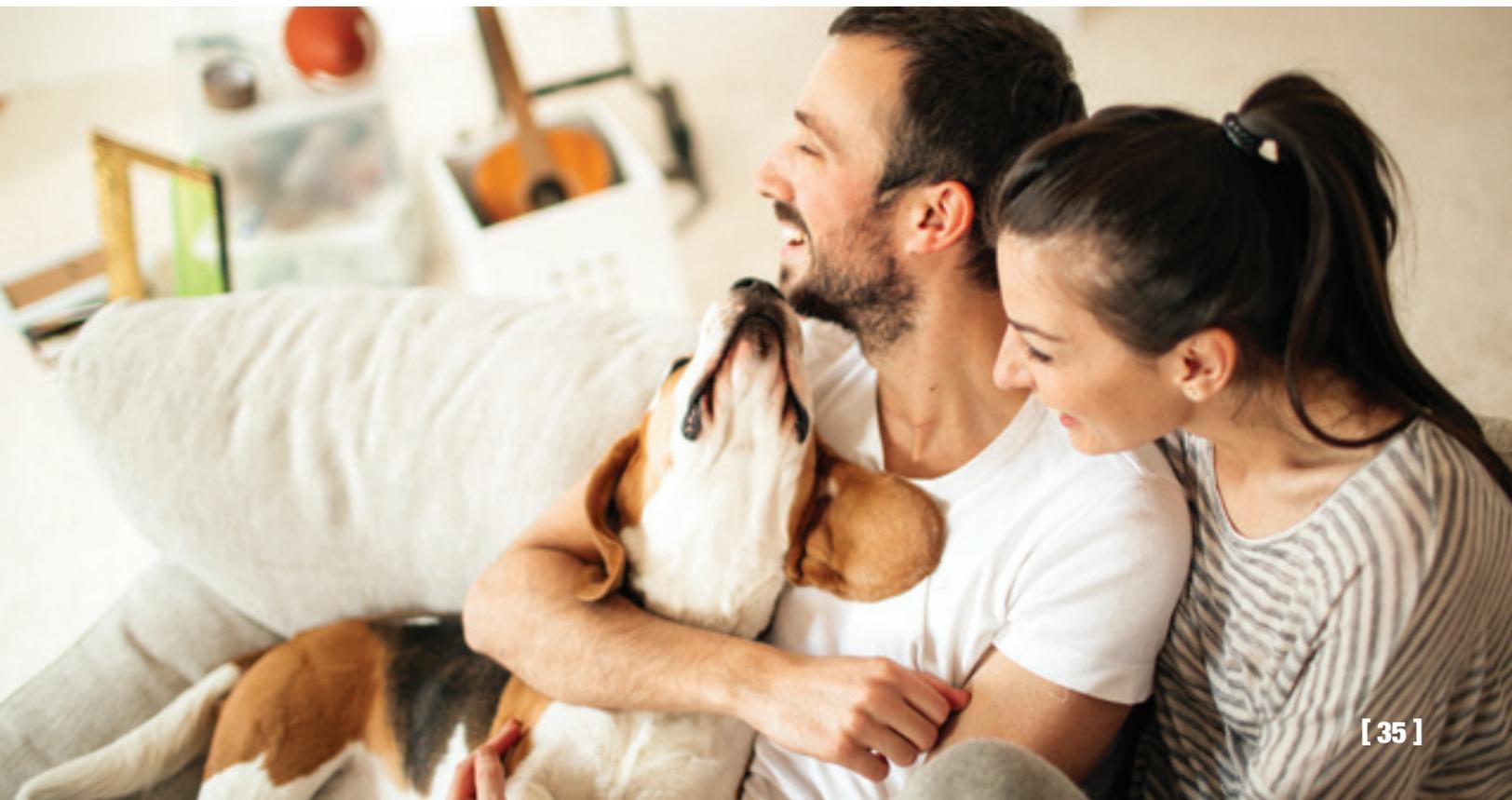
Some of today’s lucky parents are not only experiencing a child’s failure to launch, but also the return of their elderly parents sharing their home.

They are called the “Sandwich Generation”.

Both their child and their parents live with them out of economic necessity.

This financial burden requires special real estate needs.

The solution: **Convertibles.**



Imagine buying a single family home, a two storey that was designed to be converted into a triplex.

The design would have a foyer that can easily be modified to divide the main floor from the second floor, and a separate entrance to the basement.

It would be designed with kitchen rough-ins in the raised basement and on the second floor.

