Ryerson University

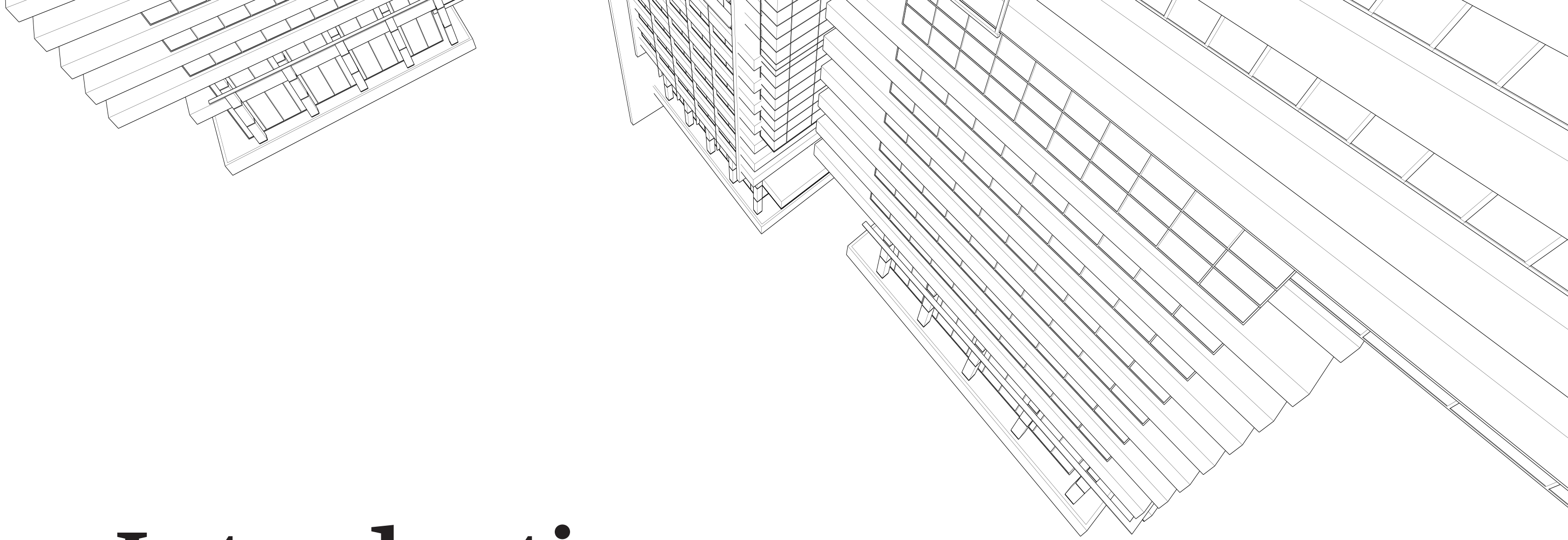
Ryerson City Building Institute

Rethinking the Tower

Innovations for Housing Attainability in Toronto

Contents

Disclaimer: Information unless otherwise stated is derived from publicly available websites. We welcome updated information from the developers, operators or sources in this report.



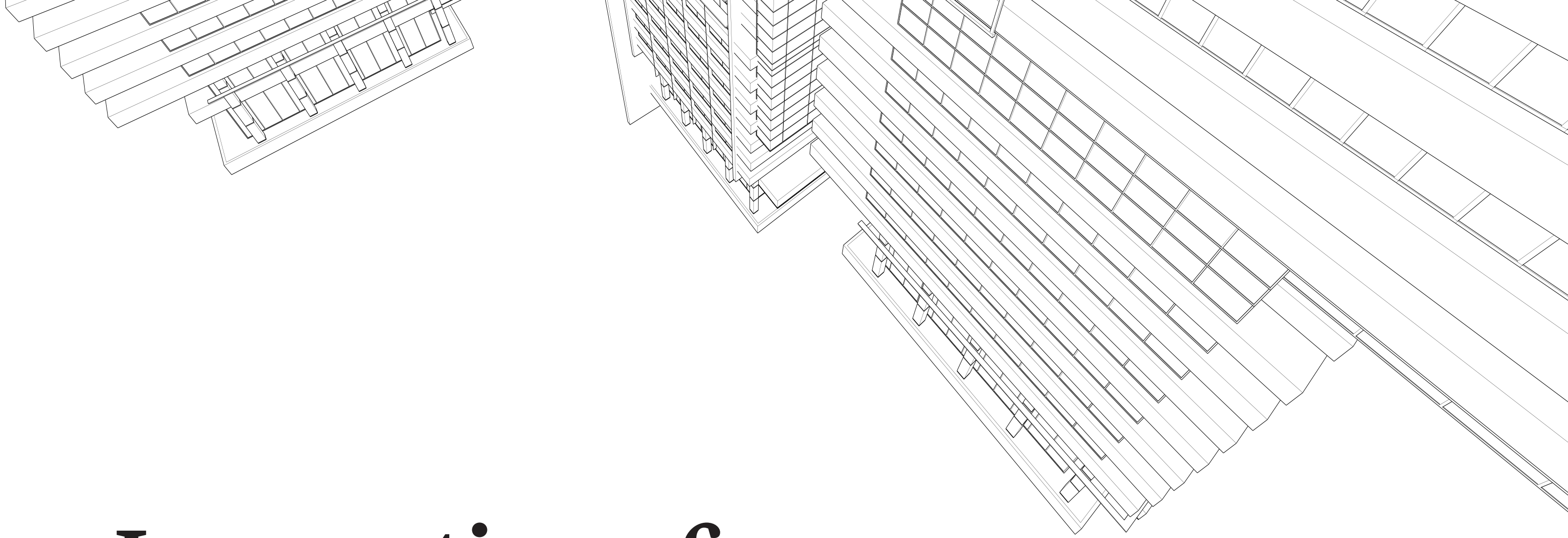
Introduction

Housing in today's Toronto is not widely attainble.

It is widely understood that housing in Toronto is unaffordable. In his December 6, 2018 letter to Toronto city council, Mayor John Tory said, "Toronto is a successful and prosperous city, and yet the lack of available and affordable housing is having a negative effect on many of our residents and the economic vitality of our city. The unaffordable housing market is jeopardizing Toronto's reputation as a city of opportunity for all, where everyone has access to safe, stable and affordable housing."

Today, the lack of affordable housing options affects low-income earners and those who depend on supportive housing in Toronto, but it is also being keenly felt by most people who do not already own homes, including working and middle-class people, even high-wage earners.

A similar scenario has also hit other global cities. London, New York City, Vancouver, Seattle and San Francisco are among those piloting new housing innovations to tackle housing attainability, encourage income diversity among residents and protect people with low and middle incomes from being priced out of the housing market. Because Toronto needs to implement intelligent solutions as swiftly as possible, we surveyed these innovations to determine their feasibility and suitability for our local market.



Innovations for Housing Attainability

About this report.

We need to consider new innovations and strategies to help tackle housing challenges in Toronto. This report explores options that have been tested in other markets and considers how they might contribute to making more housing affordable—or rather, attainable—to the average Toronto household. Case studies are grouped into four categories:

1. **Micro Living**: Well-designed micro units can offer a cost-effective alternative to conventional apartments, particularly in central locations where higher land costs can be a barrier to affordability.
2. **Shared Space**: Co-living, where residents share amenities and services, can improve affordability and create a sense of community, particularly in walkable, transit-connected neighbourhoods where housing costs are high.
3. **Home Unbundling**: Features, finishes and amenities unbundled from the unit price of condominiums can allow greater choice and reduced costs for homebuyers.
4. **Equity Options**: With more households renting, and the transition from renting to owning growing ever more challenging, new shared-equity models can help families invest in their home, even if they rent.

Micro Living

Well-designed micro units can offer an affordable alternative to conventional apartment units, in desirable neighbourhoods.

Micro units have been growing in popularity in major urban centres like New York City and Seattle. Because rents and sale prices tend to scale with unit size, well-designed rental or ownership micro units offer an opportunity to deliver more affordable homes to the market, particularly in central locations where land costs can be a significant barrier to affordability. Analyses by the Urban Land Institute (ULI) and Colliers have found that micro units in American cities lease at monthly rents 20% to 30% lower than conventional apartments, although they cost more per square foot in rent than conventional rental units.[1]

A micro unit is generally defined as a small studio apartment of maximum 350 square feet in area, with an in-unit bathroom and kitchen (i.e. not reliant on a shared bathroom or kitchen). Design strategies to make micro units feel more spacious and livable are key to their marketability. Many developments will boast flexible furniture systems, high ceilings, large windows, built-in storage and/or convertible furniture. Some have also bundled micro units with shared amenities and services such as storage, lounge areas and outdoor space.

Micro units are often marketed to young urban professionals, and are likely to appeal to individuals and small households wanting to live in a central location but not able to afford to rent or purchase a larger suite. The same ULI report mentioned above found 25% of renters of conventional apartments surveyed in the United States would be interested in renting a micro unit.[2]

Pocket Living

Still, it’s unclear whether people truly want to live in a micro space. Most respondents on the ULI survey were interested in micro units as an option to lower monthly rents while living in desirable locations with good amenities, so it’s hard to say if they truly wanted a smaller space, or were driven by financial necessity.[3] Some real estate analysts have suggested that Millennials (a target market for micro units) are not actually seeking small apartments, but are simply opting for what is available.[4] Even so, micro units have proven a popular option in every case we studied.

Micro unit case studies:

- Lofts at 7, San Francisco, CA
- Small Efficiency Dwelling Units, Seattle, WA
- Pocket Living, London, UK

Case Study Highlights

San Francisco

The Lofts at 7 is an adaptive reuse project in San Francisco that transformed a former TV broadcasting facility on downtown Market Street. The development includes 88 rental housing units, 31 of which are micro studios each 275 to 450 square feet in area. Individual units are small, but residents share access to a large landscaped rooftop, gym, lobby, parking facilities and laundry rooms on each floor. While the net cost of the Lofts at 7 micro units is more affordable than conventional rental housing options in the area, the cost per square foot of personal space is higher.

San Francisco		
Lofts at 7	**City Avg.**	**Civic Centre Area**
275-400 sq. ft.	515 sq. ft.	515 sq. ft.
$1995-$2,200 USD/mo.	$2,461 USD/mo.	$2060 USD/mo.
$5.50-$7.25 USD/sq. ft.	$4.08 USD/sq. ft.	n/a

Seattle

After seeing a rise in "congregate apartments" (dorm-style housing with shared kitchens and tiny floorplans 140 to 200 square feet in area), Seattle established new rules in 2014 mandating a larger minimum size for micro units, thus creating the **Small Efficiency Dwelling Unit, or SEDU**.[5 6] Developers and housing providers expressed concerns that the new rules would limit supply,[7] but in 2015 a similar number of units entered the pipeline, suggesting development viability was not adversely affected.[8] As with the Lofts at 7 in San Francisco, the rental cost of Seattle's new micro apartments and SEDUs is cheaper than conventional studios per unit, but not per square foot.[9]

Seattle		
SEDUs	**Cong. Apts.**	**City Avg.**
270-300 sq. ft.	140-200 sq. ft.	455 sq. ft.
$1,275 USD/mo.	$998 USD/mo.	$1,546 USD/mo.
$4.80 USD/sq. ft.	$5.38 USD/sq. ft.	$3.40 USD/sq. ft.

London, UK

The mission of UK property developer **Pocket Living** is to provide affordable ownership housing for first-time homebuyers who are "squeezed between social housing and market homes that are unaffordable." Their compact homes use off-site factory construction, assembling modules at the development site, resulting in a home price 20% to 40% below market rate. The company's approach also delivers a host of other benefits including shorter construction times (building one floor per day), less machinery and disruption to the neighbourhood, and the capacity to build in small and difficult-to-access sites.

Pocket Living's off-site factory approach enables a range of building scales and typologies—from three-storey stacked flats containing roughly one dozen units, to a 90-unit highrise—all with a healthy mix of home sizes, as modules (relatively sizeable at 409 sq. ft.) can be combined to create two- and three-bedroom units. Exteriors are often brick, contributing to a high-quality aesthetic, and each development has a unique style that blends in with the neighbourhood. Most are sited in locations accessible by transit. The buildings are car-free with no parking spaces except for bicycles, eliminating the need for this expensive underground infrastructure. Eligible buyers (and resale buyers) must be local, earn under a certain income and own no other property. Owners cannot sell until after owning the property for at least one year.

Wandsworth	
Pocket Ownership	**Avg. Home Price**
775 sq. ft.	n/a
£599,999	n/a
£774/sq. ft.	£898/sq. ft.

Micro Living: Toronto Takeaways

While not all micro units studied are significantly more affordable than conventional local rental options, it appears that renters are willing to trade unit size for slightly lower net cost and a location in a desirable neighbourhood. Toronto could adopt the space efficiency of micro unit design to achieve actual savings and more affordable options in central locations. Here are some micro unit case study lessons for Toronto.

Omitting the bells and whistles

In the case studies presented, real affordability is not achieved when micro units are designed, packaged and marketed as upscale. Seattle's new size and zoning restrictions for micro units actually resulted in a more high-end product (the SEDU), which is costlier per square foot to renters than its predecessor, the congregate apartment. For a true affordability solution, Toronto should aim for the space efficiency of micro unit design while choosing modest finishes and foregoing non-essential amenities (including parking, if near transit) to achieve actual savings per square foot and more affordable options in central locations. Mandating a minimum unit size may also require setting a maximum rental price per square foot, pegged to at least 10% below market, for example. This would encourage developers to omit unnecessary bells and whistles, but, like in the Seattle model, require essential amenities.

