AUGUST
2025

THE MATH

CRACKING THE CODE OF AFFORDABLE HOUSING FOR WORKERS

CIVIC ACTION

MISSION: AFFORDABLE

Supported by: TD

ABOUT THE

TD HOUSING AFFORDABILITY LEADER-IN-RESIDENCE PROGRAM

This Call-to-Action Paper is the second in a series of four research publications produced by CivicAction TD Housing Affordability Leaders-in-Residence, Jeanhy Shim and Mukhtar Latif. This series examines the housing challenge for middle-income workers in the GTHA and proposes practical solutions to address this critical issue. It adds to other reports, data, and research by CivicAction, including the first paper in this series entitled *The Human and Economic Story of Workforce Housing* (June 2025), as well as the CivicAction and Boston Consulting Group report, *Greater Toronto and Hamilton Area Housing Crisis: Hidden Costs, Bold Solutions* (March 2025).

The TD Housing Affordability Leader-in-Residence Program and Call-to-Action Papers are generously funded by TD Bank Group (TD).

ABOUT

CIVICACTION AND THE HOUSING AFFORDABILITY COLLABORATIVE

CivicAction is a catalyst for positive change, turning collaboration and civic engagement into action to build livable, inclusive cities in the Greater Toronto and Hamilton Area (GTHA).

Formed in 2024, CivicAction's **Housing Affordability Collaborative** is a cross-sectoral group of leaders committed to taking comprehensive action on housing affordability and to answering the question "How can we all work together to make a more livable region?" Members: raise public awareness about the scale, urgency, and severity of housing affordability issues to drive more coordinated action by decision-makers; support these decision-makers with clear, data-driven insights on both challenges and solutions; and mobilize and embolden leaders from all sectors to drive policy changes and invest in creative, scalable solutions to solve the housing crisis in the GTHA. The Collaborative includes:

Richard Abboud (Founder & CEO, Forum Asset Management)
Ron Alepian (Chief Corporate Affairs Officer, TD Bank Group & Board Director, CivicAction)
Anne Babcock (President & CEO, Woodgreen)
Dr. Andrew Boozary (ED—Social Medicine & Population Health, UHN)
Brad Carr (CEO, Mattamy Homes Canada)
Tim Coldwell (President & CEO, Énska Advisors)
Nan DasGupta (Former Managing Director & Senior Partner, BCG & Board Chair, CivicAction)
Gabe Eidelman (Director, Urban Policy Lab, Munk School of Global Affairs & Public Policy, UofT)
MacGregor (Mac) Faulkner (Partner, McKinsey)
Nick Gefucia, (SVP, EllisDon Community Builders)
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Rob MacIsaac (Past Chair, CivicAction & Former President & CEO Hamilton Health Sciences)
Mazyar Mortazavi (President & CEO, TAS)
Chris Murray (Special Advisor, Govt of Canada, Housing Infrastructure and Communities & Former City Manager, City of Toronto)
Aleem Punja (Executive Director of Future Ready Institute, Aga Khan Council for Canada)
Matti Siemiatycki (Director, Infrastructure Institute, University of Toronto)
Stephanie Trussler (Executive Chair, Peter Gilgan Foundation)
Alex Tveit (Co-Founder and CEO, Sustainable Impact Foundation)
Jaime Watt (Executive Chairman, Navigator)
Ray Williams (Chair, Co-Founder, Black Opportunity Fund)
Leslie Woo (CEO, CivicAction)

Why focus on middle-income workers?

These residents form the economic and social backbone of our communities—nurses, teachers, skilled tradespeople, first responders, and countless others who provide essential services—that keep our neighbourhoods vibrant and functioning. Yet despite steady employment, they are increasingly becoming our region's "invisible poor" who are often overlooked because they have jobs and are assumed to be managing, even as rising costs push them towards financial precarity.

As housing costs consume ever-larger portions of their incomes, these working families face impossible choices that no contributor to our region's prosperity should have to make. They represent the most vulnerable point in our housing system: earning too much to qualify for traditional affordable housing programs, but not enough to secure stable housing in today's market.

This focus complements, rather than competes with, efforts to address homelessness.

Workforce housing represents a critical prevention strategy within the broader housing continuum. Today's middle-income worker struggling with unaffordable rent can become tomorrow's individual and family experiencing housing insecurity or homelessness. By addressing workforce housing challenges proactively, we can prevent the downstream crisis that occurs when working people and families are pushed beyond their financial breaking point.

Therefore, responses to homelessness and workforce housing solutions are not competing priorities; instead, they are complementary approaches that together create a more resilient housing system. A comprehensive strategy requires intervention at multiple points along the housing continuum, from prevention through to crisis response and long-term stabilization.

Note on Geography:

The Greater Toronto and Hamilton Area (GTHA) includes six regions (census divisions) and 26 municipalities (census subdivisions):

- Toronto Region—includes the (amalgamated) City of Toronto
- Hamilton Region—includes the (amalgamated) City of Hamilton
- Halton Region—includes Burlington, Oakville, Milton, and Halton Hills
- Peel Region—includes Mississauga, Brampton, and Caledon
- York Region—includes Vaughan, Richmond Hill, Markham, Newmarket, Aurora, Whitchurch-Stouffville, East Gwillimbury, King, and Georgina
- Durham Region—includes Pickering, Ajax, Whitby, Oshawa, Clarington, Uxbridge, Scugog, and Brock

Source: GTHA Municipalities Map produced by Jonathan Critchley using the Government of Canada Open Government Municipal Boundaries dataset

It is also important to note that the geographic area of the GTHA is very different from two other commonly used geographic terms of reference:

- Greater Toronto Area (GTA) is similar to the GTHA but excludes Hamilton Region.
- Toronto Census Metropolitan Area (CMA) is very different from the GTHA as it excludes Hamilton Region and the municipalities of Burlington (in Halton Region) and Whitby, Oshawa, Clarington, Scugog and Brock (in Durham Region), but includes the municipalities of Bradford-West Gwillimbury and New Tecumseth (in Simcoe Country) and Orangeville and Mono (in Dufferin County).

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Introduction

Paper One of this series established why workforce housing is both a social imperative and an economic necessity for the Greater Toronto and Hamilton Area (GTHA).

Paper One presented the stark reality facing the GTHA where nearly one million middle-income workers earning $52,000 to $104,000 annually (Statistics Canada, Census 2021) are caught between rising housing costs and stagnant wages. Simply put, the math is not working anymore for these workers.

With housing costs now consuming 45-63% of their incomes—well above the 30% threshold that is considered sustainable, they are being forced to make impossible choices between family, career, financial stability, and quality of life. The result: for every two new residents settling in the GTHA in the past decade, one existing resident left for more affordable areas, and a recent survey revealed that 67.7% of middle-income workers are still actively considering changing jobs or moving.

But not everyone can leave and the attendant human cost of living in unaffordable, unsuitable, or crowded housing is clear: food insecurity and food bank usage, housing precarity and shelter use, and childhood poverty are all on the rise. Personal physical, mental, and emotional health is also suffering under this chronic and unrelenting stress, with particularly negative impacts on the most vulnerable—our children.