It would be designed so it had the option to be converted, by the owner, into either a duplex or triplex.

Perhaps the family would have a communal kitchen, or perhaps their own kitchens.

It could also be owner occupied with a rental supplement to help with the mortgage, for people who are not among the Sandwich Generation.

It would be zoned single family residential, and could be converted back if the house were being sold in the future, or if the pre and post generations moved out.

This potentially takes pressure off of supply because one house is being temporarily converted into three units.

It would also be ideal for Airbnb, in the right location.





💡 **Condos with Basement Apartments**

It is not as crazy as it sounds.

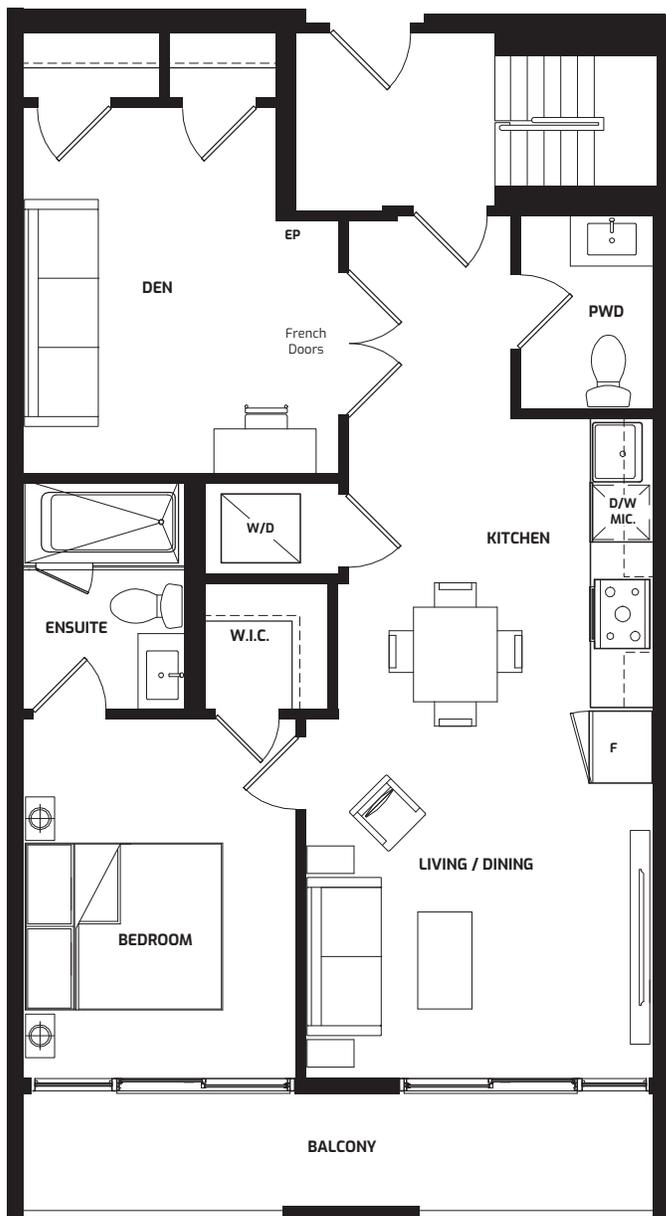
It is not turning an oversized storage locker into a bedroom for the failure to launch son.

Along with one of Toronto's top architects, Gianni Ria of IBI Group, I designed a condo with a basement apartment.

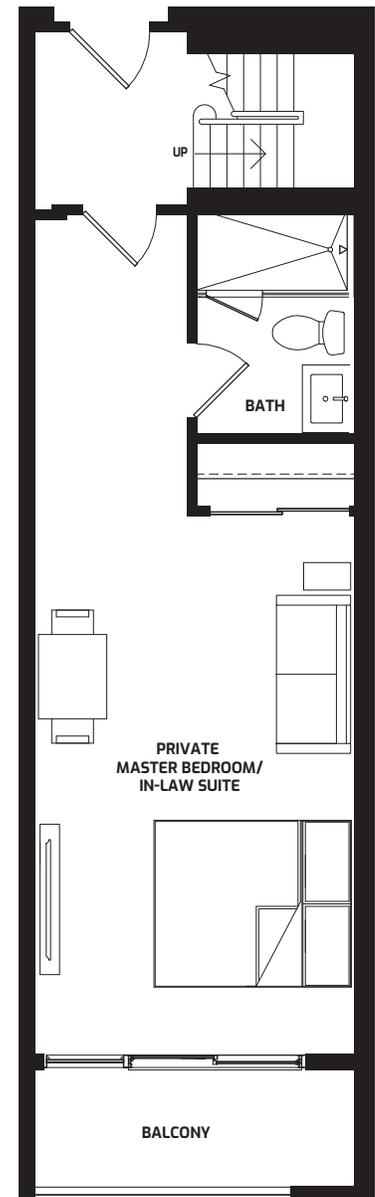
The motivation came from what used to be the investor and first-time buyers choice before condominiums.

