

COVID-19 and housing: Will new opportunity emerge from crisis?

COVID-19 could lead to unprecedented levels of homelessness, or it could be Toronto's best shot at fixing affordable housing. To date, more than 8.2 million individuals have applied for the Canada Emergency Response Benefit, which provides up to \$2,000 per month.¹ This represents more than a third of the labour force.² While the federal government has provided significant benefits, there are still many slipping through the cracks.

The volatile economic shifts caused by the pandemic are exposing the profound pre-existing vulnerability of the system, especially in Toronto. Over the last decade here, rental prices of a new housing units increased by 80%,³ compared to overall inflation of 21%,⁴ while housing prices increased by 115%.⁵ Meanwhile, family incomes increased by only 4% beyond inflation. As a result, many have fallen further and further behind as the decade unfolded. A 2019 study found that there was no longer a single neighbourhood in the Greater Toronto Area where a minimum wage worker could afford a 1-bedroom apartment.⁶

With growing mass unemployment, both renters and mortgage holders have been struggling to make their monthly payments. About 15% of mortgages are now deferred under new programs announced by Canadian banks.⁷

Huge numbers of renters have been missing rent payments

But renters have not seen similar national programs to help defer rent. Recent surveys have found that between 8%⁸ and 13%⁹ were not able to pay their rent in either April or May. Tony Irwin, the president of the Federation of Rental-Housing Providers of Ontario, estimated that their member landlords saw a 10% delinquency rate across Ontario in April, up from about 1% in a normal month.¹⁰ In Toronto, where rent is almost 45% higher than the average rent in the country,¹¹ it is almost certain that delinquency rates are much higher.

While we have not seen any national or provincial programs to defer rent, Ontario has stopped evictions for non-payment of rent. How this will play out is yet to be seen. According to Alyssa Brierley, executive director of the Centre for Equality Rights in Accommodation (CERA), an eviction prevention agency, "there has been a complete lack of direction to landlords and tenants." Landlords can still initiate eviction proceedings, but they cannot follow through due to closures at the Landlord Tenant Board and lack of police enforcement.

The risk of this emerging issue becomes clear when we consider the sheer number of people who are struggling with rent. About 525,000 households were renting their home in the city of Toronto as of the 2016 Census,¹² accounting for approximately 1.3 million people.¹³ Projecting optimistically, if only 10% were unable to pay rent, this would mean that 53,000 households with about 130,000 people were rent delinquent in May. Given the high rental prices in Toronto compared to the rest of the country, a realistic but less optimistic forecast could easily suggest double that – that 260,000 people in our city were delinquent in their rent payment. Considering that the Landlord Tenant Board typically sees 4,000 eviction cases a month across the entire province,¹⁴ the scale of this issue compared to the typical is unprecedented.

The Angus Reid Institute's May poll results suggest that slightly more than half of the people in Canada not paying rent are deferring payment, with most of those expecting to pay in full eventually.¹⁵ With no federal or provincial policies, it is unclear what will happen to those who make agreements to repay missed rent but are later unable to do so. Considering that the average Canadian household saved just \$852 in 2018,¹⁶ less than one month's rent in Toronto, the ability to meet deferral agreements could be unrealistic for many, especially given the likely slow return to a full employment market.

"Those of us who work in the eviction prevention sector are deeply concerned that when the floodgates open, there will be a tsunami of evictions," says Brierley of CERA. "In terms of justice, in terms of fairness and equity, it is the wrong thing to just hope for the best."

Data collected by the Advocacy Centre for Tenants Ontario shows that the percentage of "renovictions," where someone is evicted for renovations to the unit, has already increased by 294% from 2015-2016 to 2018-2019.¹⁷ Own-use evictions have almost doubled over the same period. Rising rents in Toronto have provided more incentives for landlords to evict tenants, suggesting that a comprehensive solution is needed as soon as possible.