Expressed financially, the economic toll arising from this housing crisis in the GTHA is estimated at $5.88 to $7.98 billion annually as businesses face increased turnover, reduced productivity, and difficulty attracting talent. The region also loses new investment opportunities; never mind the estimated billions in healthcare, environmental, community, and social-impact related costs.

This Paper addresses the math of how new homes get built in the GTHA, identifying potential leverage points to deliver actionable solutions for affordable workforce housing.

It provides important details, insights and context about misconceptions, realities, myths, and facts related to the emergence of the workforce housing crisis in the GTHA. It answers questions such as:

- If the need is clear and the business case compelling, why hasn't the market responded?
- What prevents the development of housing that works for middle-income earners?
- Who are all the players and stakeholders involved in getting new homes built?
- What are the costs involved in new home development?
- How are decisions about housing product and pricing made?
- How does the new home development process work?
- How do new home developments get financed?
- What does financial viability mean and how is it determined?
- Why are new home prices so high?
- What needs to be done so that home prices can be affordable again for our middle-income workers?

Understanding the math shows that housing in the GTHA has become unaffordable not by accident, but through the accumulated impact of well-intentioned decisions that, when combined, has resulted in a new home building marketplace where the math simply does not work for middle-income earners.

NOTE ON METHODOLOGY

For clarity, this paper is intended to provide a **high-level overview of the development system that generally determines how all new housing gets built in the GTHA, Ontario and Canada, regardless of specific type or tenure**. In this paper, we call this the "New Home Development System".

This paper also highlights potential high-level changes to the new home development system to help make housing more affordable to build overall.

This paper does not provide an exhaustive examination of specific home types or tenures, nor does it provide a detailed analysis of the development economics of one housing type compared to another. Development details and processes and the impact of changes to those details and processes may look different depending on housing type and/or tenure. Development of condominiums, rental apartments, single family homes, and other building projects have different financing, design, permitting, regulatory, and ownership considerations. Still, the steps of the new home development system remain the same. This paper illustrates all the elements of the system, but each project will vary in practice.

All mathematic calculations presented in this paper are for illustrative purposes only using a typical 200-unit apartment building project as our hypothetical base case to demonstrate the potential impact of proposed changes to affordability for middle-income workers.

The calculations are based on simplified ballpark assumptions to provide benchmarks for the potential impact of changes and to highlight the potential impact of intent on outcomes overall. Key assumptions used in this paper include:

- Required Return Rate[1]—5% (annual return needed on total development cost).
- Operating Expense Ratio[2]—30% (portion of gross rent consumed by operating costs).
- Net Operating Income—70% (portion of gross rent available for debt service/returns).

1 Required Return (5%) represents: a simplified blended cost of capital, lower than typical developer equity returns (15-25%) and higher than typical mortgage rates (4-7%), and this is consistent with institutional investor expectations (4-8%).

2 Operating Expenses (30% of gross rent) typically include: property taxes (~8-12%); Insurance (~2-3%); maintenance & repairs (~5-8%); property management (~3-5%); utilities, if paid by owner (~3-5%); vacancy allowance (~3-5%); and reserve funds (~2-3%).

Executive Summary

The housing market in the GTHA is not broken; it is working exactly as it was designed—just not with affordability as a goal.

Middle-income workers—nurses, teachers, tradespeople, transit operators—are being priced out of the Greater Toronto and Hamilton Area (GTHA). Middle-income households represent 50% of all households in this region. Even with stable jobs, they earn too much to qualify for subsidized housing and too little to afford market options. This was the focus of our first paper in this series, *The Human Story of Workforce Housing*.

This second paper argues that the housing system isn't failing because of single policy missteps or bad decisions. It's doing exactly what it was built to do—just not with affordability as a goal. Housing development in the GTHA has become a complex, fragmented system shaped by decades of disconnected rules, financing expectations, planning decisions, and approval processes. Together, these layers create housing development environment where the numbers simply don't work for workforce housing.

Based on our conservative sample 200-unit rental apartment building project explored throughout this paper, rent exceeds $3,800 a month to break even—far beyond what most middle-income households in the GTHA can afford.

The GTHA faces a widening affordability gap that forces workers to leave the communities and region they serve or live in overcrowded, unsuitable, or precarious housing. This is no longer just a personal struggle for working households. It's an economic challenge that affects talent retention, service delivery, and the long-term viability of cities across our region.

Five key dynamics have contributed to the GTHA's housing landscape today: population growth that outpaced housing supply; political choices and bureaucratic process that constrained housing supply growth; housing prices that disconnected from wages; the commoditization of housing; and a growing mismatch between housing supply and demand.

This paper delves into the current "New Home Development System" in the GTHA to understand how these dynamics came to be, so that we can then identify leverage points for coordinated action and decision-making to reduce costs and barriers to building affordable housing for our middle-income workers.

CURRENT "NEW HOME DEVELOPMENT SYSTEM"

Broadly speaking, there are four key components that make up the New Home Development System in the GTHA, which generally applies to the construction of all new homes regardless of type, style, tenure, or price:

- **The Math—**i.e. the nuts and bolts of developing and building new homes, which includes land costs, hard costs, soft costs, contingency, profit margin, and projected revenues.

- **The Process—**i.e. the regulations and procedures that manage new home development from start to finish, including securing development approvals and financing, preparing for construction, building the homes, completing and delivering the homes, and post-occupancy operations.

- **The Rules of Engagement—**i.e. the fundamental rules and principles that underpin and drive the real estate marketplace, which includes where and how capital is sourced and accessed.

- **The Economy—**i.e. where new housing demand is generated and where new housing supply is then sold or rented in the open market.

Importantly, none of these components operates in isolation. They are inextricably linked to each other and there are countless moving pieces, multiple actors and stakeholders, and literally (tens of) thousands of decisions that need to be made to get new homes built. And these elements are not necessarily moving in a coordinated or synchronized manner, which adds even more complexity, uncertainty, time and ultimately, more costs to building new homes. All told, it can easily take six to seven years to get through this system today, from start to finish.

Housing affordability is not determined by any single factor, which by extension means that solving for affordability cannot be done by looking at any single factor. This then raises the question: what could happen if there was deliberate collaboration and coordination of efforts among stakeholders in all layers of our New Home Development System focused on the goal of delivering affordable workforce housing? Could this approach enable us to start addressing the crux of the problem that "to build affordable housing, one must first build affordably"?

A NEW APPROACH: THE HOUSING AFFORDABILITY FORMULA (S+F+I-D=A)

To explore this question, this paper proposes a new way to think about housing affordability: Supply + Finance + Income - Delay = Affordability. This Housing Affordability Formula captures how interconnected the new home development system really is, where:

- **Supply** encompasses the entire development ecosystem from land assembly to occupancy;
- **Finance** includes the full spectrum of capital required, each with different risk profiles and return requirements;
- **Income** represents the earning capacity of the workforce we are trying to house;
- **Delay** captures the hidden costs that accumulate when projects face obstacles; and
- **Affordability** is the outcome—i.e. whether the housing works for the people who need it.