Ensuring livability

Other North American cities have adopted legislation and building code requirements to mandate specific sizes, uses and features of micro unit developments, as well as minimum area provision of shared common space.[10] If Toronto embraces micro units, it may be prudent to develop design standards to ensure micro units are livable. These standards could include minimum unit sizes, daylighting requirements, storage, soundproofing and recommendations of space-efficient (but highly functional) kitchen appliances.[11]

Our existing zoning by-laws in Toronto mandate minimum amenity space requirements for all apartment buildings with 20 units or more (these require two square metres per unit of indoor space and 40 square metres of outdoor space).[12] The City could update these to respond to buildings with smaller dwelling units or micro units. Admittedly, it would be a challenge to strike a balance between affordability and requiring bigger amenity spaces, which can drive up costs.

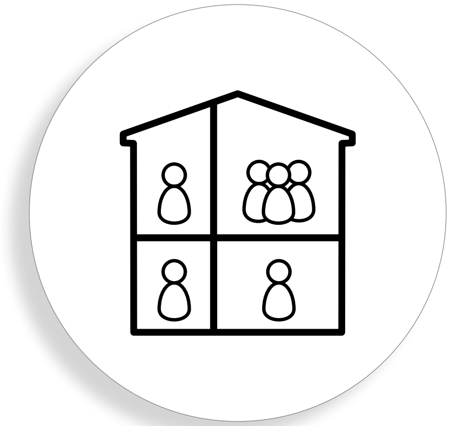
Factory friendly

Modular factory construction done right can deliver well designed, energy-efficient small units to renters and homebuyers at a lower cost. And as demonstrated by Pocket Living, the substantial cost and time savings of this construction method can be passed on to end users. Here in Toronto, we could find ways to support and encourage factory construction of energy-efficient modules or components that can be easily assembled on construction sites. Factory construction could be a savings boon for rental and ownership housing, on private and public lands.

Encouraging energy-efficient micro design

The well designed micro units and modular housing case studies examined in this report demonstrate capacity to achieve energy efficiency through innovation, using either factory/modular or conventional construction. The modular units in Pocket Living, for example, are precision-engineered for energy efficiency and daylight maximization, which can lower energy costs for end users. The City of Toronto and the provincial and federal governments could offer incentives or rebates for developers and/or homebuyers of energy-efficient micro or factory-produced units.

Pocket Living, Fermoy Road



Shared Space

In co-living, swapping personal living space for shared amenities and services can improve affordability and create a sense of community.

With rental rates soaring in many large North American cities, co-living has emerged as a new trend in urban rental housing. At the core of co-living is a tradeoff between personal or household space and shared spaces and services. Alongside smaller individual living units, shared amenities like laundry rooms, lounges, kitchens, gyms, outdoor space, work space and bike storage are provided at the scale of the floor or building, rather than replicated across units. Some co-living developments include services like room cleaning, concierge services, social events, WiFi and cable. Sharing space-consumptive amenities amongst tenants has the potential to improve affordability by shrinking personal square footage in developments and lowering their associated land and construction costs. At its best, co-living is an option that offers tenants and owners affordability, convenience and a sense of community.

In this section, we uncover the innovations and impacts of co-living, and explore the potential of this new housing typology to address Toronto's need for attainable, family-friendly housing. Our co-living case studies illustrate a range of strategies—related to building and unit design, management and tenure—that could be adapted to the Toronto context.

Co-living case studies:

» WeLive Wall Street, New York City, NY
» Ollie at Carmel Place, New York City, NY
» ShareNYC, New York City, NY
» 183 East Georgia, Vancouver, BC
» Ramona Apartments, Portland, OR
» Node Weirfield, Brooklyn, NY
» Sociable Living, Toronto, ON

Case Study Highlights

Co-living models vary widely, with many options for tenure, room configurations, shared amenities and services. We've grouped our co-living case studies into four types: Hotel-style, Family-style, Affordable and Roommate-style.

Hotel-style co-living in New York City

Hotel-style co-living offers a high-end rental product where small individual units (often furnished) share generous common amenities and services. In addition, some models offer hotel-style services and amenities and/or a programmed social network.

Ollie at Carmel Place

WeLive Wall Street and **Ollie at Carmel Place**, both in New York City, demonstrate that there is a market for these higher-end co-living projects in NYC. In these projects, small private units are complemented by lounges, work rooms, laundrettes, kitchens, concierge and cleaning services, and social activities. Tenants can also access flexible, short-term leases. The developments' luxe features negate the potential cost savings of lower unit square footage but for many renters, the convenience of turnkey living, the networking advantages and central locations are apparently worth the swap. This style of development appeals mainly to single, young professionals and those seeking instant housing and community, perhaps in a new city, before transitioning to more permanent rental or ownership housing.

WeLive Wall Street

Total monthly rent for a market-rate studio unit at Ollie at Carmel Place is somewhat less expensive than the Kips Bay neighbourhood and Manhattan averages, but the unit size is roughly half the average square footage. WeLive's monthly savings are not as significant, but the unit is also ¾ the size of a regular studio in the area. Per square foot, this style of co-living is more expensive than the average rental apartment.

Manhattan, NYC (in USD)		
Ollie at Carmel Place	**WeLive Wall Street**	**Area Avg.**
260 sq. ft.	340 sq. ft. estimated	459 sq. ft.
$2,775/mo.	$3,050/mo.	$2,908/mo.
$10.67/sq. ft.	$8.97/sq. ft.	$6.34/sq. ft.

Family-style co-living in Vancouver and Portland, and Toronto's Growing Up Guidelines

There are some promising examples of how co-living could deliver location-efficient housing that is appropriate and attainable for families. Family-style co-living is a more traditional multi-unit rental product, with fully equipped individual units and generous shared amenities and communal spaces tailored to meet residents' needs. With the right building design and amenities, co-living-style apartment dwelling can appeal to families and other target demographics who might otherwise opt for a single-family home outside the city centre with a long commute to work.

138 East Georgia Street

Vancouver's **183 East Georgia Street**, a purpose-built rental complex, includes useful, practical amenity spaces—including a DIY workshop, individual garden plots and a dog-wash station—alongside relatively small individual units. Thus residents enjoy the type of spaces and activities that would normally only exist in a single-family, ground-related home. **The Ramona**, in Portland, is an affordable rental housing development for families that pairs modestly sized private units (ranging from studios to three-bedrooms) with shared building amenities tailored to the needs of families. The building includes a daycare centre at the ground floor, a courtyard play space, a large ground-floor community room and laundry rooms adjacent to lounge space on each floor.

Portland, three-bedroom units (in USD)	
The Ramona	**City Avg.**
1077-1241 sq. ft.	1,197 sq. ft.
$1,040-$1,058/mo.	$1,637/mo.
$0.85-$0.97/sq. ft.	$1.37/sq. ft.

Examples like these point to the success that tailoring shared building amenities to the particular needs of residents can have in attracting families to vertical living. Toronto has made efforts to encourage more functional amenity spaces in multi-family buildings with its recent **Growing Up Urban Design Guidelines**, which include guidance on the location, configuration and qualities of indoor and outdoor amenity space to accommodate the needs of children in vertical communities.

All units in The Ramona are offered at below-market rates to qualified applicants, but require financing by the City of Portland, which is challenging to scale. Rents at 183 East Georgia are similar to average market rents in Vancouver. While the rents are comparable to market-rate, the advantage of these developments is more family-friendly amenities and useful shared spaces than is typical for purpose-built rental buildings, enabling families to live in a central location, rather than having to "drive to qualify" for a single-family home further afield.

Vancouver, two-bedroom units (in CAD)	
183 East Georgia	**Downtown Avg.**
684 sq. ft.	n/a
$2,350/mo.	$2,313/mo.
$3.44/sq. ft.	n/a

Affordable co-living in New York City

The smaller unit sizes and shared amenities of co-living can limit land and construction costs for developers. But are these cost savings passed on to end users? There are, of course, developers capitalizing on the opportunity to fetch higher revenues per square foot overall by minimizing personal space in exchange for common space.[13] But others are seeking to tie affordability to co-living, leveraging land and construction cost savings to create more and more diverse housing options, and by eschewing "luxury" amenities and services for more modest provisions. A number of examples have emerged in which existing housing affordability programs are applied to co-living building and unit typologies.

Demonstrating a willingness by the public sector to harness new innovative housing trends to enhance affordability, New York City's **ShareNYC** program will offer public financing and support for new affordable co-living buildings developed by the private or not-for-profit sectors. As the ShareNYC program is still in its early stages and has not yet accepted or selected proposals, cost details are currently unavailable.

Before intiating the ShareNYC program, New York City already developed introduced affordable micro units in **Ollie at Carmel Place**, which opened in 2016. At Ollie, market-rate rental units are integrated with affordable units for low- and middle-income residents in a 60/40 split. The project was realized without any direct financing from the City of New York and was instead was made possible through the cost savings from modular construction, reduced project schedules, relaxed minimum unit sizes and maximum density allowances.[14] [15]

Ollie's affordable units include 14 income-restricted units based on Area Median Incomes and eight Section 8 (rent subsidy) units reserved for formerly homeless veterans.[16] The operation of Ollie's affordable units is partially subsidized through the market-rate units, which are fully furnished and include hotel-style services like weekly housekeeping, linen service, luxury bath products, Wifi and cable, as well as a social programming.

Roommate-style co-living in Brooklyn and Toronto

Roommate-style co-living is an emerging model in shared living. It consists of a professionally managed rental product predicated on collecting premium rents in otherwise typical multi-bedroom rental units by adding hotel-style services and amenities. Some of these ventures are tailored specifically to appeal to a mobile, high-earning Millennial demographic interested in convenience and "affordable luxury."[17]

In this model, pre-selected, screened roommates access individual bedrooms in a shared multi-bedroom unit. Shared amenities and services such as cleaning services and social programming are provided at the building and/or unit scale. **Node Weirfield** in Brooklyn and the proposed plans for **Sociable Living** in Toronto share this model. (Node has stated its intentions for a project in Toronto.[18]) Move-in-ready units are equipped with "everything except your suitcase," and residents enjoy ongoing services like cleaning. Short-term leases add the flexibility for members to move to other company buildings (locally or in another city) if their job changes, or if they seek better roommate compatibility.

As with hotel-style co-living, the perks of roommate-style co-living add up. Lower rent and less private space are not the value proposition—convenience, comfort and community are. Units are marketed as a high-end rental and lifestyle option, and the alternative to traditional roommate living, aka finding your own place on Craigslist with people you know, which in Toronto can be competitive, time-consuming and pre-

Node Weirfield

carious. With smaller building scales (Node Weirfield includes just 11 units), Node and Sociable Living seek to encourage a sense of community amongst their tenants. Node hires "community curators" to coordinate social programs at each location.

Monthly rent for a furnished bedroom in one of Sociable Living's forthcoming Toronto locations begins at $1,950 CAD, which includes utilities, cleaning, Wifi and some supplies, estimated by Sociable Living to have a monthly value of $315 CAD.[19] In Toronto, the average monthly rent for a purpose-built three-bedroom apartment is $1,589 CAD[20] ($530 CAD per person) and the average monthly rent for a three-bedroom condo apartment on the secondary market is $3,499 CAD ($1,166 CAD per person), not including utilities or supplies.[21]

Brooklyn, three-bedroom units		Toronto, three-bedroom units	
Node Weirfield	**Bushwick Avg.**	**Sociable Living**	**Downtown Avg.**
$3,900 USD/mo.	$2,744 USD/mo.	n/a	$3,449 CAD/mo.
$1,300 USD/ mo./person	$915 USD/ mo./person	$1,950 CAD/ mo./person	$1,166 CAD/ mo./person

Co-Living: Toronto Takeaways

The basic concept of co-living—trading private individual space for shared space and services at the unit or building level—has the potential to deliver more affordable, attainable units to market and address Toronto's growing need for family-friendly Missing Middle housing by reducing developers' land and construction costs. However, for co-living to be truly affordable, these developer cost savings need to be passed on to end users.

Prioritizing attainable co-living

While market-rate co-living developments have gained traction in other cities, many are geared towards the higher end of the rental market and offer hotel-style services and amenities, with few co-living options available for low- and middle-income renters.[22] When considering programs to support or encourage co-living development, Toronto could lead with the objective of delivering affordable and/or attainable, location-efficient rental options, with reduced unit size offset by necessary shared amenities rather than luxury services. To do so, Toronto would need to prioritize co-living developments that demonstrate affordability benefits.

Addressing real needs in the market

In adapting co-living to the Toronto context, it is also important to consider the existing gaps in the rental market, and how co-living could address specific needs. New York City's recent programs to advance micro unit and co-living developments respond to the city's shortage of smaller rental apartments, to meet the needs of its growing single-person and small-household population. Conversely, Toronto is experiencing the opposite issue: in the midst of a condo boom poised to deliver a record number of mostly one-bedroom condo units,[23] the city needs larger units for growing families. Extending performance standards like the Growing Up Guidelines to co-living developments could ensure a minimum number of units in family-friendly two- and three-bedroom sizes are incorporated into new buildings.[24]

Matching needs

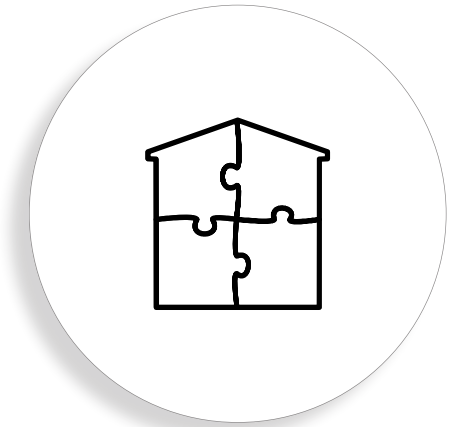
The case studies demonstrate that matching shared amenities with the actual needs of residents can entice residents to trade private space for shared space that contributes to livability. User-focused research would shed light on the specific amenities and services that could drive customers to opt for a smaller private unit in exchange for more generous shared space. What shared amenities do people or families want and need, and which will they actually use? What design strategies and amenities are superfluous and only add to the overall cost of a development? Answers to these and other questions could build on Toronto's Growing Up Guidelines and provide the City with criteria to help prioritize co-living proposals.