The Scarborough bungalow with the basement apartment allowed investors to leverage higher rents with two apartments to cover expenses, or in the case of first time homebuyers, rent to subsidize their mortgage.

The extra rental income helped investors and end users to afford a more expensive property than without the extra rental income, and when the market increased, they leveraged their profits by owning a larger investment.



[38] UPPER LEVEL



LOWER LEVEL

When I shared my inspiration with Gianni Ria of IBI Group, he designed a two bedroom plus den interlocked condo, that had a separate oversized master bedroom with ensuite on the second floor of one unit, and the same configuration on the lower level of the second, interlocked suite next door.

Each master bedroom level had its own separate entrance and stairs to the other part of the unit.

Traditionally, new Canadian immigrants stay with family until they can secure a full-time job and become established to be more self-sufficient.

The condo with a basement apartment is a great way to support our relatives that are joining us to start a new life in Canada.

It also works for families with an adult child who has not left home or parents who have returned to live with their children in their own home, by offering limited privacy, while maintaining closeness.

There is also a simpler design on one level that has a foyer that splits a unit into a one plus den and kitchen on one side, and an oversized master bedroom with ensuite on the other side.

These are today's modern versions of the Scarborough bungalow of the 1980s, an owner-occupied Airbnb suite, that supplements the buyer's mortgage with a bonus of rental income, as well.



Freehold Four and Six-Plexes

There are many GTA residents who have built wealth and financial security through investing in GTA condos and houses.

Instead of one person owning multiple investment properties, developers should explore bringing back freehold four and six-plexes that look like large Victorian homes.

If an investor sold his or her investment condos and purchased one of these units, it would be easier for them to manage one property in one location, and to qualify for one mortgage rather than multiple mortgages.

This would free up the multiple, single investment properties to more end users and relieve some pressure on supply. Alternately, a group of buyers such as seniors could purchase a six-plex to live in and find a supportive community.

Developers should begin proposing denser low-rise property types like back-to-back semi-detached houses, detached singles that are easily converted by a new owner to duplexes and triplexes, and investment properties like four-plexes, and six-plexes in order to create more supply and reduce actual costs for buyers.