Applying this new formula in an analysis of a typical 200-unit rental apartment building demonstrates that increased affordability could be achieved when all participants in the new home development system work together towards the same goal of delivering homes that middle-income workers can afford.

Currently, our "business-as-usual" analysis shows that this illustrative project would cost $128.4 million or $627,800 per unit to build and need to charge average rents over $3,800 per month just to break even—far beyond what most middle-income households can afford. Those earning less than $85,000 face a particularly impossible rent gap of $1,699 to $2,800/month between what they can afford and what the market needs. Notably, system-related costs such as planning delay costs, development charges, and additional financing costs add costs totaling over $206,000 per unit, or 2.5 times more than the land cost of $80,000 per unit.

Alternatively, an analysis of the same building but with coordinated actions among all stakeholders focused on reducing costs shows that this project could find combined collaborative savings of over $209,000 per unit when, for example, developers optimize construction costs and accept lower returns commensurate with the lower risk, municipalities contribute land, defer fees and streamline approvals timelines, and financial institutions offer patient capital at lower rates of return. This translates into a break-even average rent of $2,579/month—a 32% or $1,200 per month reduction, which moves rents closer to the range of what middle-income workers can afford to pay.

This illustrative analysis using the Housing Affordability Formula shows that small, isolated changes will not fix the system, but coordinated action across all players can.

POPULAR HOUSING MYTHS AND REALITIES

This paper also pushes back on some persistent myths around the housing crisis using the Housing Affordability Formula as a new approach to demonstrate that:

- housing affordability isn't just about supply and demand;
- land costs aren't the biggest driver as construction and system-related costs easily exceed them;
- developer profits reflect the risks and time involved to bring new homes to market;
- development charges, outdated growth management policies, and drawn-out planning processes can add 20-40% to home prices; and
- community opposition and infrastructure delays can add tens of thousands of dollars to the cost of a single unit.

MOVING TOWARDS AFFORDABILITY

Improving housing affordability is possible within the current new home development system. We just need to start making different decisions that are focused on delivering affordability and we need to start making them together where everyone contributes their "fair share".

In addition, this paper outlines some immediate actions that could be explored to start driving changes toward affordability, such as:

- high-impact planning and policy interventions (e.g. streamlined approval processes, pre-approved housing designs, inclusionary zoning with flexibility, and infrastructure funding reforms).
- investment attraction strategies (e.g. new investment-grade products and new policy formulas for institutional capital).
- market structure improvements (e.g. anti-speculation measures, development industry capacity building, and standardized community benefit formulas).
- collaborative partnership models (e.g. Comprehensive Development Partnerships, Phased Affordability Approaches and Mixed-Income Workforce Communities).
- enabling non-profit sector participation through deliberate capacity building and support from governments, foundations, institutional partners, and the development industry.

When all participants focus on delivering affordable homes, workforce housing becomes not just possible, but creates lasting value for everyone—enabling municipalities to retain the essential workers who power their economies; providing developers with stable partnerships and reduced risk; offering investors meaningful returns with social impact; and building more vibrant, inclusive communities where teachers, nurses, firefighters, and skilled tradespeople can afford to live affordably and in the communities where they work.

The call to action here is simple, albeit ambitious: build homes affordably by bringing everyone to the table—governments, builders, investors, and communities, to work together and coordinate their decisions and actions towards a common goal of delivering affordable housing that works for the people who keep our region running.

Understanding Our "New Home Development System"

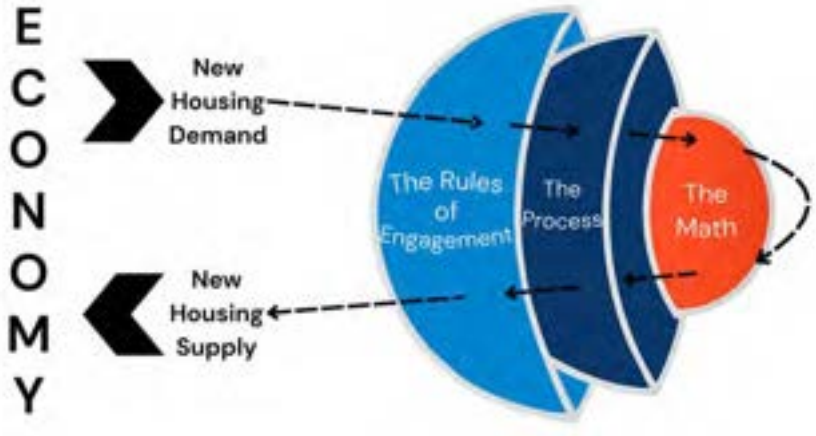
The purpose of this section is to provide a high-level overview of the GTHA's "New Home Development System" including its key moving parts, players, and stakeholders, as well as the dynamics of how they all interact to produce housing.

In order to understand how new homes get built in the GTHA, think of the traditional nested Russian doll or "matryoshka", where there is a smaller doll nested insider a larger doll, which is nested inside an even larger doll, and so on. Generally speaking, there are four key components that make up the New Home Development System in the GTHA.

At the centre, there is **The Math** of building—i.e. the nuts and bolts of constructing a new home; which is governed by **The Process** of building—i.e. the regulations and procedures that manage new home development; which is in turn controlled by **The Rules of Engagement** of building—i.e. the fundamental rules and principles that underpin and drive the real estate marketplace.

This whole system then exists within **The Economy** which ultimately determines housing needs and opportunities through key drivers such as growth, employment levels, interest rates, and household incomes. Importantly, **new housing demand** is generated from the economy and flows through the system to housing developers, who then build **new housing supply** that flows back through the system to the economy to be sold or rented.

*The key to understanding how this system works starts with recognizing that these components are both **interrelated and interdependent** on each other. Changes in any one or more components invariably have both intended and unintended impacts on the others. Moreover, as demand and supply flow through this system, these components also impact and influence the viability of housing demand opportunities, as well as the costs associated with delivering housing supply.*



THE MATH OF BUILDING

At the heart of the new home development system is the physical construction of new homes, which is undertaken primarily by private sector or for-profit developers or home builders. In the GTHA, there are also some non-profit organizations who get involved in new home development, but they currently account for a very small proportion of total new home building activity and would need funding, investment, and capacity-building to increase their participation.

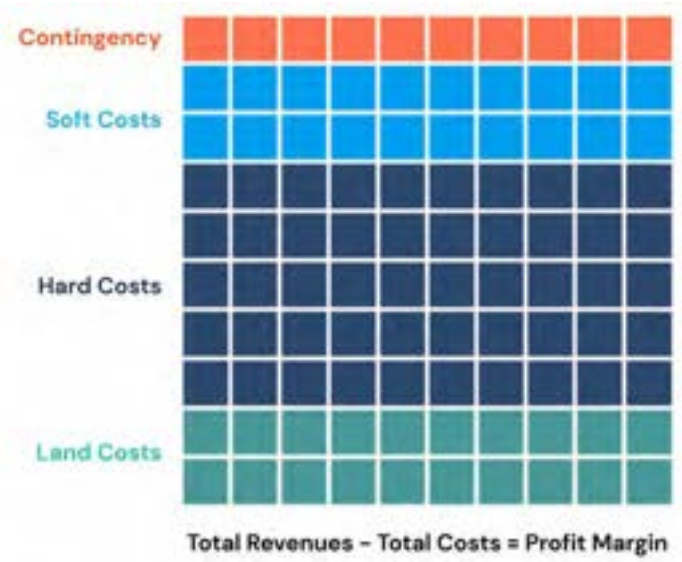
Deciding whether or not to undertake a new home development project starts with finding a site and figuring out the math of whether it makes financial sense to build—i.e. does this project "pencil out"? Simply put, no for-profit entity will build or finance a project that does not demonstrate that it can be done profitably.