Building community

Beyond affordability, another significant value proposition for co-living may be the offering of a built-in social network and a sense of community. Added amenities and services can put overall costs of co-living on par with or higher than conventional units, but the model's built-in social networks may be seen as worthwhile to particular demographics.

In the case of roommate style of co-living, it's not likely that this model could improve affordability for renters; it's even possible that luxury options could confine renters in the market with a price point that is low enough to be appealing, but too high to allow for sufficient savings for a home purchase. Questions of pricing aside, this and other styles of co-living offer tenants convenience, flexibility and sociability and, in the case of Sociable Living, convenience and stability to landlords as well.

Carmel Place



Home Unbundling

Unbundling amenities, finishes and appliances from a unit's price can lead to greater choice and affordability for homebuyers.

Condo development in Toronto is at a record high, with over 100,000 units set to roll out within the next five years.[25] This is increasing market competition in the pre-construction phase, leading to a burgeoning "Amenities War," with developers battling competitors by offering pools, spas, dog runs, billiard lounges, even a telescope-equipped observatory to attract young homebuyers.[26] These extravagant amenities, as well as costly marketing campaigns (which can contribute up to 20 percent of development costs for market condos), are major factors in setting the cost of condo units.

So why don't developers offer more modest products at a lower price? Part of the problem is the high cost of land in Toronto, which establishes high baseline project cost, along with the cost of the approvals process. These lead condo and rental developers in Toronto to construct tall buildings containing a large number of small units to maximize their profit margins. As a result, most new development is delivering comparable product in terms of unit types, sizes and floorplans, and is distinguished primarily by location, and the mix of amenities and features offered.

In other words, the product is already costly to deliver, so the expensive amenities and marketing are part of the business model to attract investors, and eventually, end users. Consequently, the per-square-foot price of condos, market rentals and secondary rental market units continues to increase.

Developments may also post low maintenance fees during the pre-construction phase that inevitably increase once the condo board takes over the building and must service the reserve fund and maintain amenities. The more extravagant or complicated the amenities, the higher the fees.

So the “Amenities War” wages on, and prices continue to climb. But amenities and their associated marketing are not the only factor driving up prices in condos. If we look at the issue more broadly, it becomes clear that it is possible for new units to be offered at more moderate prices by toning down many features, and offering consumers options regarding unit-specific appliances and finishes, or even the ability to install DIY amenities and features.

For example, because underground parking for new developments in this city can range from $45,000 CAD to $80,000 CAD, unbundling the purchase of a condo unit and a parking space has become common practice in Toronto and other municipalities in the GTA. Many homebuyers don’t need or want a parking spot—they’d prefer a lower purchase price.

The “unbundling” approach can be extended beyond parking; developers and building owners can offer many services and physical attributes of a living space *à la carte* to save home buyers and renters money. This section explores how developments can offer middle-income home buyers and renters more affordable units through unbundling.

Unbundling case studies:

» Naked House, London, UK
» Options for Homes, Ontario
» JvN/d Developments, Ontario

Case Study Highlights

Naked House, London, UK[27]

Naked House is a not-for-profit housing developer that offers minimalist flats and houses that homebuyers can DIY over time. The baseline Naked House is habitable, well-designed, and comes with energy-efficient electricity, heating and a basic bathroom. Owners add their own walls, fixtures, faucets, countertops, etc. Home owners also participate in communally managed areas like gardens and workshops, and communal long-term management. Keeping the construction down to the bare bones reduces the sticker price. Typically, Naked Houses are between 20%-40% cheaper than those on the open market.[28]

Naked House

There are other aspects of Naked House’s offering that ensure homes’ perpetual affordability in line with market value. Naked House is a social enterprise supported by grants, investments and access to affordable

City-owned land. In some developments, the land may be held in a Community Land Trust by the residents.[29]

Options for Homes, Ontario

Options for Homes is a not-for-profit social enterprise developer that builds below-market priced ownership housing. They achieve this through minimizing costs, by forgoing costly amenities, unbundling finishes, saving on marketing and advertising, creating strategic partnerships and by purchasing less expensive land at the right time.[30] The organization also helps homebuyers with their down payment through the use of a second mortgage based on shared appreciation and a low down payment requirement of only 5% for any homebuyer.[31]

Options for Homes' Heintzman Place

Homebuyers can expect pared back amenities. Suites include carpet, vinyl and economical ceramic tile. Washers and dryers are optional—saving homebuyers money and giving them the choice to use the space for in-suite storage. Any upgrades desired are available through the builder.

Some Options for Homes developments provide modest shared amenities, such as a basement workshop with industrial fan, workbenches and tool storage. Reportedly, this solution "works in small buildings where people are respectful of the space and don't clutter it up."[32] In 643-unit Heintzman Place—which, like all Options buildings in Toronto, was built by Deltera (of the Tridel Group of Companies)—shared spaces were not programmed until residents had moved in and provided feedback on what they needed and would actually use. The result: a children's play space, a library, a dog-washing room, a space for yoga and a patio.[33]

While Options for Homes receives no government funding and pays market value for private land, it typically seeks "vendors willing to defer payment until construction financing is secured or the building is occupied."[34] In some cases, this has required Options for Homes to purchase in up-and-coming locations that may not yet be as walkable or well served by transit. This in turn can make it challenging to minimize parking and reduce associated costs. On the upside, those who buy early and hold their units while the neighbourhoods improve usually enjoy equity gains that exceed the market (parking is also unbundled and offered for $50,000 CAD per spot, where available.)

JvN/d Developments, Canada[35]

JvN/d Developments is a for-profit condominium developer working on private land whose main innovation is flexible lots. Each floor of a JvN/d building is divided into 250 square-foot lots that homebuyers can purchase individually and combine to determine the total size, design and number of bedrooms for their space. Lots are individually titled under a mortgage; individual lots can be purchased and sold, giving homebuyers the option to shrink or grow their space over time. Combined lots can be purchased with friends, family, as a co-housing group or to operate a business. JvN/d Developments also offer units only partially completed, so that homebuyers can finish the units themselves, potentially saving on materials and appliances.

JvN/d developments are aimed at middle-income households, providing options and flexibility to move from renting to homeownership. The company also offers co-investing to help with down payments.

JvN/d proposed development in Hamilton

JvN/d is applying this model to its first proposed project: an eight-storey, mixed-use condo in Hamilton's North End neighbourhood. The proposal would allow owners to purchase multiple "bays" to create varying unit sizes from 250 to 1,000 square feet, with the flexibility to customize and re-configure their unit as family size and needs change over time.[36]

The combination of flexible space and tenure, paired with financing support (i.e. loans), aims to reduce the minimum annual income required to own a home from upwards of $100,000 CAD down to $25,000 CAD, thereby opening the door to homeownership to more people.

Home Unbundling: Toronto Takeaways

These case studies on unbundling illustrate application options for Toronto to bring down overall costs to benefit home buyers and renters, and break the cycle we're seeing in the present Amenities War.

Prioritizing essential amenities

Primary research and surveys could help identify what amenities are most needed and desired by Toronto residents living in an increasingly vertical city. By prioritizing essential amenities we could cut down on those that result in higher product costs and maintenance fees. For example, certain amenities provide the types of spaces that make single-family houses attractive, such as gardens, outdoor space, or a large play area or a workshop—because condos don't come with a garage or basement or backyard. On the flipside, is a full gym, billiards room or elaborate lounge area necessary in every condo? Most single family homes do not contain these amenities, and they can be accessed in the neighbourhood.

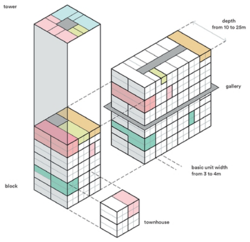
Saving more to build more

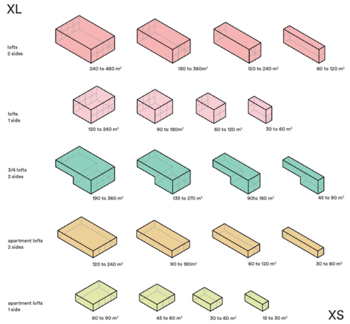
In Toronto, the stripped-down model of construction could provide savings for developments on both private and public lands. For example, by lowering construction costs, the City could save money on supportive housing to reinvest in building more affordable housing or more family-friendly units.

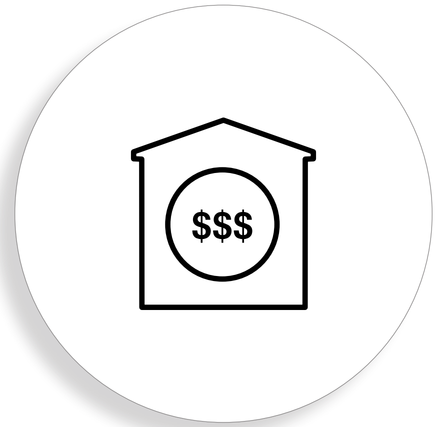
Creating flexibility

Along with the many benefits of offsite housing manufacturing is the flexibility of modules or components to accommodate various and changing needs and budgets. JvNd's key innovation is flexible 250 sq. ft. "lots" that can be purchased individually or combined, fully or partially completed, with the option to shrink or grow space as needed. Similarly, in Amsterdam, "Superlofts" by Dutch practice Marc Koehler Architects are a fixed building structure outfitted with flexible modular lofts that are individually designed according to need and budget, and that can be adapted over time. In this way, costs are saved by more modest design and finishes and unit size, as well as by avoiding the significant transaction costs involved in moving, as the flexible design permits households to add or remove space as they grow or shrink.

Superlofts







Equity Options

Opportunities for renters to build equity can help them move up the housing ladder.

As the cost of housing increases, fewer households can afford to enter the housing market and build equity in a home.[37] Even middle-income households are now challenged to move from renting to owning. With rising rental rates, a large proportion of renters' paycheques is allocated towards rent, which makes it difficult to save money for a down payment. And as those down payments increase in size, building equity becomes a distant dream.

Given the financial benefits and housing stability associated with homeownership, it is worth exploring models of shared equity that could work in Toronto to help those earning lower and middle incomes get into the market and start building equity.

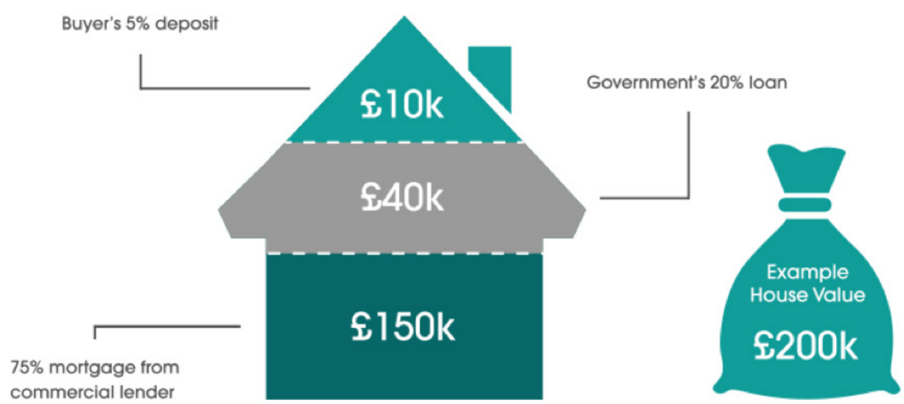
Shared equity case studies:

- » BC Home Owner Mortgage and Equity Partnership, British Columbia
- » "Help to Buy" Equity Loans, UK
- » Options for Homes, Ontario
- » Artscape Triangle Lofts, Toronto
- » Unison, United States
- » Cornerstone's Renter Equity Program, Cincinnati, OH
- » DOMA, Concept for Networked Homeownership, Eastern Europe
- » Toronto Islands Residential Community Trust, Toronto, Ontario
- » Fraserview Co-operative & Community Land Trust, Vancouver, British Columbia

Case Study Highlights

Government equity loans in BC and the UK

British Columbia's Home Owner Mortgage and Equity Partnership[38] and the **United Kingdom's "Help to Buy" Equity Loans**[39] are models of government assistance to homebuyers provided via five-year, interest-free loans. While these programs were intended to help first-time homebuyers enter the market, both programs have been criticized for driving up speculation and home prices at the entry level of the market. The BC program was cancelled.[40]



Help to Buy equity loan example.[41]

The BC government saw two key benefits to its program: 1) to help first-time homebuyers make down payments, and 2) to reduce early mortgage payments, helping households and families establish themselves.[42] In the cancelled BC program, in which some homebuyers are still enrolled, interest charges commence after five years, and the balance is due in full when the house is sold, or after 20 years.

The Help to Buy program in the UK, still in existence, grants the purchaser an interest-free equity loan equal to 20% of a home's purchase price. In the city of London, where home prices are higher, the government offers equity loans of up to 40% of a home's purchase price. All loans are interest-free for the first five years.

In the case of Help to Buy, interest increases at the rate of inflation after year five. The full balance of the loan must be paid when the house is sold, or after 25 years. Upon sale of the home (or repayment of the loan), the original homebuyer receives their share of the sale price—80% under a typical equity loan arrangement, or 60% in London—and the government receives its proportional share. When house prices have fallen since the equity loan was granted, homeowners only need to repay the government their 20% or 40% share of the home's assessed value.