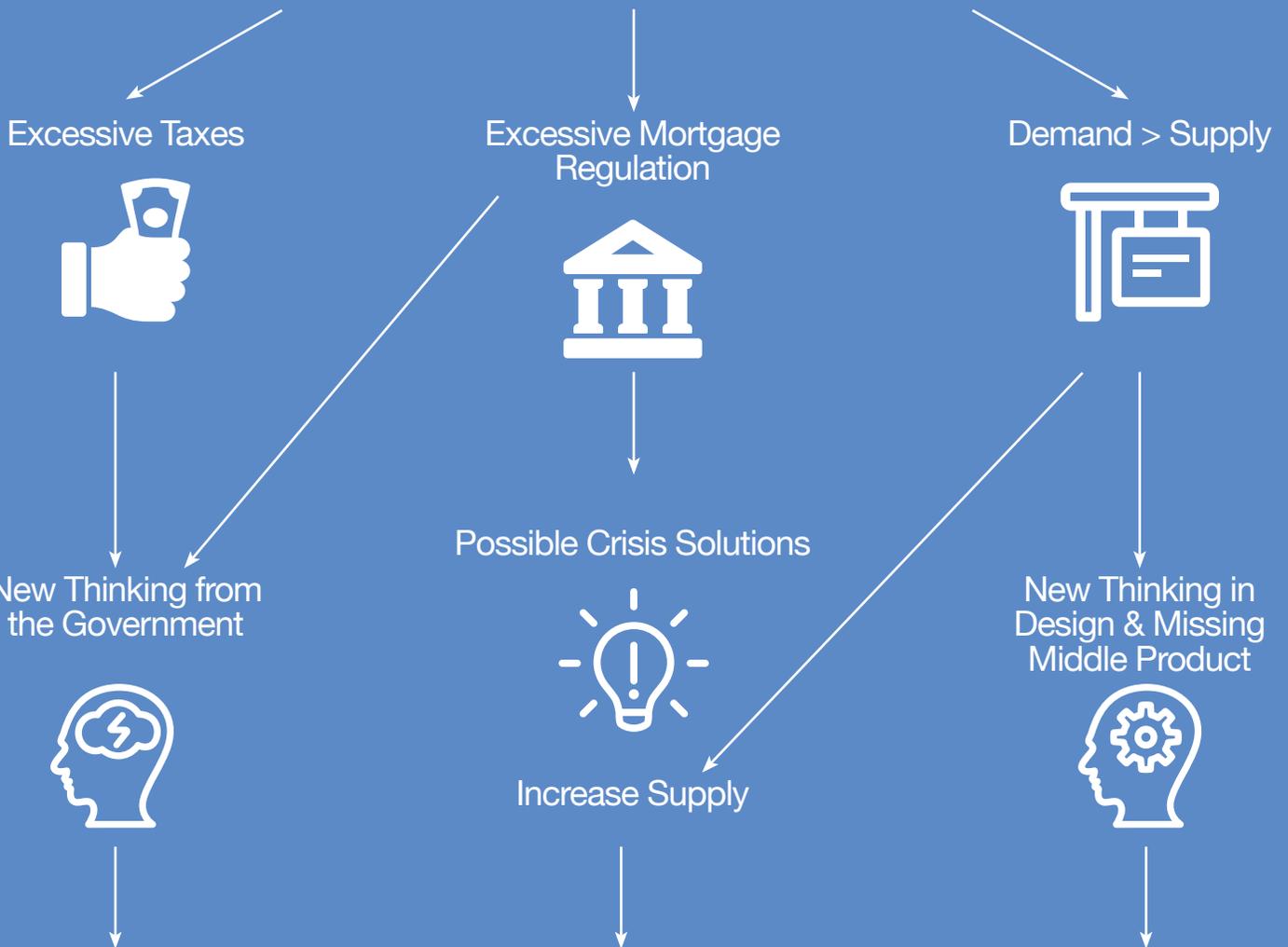


Change Through Understanding

We have discussed the many elements involved in the complex problem of affordable home ownership in the GTA.

The solution begins with the public understanding who is responsible and what both the problems and the solutions are.

Problems Affecting Affordable Home Ownership in the GTA



**CHANGE THROUGH UNDERSTANDING = AFFORDABLE HOME OWNERSHIP
= GREATER HAPPINESS IN LIFE**

Understanding that developers are not the bad guys and should not be taxed into oblivion with 22% to 25% of the new home or condo cost being tax. New home and condo buyers and developers both benefit by fighting the battle for affordable home ownership together.

Understanding that the banking industry is setting federal banking policy and must be held accountable to treat Canadians fairly. Otherwise meaningful steps will be taken to allow others to absorb parts of the mortgage market that are not currently being served.

Understanding the influence of immigration and low interest rates that are driving demand and the government policy that is restricting supply, and how this puts an upward pressure on prices.

Understanding that the Provincial Government must follow through with specific, meaningful steps to change policy and create more supply of residentially zoned land, and that what the government funds, we get more of.

Focusing funding and regulation only on more affordable rentals, without successfully working together to solve the affordable home ownership crisis in the GTA, will position more young people and lower wage earners to a life without the hope that comes with the financial stability of owning your own home. Most people in the GTA and elsewhere count their home as their largest asset.

Living with the knowledge that you are building equity in your home allows hope for future financial security for a rainy day, retirement, or to help your children get a start in life.

The feeling of real financial security, and prosperity, generally leads to greater hope and happiness in life.

The majority of average GTA residents count their home as their largest asset.

A major component of the foundation of Ontario's economy is based on the personal wealth of the middle class, which in turn affects their consumption of goods and services.

A future without affordable home ownership would hollow out the wealth of the middle class, and would have a devastating, long term effect on the economy.

It is imperative for the public to understand the complex problem that is the GTA Affordable Home Ownership Crisis and the pathway to its solutions.

Developers, real estate consultants, government and non-government agencies, and the public must all work together to save our future generation from the risk of a life without the hope and happiness that comes from owning a home. We cannot be the first generation since the Industrial Revolution that lets our children down by not leaving them with a chance to experience the hope and happiness and prosperity that we have, through affordable home ownership.

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