Specifically, the math of building consists of six key elements:

1. **Land Costs:** total costs associated with securing the land on which you want to build, including land acquisition or leasing costs and all associated costs such as legal fees, taxes and levies, due diligence-related costs, demolition, remediation, etc. Land costs typically represent 10-20% of total project costs.
2. **Hard Costs:** total costs for all building and construction materials, finishes, and labour required to physically build the new home development, including the homes, structures, interior and exterior finishes, landscaping, amenities, roads, parks, etc. Hard costs typically represent 40-50% of total project costs.
3. **Soft Costs:** all project-related costs that are not hard costs are captured, including: all professional and technical consultants necessary to get the project designed and approved (e.g. engineers, architects, planners, lawyers, etc.), all federal, provincial, and municipal taxes, levies, and surcharges (e.g. HST, development charges, etc.), all project marketing and sales or leasing-related fees (e.g. broker commissions, creative agencies, digital and marketing collateral, etc.), financing costs (e.g. interest, fees, etc.), legal fees, insurance, management fees, and so on. Soft costs typically represent 15-20% of total project costs (or 30-40% of hard costs).
4. **Contingency:** total amount set aside to deal with unexpected costs that are encountered over the lifetime of a new project build arising from inflation, materials and labour cost escalation, interest rate changes, etc. Contingency typically represents 5-10% of total project costs.
5. **Revenues:** total income or revenue that the new home project is anticipated to generate from the sale or rental of the new homes, as well as any ancillary revenues from parking spaces, storage lockers, bike lockers, laundry operations, etc.
6. **Profit Margin:** the difference between total revenues and total costs (land + hard costs + soft costs + contingency). Profit margin expectations are typically 15-20%.

Put together, these six elements are the anchors of the overall project development budget, otherwise known as **the proforma**, which is the basis for determining a project's financial feasibility and viability.

Generally speaking, the steps involved in determining the math seem quite logical, straight-forward and seemingly predictable: find a piece of land; figure out who will be your likely home buyers or tenants in order to inform what type of new homes you should build and at what prices they would be marketable; assemble your development team to design your new homes; figure out how much they will cost to build and how much revenue you could expect to receive; add some financial "wiggle room" in your budget for unexpected expenses; and see if your project can make some money when it's all said and done.

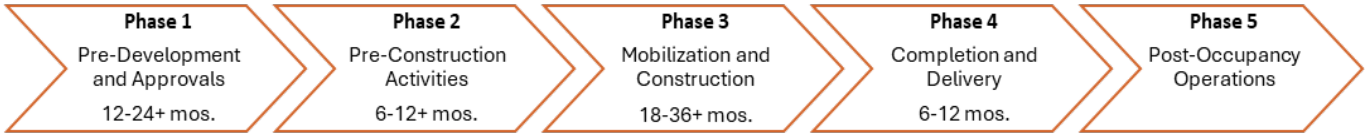


However, the reality is that all these cost inputs and revenue projections are dynamic and influenced by the process, the rules of engagement, and the economy, which adds significant variability, unpredictability, and additional costs to the math.

THE PROCESS OF BUILDING

In addition to the inherent challenges of "getting the math right", the math of building does not happen in a vacuum: it is governed by the process of building that manages new home development through a strict set of procedures and regulations. Moreover, there are multiple players and stakeholders who are directly (or indirectly) involved in the process, including: municipal and regional governments, regulatory authorities, various municipal departments and their bureaucracies, community groups, and local politicians, which adds more complexity, unpredictability, and costs along the way.

Specifically, the process of building consists of five distinct phases of activity:



Phase 1: Pre-Development and Approvals

This is the phase where developers obtain the necessary municipal development approvals in order to have legal permissions to build their proposed new home developments. Therefore, the goal for developers is to obtain final Site Plan Approvals as quickly as possible so that their project can move to the next stage in the building process and deliver new home supply to the market. Depending on the current entitlements for the site versus what developers want to build, they may need to apply for an Official Plan Amendment (OPA), Zoning By-law Amendment (ZBA) and/or Minor Variance, as part of the Site Plan Approval (SPA) process.

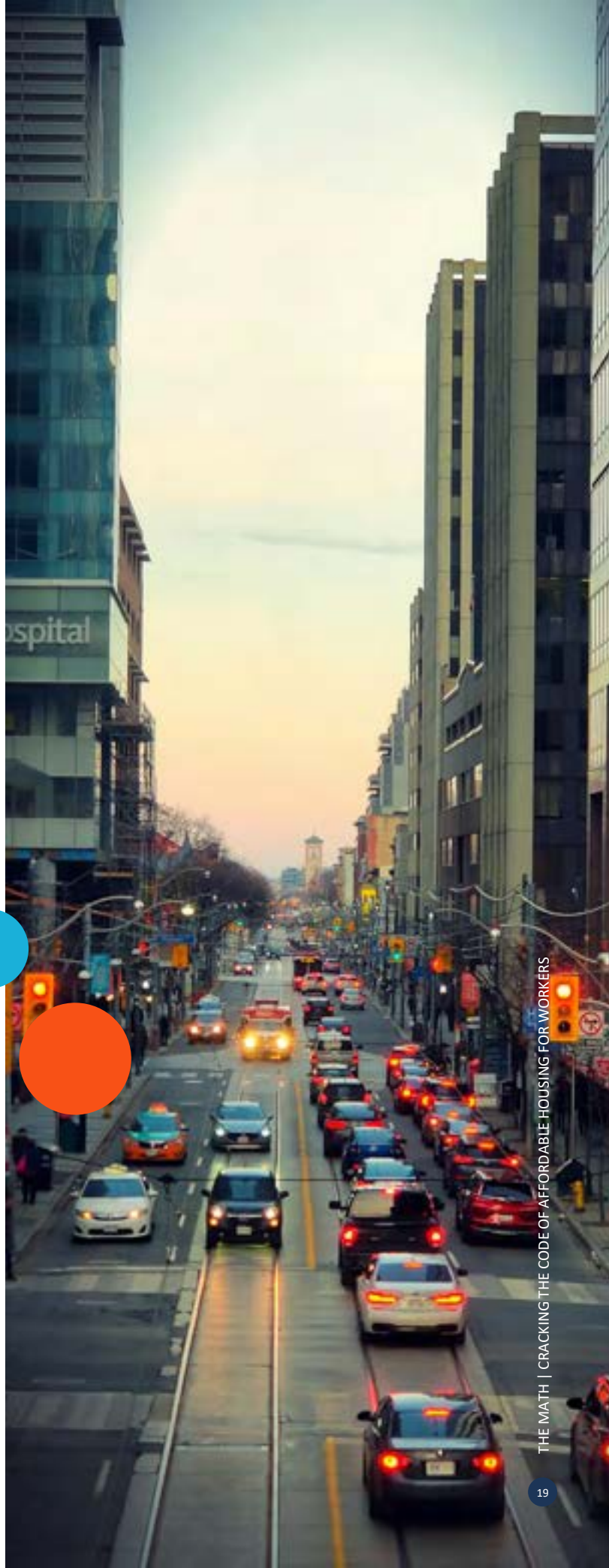
Note: *The Official Plan defines the high-level permitted uses for land (e.g. residential, commercial, employment, mixed-use, etc.) and some municipalities also create Secondary or Community Plans for specific areas to provide additional guidance, or restrictions around permitted uses. Zoning By-laws provide detailed rules, requirements, or restrictions that further define the types of structures permitted to be built. For example, residential zoning by-laws may specify the permitted home types, site coverage, buildable density, building heights, set-back distances from other buildings, number of parking spaces, minimum park or green space area, restricted uses, etc. A Minor Variance is a change that deviates only slightly from, but still generally conforms with, the Zoning By-law.*