Not-for-profit shared equity developments in Toronto

Under a not-for-profit shared-equity agreement, a partner assists with homeownership by owning—and paying for—a share of a home. This is different than a typical mortgage loan as the homebuyer does not make payments on the portion owned by the shareholder.

In Toronto, **Options for Homes** has used the shared-equity approach to help deliver more attainable ownership condos to the market. The loan offered by Options for Homes is recognized by banks as an equity contribution towards to purchase of a unit. This loan represents the difference between the building costs and the market price of a unit (typically 10% to 15%)[43] Homeowners are not required to make payments of interest or principal on Options for Homes' shared appreciation mortgage until they move or sell the unit. At that point, the purchaser pays off the debt in full—with the balance owed equal to the percentage of market value initially held by Options for Homes. Options for Homes uses the proceeds from repayment of second mortgages to help fund new projects.

Options for Homes (in CAD)			
Orig. Price	Resale Price	OFH Share	Owed to Lender
$500k	$1 million	10%	$100k
$500k	$400k	10%	$40k

Artscape is a not-for-profit urban development organization that supports artists and community organizations, based in Toronto. In their **Artscape Triangle Lofts** project, located within a larger condominium development, Artscape created 20 ownership suites for artists and their families. These suites were made affordable to purchasers who would not have been able to build equity otherwise through a no-interest, no-payment, shared-appreciation second mortgage equal to 25% of market value of the unit. Buyers were required to provide a 5% down payment on the property and secure a mortgage for the balance of the purchase price.[44]

Artscape's second mortgage includes an affordability covenant that stipulates how appreciation of the unit is distributed between the buyer and Artscape upon resale. The terms of the second mortgage and its affordability covenant were designed to ensure that Artscape can maintain the units as affordable for artists and their families in perpetuity.

Note in the models of Artscape and Options for Homes, the homeowner is not required to pay interest or principal on the second (shared-appreciation) mortgage. This helps to reduce monthly carrying costs. For example, on a unit with a total mortgage of $500,000, a 10% share carried by Options for Homes would reduce monthly mortgage payments by about $300 per month (assuming a 5% interest rate).

Trillium Housing is a Canadian not-for-profit social enterprise that invests in affordable ownership housing, partnering directly with home builders and developers. Trillium also offers a shared-appreciation second mortgage.[45] Under a Trillium agreement, a homeowner repays the mortgage principal, plus a share of any appreciation in the value of the home.[46] Homeowners can use the Trillium mortgage to offset a portion of their down payment and/or to decrease the amount of their first mortgage to reduce monthly mortgage payments. Eligibility for the program has been set to match the government's affordable ownership housing thresholds. The purchaser's household income must be below the local median.[47]

Private shared equity financial agreements in the US

Private lenders have also started to offer shared-appreciation loans. **Unison** in the United States is one of many startups offering such a product with its HomeBuyer program, which offers loans to supplement purchasers' down payments—typically half of a 20% down payment.

Under the terms of Unison's program, Unison receives repayment of its loans, at equal value, plus 35% of the profits made (or 35% of the loss) upon sale. Unison's customers, despite only being privy to a share of their homes' profits, pay 100% of the closing costs on a purchase, which makes the closing costs a larger portion of the homeowner's return than without the HomeBuyer program. Unison is working with with the US federal agency Freddie Mac to deliver a pilot program.[48]

Unison Example (in USD)			
Orig. Price	Resale Price	Unison Share	Owed to Lender
$500k	$1 million	10%	$50k loan repayment + 35% of profit, i.e. $175k. Total owed = $225k.
$500k	$400k	10%	$50k loan repayment + 35% of loss, i.e. -$35k. Total owed = $15k.

Other examples of shared equity agreements include:

1. **Point** in the US, which offers down payment loans of up to 10% of home's purchase price. Upon sale, the loan is due, along with 20% of a home's appreciation above a value set out in the original agreement by Point called their "Risk-Adjusted Home Value" (which can be up to 20% less than market value).[49]
2. **OWN Home Finance** in the US offers down-payment loans of up to 10% of a home's purchase price, but after the loan is repaid in full, OWN is also entitled to 25% of the change in value of a home (whether profit or loss).[50 51]
3. **StrideUP** in the United Kingdom offers financing to help prospective buyers purchase a house. Their loans require monthly payments of principal, plus an amount that StrideUP calls "rent" (which is based on local market rent and StrideUP's ownership stake). **Unmortgage** offers a similar product.[52 53]

The terms of private lenders guarantee a larger share of profits (up to 3.5 times their investment) than do the terms of a not-for-profit such as Options for Homes or Artscape. However, in most cases, the private lenders also take on a larger share of the losses.

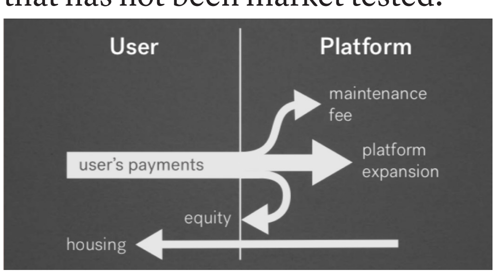
Renter equity programs

Rent equity models allow renters to build some degree of home equity or investment through their rent payments. **Cornerstone**, an affordable housing operator in Cincinnati, developed a program that awards tenants "equity credits" in exchange for paying their rent on time, participating in monthly resident meetings and contributing to the maintenance of common areas.[54] The credits are vested every five years, which tenants can use for any purpose. Renters can build up to $14,000 in equity over 20 years. Cornerstone has found that this program has helped reduce turnover and vacancy, while

Comparison of Options for Homes Shared Equity Mortgage vs Unison Loan		
Original purchase price: $500,000. Lenders' share: 10% (i.e. $50,000).		
	With Options for Homes	**With Unison**
If sold for $1 million (100% gain)	Homeowner share of sale: $900,000	Homeowner share of sale: $775,000
If sold for $600,000 (10% gain)	Homeowner share of sale: $540,000	Homeowner share of sale: $515,000
If sold for $400,000 (10% loss)	Homeowner share of sale: $360,000	Homeowner share of sale: $390,000

also reducing administrative and maintenance costs.[55] This approach is promising, but is unlikely to be adopted widely by private (for-profit) landlords.

DOMA, an affordable housing start-up in Europe, has proposed a networked home-ownership system where users of the system collectively own property. DOMA's vision is to offer affordable housing units to its users for a monthly price that decreases over time thanks to their equity shares in the company. As DOMA invests profits from rent into the purchase of new properties, residents accumulate real estate equity in the expanding DOMA housing ecosystem.[56] After 30 years in the system, a user is only paying for maintenance and other annual costs (ex. property taxes), as though they were a homeowner who had paid off their mortgage.[57] To date, DOMA exists only as a conceptual proposal that has not been market tested.



DOMA's distribution of rent collected from a user.[58]

House on Ward's Island, Toronto Islands

The community land trust model

All of the homes on the Toronto Islands are located on publicly owned land. **The Toronto Islands Residential Community Trust** was created in 1993 via Ontario Legislation (Bill 61), which established a 99-year lease for each of the lots on the Islands, and granted the residents of the Islands the ability to hold the title to their homes.[59] The legislation also established formulas that would determine the future sale price of each home.[60]

The Toronto Islands Residential Community Trust estimates that the price of a house on the Islands (excluding the land lease) can range from $50,000 to $600,000, with the average house costing between $150,000 and $400,000.[61] While the formulas developed by the governing legislation help keep the cost of homes on the Islands affordable were successful, they only benefit a select few people. And because appreciation is capped on Toronto Islands homes, homeowners cannot realize the same return on investment as they could with market housing.

The co-op housing model

A longstanding and successful approach to shared equity in many cities is government-assisted co-operatives on public land that provide housing to households of a range of incomes. Toronto, like many cities across the country, is home to a number of housing co-operatives, including many that were built as part of the mixed-income **St. Lawrence District**. However, over the past three decades the development of co-operative housing has slowed in Canada, and today, high land prices make it difficult for new co-operative housing projects to start.

Vancouver is home to the recently completed **Fraserview Housing Co-operative**.

Fraserview Housing Co-op

Fraserview was made possible by the City of Vancouver, which provided land through its Community Land Trust. The co-op will offer its rental housing with a wide range of pricing options, from market rates to as low as the provincial shelter rate of $375 CAD/month.[62]

Residents must purchase shares in the co-op; these are refunded when residents leave. There is no specific financial benefit to the shares—they simply allow members to live in the co-operative. Share prices have only been set for Phase One of the project, the market-priced phase that will help to enable the below-market housing of phases Two and Three. The shares for Phase One housing cost between $2,500 CAD and $3,500 CAD, depending on the size of unit occupied. Rents offered for the constructed apartments and townhomes are about 80%-90% of the average market rent in the area.

Although co-op housing does not directly help renters build equity, it does provide stable, predictable and affordable housing costs, which can make it easier to build savings and move up the housing ladder.

The Community Land Trust in Vancouver provided land for the Fraserview Housing Co-operative. This project demonstrates how public land can be leveraged to provide affordable rents for households with a wide range of incomes via long-term leases, while sustaining public land. It also shows how at-market housing, brought to market first in the project, can be leveraged by the City to help fund and deliver more affordable and attainable units as the development progresses.

Equity Options: Toronto Takeaways

With home ownership a growing challenge in Toronto, finding new opportunities for individuals to build housing wealth offers many benefits. Not only can such programs help households build equity, they can lead to improved housing stability. Furthermore, experience at Cornerstone's project in St. Louis demonstrates that equity programs can also lead to increased social cohesion and property stewardship.[63] *Here are a few lessons that might work in the Toronto context.*

Leveraging long-term leases

The Fraserview Housing Co-operative demonstrates how long-term leaseholds and partnerships with not-for-profit developers can help deliver affordable housing on public lands. Meanwhile, the Toronto Islands Community Trust demonstrates how forethought decades ago to develop long-term leases has maintained public ownership of important land that continues to deliver modest revenue to the City through land leases.

Housing that builds more housing

Both the DOMA housing network concept and the Options for Homes model demonstrate how ongoing and long-term revenue can be generated via proceeds from appreciation on second mortgages or rent payments, which in turn can fund program expansion and build more housing. In Toronto, this is applicable to City-owned land (viz. CreateTO) in that public lands could be amalgamated to provide scale, and revenue generated from rents (affordable and market-rate) or appreciation on shared equity could be reinvested into building more housing on public lands. (And so on.)

Protecting affordability

If long-term housing affordability is the ultimate goal (over and above encouraging homeownership), shared-equity programs with affordability covenants (ex. Artscape Triangle Lofts) offer promise. Under such programs, housing can remain affordable in perpetuity, and grant homeowners the opportunity to build wealth and receive a return on investment.[64] They also have the potential to deliver funding back to housing providers as housing is resold, which can be used to deliver more new housing via a revolving fund, following Options for Homes' model.[65]

Fair sharing

Shared equity programs in which the expected ROI for the second mortgage is equal to the investment seem fair. It may seem as though the terms of private lenders—who take a larger share of profits—are not as fair, but these companies also take on greater risk, as they also take on a larger share of potential losses, which can benefit homebuyers if the housing market depreciates.

However, shelter from the cold of market downturns should arguably not be a significant concern if the home is purchased for long-term ownership. The risks of borrowing from a private lender include larger costs of borrowing overall, and difficulty in moving up or horizontally if the housing market appreciates—for instance, because homebuyers are entitled to a smaller share of profit than they would be under a regular mortgage, or even a not-for-profit-style shared-appreciation loan.

Building rental equity in Toronto's hot market

A challenge for rental equity programs to be feasible and achieve at scale is the reliance on public land and public funding. A shared-equity rental model like Cornerstone's is predicated on a public land model, but may be unlikely to be adopted widely by private market landlords in a low-vacancy, low-turnover rental market, and/or a rental market dependent on secondary condo rental supply rather than purpose-built rental (i.e. the Toronto market).

What might work instead in Toronto's hot rental market is a model that enables a mix of market and below-market rental units, plus some type of rental equity program. This might be developed on public land through long-term leases or joint developments with a private or not-for profit housing provider.

Weighing public funding strategies

Research has found that shared-equity loans can help households build equity that would not otherwise have been able to.[66] But experience in both British Columbia and the United Kingdom suggests that interest-free loans are not the best solution for helping homebuyers to build housing wealth. Studies in both jurisdictions showed that such loans fuel escalated speculation and market appreciation, particularly at the entry level of the market.

Rent-to-own schemes are not uncommon, but they are mostly offered by private for-profit lenders or property owners, whereby the risks and costs (high market rent + maintenance + interest) may outweigh the benefit to would-be homeowners. In the end, it may be more cost effective for households to pay moderate rent and save for a down payment. Alternatively, a government rent-to-own model was proposed by Toronto mayoral candidate Jennifer Keesmaat during the 2018 election campaign, which involved building 100,000 affordable housing units on public land, and offering a rent-to own program for 10,000 of the units.[67]

Further analysis is needed to weigh the investment benefits of focusing public investment on shared equity programs vs. building more housing units. Shared equity models that reinvest some of the rental revenue into building more housing appear more sustainable.

Entrance to the Artscape Triangle Lofts

Ideas to Support Innovation

The case studies and "Toronto Takeaways" in this report offer possible solutions to deliver more affordable or attainable housing supply to Toronto renters and would-be homebuyers. This section presents broad ideas regarding land use and policy for consideration.

Leverage—don't sell—public land for a mix of housing

As of January 2019, both the City of Toronto and the government of Ontario have plans to bring new affordable housing supply to the market by leveraging public land. The Province has developed the Affordable Housing Lands Program (PAHLP),[68] while the City of Toronto is developing a plan named "Housing Now."[69] Both plans offer land to developers at below-market rates in exchange for an agreement to incorporate affordable housing into their developments.

