ACTO TDCP Advocacy Centre for Tenants Ontario | Tenant Duty Counsel Program

Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities

Submission from the Advocacy Centre for Tenants Ontario on the Financialization of Housing

The Advocacy Centre for Tenants Ontario (ACTO) is a community legal clinic funded by Legal Aid Ontario. ACTO works for the advancement of human rights and justice in housing for low- income Ontarians through legal advice and representation, law reform, community organizing, training and education. We are heartened to see the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities undertake a study on this critical topic.

Canada faces a worsening affordable housing crisis. Increases in the average income of renter households have been greatly outpaced by increases in average shelter costs. One in three Canadian renter households pay unaffordable rents, spending 30% or more of their income on shelter.[1] In Ontario, the percentage is higher, with 40% of tenant households in the province spending 30% or more of their income on shelter; 15% spend 50% or more of their income on shelter, placing them at higher risk of homelessness.[2] In our work with tenants, grassroots organizations, and community legal clinics, we see the daily impacts of the housing crisis. Thousands of households have been evicted and/or are being threatened by eviction because of rapidly escalating housing costs and lack of affordable and suitable housing options.

One of the main drivers of our affordable housing crisis is the financialization or commodification of housing, meaning the notion of housing as a wealth-generating financial asset rather than a home. We have seen an increase in institutional investors in the rental housing market, including private equity firms, asset managers, publicly listed companies, real estate investment trusts (REITs) and financial institutions. The largest 25 financial landlords (REITs and other types of firms) owned approximately 330,000 units in 2020. This constitutes nearly 20 per cent of the country's private, purpose-built stock

[1] Statistics Canada. 2022. (table). *Census Profile*. 2021 Census of Population. Statistics Canada Catalogue no. 98-316-X2021001. Ottawa. Released September 21, 2022.

[2] Statistics Canada. Table 98-10-0248-01 Core housing need by tenure including presence of mortgage payments and subsidized housing: Canada, provinces and territories, census metropolitan areas and census agglomerations

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of rental apartments.[3] These businesses must by their nature maximize profits and therefore pursue ever-increasing rental income. This view of housing as a profit-maximizing investment is in direct conflict with the notion of housing as a basic need and human right. The financialization of housing is the main reason for the loss of affordable rental housing, which has seen 15 units lost for every new affordable rental unit created.[4]

What we heard- Financialization of Housing Forum November 2022

In November 2022, we brought together researchers, tenant advocates, and community organizations to discuss the impacts of the financialization of housing, as well as strategies to combat these harmful impacts.

Experts framed the growing financialization of housing in the context of political and economic policies over the past 30 years. Governments ended their programs to build housing in the 1990s, letting the private market take over the provision of housing. Comparisons between Toronto and Vienna highlighted the impact of continuing government investment in housing. Toronto and Vienna have very similar GDP per capita, but rent in Toronto is more than twice as high. This is largely because Vienna has a much more regulated housing market, with 62% of rentals being social housing. Ontario gutted the province's rent controls in the early 1990s – including the elimination of vacancy control. This facilitated the entry of corporate investors being able to raise rents anytime a unit became vacant—and set in place substantial financial incentives to evict longstanding tenants. Federal policies made it easy to borrow for homeownership developments, and difficult to borrow for rental developments. CMHC guarantees mortgages, and therefore takes on the risk of lending. Meanwhile, financial actors such as REITs receive preferential tax treatment.

The landlord-tenant relationship has always been unequal. The entry of large financialized landlords into the market has exacerbated these inequalities. Financialized firms are designed to maximize profit to the greatest possible extent, and have shown a higher level of aggressiveness to pursue profits than other types of landlords. Research shows that financialized landlords are filing for eviction at higher rates than other actors, and charging higher rents for similar units. Large financial landlords over the past 12 years have accounted for nearly 50% of all above guideline rent increases (AGIs)[5] in

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[3] https://policyoptions.irpp.org/magazines/june-2021/the-rise-of-financial-landlords-has-turned-rental-apartments-into-a-vehicle-for-profit/

[4] http://www.focus-consult.com/why-canada-needs-a-non-market-rental-acquisition-strategy/

[5] AGIs give landlords whose buildings are subject to rent control the ability to increase rents up to a maximum of 3% each year above the annual provincial rent guideline amount for each year up to a

Toronto. In addition, large financialized landlords have more financial and legal resources to pursue AGIs and other rent increases than small landlords or even small corporations. The disparity in resources makes it even harder for tenants to fight back. Legal clinics and other support systems are increasingly overwhelmed with cases and sometimes have to turn tenants away.

At ACTO and community legal clinics we see first hand the rise in evictions and displacement of lower income and vulnerable tenants in our cities. Displacement can affect entire neighbourhoods and communities, whose homes are acquired by financialized firms. One example is the Herongate neighbourhood in Ottawa. After Timbercreek's acquisition of the site, the subsequent redevelopment converted existing townhomes into much smaller and more expensive units. The largely racialized, low and moderate income community faced mass evictions and demovictions for a total of 230 homes. Ongoing tenant organizing and pushback includes a case before the Ontario Human Rights Tribunal, asking the tribunal "to determine whether a landlord has the right to displace a large group of residents of a low-income, family-oriented, racialized and immigrant community in order to create a predominantly affluent, adult oriented, white and non-immigrant community in its stead" (Yussuf et al. v. Timbercreek 2019, 4).