Regardless of the types of approvals needed, there is a development application process to follow that is managed by the municipal planning department, who is responsible for reviewing applications and making recommendations to City Council for approval or refusal.

The goal of this application approvals process is to ensure that proposed developments are safe and functional, well-designed and attractive, meet all municipal standards and policies and minimize negative impacts on the surrounding community and environment.

Therefore, all aspects of a proposed project are scrutinized closely from building location and design, to landscaping and green spaces, resident and visitor parking, driveways, traffic flow, and pedestrian access, stormwater management and drainage, waste management facilities, accessibility features, heritage considerations, and so on.

Generally speaking, the development application approvals process consists of four steps, although each municipality (or region) in the GTHA still has its own process with slight variations in what supporting information, documents, drawings, and reports are required for submission.



ACTIVITY/OUTCOMES	DESCRIPTION
Step 1: Pre-Application Consultation	• Developer meets with planning staff to share preliminary development plans. • Planning staff provide preliminary feedback and guidance on required documents and next steps for formal development application submission.
Step 2: Application Submission • Internal technical review • Community consultation • Preliminary Report to Community Council • Response to Applicant (Developer)	• Developer submits a formal development application. • Planning staff circulate the application to all relevant City departments and other regulatory authorities for technical review and feedback. • Planning staff organize a community consultation meeting to share application details and solicit community feedback. Local Councillors are also heavily involved at this stage and typically run these meetings. • Planning staff prepare a preliminary report and formal response to the developer with detailed feedback and guidance on next steps.
Step 3: Application Re-Submission(s) • Internal technical review • Final Report to Community Council	• Developer makes necessary changes to development plans and re-submits application. • Planning staff re-circulate to all relevant City departments and regulatory authorities for review and feedback. • Planning staff prepare a final report and recommendations for approval or refusal.
Step 4: Public Meeting • Final Council decision	• City organizes a statutory public meeting to share final application details and solicit community feedback. • City Council votes to approve or refuse a development application, taking Planning Department recommendations into account. • Final decision comes into effect after an appeal period, or final decision can be appealed to the Ontario Land Tribunal (OLT).

The pre-development and approvals phase typically lasts at least 12 to 24 months, or longer if decisions are appealed to the Ontario Land Tribunal. Some municipalities have "time guarantees" embedded into the process to try to provide more predictability. *But the amount of time needed to get through this process also depends largely on the size, scale, complexity and/or controversy associated with the proposed development, especially since this is the stage where local politicians (Councillors) and community groups, rate-payer associations, and other local stakeholders get involved.*

Importantly, this phase and the process itself and its outcomes have significant impacts on the math of a project, as every aspect of a proposed development is subject to close investigation and review by multiple stakeholders from industry professionals to politicians, bureaucrats, community groups, and engaged residents representing a wide range of knowledge, experience, motivations, and perspectives that may or not be related to housing or development. While review and input is important and intended to ensure "good development", the consequences on the math are real. For example:

- changes to the building plans and forms like product, massing, density, height, set-backs, materials, parking, and more affect hard costs and revenue potential;
- infrastructure and community benefits requirements, such as development charges, education levies, community benefits charges, public art, and more affect soft costs;
- project performance or outcome requirements, such as inclusionary zoning, accessibility, sustainability, and more affect hard costs, soft costs, and revenue potential; and
- protracted and delayed timelines for meetings, reports, and approvals affects hard costs, soft costs, and revenue potential.

In short, increased costs to the project in this pre-development and approvals phase—whether direct, indirect or through delays, puts upward pressure on final home prices.

Eventually, most new home development applications do get approved. However, this usually requires a lot of project re-design work combined with making sure that the proforma "still works" by finding cost savings, securing additional funding sources, bringing in project partners, increasing revenues through higher sales or rental prices, or other creative solutions.

The developer's goal is to ensure that the now-revised "approvable version" of the project continues to make sense financially to build, and that banks can provide the necessary construction financing for it based on *the rules of engagement and the economy as economic conditions may have changed during the 12-24 month process period.*

Phase 2: Pre-Construction Activities

Once a new home development receives all necessary approvals and the developer now knows exactly what they are permitted to build, the project can move into the pre-construction phase.

This is a largely technical execution phase where approved project drawings are converted into much more detailed "construction drawings". These drawings show vital technical details and specifications for every aspect of the project so that various suppliers and vendors can provide detailed cost quotes or bids to developers. Developers usually obtain competitive bids from several potential suppliers and vendors during this "tendering" process to get the best price possible.

Every physical item, service, and labour that goes into building a new home development must be sourced and acquired, so these construction drawings are critical. Most projects need obvious items like concrete, drywall, heating systems, electrical work, and necessary skilled trade workers to do the building and installations, but projects also need things like portable toilets, winter heaters, cranes, temporary fencing, 24-hour security, and so on.

While bids are received and contracts awarded, developers continue to update their proformas now replacing their projected budget costs with actual costs.

Given that hard and soft costs comprise the majority of a project budget, the pre-construction phase is an important milestone in confirming the financial viability of the project and ongoing risk monitoring and management.

During this phase, the developer must also apply for and secure all necessary building and construction permits, easements, legal agreements, insurance, and all other construction-related permissions from all relevant municipalities, governing authorities, neighbouring buildings, etc. before physical on-site construction can begin. Developers must also pay all required associated fees, letters of credit, etc.

Generally speaking, this phase typically takes from six to 12 months, depending on the size, scale, and complexity of the project. However, in addition to updating proformas with actual construction costs, developers are also monitoring any changes in the economy (e.g. employment rates, housing market downturn) or the rules of engagement (e.g. rising interest rates) which will also affect their proforma assumptions, equity requirements, risk profile and ultimately, project feasibility.

Phase 3: Mobilization and Construction

Once all necessary building and construction permits, easements, legal agreements, insurance, and all other construction-related permissions are obtained and related fees are paid, the project can finally move into the mobilization and construction phase.