The Province has agreed to sell one property as part of the the PAHLP program and lease two others. The three sites together are expected to result in 2,150 new housing units, some market and some below-market.[70] Under the Housing Now program, the City has made eleven sites available and these sites are expected to deliver 10,000 housing units. Two-thirds of the units will be purpose-built rental units, and half of these (approximately 3,700) will have rents set at 80% of Toronto's average market rent.[71] The eleven sites will be offered through long-term leases where rental housing is being developed, and for sale where ownership housing is included.

These are innovative strategies to increase the supply of affordable housing, especially when long-term leases are used. However, the selling of public land—a vital asset—should be avoided. Rather, public agencies should leverage public land for maximum benefits, including a range of affordable, attainable and market housing supply, while retaining public ownership of the land to generate long-term revenue from rents, leases and sales of units. This revenue can in turn help to fund public services, investments in the public realm and, of course, more affordable housing.

Joint developments

Joint developments between public agencies and private developers can be highly successful, and a win/win for all partners. Especially when joint developments on public lands are near transit stations, our public agencies bring valuable assets to the table: land and transit infrastructure, along with the capacity to speed up the approvals process. Through a joint development project, public agencies can alleviate the high cost of land typically associated with development and draw on private-sector expertise in delivering new housing. Public agencies can further leverage their involvement to ensure that joint development projects deliver a range of beneficial outcomes, including:

» Homes for a mix of family and household sizes and a range of incomes (affordable to attainable to market)
» Rental and ownership products
» New commercial and retail spaces, parks and investments in the public realm, and investment in transit and more affordable housing

Under the joint development approach, both parties share in the sales, profits and rents from completed projects. The public agency can direct their share of profits into future affordable housing projects and/or transit investments. Some of this revenue, like that from rents and leases, is long-term and sustainable, and can continue to support affordable housing programs.

The joint development approach has worked in New York, Denver, Singapore, Hong Kong and London, and most recently in Montreal, where housing and transit-oriented mixed-use neighbourhoods have been developed.[72] [73] These types of developments help to build transit ridership and enable households to save money by relying less on private vehicles. They also provide an opportunity to harness developers as city builders, as partners work together to achieve public policy objectives, while leveraging public land in perpetuity.

Lease to not-for-profits

Additionally, public agencies could explore opportunities to provide land to not-for-profit housing providers (ex. co-operatives, affordable housing operators, shared-equity housing providers) via land leases. Such an arrangement would allow for continued public ownership of land while delivering affordability benefits to the market. Vancouver has been applying this model to deliver new affordable rental housing in partnership with co-operative housing operators, where the most recent example is the Fraserview Housing Co-operative.[74] Here at home, the Toronto Islands Community Trust was an early model of long-term land leases that has maintained public ownership of land.

Support modular housing

Factory manufacturing of housing modules and components can deliver homes that are energy efficient, appropriate for a range of locations and potentially more affordable than those using conventional construction. As demonstrated by our case studies, the production and assembly of modular housing can result in a lower-cost home for the end user.

Ollie at Carmel Place was one of the first multi-unit buildings in Manhattan to use modular construction. Ollie's affordable units, which account for 40% of the building's total, were made possible in part by the construction cost and schedule savings from the modular design.[75] Pocket Living's use of factory construction resulted in a home purchase price or 20% to 40% below market rate.[76] In Toronto, PCL's factory production of components for a Scarborough not-for-profit seniors' residence reduced costs by 25% and resulted in a 50% faster construction timeline.[77]

Modular construction can minimize construction timelines and associated costs, improve worker safety, reduce transportation costs, and mitigate site congestion and disruption. Off-site manufacturing also enables building at various scales of density, using different building typologies on a range of site sizes and locations, including those difficult to access (ex. above/over constrained sites, such as tunnels, utility infrastructure and by railway lines). It makes an excellent solution for both small infill lots in residential areas and full re-development projects at major intersections. For all these reasons, factory manufacturing can open up more opportunities for building housing. Support for modular housing delivery could help establish it as a viable housing solution in the GTA.

Zoning

As-of-right zoning specific sites for modular construction, in strategic locations, could encourage the use of this innovation in Toronto by improving the feasibility and cost-effectiveness of development on small lots and difficult sites. Because this construction method minimizes neighbourhood disturbances such as noise, dust and duration of construction, factory-constructed modular projects could yield greater community support and reduced NIMBY-ism; thus more gentle/modest density in urban residential neighbourhoods (i.e. the "Yellowbelt") could be achieved.

Modular in Toronto

Here in the GTHA, PCL Construction produces prefabricated project components for commercial, institutional, industrial and residential developments in the region and across North America. From their Etobicoke production facility, PCL designs, engineers, manufactures and assembles prefabricated modular building solutions of various sizes and complexity.[78] As modules are assembled off-site, site engineering and preparation can proceed concurrently, thereby reducing overall construction timelines. Off-site production reduces building waste, while the facility's strategic location reduces vehicle traffic and transportation costs to and from the jobsite.[79]

An example of this strategy in action: in 2017, PCL fabricated 413 exterior wall panels for Presentation Manor, a not-for-profit seniors' residence in Scarborough. With windows pre-installed, the prefabricated wall panels reduced the number of building trades required on the construction site and increased worker safety overall. This modular approach was 25% more cost effective than conventional construction, and resulted in a 50% faster construction timeline.[80]

Investment

The modular construction industry has given rise to a new sector of employment for workers that is safer and healthier than traditional construction. The controlled factory environment improves worker safety, while enhancing the quality, productivity and efficiency of the construction process overall. In Toronto, this could lead to steady, four-season employment if the fabrication work is done indoors. It could also breathe life into Toronto's employment lands and help keep these lands "purple" with light manufacturing. The new sector could provide good jobs in the region, and ease transportation demands (as shipping distances are reduced).

Encourage zero-parking near transit

Minimum parking requirements present a major challenge to delivering more attainable rental and ownership housing; because parking facilities are expensive to build, they drive up project costs. This in turn encourages the development of higher-end market condos or luxury rental buildings, for which parking is easier to sell or rent.

In many of the case studies explored in this report, costs were reduced by not building any parking at all, and by locating development near transit and walkable urban centres. In Toronto, while parking minimums are relatively low, eliminating them entirely or providing other incentives to build zero-parking, non-luxury developments in locations where parking is not necessary could help innovative, attainable housing developments make more competitive bids for land acquisition.

Remove attainability barriers

A number of the case studies in this report are projects from not-for-profit housing providers. To a large extent, they have relied on public land or funding to deliver their offerings. The challenge for Toronto is to determine how to replicate these models on private land, or to offer similar programs without relying on public subsidy or grants, while still achieving scalability.

The Ontario provincial government is currently examining ways to reduce costs and, in its own words, "remove red tape" for developers, with the aim of getting more supply to market. Measures such as speeding up approvals, changing zoning and official plans, altering development charges and other fees, and reviewing the appeals process (in LPAT/OMB reform) have been under consideration. But there is no guarantee that removing various barriers will result in different product. We can expect more of the same in Toronto...more market condos, purchased mostly by investors—the status quo.

Alternatively, the provincial (and municipal) government could deploy instruments to help prioritize or make innovative attainable housing projects cost-competitive, particularly in locations with high land costs. Developers could be incentivized to forego costly finishes, amenities and parking, rather than compete in the high-end market.

At the municipal level, the Artscape Triangle Lofts project demonstrates that alternative means of acquiring real estate by not-for-profit housing providers (such as through Section 37 agreements) can also be effective in building affordable housing supply. Similar opportunities to provide new housing should continue to be explored and used.

And in all cases, the City of Toronto should ensure cost savings are in fact passed on to homebuyers.

Case Studies

Demonstrating ideas and best practices.

MICRO RENTAL

Lofts at 7, San Francisco, CA

The Lofts at 7 is an adaptive reuse project in San Francisco that transformed a former TV broadcasting facility into micro unit rental housing.[81] Opened in 2013, the project includes 88 units in a range of sizes, including 31 studios (275-450 sq. ft.), 12 junior one-bedrooms (400-525 sq. ft.), and 45 split-level one-bedroom lofts (400-850 sq. ft.).[82] While units are small, residents share access to a large landscaped rooftop, gym, lobby, parking facilities and laundry rooms on each floor, which minimize in-unit space requirements. Wifi and heating is included in the monthly rental price.[83]

The building is located near downtown Market Street tech offices and a number of university campuses, and has been marketed largely to young professionals, tech workers and students.[84] The Lofts at 7 was the first rental project developed in the Tenderloin/Civic Centre neighbourhood in many years, responding to a growing appetite for new rental options in the area. Demand was strong;[85] 70% of units were leased within months.[86]

Monthly rent for a studio unit at the Lofts at 7 ranges from $1,995-$2,200 USD/month depending on size (275-400 sq. ft.)[87] By comparison, the average rent for a studio apartment in the Civic Centre neighbourhood is $2,060 USD/month. In San Francisco overall, average monthly rent for a studio apartment is $2,461 USD with an average unit size of 512 sq. ft.[88]

While the net cost of the Lofts at 7 micro units is more affordable than other more conventional rental housing options in this rapidly developing neighbourhood of San Francisco, the total and per-square-foot cost of the units are not considerably more affordable than more conventional rental options in the area.[89] And given the project is marketed as an upscale rental option for young, single professionals, some have raised concerns that Lofts at 7 may be contributing to the ongoing gentrification and escalating rental prices in San Francisco's Tenderloin neighbourhood.[90]

ZONING FOR MICRO APARTMENTS

Small Efficiency Dwelling Units (SEDUs), Seattle, WA

SEDUs are an invention unique to Seattle. The city, after seeing a rise in tiny "congregate apartments" (i.e. dorm-style housing with shared kitchens and tiny floorplans 140 to 200 square feet in area), established new rules in 2014 to prohibit these in low-rise residential zones and establish a new, larger minimum size for micro units, thus creating the Small Efficiency Dwelling Unit, or SEDU.[91]

Seattle's zoning and building codes set clear guidelines for the construction of congregate apartments and SEDU apartments. SEDUs must be at least 220 square feet in area, but in practice they tend be at least 250 square feet in order to meet building code requirements.[92 93] Other requirements for SEDUs include a minimum 150 square foot sleeping area; a bathroom with a toilet, sink and bathtub or shower; and a food preparation area including a sink, fridge, countertop and cooking appliance. Both congregate apartment buildings and SEDU apartment buildings must now go through a design review process before they are approved.

Colliers' study of rents in Seattle showed that the original micro congregate apartments in Seattle averaged $998 USD/month. The average rent for a new SEDU is $1,275 USD/month. Conventional studios in Seattle are rented at an average of $1,546 USD.[94] While micro apartments and SEDUs are cheaper than conventional studios, they are more expensive on a per square foot basis: $5.38 USD for micro congregate apartments; $4.80 USD for SEDUs; $3.40 USD for conventional studios.[95]

In the lead-up to Seattle's new rules around SEDUs, developers and housing providers expressed concerns that these would decrease the supply of affordable rentals being developed due to the new size requirements and location restrictions placed on congregate apartments.[96] Real estate analysts also argued that millenials, the target market for many small apartments, are not actually seeking small apartments—they are just accessing what is available.[97]

Ultimately, after the introduction of the new rules, a similar number of units entered the pipeline in 2015, suggesting the viability of new micro unit construction in Seattle was not adversely affected. The new rules did however result in a significant shift in new construction from congregate units towards the more expensive-to-rent SEDUs.[98]

Seattle's experience raises the question of what elements of small apartments should be regulated given the competing demands of affordability and apartment size. Smaller units are more affordable on a unit basis, but more expensive per square foot. We also know from Seattle's experience that, given the opportunity, developers favoured building smaller units—they only shifted from congregate apartments to SEDUs after regulations were introduced. On this basis, it is possible that SEDUs and congregate-style developments could lead to upward pressure on land costs in Toronto where neither style of development is common.

MICRO-MODULAR OWNERSHIP

Pocket Living, UK

The mission of UK property developer Pocket Living is to provide affordable ownership housing for first-time homebuyers who are "squeezed between social housing and market homes that are unaffordable—and are pushed out of the city." Their "pocket homes" are marketed as affordable, well designed, compact homes suitable for singles and couples, young and old. Units are 100% owned, and Pocket Living developments include some shared spaces, especially outdoors.

The twist is that they are modular in design and construction. Housing modules are manufactured in factories and assembled at the development site, providing flexibility in the size and number of rooms. This approach enables a range of building scales and typologies, from three-storey stacked flats containing only 13 units to a 90-unit high-rise—all with a healthy mix of one- to three-bedroom units. A one-bedroom unit is relatively sizable at 38 sq. m. (409 sq. ft.), and is designed to maximize efficient use of space. Modules are also precision engineered for energy efficiency and daylight maximization, which saves homebuyers on long-term utility costs.[99]

Cladding is usually brick for quality architectural design, and each development has a unique look and style to fit into the community; most are in locations accessible by transit. The buildings are car-free with no parking spaces or eligibility for a parking permit, although bicycle parking is provided.

Pocket Living refers to its target homebuyers as "city makers," people who make the city tick: web developers, teachers, journalists, nurses, graphic designers, accountants and engineers.[100] "People [who] have got a degree and a good job, but they don't have any capital behind them, their parents don't have loads of equity."[101]

Owners cannot rent or sublet their units (unless on very specific short-term occasions), as housing is built for the end user. Eligible buyers must be local, earn under a certain income and own no other property anywhere. Resale is restricted to buyers who have a household income lower than the affordability threshold and live or work in the borough. Owners cannot sell until after owning the property for at least one year.