CERA provides a hotline to assist those who need legal information around eviction issues. According to Brierley, they have already started to see an increase in calls. Her "ballpark estimate" is that calls were up by 30% versus March, though calls declined temporarily early in the pandemic. 211 Central data for Toronto likewise showed that, on average, about 40% more people called in for a referral to services around landlord/tenant assistance in each of March and April than in February.¹⁸ However, the volume of calls remains small. CERA indicates that if the need for support surged, they would need more resources. Ontario's Legal Aid Clinics, which provide eviction support to the most vulnerable, have recently seen budget cuts of 30%, leading to widespread layoffs and reduction in services.¹⁹

The consequences of handling evictions poorly are almost incomprehensible. Even if only a small portion of the 130,000 to 260,000 who missed rent payments in April are evicted, that represents a potentially huge increase in the homeless population. If just one in 20 ended up homeless, that would equate to 6,500 to 13,000 more people without a home. The entire homeless shelter system Toronto has a capacity of 7,000 to 8,000 people and typically operates at 98-99% capacity.²⁰

Toronto's homeless support system already strained

After the first wave of the pandemic, the shelter system in Toronto is seriously challenged due to physical distancing. Bill Sinclair, executive director of St. Stephen's Community House, shared with the Toronto Foundation recently that "an outbreak that would run through a shelter is our biggest nightmare."²¹ Steve Teekens, executive director of Na-Me-Res (Native Men's Residence), explained that they have had to stop doing new intakes to practice social distancing.²² With this, Teekens explains, "the guys that I worry about are the ones calling on an almost daily basis asking when we're doing intake again. They are slipping through the cracks."

In Toronto, shelters that were open on March 1, 2020 – before the pandemic – had total occupancy of 6,936. By May 22, these same shelters had occupancy of 4454 to enforce physical distancing.²³ Over the past few months, the City of Toronto has moved more than 2,900 people and opened 31 temporary sites to achieve physical distancing targets in shelters and respites. This includes 13 new facilities with more than 500 new spaces, securing 15 hotels with more than 1,300 rooms, and establishing two hotels as dedicated COVID-19 isolation and recovery programs.²⁴ As well, 500 City staff were redeployed to support staff and volunteer shortages at shelters. The net impact of these new investments is a shelter system able to continue operating at a similar to pre-COVID capacity, but with added measures to better ensure the health and safety of clients.

Despite best efforts to shelter those who need it, tent encampments have started to show up around the city.²⁵ It is already “next to impossible to find shelter spots for homeless people seeking help,” says Monica Melanson, executive program director of the Parkdale Activity-Recreation Centre (PARC), an organization serving low-income and homeless people in Parkdale. “The agency staff are on the phone for hours just to try to get one person into the shelter system. Every day, we are turning homeless people back to tent encampments. I don’t know what’s going to happen to them. We can’t find them a bed.” She notes the organization has seen even greater struggles as “the moratorium on pulling down tent encampments has been lifted.” Melanson guesses that approximately 25-30% of people in their homeless drop-in-centre are now in tent encampments, which were rare before the pandemic.

Estimates from before the pandemic were that for every person who is on the street or sheltered homeless, about 3.5 were “hidden homeless.”²⁶ Part of the challenge is that “we are seeing a real increase in homelessness because people can’t couch surf anymore,” explains Charlene Avalos, manager of holistic healing services at Native Child and Family Services of Toronto.

The City of Toronto’s unprecedented financial difficulties makes this even more complicated. Current “best-case” forecasts are that the City faces a \$1.5 billion deficit.²⁷ This money will need to come from a combination of drastic tax increases, severe service cuts, or support from the federal or provincial government. If these cuts come from services, City personnel indicate that among the possible cuts are \$101.5 million that would be slashed from shelter services, resulting in a 50 percent reduction in shelter space.

What needs to be done – philanthropic and policy options

Advocates have been highlighting for years the profound vulnerability of the Toronto housing system. While rent has been skyrocketing, inflation-adjusted incomes have remained flat for many, including racialized populations, newcomers, and young people.²⁸ Precarious work like self-employment and temporary employment represented most of the net job growth in Toronto in the last decade. These jobs were also among the first to be eliminated during the pandemic.²⁹

The levels of debt among residents also pose real risks. Canada’s household debt to disposable income is among the highest in the world, and this will increase significantly in the coming years, according to Canada

Mortgage and Housing Corporation.³⁰ In Toronto, where debt levels are even higher than nearly anywhere else in the country,³¹ this is of particular concern. Statistics Canada found that those with the least income in Toronto also had the highest relative debt, by far. With many now unemployed, the likelihood of being able to service that debt is hazardously low.