This is the phase where supplies, equipment, and labour are mobilized on site and physical construction finally begins. But this is also the phase that never goes exactly as planned, which why the project contingency is included in the proforma to manage unexpected costs.

For example, you may experience:

- the discovery of an undocumented oil tank or underground stream during excavation;
- delays in material delivery due to manufacturing back-logs or transportation issues;
- trade or labour strikes or severe weather that shuts down site activity for a period;
- increases in oil prices, new tariffs, or changing exchange rates that affect material costs;
- on-site problems due to unclear or poorly coordinated drawings requiring costly work-arounds or delays; and more.

The construction phase typically takes 18 to 36+ months depending on the type of project (e.g. townhomes, mid-rise building, high-rise tower, etc.), construction method (e.g. concrete, mass timber, pre-fabricated panels, volumetric modular, etc.), complexity of the project (e.g. mixed-use, multi-towers, underground parking, etc.), as well as the overall project size and scale.

Phase 4: Completion and Delivery

Once construction is substantially completed and the municipality issues occupancy permits, meaning the residential units meet minimum standards for residents to inhabit safely, then developers can start delivering the homes and buyers or tenants can start moving in.

This process typically takes 6 to 12 months, usually depending on size of the project.

Phase 5: Post-Occupancy Operations

Once all construction is completed to the homes, buildings, common areas, landscaping, roads, etc. and the homes are being occupied, the project moves into the post-occupancy and operations phase. This phase typically includes building system commissioning, inspections, and deficiency repairs, in addition to normal building operations (as applicable).

In summary, building new homes can take anywhere from three and a half to seven years, depending on the size, scale, complexity, and controversy of the proposed development.

During this long process, developers must also monitor and manage any changes to The Rules of Engagement and The Economy to understand whether and how they may impact their proposed new home developments.

THE RULES OF ENGAGEMENT

To build new homes, three things are required: knowledge (or experience), land, and capital. In the GTHA, private developers bring knowledge and experience, and they secure land for new home development. While working through The Math and The Process, they are also looking for capital to finance their projects, which is largely controlled by The Rules of Engagement—i.e. our free-market system that provides the capital necessary to enable and facilitate the real estate industry. In Canada, this capital is largely private, which means the cost of access is priced with return expectations commensurate with the perceived level of risk and/or what the competitive market will bear.

Private capital typically comes from the "Big Banks", as well as other regulated financial institutions, such as credit unions and trust companies. Canada also has a highly regulated financial market with relatively few players, which means there are fewer borrowing options for developers and more limits on how much total capital can be made available for residential lending at any given time. In recent years, some private equity firms also expanded into the real estate lending space, but they are primarily governed by securities laws and regulations, not banking regulations.

The federal government also plays an active role in providing construction funding for new home development—primarily through various Canada Mortgage and Housing Corporation (CMHC) programs and initiatives.

But this funding is limited in availability and always comes with delivery conditions and targets, usually related to affordability, sustainability, and accessibility. Ironically, achieving these social program outcomes is not always compatible with achieving profitability as they often add costs and/or limit revenue potential, which ultimately creates challenges in accessing the capital needed to build, even from CMHC itself.

These rules of engagement to access capital have several impacts on the new home development system in the GTHA.

1. Profit is a Requirement for lending.

Unless a developer is willing and able to self-fund a new home development project using their own equity, such as their own cash and/or equity from partners, a developer must borrow money from the private markets to build. This is the reality in the GTHA where most home developers rely on private capital to get their projects built. Therefore, demonstrating profit margins that are high enough to attract capital is necessary to compete for and obtain construction financing. No financial institutions in Canada will finance a project that does not generate a competitive and satisfactory return, and since they are highly regulated and require that return.

2. The cost of capital depends on access.

The Big Banks can offer the lowest lending rates, but they have a regulated cap on how much capital they are permitted to provide for residential loans. Therefore, they typically prefer working with developers with whom they already have established commercial relationships and previous lending experience, and/or those who are the "most secure" clients. This means that the largest and most experienced developers typically have access to the "cheapest money", while smaller, lessor known or less experienced developers have to rely on second-tier lenders or private equity firms who typically charge higher interest rates on their loans. Notably, the globalization of financial markets has also made accessing capital more competitive because lenders can invest anywhere in the world for potentially higher returns.

3. Access to capital still requires guarantees.

In addition to demonstrating project profitability, developers must also provide financial covenants or financial guarantees to access capital for construction. For most established private developers, this is a formality. For others like non-profits, this can be a significant obstacle. There are financial firms that provide covenants for a fee, but this adds to the cost of development. For developers who are selling new condominium apartments from plans, financial institutions also require pre-construction sales of 75-80% of total units with 20% purchaser deposits received for each sale as another form of guarantee before any loans are advanced.

Notably, the rules of engagement also impact prospective homebuyer access to capital in the form of residential mortgages, which impacts their ability to purchase. As most mortgages are provided by regulated financial institutions, there are stringent rules and regulations to determine a borrower's mortgage eligibility and risk level which affects their mortgage offer. Higher rates are charged for clients considered as higher risk (e.g. self-employed people), and better rates are available for clients considered as lower risk (e.g. employees).

Typically, mortgage rates offered by financial institutions in Canada are determined by the Bank of Canada's benchmark policy interest rate, but the Office of the Superintendent of Financial Institutions (OSFI) who is responsible for supervising federally regulated financial institutions, may also impose new rules that are in the best interest of "ensuring public confidence in the financial system".

- For example, in June 2021, in an effort to cool over-heated real estate markets, OSFI mandated that lenders had to use the new Mortgage Qualification Rate (MQR) to qualify prospective borrowers—i.e. the greater of the proposed mortgage rate plus 2% or a 5.25%. This had an immediate impact on reducing home affordability for a significant number of prospective homebuyers.

In summary, the rules of engagement to access capital have significant impacts on the math of building new homes and the financial viability of new home developments for developers. The

cost of capital comes with many rules and best practices that result in systemic advantages or disadvantages when it comes to who can access capital and at what cost. For new home developers, the cost of borrowing has a direct impact on the soft costs of a project, which affects overall project viability and profitability, as well as new home prices. For prospective buyers or renters, new home prices impact whether or not they can qualify for a mortgage to buy or what they can afford to rent. And what is happening in the economy ultimately governs the availability and cost of capital, as well as the ability of homebuyers or tenants to buy or rent.

THE ECONOMY

The economy is the ultimate arbiter of what happens in the new home development industry. Through key drivers such as overall growth and prosperity, interest rates, population growth, household formation, employment levels, and household incomes, the economy is where new housing demand is generated and where new home supply is then sold or rented by developers. However, this is not a direct cause and effect relationship. While the economy may inform new home developers on who will buy or rent, what to build and how to price it (i.e. what the market will bear), the final decision on which buyers' or renters' needs to address, what to build, and how to price it is also affected by the various layers of the new home development system—i.e. the rules of engagement, the process, and the math. This is why we can have record housing starts and completions yet still have a housing crisis, and why we can have record labour participation and employment levels yet still have an affordability crisis.