Offsite modular construction is key to Pocket Living's affordability, saving on construction costs and time. The quick-and-easy assembly results in a home price 20% to 40% below market rate. Not only can developments be constructed quickly (one floor per day), but the scale of construction on-site is reduced significantly (eliminating the need for heavy machinery like cement mixers, trucks, etc.). Offsite manufacturing of modules also facilitates access to smaller, difficult to access sites and small plots of land, opening up more opportunities for housing. Not building any parking also eliminates the need for this expensive underground infrastructure.

Pocket Living's latest Mapleton Crescent development in Wandsworth includes two- and three-bedroom units starting at £599,999 for approximately 775 sq. ft.,[102] which amounts to a purchase price of approximately £774/sq. ft. By comparison, the average purchase price of a home in Wandsworth is £897/sq. ft.[103]

Pocket Living was able to scale up to deliver 200 units a year due to nearly £21.7m in seed funding from the Greater London Authority to help the company purchase land.[104] Previous reliance on their own equity made developments slow and dependent on the completion of one project to finance the next.

HOTEL-STYLE CO-LIVING

WeLive, Wall Street, NYC, NY

WeLive—a venture of co-working company WeWork—offers furnished, flexible apartments available on short- or long-term leases at locations in New York City and Washington, DC. Its Wall Street location includes 93 co-living units in a range of sizes, from studios to four-bedrooms, plus 39 hotel rooms.[105] Each co-living unit includes living and sleeping areas and a small kitchen and bathroom. Residents are considered "members" and have access to shared common areas including kitchens, laundrettes, yoga studios and social spaces, as well as services like a full-time concierge and housekeeping team, TVs, premium cable, Wifi, and coffee and refreshments available at all times.[106]

The option of short-term leases offer tenants convenience and flexibility, but WeLive's model does not offer significant affordability advantages over a conventional rental apartment. Monthly rent for a small studio at WeLive begins at $3,050 USD/month for approximately 340 sq. ft..[107] By comparison, the average monthly rent for a studio apartment in the Financial District is $3,134 USD ($2,908 USD/month in Manhattan overall) and the average size of a studio in Manhattan is 459 sq. ft.[108]

Units are marketed as a high-end, all-inclusive housing product, largely to a young, single demographic seeking flexibility, convenience and immediate community. WeLive's offerings may have more appeal to companies seeking temporary corporate housing for their employees, or individuals looking for a short-term stay before finding permanent housing in a traditional apartment. This high-end co-living model may also be suitable for higher-earning young professional demographic who are not ready or able to commit to owning a home for the long term.

HOTEL-STYLE CO-LIVING

Ollie at Carmel Place, NYC, NY

Opened in 2016, Ollie at Carmel Place is New York City's first building dedicated exclusively to micro units and co-living. This nine-storey, purpose-built rental apartment building contains 55 studio apartments ranging in size from 260-360 sq. ft., and is currently operated by the co-living company Ollie.[109] Each micro unit features a sleeping/living space, kitchenette and bathroom. Innovations such as 8-9 foot ceilings and murphy beds that double as storage units make efficient use of the small unit spaces.[110] Residents share generous communal spaces for socializing, recreating and storage. Shared amenities including a large lobby and porch, lounge spaces, a gym, den, bike storage, community room and pantry, and a public roof terrace.[111]

Thirty-three of the units are operated by Ollie and are offered at market-rate rents. These can be rented furnished and include hotel-style services like weekly housekeeping, linen service, luxury bath products, Wifi and cable, as well as a social program that includes in-building events, weekend getaways and a live-in community manager.[112]

The remaining units (40%) are dedicated as affordable housing for low- and middle-income residents. This includes 14 rent-geared-to-income units leased through the City's housing lottery system and eight Section 8 (i.e. rent subsidy) units reserved for formerly homeless veterans.[113]

Formerly known as My Micro NY, the building is the result of a winning proposal from adAPT NYC, a 2012 initiative of the Bloomberg administration to find new solutions to accommodate the city's growing small household population.[114] As part of the initiative, the development was granted a number of mayoral overrides to allow for its construction, including a relaxation on the minimum unit size and maximum density allowances.[115]

Constructed of pre-fabricated modular units, the building is one of Manhattan's first multi-unit buildings to use modular construction, limiting construction noise, dust and disturbance.[116]

The project's total cost was approximately $16.7 million USD, with $1.167 million USD in City Capital funds and $1.06 million USD in federal HOME funds. Land was provided to the developer at low cost to help support the project's affordability.[117] Cost savings of modular construction, reduced project schedules, and relaxed minimum unit sizes and maximum density allowances also contributed to the project's feasibility. [118]

Monthly rent for a market-rate studio unit within Ollie at Carmel Place is $2,775 USD for 260 sq. ft., plus access to shared spaces and services.[119] By comparison, the average rent for a studio apartment in the Kips Bay neighbourhood is $3,005 USD/month ($2,908 USD in Manhattan overall), and the average size of a studio apartment in Manhattan is 459 sq. ft.[120]

Aside from the affordable units made possible by public subsidy, Ollie's market rate all-inclusive co-living units are marketed—and priced—as "hotel-style luxury," which doesn't act to move the needle on affordability more broadly.[121] High-end bath amenities, weekly housekeeping, and social programming, all included in monthly rent, contribute to overall costs for renters, and set the building apart from other more traditional rental options available on the market. Ollie's hotel-style services and amenities are unlikely to appeal to middle-income earners. Further, the small units are designed for single occupancy living, limiting the market for this style of housing to larger households sizes.

AFFORDABLE CO-LIVING

ShareNYC, New York City, NY

In November 2018, New York City's Department of Housing Preservation and Development (HPD) announced a new pilot program, ShareNYC, to provide public financing for new affordable co-living rental developments.[122] The pilot is part of the City's Housing New York 2.0 agenda to build and preserve 300,000 affordable units by 2026.[123] The goal of ShareNYC is to address the need for smaller unit sizes, and to expand New York City's affordable housing options by introducing new unit and building typologies like co-living.

Through a Request for Expressions of Interest (REOI) process, the City is inviting proposals from private and not-for-profit entities to develop affordable co-living units on privately owned land. The developments must be 100% rental and contain a substantial portion of income-restricted units that will remain affordable for at least 30 years.[124]

While the specific amenities, features and services offered may differ in each proposal, ShareNYC has established a set of core criteria. All proposals must include shared rental housing units (defined as two or more rooming units with shared kitchen, bathroom, or other facilities), and may also include individual standard sized or micro units as well. Proponents have flexibility in terms of design and layout; units can range from 150 to 400 square feet per bedroom, with private or shared bathroom facilities, and shared common kitchen and living spaces. Proposals must also address property management issues unique to co-living, including managing tenant relations and shared amenities.[125]

While developments must be proposed on privately-owned land, the City has committed to working with selected proponents to provide financing and assistance in expediting the pre-development process.[126]

The REOI document indicates that preference will be given to proposals with a mix of incomes, including units for extremely low and very low income tenants and formerly homeless tenants. While projects may include market rate units, preference will be given to projects composed mainly of income-restricted units (priced below market).[127] Details regarding income restriction requirements and rental rates will depend upon the successful proposals selected through the bidding process.

The ShareNYC program recognizes the potential for co-living to offer a suitable form of housing for New York City's growing number of small households. It also recognizes the potential for co-living to create a greater number of affordable units overall, given the lower development costs associated with building smaller units at higher densities.[128] The City's goal is to use the innovative design and management strategies of co-living developments to leverage construction cost savings and higher net rental revenue in order to reduce the need for government subsidy and create more—and more diverse—affordable housing options throughout the city.[129]

In proposing co-living as a model for affordable housing, ShareNYC demonstrates a willingness by the public sector to adapt to new housing trends, and apply existing housing subsidy programs to new housing typologies.

The ShareNYC program reflects an understanding that, while co-living may offer value to renters in terms of convenience, location, and potentially lower net rents compare to market averages, the housing typology itself is not enough to offer affordability to low- and very-low income residents, and that government support and subsidy is necessary to achieve true affordability.

When considering the adaptation of the ShareNYC program to the Toronto context, it is important to consider whether co-living indeed meets an existing and projected need for small, single-occupant units in the city. While the NYC model responded to lack of studio and one bedroom units to serve existing smaller households, Toronto has the opposite problem: not enough 2+ bedroom units to meet demand for family-appropriate housing over time.[130] Given the scale of Toronto's recently completed and approved condo developments and the fact that the majority of these new units are one-bedrooms, it is not clear whether co-living units geared to single occupants would effectively meet local demand.[131]

FAMILY-STYLE CO-LIVING

183 East Georgia, Vancouver, BC

Completed in 2016, 183 East Georgia is a purpose-built, market-rate rental apartment building featuring 191 studio, one- and two-bedroom units across 15 floors.[132] Unit sizes are relatively small, ranging from 367 sq. ft. studios to 898 sq. ft. two-bedrooms.[133]

Unlike many purpose-built market rental buildings, 183 East Georgia offers generous shared community spaces for socializing, recreation and household maintenance that are available to all tenants.[134] Access to larger kitchen areas, alternative spaces to work and socialize, and spaces to grow food, wash pets, store bikes, and make DIY projects means that square footage for these activities does need to be incorporated into each individual living unit, but that tenants are able to access many of the benefits and amenities enjoyed by single-family ground-related homeowners.

Rents at 183 East Georgia are similar to average market rents in Vancouver, however the amenities are more generous than is typical for purpose-built rental buildings. Monthly rent for a 468 sq. ft. studio at 183 E. Georgia is $1,695 CAD/month.[135] Rent for a two-bedroom, 684 sq. ft. unit is $2,350 CAD/month. By comparison, the average rent for a purpose-built rental studio apartment in downtown Vancouver is $1,184 CAD/month and $2,313 CAD/month for a two-bedroom.[136]

The shared amenities at 183 East Georgia replicate many of the activities, services, and spaces that are typically difficult to access in multi-unit dwellings. The range and utility of these amenities may appeal to those who would otherwise opt for a ground-related home, and entice broader demographics to consider centrally-located “vertical living.”

With rental rental prices on par with area averages, it is not clear whether the quality and quantity of building amenities offered at 183 East Georgia allow for smaller individual units and therefore lower square footage and construction costs, or if these features actually serve to increase the cost of building construction and maintenance and resulting rental prices for tenants.

FAMILY-STYLE CO-LIVING

Ramona Apartments, Portland, OR

The Ramona Apartments is a rental apartment complex specifically designed to meet the needs of families. The purpose-built structure, completed in 2011, includes 138 apartments over six storeys. Financed in part by the City of Portland, the development offers below-market apartments to qualified applicants who earn up to 60% of Portland’s Median Family Income.[137] Residents must also meet other eligibility requirements, including restrictions on multiple students residing without families.[138] [139]

Modest-sized private units (366 to 941 square feet, from studios to three-bedrooms) are paired with carefully designed and programmed communal and play spaces that allow families to live comfortably in smaller apartments without sacrificing accessibility to space for recreation, socializing and play. For example, laundry space on each floor overlooks the courtyard and is adjacent to lounges where children can play. Other amenities include an outdoor courtyard and children’s play area, fitness rooms, a large ground-floor community room and bicycle parking.[140]The ground floor of the building is home to an elementary school.[141]

All units in the Ramona are offered at below-market rates to qualified applicants, financed by the City of Portland. Monthly rent for a 355 sq. ft. studio is $430-$732 USD/month.[142] By comparison, the average market rent for a studio apartment in the Pearl District is $1,304 USD/month (studios in Portland average $1,172 USD/month with an average size of 452 sq. ft.).[143] Monthly rent for a three-bedroom, two-bathroom unit at the Ramona, ranging from 1077-1241 sq. ft., is $1,040-1,058 USD/month. By comparison, the average market rent for a three-bedroom apartment in the Pearl District is $2,548 USD/month (three-bedrooms in Portland average $1,637 USD/month with an average size of 1,197 sq. ft.).[144]

ROOMMATE-STYLE CO-LIVING

Node Weirfield, Brooklyn, NY

Node is a co-living developer with a portfolio of nine properties (and more in development) in multiple cities, marketed to "creatives, tech-savvies, and entrepreneurs."[145] Node's model seeks to simplify the process of moving, furnishing a home, and finding roommates, as well as day-to-day home maintenance by offering fully-furnished, serviced units. Residents have the option to sign a lease with their own roommates or have Node match them with other tenants.[146] To further encourage a sense of community in its developments, Node also hires "community curators" to coordinate social programs (included in the rental price) at each location.

Tenants share communal space within their apartments (kitchen, living room, bathrooms) with roommates, while also sharing building-wide community amenities (outdoor space, laundry, lounges and fire pits) with tenants of other units. Node's goal is to design units to allow tenants to live comfortably in approximately 80% the square footage of traditional living spaces, and to efficiently plan the space to fetch a premium rental price per square foot.[147]Node's Weirfield location in Bushwick, Brooklyn, includes one-, two-, and three-bedroom furnished apartments, for a total of 11 units in the building. These are available fully furnished and Wifi-equipped, with access to shared communal spaces on six- or 12-month leases.

Monthly rent for a one-bedroom unit at Node's Weirfield location starts at $2,800 USD.[148] By comparison, the average rent for a one-bedroom apartment in Bushwick is $2,625 USD/month.[149] In Brooklyn overall, average rent for a one-bedroom is $2,508 USD with an average unit size of 676 sq. ft.[150] Monthly rent for a three-bedroom, three-bathroom unit in Node's Weirfield location starts at $3,900 USD/month.[151] By comparison, average rent for a three-bedroom apartment in Bushwick is $2,744 USD/month.[152] Average rent for a three-bedroom apartment in Brooklyn overall is $4,797 USD with an average square footage of 1,292 sq. ft.[153]

While Node's buildings may offer convenience, flexibility, and a premium living experience for tenants, the degree to which Node's co-living model offers affordability benefits is debatable. Node's units are marketed as a high-end rental and lifestyle option, as opposed to more affordable rental alternatives like traditional roommate living. Targeted at younger, mobile, high-earning renters, it is possible that Node's concept could confine these individuals the rental market with a price point that is low enough to be appealing but too high to allow for sufficient savings for a home purchase.