Yet despite challenges, affordable housing and homelessness advocates see opportunities for unprecedented long-term fixes to the income security, shelter, and affordable housing systems in Toronto.

The pandemic has already started to lower rents on new apartments in Toronto. A Rentals.ca report noted that April 2020 showed some of the largest rent declines on record, with average rental prices in Toronto dropping by 6% from the previous month.³² That said, the average rental for a 1-bedroom apartment was still \$2,125. The implications for affordable housing were somewhat smaller, as rental prices of more affordable units of less than 700 square feet declined less (from 3.7% to 5.1%) than more expensive units with more than 900 square feet (from 9% to 20.2%).

Several interviewees noted that longer-term income supports are needed to ensure people remain housed. While we are seeing the most generous income support program in Canadian history, it is scheduled to end in the coming months, and even with it many have struggled to pay rent. With the emergency benefits expiring, new programs will need to be put in place, and changes to employment insurance (EI) will likely be required.

For the EI system, many have pointed to the need for improvement. In a recent study, the Canadian Centre for Policy Alternatives noted that under existing rules, in 2018, only 28% of unemployed people in Ontario were receiving EI.³³ A study on food security using data from 2017/2018 also found that of those on EI or workers' compensation, more than 30% are classified as "food insecure," meaning that they have inadequate or insecure access to food because of financial constraints³⁴. For recipients of other types of social assistance, the rates are even worse, with more than 60% of those whose primary income was social assistance also living with food insecurity.

Maytree and the Canadian Centre for Policy Alternatives are recommending several strategies to prevent evictions once the ban is lifted.³⁵ Their recommendations include a combination of targeted rent relief funding to those who cannot make rent, a gradual easing of eviction bans, and reintroducing rent controls.

Kira Heineck, executive director of the Toronto Alliance to End Homelessness (TAEH), is actually "quite optimistic" about some of the long-term implications for the homeless population. TAEH's goal is for homelessness to become "rare, brief, and non-recurring," and affordable housing is critical to meet that goal. She points to the City's plan to spend \$47.5 million to build 250 innovative modular housing units with the first to be completed by September 2020 as one positive step.³⁶ Building new units can now take "weeks, not years," said Mayor Tory during the recent announcement.

CERA's Brierley points to the spin-off benefits of building affordable housing. Federal public works initiatives like this can be an essential part of a broader strategy to kick-start the economy.³⁷

Housing advocate Joy Connelly recently argued for the need to use this crisis as a chance to buy properties to create affordable housing.³⁸ "Smaller landlords... can't wait for the end of the coronavirus crisis to collect rent." Some of them will go under, she argues, and as that happens, "buying properties and turning them over to nonprofits, co-ops and land trusts is the best way to control costs now and to build equity for the future." Melanson of PARC notes that supporting nonprofits to buy properties for affordable housing can also play a key role. "Someone needs to invest in a nonprofit real estate housing acquisition. Someone needs to do it right now to take advantage of what is to come."

PARC and the Parkdale Neighbourhood Land Trust have partnered to buy buying rooming houses and renovating them to provide deeply affordable housing. Their purchases are focused on preventing rooming houses from being upscaled or demolished. "When one of these units is sold and converted, that's ten people that lose their homes," says Melanson. Their purchases have been supported by the City of Toronto, a variety of government programs, private donors, and a number of foundations including Echo Foundation, and the Sheila Koffman Memorial Fund. She encourages the City, foundations, investors, philanthropists, and funders to prepare to support more projects like this, and that "quick, flexible funding" will be essential for more nonprofits to be able to take this on in the coming months.

The challenges for homelessness and affordable housing have been growing for decades. But the pandemic has exacerbated them. To address what is to come, all levels of government, individuals, and businesses will need to work together to come up with innovative funding and policy solutions. For philanthropists, all the organizations cited in this article need donations, and the need will remain high for years. Many will also require access to capital through impact investments and other creative financing.

The scale of the challenge before us is vast, but the opportunities for real and lasting change are also massive. Our collective response to COVID-19 may just present some of the answers we have been looking for to tackle the housing crisis.

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