- For example, there may be growing demand from families for larger 3-bedroom homes, but these homes may be too expensive and unaffordable for these families based on the accumulation of direct and indirect costs from each layer of the system, from the math to the process to the rules of engagement. So instead, developers may choose to address the housing needs of a different group where the impact of the math, the process, and the rules of engagement can result in a financially viable and financeable project.

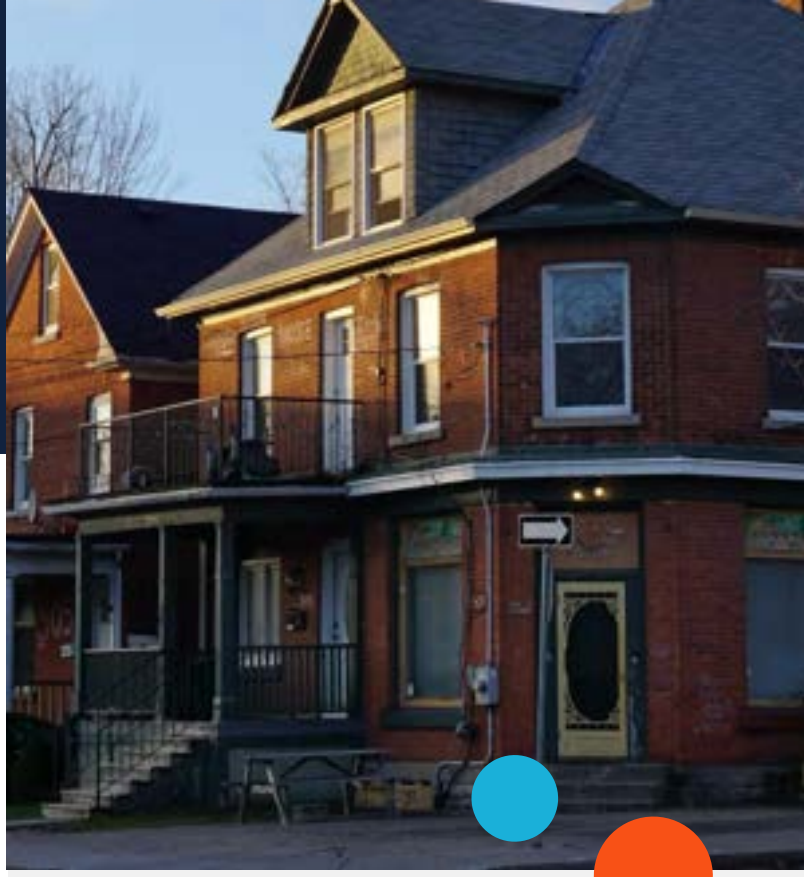
Moreover, it is important to understand what is happening in the economy not only nationally, but also internationally, as globalization means that economic and political events happening thousands of kilometres away can have direct and indirect impacts on Canada.

In summary, there are countless moving pieces, several actors and literally thousands of decisions that are made to get new homes built in the GTHA. Although these variables are inextricably linked, they are not necessarily moving in the same direction or coordinated towards a common goal. Individual decisions tend to be motivated by "rational self-interest" and when made within siloes with little awareness of unintended impacts on other variables within the new home development system, they combine to trigger a domino effect of reactions and outcomes that eventually affect the delivery of housing.

Moreover, this new home development system is the same whether you are building homes for sale or rent, in the mainstream market or in affordable housing projects. The same math, process and rules apply.

This high-level overview of the New Home Development System identifies potential leverage points for change to address housing affordability. The following sections explore some common "myths and facts" around the workforce housing crisis in order to uncover reasonable opportunities for new solutions.

Reframing the Housing Equation



The cost of a smartphone cannot be understood by looking at the silicon chips alone. Research and development, manufacturing, marketing, retail network, and dozens of other factors determine the smartphone's final price. But we often analyze housing costs in a limited way, focusing on land prices and construction costs while ignoring the complex and interconnected ecosystem within which they exist.

Housing affordability is not determined by any single factor.

It is the result of a complex system where community planning decisions made today affect housing costs five years from now; where an outdated zoning by-law written in 1975 can make a project financially impossible in 2025; where a six-month delay in approvals can add tens of thousands of dollars to the cost of a home. It is the result of the accumulation of decades of decisions and policies that made sense at the time but may no longer be compatible with the decisions and policies needed today. It is the result of the "politicization of housing" that makes the whole system more vulnerable to power imbalances and outcomes that are not necessarily in the best interests of everyone and do not accommodate all housing needs.

We expect our complex and somewhat patchwork New Home Development System to address and reconcile the growing needs and new realities of the GTHA, one of the fastest growing regions in North America, while preserving outdated needs and realities from a time long ago.

Yet even with this inherent tension, our system can still manage to create new housing supply. This suggests that with deliberate collaboration and coordination of efforts among stakeholders in all layers of our New Home Development System, that we can also start to deliver affordable workforce housing.

We propose a new way of understanding housing affordability through a new "Housing Affordability Formula (S+F+I-D=A)" that addresses the crux of our conundrum: "to build affordable housing, one must first build affordably."

THE HOUSING AFFORDABILITY FORMULA (S+F+I-D=A)

The Housing Affordability Formula (S+F+I-D=A) recognizes the logistics and dynamics of the current new home development system and identifies key leverage points to provide a flexible, holistic, and realistic approach to achieving the goal of "building affordably".

Key elements of this formula include the following:

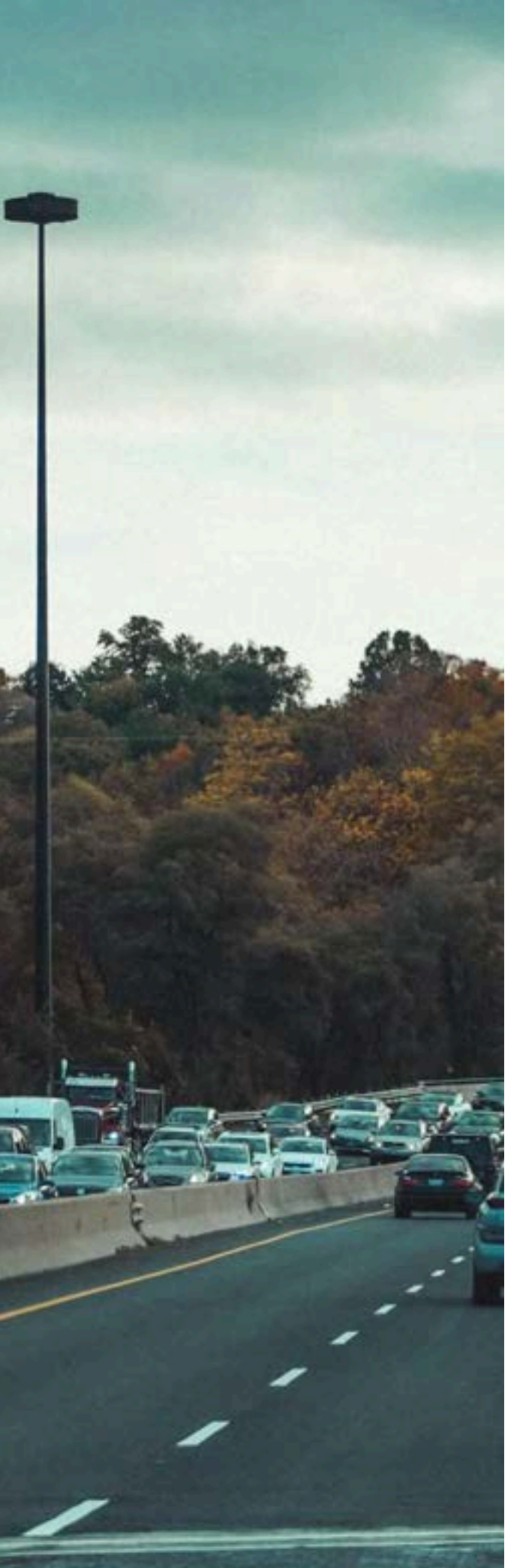
- **Supply** encompasses not just the physical act of building, but the entire supply eco-system—from the availability and cost of materials and labour, to development plans, land assembly, and planning approvals, to construction and occupancy. Every bottleneck or uncertainty in the supply system affects the final cost of housing; for example, shortening the time to approve projects reduces costs through lower interest costs, while additional regulatory requirements that emerge over time require reworking by consultants as design requirements change.