Further, in multi-bedroom units shared by roommates, providing building-wide community amenities (like spaces for socializing) may not be as necessary or desirable in Toronto as they are in Brooklyn.

ROOMMATE-STYLE CO-LIVING

Sociable Living, Toronto, ON

Sociable Living is a proposed co-living operation in Toronto with a formerly posted launch date of "winter 2018." The proposed plan is to offer private bedrooms in shared residences in locations throughout the city. The spaces showcased on the website are fully furnished and move-in ready, and monthly rents would include "hotel-style" conveniences and amenities like Wifi, premium cable, regular cleaning services, basic toiletries and linens.[154] Sociable Living's units are marketed to the Millennial renter, based on the belief that this demographic is seeking to minimize the stress of moving, maximize the convenience of roommate living, and connect with neighbours in a fun, social environment.[155] A community manager is set to deliver "curated events" and opportunities for roommates to socialize.[156] Another Sociable Living offering is "Freedom to Lease," which would allow tenants the flexibility to move to a new Sociable Living location with only 30 days' notice.[157]

Under this scheme, Sociable Living acts as a property manager, renting properties from land-owners on long-term leases and subletting rooms to individual tenants. For property owners, Sociable Living could offer a revenue source for those not interested in taking on the effort of managing tenants; by signing a long-term lease with Sociable Living, property owners would be guaranteed income and tenancy.[158] By renting an entire property from a landowner, adding high-end services and amenities, and subletting units to individual renters, Sociable Living anticipates a profit margin above its hard costs of 20%.[159]

Monthly rent for a furnished bedroom in one of Sociable Living's advertised Toronto locations begins at $1,950 CAD. Rent includes utilities, cleaning, Wifi, and some supplies, which Sociable Living estimates amounts to a monthly value of $315 CAD.[160] Given Sociable Living's offerings, it is useful to compare the rental price to that of a bedroom in a shared three-bedroom unit. In Toronto, the average rent for a purpose-built three-bedroom apartment is $1,589 CAD/month[161] ($530 CAD per person) and the average rent for a three-bedroom condo apartment on the secondary market is $3,499 CAD/month ($1,166 CAD per person).[162]

Sociable Living's model is predicated on its ability to collect premium rents in otherwise typical rental locations by bundling "hotel-style" services and amenities with rent and by branding its units as an "affordable luxury" to appeal to a specific demographic.[163] Though it offers value to tenants in terms of convenience and service, and to landlords in terms of convenience and stability, it is unlikely that this model could improve affordability for many Toronto renters. The appeal of Sociable Living's roommate-style living arrangements to broader demographics is unknown.

BELOW-MARKET OWNERSHIP

Naked House, London, UK[164]

Naked House is a not-for-profit housing developer that offers minimalist flats and houses that home-buyers can DIY over time. The baseline Naked House is habitable, well designed, and comes with energy-efficient electricity, heating and a basic bathroom. But these homes are constructed without finishes or room partitions; owners add their own walls, fixtures, faucets, countertops, etc. Home owners also participate in communally managed areas like gardens and workshops, and communal long-term management. In some developments, the land may be held in a Community Land Trust by the residents.[165]

Keeping the construction down to the bare bones reduces their sticker price. Typically, Naked Houses are between 20%-40% cheaper than those on the open market.[166] Not only is this approach cost effective for the developer, it may also offer the opportunity to design a home according to the specific needs of the household.

This housing option is for whom Naked House calls “generation rent”—people who don’t qualify for social housing but who are unable to afford a home on the open market. This is a pressing demographic in many big cities, including Toronto. Individuals with household incomes of £90,000 or less, and who are first-time buyers or previous homeowners who cannot currently afford to buy, are eligible to buy a Naked House. Buyers also need to be local; as Naked House aims to be community-building enterprise, those who live and/or work in the borough of each development are prioritized.

Successful applicants who meet all criteria are eligible for a mortgage. The way the program is designed, a Naked House never costs more than a third of gross income, with the lowest-cost homes genuinely affordable to those earning the London median wage or below.[167] Naked House provides financing that is paid back through the purchaser’s mortgage, as is the fee charged for the cost of managing the development process.

When it comes to resale, the savings enjoyed by the initial purchaser are written into a resale covenant, i.e., if you buy at 70% of market value, you sell at 70% of market value. This ensures perpetual affordability in line with market value. Any sweat equity invested in upgrading the home is captured in the resale price, along with any increase in market value.

Naked House’s model is subsidized by grants and investments, and its vision is enabled by local government—the organization works with city councils to access land affordably, and its homes are sold as part of the Mayor of London’s intermediate housing programme, “First Steps.”[168]

Options for Homes, Ontario

Options for Homes is a not-for-profit social enterprise developer that builds below-market priced ownership housing. They achieve this through minimizing costs, by forgoing costly amenities, unbundling finishes, saving on marketing and advertising, creating strategic partnerships and by purchasing less expensive land at the right time.[169] The organization also helps homebuyers with their down payment through the use of a second mortgage based on shared appreciation and a low down payment requirement of only 5% for any homebuyer.[170] This boost helps accelerate home ownership and avoid CMHC insurance premiums to ensure monthly carrying costs are equal to or less than rent in Toronto. Options for Homes has built its condos for a per-unit average of $50,000 CAD less (or up to 15% less) than other Toronto developers.[171]

Homebuyers can expect pared back amenities. Suites include carpet, vinyl and economical ceramic tile. Washers and dryers are optional, saving homebuyers money and giving them the choice to use the space for in-suite storage. Any upgrades desired are available through the builder.

Some Options for Homes developments provide modest shared amenities, such as a basement workshop with industrial fan, workbenches and tool storage. Reportedly, this solution “works in small buildings where people are respectful of the space and don’t clutter it up.”[172] In 643-unit Heintzman Place—which, like all Options buildings in Toronto, was built by Deltera of the Tridel Group of Companies—shared spaces were not programmed until residents had moved in and provided feedback on what they needed and would actually use. The result: a children’s play space, a library, a dog-washing room, a space for yoga and a patio.[173]

To finance the development of affordable housing, Options for Homes works with its partner financial corporation, the not-for-profit Home Ownership Alternatives, through which it offers homebuyers a loan that is recognized by banks as equity.[174] This loan represents the difference between the building costs and market price of a unit (typically 10% to 15%), and homeowners are not required to make payments of interest or principal until they move or sell the unit.[175]

While Options for Homes receives no government funding and pays market value for private land, it typically seeks "vendors willing to defer payment until construction financing is secured or the building is occupied."[176] In some cases, this has required Options for Homes to purchase in up-and-coming locations that may not yet be as walkable or well served by transit. This in turn can make it challenging to minimize parking and reduce associated costs. On the upside, those who buy early and hold their units while the neighbourhoods improve usually enjoy equity gains that exceed the market (parking is also unbundled and offered for $50,000 CAD per spot, where available.)

Options for Homes uses both building and unit design strategies (like basic finishes and limited amenity space) in combination with financing support (like shared equity mortgages) to offer more affordable homeownership options. While Options for Homes' developments do not receive government subsidy, the operation's success is made possible by their not-for-profit, mission-driven nature, which motivates many partners to provide enhanced value for products and services.

BUILDING EQUITY

JvN/d Developments, Ontario[177]

JvN/d Developments is a condominium developer whose main innovation is flexible lots. Each floor of a JvN/d building is divided into 250 sq. ft. lots that homebuyers can purchase individually and combine to determine the total size, design and number of bedrooms for their space. The building frame provides each lot with access to mechanical and electrical services: water, sanitation, hydro, heating, air conditioning, telecommunications, etc.

Lots are individually titled under a mortgage, so individual lots can be purchased and sold, giving homebuyers the option to shrink or grow their space over time, forgoing the significant transaction costs of buying and selling a home when household needs change. Combined lots can be purchased with friends, family, as a co-housing group, or to operate a business. JvN/d Developments also offer units only partially completed, so that homebuyers can finish the units themselves, potentially saving on materials and appliances.

The company offers co-investing to help with down payments. This financing option results in the company owning a share of the home according to the proportion it invested in the down payment. The homebuyer pays the bank via a regular mortgage, and retains the option to buy back JvN/d's portion of the investment.

JvN/d Developments are aimed at middle income households, providing options and flexibility to move from renting to homeownership. Through the combination of flexible space and tenures along with financing support, JvN/d aims to reduce the minimum annual income required to own a home from near $100,000 to $25,000 CAD, thereby opening the door to homeownership to more people.

JvN/d is applying this development strategy in its first proposed project: an eight-storey, mixed use condominium in Hamilton's North End neighbourhood. The proposed project would allow owners to purchase multiple "bays" to create units of varying sizes, from studio to 3-bedrooms and from 250 to 1,000 square feet. Owners would have the ability to customize and re-configure their unit over time by adding or selling bays, allowing flexibility as family composition and needs change over time.[178]

Through a combination of flexible unit designs and down payment assistance, JvN/d's model seeks to make homeownership more attainable for households earning $25,000+ annually, and more responsive to the unique and shifting needs of today's homeowners. JvN/d's strategy comes with greater flexibility than most conventional condos, and would allow owners to finalize construction on their own unit and rent, sell, or buy more space over time–lowering both the financial and practical barriers to homeownership.

RENTER EQUITY

Cornerstone's Renter Equity Program, Cincinnati, OH

Cornerstone is an affordable housing provider that operates in Cincinnati's Over-the-Rhine neighbourhood, a primarily low-income area where people experience poor access to stable housing. In 2002, Cornerstone developed a voluntary rental equity program designed to help tenants help build wealth, develop ownership skills, and stabilize the local community.[179] In the program, tenants earn equity credits for each month that they pay their rent on time, attend a monthly resident meeting, and contribute to the maintenance of designated common areas on the property.[180]

Tenants' equity accounts are vested after five years and can be worth as much as $4,137 USD. The amount of cash earned is based on the number of credits earned. The first month's credit has a value of $57.78 USD; twelve months of credits have a cumulative value of $715.98 USD, and 24 months of credits have a cumulative value of $1,483.73 USD. Cornerstone has found that on average, residents earned about $3,500 USD when their accounts vested after five years.[181]

Residents can borrow against their unvested equity credits, much like a homeownership line of credit. Loans are provided for major appliance purchases (ex. washer and dryer, which are not included in units) and for unexpected emergencies. These loans are zero-interest and repayable after one year.[182] This has helped tenants avoid high-interest, short-term loans.

Cornerstone has found that their renter equity program has led to cost savings as a result of higher occupancy rates and lower turnover.[183] Additionally, Cornerstone benefits from reduced maintenance and administrative costs due to residents' participation in the maintenance and administration of the property. This program has encouraged tenants to care for their units and the community as though they were owners with a long-term vested interest in the property.

Tenants surveyed noted that they appreciate the opportunity to earn equity, however they also significantly value the opportunity to live somewhere safe, affordable and attractive. They also valued having a responsive property manager and a voice in decisions affecting their homes.[184] This suggests that giving renters a reason to invest in their property and community can help build social connections and a neighbourhood stability.

Cornerstone's model offers an easy opportunity to help renters build equity. Because the model helped reduce turnover and vacancy, the landlord also benefits. The challenge with this model is in translating it to market developments in Toronto where there are lower turnover and vacancy rates—these factors means there is less incentive for landlords to offer such a program. Instead the Cornerstone model might be more appropriate in a not-for-profit and/or co-operative housing setting where there is a larger goal to foster community and to provide long-term affordability.

DOMA, Concept for Networked Homeownership, Eastern Europe[185]

DOMA is a proposed not-for-profit housing operator that is working to offer affordable housing units to its users for a monthly price that decreases over time, thanks to equity shares accumulated through monthly payments. DOMA calls its concept, which is yet unproven in the market, "networked homeownership." A core aspect of the DOMA proposal is that a share of monthly rent collected by DOMA is reinvested into the purchase of new properties. All of the housing operated by DOMA would be collectively owned by its users. Renters would build equity as the system grows and as mortgages on properties are paid off and new properties are purchased. Users of DOMA would gain the advantages of property ownership, including stable (and decreasing) housing costs.

Studying the market of Kiev, DOMA estimated that with an initial capital investment of $2.5 million USD, apartments for 100 users could be purchased. From there, the system could grow to almost 30,000 users over the following 30 years.[186]

Theoretically, DOMA would offer a number of advantages over traditional renting. Because every month of rent would contribute to a user's equity share, rents would begin decreasing immediately after joining DOMA, similar to how monthly mortgage payments help build equity. After 30 years in the system, a user would only be paying for maintenance[187] and other annual costs (ex. property taxes).

As DOMA reinvests collected rents into new properties, the number of DOMA properties would grow. This means that over time more individuals could take advantage of DOMA's housing system and the opportunity to build equity. DOMA would permit users to move within the DOMA ecosystem, giving DOMA users more flexible living options than are offered by either traditional homeownership or renting where there can be significant transaction costs to moving.