Financialized firms are also increasingly active in different types of housing, including seniors housing and long term care homes. The rise of financialized seniors housing occurred through a process of consolidation, facilitated by real estate capital market expansion. As of 2020, financialized companies owned 33% of seniors housing and made up 15 of the 20 largest owners of seniors housing. Financialized firms cut costs through cutting down on labour costs, which has impacts on health and quality of care for seniors. Financialized firms have also expanded their operations into long term care homes. Ontario has the largest proportion of financialized long term care beds (32%) in Canada. There is a pattern of inferior care at for-profit long-term care homes compared to public and non-profit homes, including: fewer hours of direct care and lower staffing levels, greater prevalence of pressure ulcers, higher mortality and hospitalization rates. Financialized long-term care companies depend on government subsidies for both day-to-day care and new home construction, which allows them to minimize costs and maximize returns, in contrast to public and non-profit operators, which reinvest all profits in their homes.

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maximum of three years. These applications are granted where a landlord can demonstrate that they experienced extraordinary municipal tax increases, the building underwent major capital expenditures, or conducted work for maintenance or energy efficiency. The increases are tied to the tenancy until the useful life of the capital expenditure expires or the taxes are lowered.

At the federal level, the majority of housing programs target homeownership. This is part of the larger policy problem of focusing on homeownership being what all Canadians are supposed to aspire to. The National Housing Strategy (NHS) is supposed to build new homes, including affordable rental homes, but it still focuses on market-based solutions. There is a need to focus outside the market-oriented and homeownership boxes. The federal government should shift its focus to alternative forms of housing, and use the NHS to support construction and maintenance of non-market housing instead of financialized actors. The NHS should establish an acquisitions fund to preserve existing affordable rentals by removing them from the market and maintaining long-term affordability. Examples of non-market housing include neighbourhood land trusts. These membership-based, community-controlled organizations remove land and housing from the private market and stewards it on behalf of the community to assure that it is used to provide community benefits. In Toronto, the Parkdale Neighbourhood Land Trust currently steward 84 properties with a total of 205 affordable rental units. The government should also consider measures such as: limiting the number of units that a corporation can own through heavy taxation for ownership of over a certain number of units, reviewing the favourable tax treatment of investment firms, and an anti-flipping tax on residential properties. The government exited the housing market in the 1990s but failed to set in place any framework to treat housing as a human right, and the result has been the current housing crisis that is affecting an increasing number of residents.

Impact on the ground- experiences from community legal clinics

Algoma Community Legal Clinic, Sault Saint Marie

In Northern Ontario, we are witnessing the disproportionate impact that the financialization of housing is having on the region's most vulnerable tenants. In recent years, here in Sault Ste. Marie, we've seen hundreds of affordable rental properties bought by corporate landlords with little to no connection to the community in which they operate. Driven by their desire to return value to shareholders, the sharp rise in rents since the COVID-19 pandemic has priced out our lowest income tenants from the rental market. CMCH data shows that in 2019 the average rent in Sault Ste. Marie was $849, and by 2022, it had increased to $1043. The long-term tenants who remain in affordable units are then hard pressed to obtain repairs from landlords who are hundreds of kilometers away, and who employ substandard property management companies that fail to provide adequate services to tenants. Every month, our office receives dozens of calls from tenants regarding the state of disrepair of units owned by the same corporate landlords. The high cost of repairs in Northern Ontario communities is a disincentive for landlords to address tenants' maintenance concerns, leading to the deterioration of the region's affordable housing stock. The inability to obtain timely remedies from the

Landlord and Tenant Board due to wait times for hearings has meant that low-income tenants, who cannot afford to move, are forced to live in dangerous housing situations often at great personal cost.

Rexdale Community Legal Clinic, North Etobicoke, Toronto

Large, financialized landlords (real estate investment trusts, private equity funds, asset management companies or pension fund landlords) increasingly operate in North Etobicoke and are known to either increase rents as much as possible for sitting tenants, through things like above-guideline increases, or by turning over units so that higher rents can be charged to new tenants.

What this means on the ground for the tenants seeking our services is that their buildings are being bought by large financial vehicles. Those buildings are being renovated and one need only walk through our catchment area to see the superficial improvements to balconies, lobbies and entrances meant to attract new tenants from higher income brackets. Meanwhile, maintenance requests from long-term tenants who pay relatively low rents go unaddressed – including mould, electrical issues, pest infestations, and serious structural concerns. Tenants may then face above-guideline rent increases that are difficult and complex to fight at the Landlord and Tenant Board. Tenants may either be harassed, coerced or incentivized to leave their homes and the units are often renovated and re-rented at a much higher price point. Tenants are also being served with eviction notices for any and all reasons – often for minor infractions of the law that traditionally may have meant a brief warning letter or simple negotiation.

For many tenants, these processes often mean being displaced from long-term communities where they may be paying affordable rent – which the Canadian Mortgage and Housing Corporation defines as 30% of one's income. Long-term tenants are clearly being more targeted in an effort to increase rents suite by suite. What this means is that long-term tenants will tolerate awful maintenance conditions, fearing any kind of retribution from their landlords because of the real threat of the loss of their affordable homes.

At the clinic, we are seeing an unprecedented number of "no fault" evictions where private landlords claim they, a family member or purchases intend to move into tenants' units for their own residential use. Often, these claims are spurious but unfortunately frequently successful at the Landlord and Tenant Board. It is true that tenants have remedies if such an eviction happens in bad faith but, by that time, the tenant's affordable home has been lost; they have likely had to leave their community; and focusing on survival in an unaffordability crisis does not leave much capacity to wage a legal battle.