DOMA's initial plan proposes to capitalize on opportunities where there is a low price to rent ratio (15x to 20x) and a "high mortgage as a percent of income value." In general, DOMA found that the cities that met these conditions were in Eastern Europe; cities in Western Europe did not have as ideal ratios.[188] This means that the DOMA model might not be fully feasible in markets with less ideal ratios such as Toronto.[189]

Another barrier to kick-starting a DOMA-style system in an expensive city such as Toronto is the initial high cost to purchase or build a suitable stock of units. Where DOMA estimated that the system could start with 100 users in Kiev with an investment of $2.5 million USD, much more funding would be required for a similar launch in Toronto. Similarly, expansion may be more challenging in expensive markets, especially if housing costs continue to rise rapidly.

INTEREST-FREE LOANS

BC Home Owner Mortgage and Equity Partnership, British Columbia[190]

In March 2018, the Province of British Columbia cancelled their BC Home Owner Mortgage and Equity Partnership, which was announced in December 2016. This program provided financial assistance to first-time homebuyers through a five-year, interest-free loan but was criticized for inflating housing prices.[191] (The cancellation did not affect current contracts.)

The BC government saw two key reasons to offer a loan to help individuals enter the housing market. First, the loan would help first-time homebuyers make down payments. Second, the loan would reduce monthly costs during the first five years of a mortgage, helping to lower early mortgage payments while households and families established themselves.[192]

The loan offered by the BC government was equal to five percent of the home's purchase price, as long as the home was priced $750,000 CAD or lower. To qualify, the buyer(s) needed to be first-time homebuyers; have a household income under $150,000 CAD per year; use the home purchased as their primary residence for the five-year loan period; have a down payment equal to at least 5% of the property's purchase price; and obtain a high-ratio insured first mortgage on the property for at least 80% of the purchase price.[193]

In the event the buyer sold the property within the first five years, or the property was longer used as the buyer's primary residence, the loan was due in full. After five years, interest would begin to be charged on the loan, and a twenty year repayment schedule would be established.

The primary criticism of the program was that it created a false sense of affordability that drove up both demand and home prices. Buyers who were able to take advantage of the program initially benefited financially but through the duration of the program, condos rapidly appreciated in price.[194] Some economists predicted this as early as the announcement of the program.[195] One study found that the BC Home Owner Mortgage and Equity Partnership resulted in increased demand at the lower end of the housing market, ultimately making entry into the market more difficult.[196] With some predictions of a potential market downtown, there is also a financial risk for those who accessed this program, who will now face higher mortgage and loan payments.

While the BC Home Owner Mortgage and Equity Partnership was well intentioned and designed to to help first-time home buyers, it appears to have had the opposite effect. Evidence that the program led to price-inflation for entry-level home-ownership products is concerning, and suggests that interest-free loans for first-time homebuyers are not an appropriate solution for addressing housing affordability.

EQUITY LOANS

"Help to Buy" Equity Loans, UK[197]

The United Kingdom offers equity loans to first-time homebuyers and individuals who do not own secondary property. The program makes home ownership more attainable for households, as it decreases the monthly carrying costs of a mortgage. Under the Help to Buy program, homebuyers are required to make the standard minimum 5% down payment needed for a mortgage. However, to make monthly mortgage carrying costs more affordable, the government grants purchasers an interest-free loan equal to 20% of the purchase price. In London, where home prices are higher, the government offers equity loans of up to 40%.

The equity loan is interest-free for the first five years. After five years, interest is charged by the government and increases at the rate of inflation annually. The full balance of the equity loan must be repaid when the house is sold, or after 25 years.

Upon sale (or repayment of the loan), the homebuyer receives their share of the home sale price: 80% under a typical equity loan arrangement. Likewise, the government receives their proportional share of the home sale price: 20% under a typical arrangement. Where house prices have fallen since the equity loan was granted, homeowners still only need to pay the government back their 20% share of the home's value. In principle, equity loans allow the government to benefit from rising home values.

Equity loans are only available for new build properties built by registered builders. The program helps these builders sell homes and receive upfront funding for development, and it incentivizes the construction of new housing units designed for end users.

One concern stemming from the program is that because the equity loans must be paid back upon selling a house, buyers don't reap the full benefit of their home's appreciation. As a result, it may be difficult for homeowners with an equity loan to move up in the market if the market has rapidly appreciated. Analysis has suggested that homebuyers could be better off if they are able to purchase a home without this assistance.[198]

The Help to Buy program has also been criticized for fueling increases in the property market. One study by Morgan Stanley found that the £10 billion made available through the program since 2013 had mostly ended up in price increases equivalent to the funding made available.[199] The study showed that since 2013 the premium between new-build and resale homes had significantly increased, with the Help to Buy scheme the main reason.

As with the BC Home Owner Mortgage and Equity Partnership, Help to Buy loans appear to have fueled price inflation for entry-level homes. One investigation by The Times has found that the Help to Buy scheme may be fueling a housing bubble and ultimately leaving homeowners with a negative equity.[200] Based on the inflationary impacts this program has had in London and the UK, a similar program is unlikely to improve long-term affordability in the Toronto market.

COMMUNITY LAND TRUSTS

Toronto Islands Residential Community Trust, ON

The Toronto Islands Residential Community Trust was created in 1993 via Ontario Legislation (Bill 61). All of the homes on the Toronto Islands are located on publicly owned land. The legislation established a 99-year lease for each of the lots on the Islands and granted residents of the Islands the ability to hold the title to their homes.[201]

The legislation also established formulas that would determine the future sale price of each home. The sale price of a home on the Islands is based on two factors:

The cost of the land lease: This was initially set at $36,000 CAD for a lot on Ward's Island and $46,000 CAD for a lot on Algonquin Island. Since 1993 these prices have increased roughly $19,000 to $25,000 CAD in accordance with formulas developed by the government. The City of Toronto is entitled to a portion of the sale of the land lease.[202]

The cost to build the house on the lot: The value of a house on the Islands is based on an appraisal and inspection process. Ultimately, the cost of the house in based solely on the construction costs of the building.[203] Sellers can request to sell their house for a price lower than established by the appraisal and inspection process.[204]

The legislation has acted to make homes on the Toronto Islands much more affordable than housing elsewhere in Toronto. This is by design—the legislation was developed, in part, to ensure that Island residents did not make undue profits by selling their homes which were built and located on publicly owned land.[205]

Compared to the Toronto resale market, homes on the Toronto Islands are relatively inexpensive.

As an example of this, in 2017, a house on the Island (in some disrepair) was sold for $86,106 to $71,830 CAD for the land lease and $14,276 CAD for the house.[206] The Toronto Islands Residential Community Trust estimates the price of a house on the Islands (excluding the land lease) ranges from $50,000 to $600,000 CAD, with the average house costing between $150,000 to $400,000 CAD.[207]

The formulas developed by the governing legislation help keep the cost of homes on the Islands affordable. But because appreciation is capped on Toronto Islands homes, individuals will not realize the same return on investment as they perhaps could in market housing, and/or their ability to move from the Islands to market housing may be restricted. As the price differential grows between housing on the Islands and housing elsewhere in the city, turnover of Islands houses may decrease.

There is a long waiting list to purchase a house on the Toronto Islands, capped at 500 individuals, and there is an annual cost of $45 CAD to maintain a spot on it. Whenever space opens up on the waiting list, a lottery is held to add new members to list. This all makes for a long wait that involves luck. Islands homes, while they add to the unique character of Toronto housing, do not pose a significant solution to Toronto's present housing situation.

SHARED EQUITY AND AFFORDABILITY COVENANTS

Artscape Triangle Lofts, Toronto, ON

Not-for-profit development organization Artscape launched its Artscape Triangle Lofts in 2011. This project includes 48 affordable ownership units and 20 affordable rental units within a larger condo development. The space for the Artscape Triangle Lofts was secured through a Section 37 agreement with a private condo developer. In exchange for providing Artscape with 56,000 square feet of space at the cost of construction, the developer received an additional three floors of height/density for the development.[208]

All of the Artscape-run units are reserved exclusively for artists and/or employees of arts-based organizations. The affordable rental units are rented at 80% of CMHC's average market rent for dwelling units of similar size in the City of Toronto. The affordable ownership units were offered with an interest-free and no-payment shared appreciation second mortgage for 25% of the market value.[209] Buyers had to provide a 5% down payment and secure a mortgage for the balance of the purchase price of the unit.

The terms of the second mortgage stipulated that the future resale of the units must be done through Artscape. Artscape charges a 3% fee for managing the process. In addition, the second mortgage includes an affordability covenant that stipulates how appreciation of the unit is distributed between the buyer and Artscape:

- » The seller is entitled to up to 5% market appreciation for their share of the unit (75%)
- » Any market appreciation above 5% is split 50/50 between the seller and Artscape
- » Artscape is entitled to the full appreciation of their share (25%) of the unit

The distribution of appreciation ensures Artscape is able to maintain the units as affordable for artists in perpetuity.[210] The affordability covenant also limits the possibility of buyers using the units as speculative investments.

Artscape was able to fund the below-market rents for the rental units based on the proceeds of the sale of the ownership units. Without the sale of these units, the creation of affordable rental units would not have been possible.[211]

The Artscape Triangle lofts were possible due to the City of Toronto using a Section 37 agreement with a private developer—Artscape did not have to pay for land.[212] In order to replicate the Artscape model at another site, land would likely need to be provided at no cost either through a future Section 37 agreement with a developer, through the use of public land, or another mechanism such as direct funding.

Artscape has noted that implementation of the project was complicated, requiring the development of legal agreements and an understanding of the condo development process.[213] Financing was difficult to secure and the project has resulted in high administration and legal costs.[214] These facts, plus the great knowledge and capacity required to realize this model of housing affordability could make it difficult to scale up.

As with other shared equity projects, purchasers of Artscape units may find it challenging to move to market housing, following the steep appreciation recently seen in the Toronto housing market. That said, the affordability covenant allows owners to reap a significant share of their unit's appreciation and this is wealth they may not have been able to build otherwise.

PRIVATE SHARED EQUITY

Unison's HomeBuyer Program, United States

Unison is private company based in the United States that makes home ownership more affordable by offering shared equity arrangements for homebuyers and existing homeowners.[215] Their model has similarities to the United Kingdom's "Help to Buy" Equity Loans, though Unison's share of profits is higher than "Help to Buy" assistance. Other organizations are developing similar products including Point [216] and OWN Home Finance[217] in the US, and StrideUP[218] and Unmortgage[219] in the United Kingdom.

By providing financial support of buyers' down payment (typically 10%, or half of a 20% down payment), the HomeBuyer program decreases the monthly carrying costs of a mortgage. And because Unison's loans help bring buyers up to (or above) a 20% down payment, they eliminate buyers' need for mortgage insurance, which helps to further reduce monthly carrying costs. These benefits may allow some buyers to purchase a home that may not have been able to otherwise. In exchange, Unison receives 35% of the profits made (or 35% of the loss) when the home is sold.

Unison has partnered with the US federal agency Freddie Mac[220] to deliver its HomeBuyer program .[221] This partnership lends credibility to the approach and suggests that there may be potential to scale the model up and offer such shared equity arrangements more broadly.

Unison's customers must still pay 100% of the closing costs, despite being entitled to a smaller share of their homes' profits. This means that closing costs will consume a larger share of the homeowner's return than they would have otherwise.

As with other shared equity arrangements, the smaller take-home share of profits could make it more difficult for homeowners to move up, or even horizontally in the market after the sale of their home. As noted here, analysis of the UK's shared equity program suggested that homebuyers could be better off if they are able to purchase a home without this assistance.[222]

And, as with other interest free-loans offered by governments, private shared equity arrangements with no monthly payments have the potential to cause increased speculation and appreciation by inflating what potential buyers can offer and increasing demand for ownership housing. Ultimately we have concerns that in addition to contributing to increased demand for housing in the short-term, the Unison program is not as advantageous for home-buyers as other shared-equity programs, due to the disproportionate share of profits that Unison reaps upon sale.

RENTAL COOPERATIVE HOUSING

Fraserview Housing Co-operative, Vancouver, BC[223]

The Fraserview Housing Co-op, currently under development in Vancouver, leverages public land to deliver affordable housing through a multi-stakeholder agreement. The project will ultimately deliver a total of 418 rental co-operative homes; 36 townhouses and 54 apartments containing two- and three-bedroom units have already been constructed.

The first phase of the cooperative is geared to moderate-income renters—there is an income cap for all applications, and applicants must be able to afford all costs without exceeding 30% of their gross income. All residents will purchase shares in the cooperative, which range from $2,500 to $3,500 CAD depending on the size of their unit. Rents for the constructed apartments and townhomes are between $2,050 CAD and $2,750 CAD per month, which is about 80-90% of the average market rent in the local River District.[224]

Phase Two of the project will include two towers containing 188 units in total. Charges from Phase One of the project will help to make units in Phase Two more affordable for families of lower incomes. The majority of units in this phase will be priced at 25% below the average market rate in the area; some units will be priced as low as the provincial shelter rate of $375 CAD.[225] Phase Three of the development will produce 140 new units of coop housing geared towards families earning between $41,500 CAD and $125,000 CAD annually.[226]

The land for the Fraserview Housing Co-operative project was secured through a 99-year development agreement between the City of Vancouver and the Community Land Trust, which secures the delivery of the homes on publicly owned land and their permanent affordability for Vancouver residents.

The Fraserview Housing Co-operative demonstrates how public land can be leveraged via long-term leases (instead of sales) to deliver a mix of housing options that meet a range of affordability criteria. The project also shows how market-price housing can be used to help fund and deliver more affordable housing. We see significant potential in this model, and believe that Toronto and Ontario should look to replicate its success as they consider how to leverage their own public land assets to deliver more affordable housing.

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Credits

Rethinking the Tower: Innovations for Housing Attainability in Toronto.

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Disclaimer: Information unless otherwise stated is derived from publicly available websites. We welcome updated information from the developers, operators or sources in this report.

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