- **Finance** includes not only traditional construction loans and mortgages, but the full spectrum of capital required throughout the development process such as equity for land acquisition, development financing, construction loans, and permanent financing—each with different risk profiles and return requirements. Generally speaking, the higher the risk, the greater the risk premium and requirement by the funders and investors for a higher return, and the sources of actual or perceived risk come in many forms both tangible (e.g. cost overruns) and intangible (e.g. uncertainty).

- **Income** represents the earning capacity of the people and workforce we are trying to house. But it is not just about current wages; it is about understanding how income growth (or lack thereof) interacts with housing cost escalation over time. Housing supply that is affordable to those in the local job market require specific interventions, especially in a rising market where people are being priced out.

- **Delay** captures the hidden costs that accumulate when projects face obstacles, from community opposition to regulatory complexity to infrastructure constraints, which all add uncertainty to project timelines. But these hidden costs are not just about time delay; they are also about adding hard costs because "time is money" in real estate development and "delays always compound exponentially" and not in isolation.

- **Affordability** is the outcome and whether the housing that results from this equation works for the people who need it.



In summary, the Housing Affordability Formula is particularly useful because it reveals both why traditional approaches to improving housing affordability often fail, as well as how new approaches can succeed by reducing costs and/or increasing predictability or certainty.

- *Focusing only on supply while ignoring finance creates housing that gets built but remains unaffordable. Addressing finance without considering delays leads to well-capitalized projects that still cannot deliver affordability because of time-related cost escalation. Improving process efficiency while ignoring the income side of the equation creates housing that is cheaper to build but still out of reach for middle-income earners.*

This is why we need a systems approach as isolated interventions, such as streamlining approvals here and reducing development charges there, can only provide incremental improvements. This is the opportunity of the Housing Affordability Formula in providing a practical approach and tool that understands how all the pieces fit together and identifies leverage points where coordinated action creates transformational impact.

In the following sections, we examine nine common myths about new housing development using the Housing Affordability Formula to analyze the math and the reality of their impacts on trying to "build more affordably".

Reminder: the calculations presented herein are for illustrative purposes, demonstrating potential impact on our 200-unit rental apartment building project as a hypothetical base case.

The Myths Of Supply

Three myths related to housing supply are commonly cited as leading causes of and/or potential solutions for our housing affordability crisis:

Myth 1: "Housing affordability is just about supply and demand."

Myth 2: "Zoning and planning rules don't significantly impact housing costs."

Myth 3: "Land costs are the biggest driver of housing unaffordability."

SUPPLY AND DEMAND

In general, the price of a good or service is determined by the relationship between supply and demand. Simply put, when more demand chases fewer goods, prices rise; when less demand meets abundant supply, prices fall. In a free-market economy, these imbalances are typically temporary because business tends to respond to high prices and excess demand by increasing supply, which eventually brings prices back down. Conversely, when there is an oversupply, prices fall until the surplus is absorbed, after which prices begin to rise again as supply and demand return to balance.

Applied to the GTHA housing market, this dynamic suggests that unaffordable home prices are the result of competition in the marketplace for a scarce supply of homes, so one simply needs to increase the supply of homes and prices will naturally decrease to more affordable levels as scarcity wanes. While this may be true in theory, the current reality in the GHTA is that even if more new home supply was brought to market, the cost to build and deliver these new homes would still be too high for many looking for homes, including middle-income workers.

As detailed in the previous section, there are systemic factors artificially adding direct and indirect costs to building new homes at every step in the development process, from start to finish. This system is complex and interdependent, so solving for housing affordability cannot simply be about supply and demand. It must include deliberate, coordinated action to reduce building costs at every stage in the new home development process.

THE MYTH:

"Housing affordability is just about supply and demand."

THE REALITY:

Housing affordability is determined by the complex interaction of
Supply + Finance + Income - Delay = Affordability

THE MATH: Current Costs for GTHA 200-Unit Workforce Housing Project*:

Formula / Component / Assumptions	Total Cost	Cost / Unit
Supply – Land	$16,000,000	$80,000 / unit
Supply – Construction	$71,250,000	$356,250 / unit
Supply – Development Charges	$20,000,000	$100,000 / unit
Supply Sub-Total:	*$107.2 million*	*$536,250 / unit*
Finance – 15% developer return requirement	$15,700,000	$78,500 / unit
Delay – 18 mo. approval delay + 18 mo. appeals delay	$5,526,750	$27,634 / unit
Income – Target rent for $65K earner @ 30% of gross	$1,625 / mo.	
Affordability Result – Total Project Cost:	**$128.4 million**	**$642,384 / unit**
Required Rent (break-even) for average unit:	$3,824 / mo.	

Outcome: this break-even rent is not affordable for any middle-income households earning $40K to $120K annually, which translates into $1,000 to $3,000 per month rents at 30% of gross income. Households earning less than $85K face particularly "impossible rent gaps" of $1,699 to $2,800 per month, including a $2,199 per month rent gap for $65K earners.

Impact of the Housing Affordability Formula (S+F+I-D=A) on Affordability:

Component/Assumptions	Cost Savings	Rent Reduction
Reducing delays by 18 months	$27,634 / unit	$165 / mo.
Alternative financing—7% vs 15% return	$41,867 / unit	$249 / mo.
Municipal land contribution	$80,000 / unit	$476 / mo.
Deferred development charges	$24,000 / unit	$143 / mo.
Developer construction optimization	$35,625 / unit	$212 / mo.
Total Savings:	**$209,126 / unit**	**$1,245 / mo.**
Affordability Result—Revised Project Cost:	$433,258 / unit	
Revised Required Rent (break-even):	$2,579 / mo.	

Outcome: combined interventions have the potential to achieve significant progress towards affordability for middle-income workers earning over $85K. The rent gap persists for $65K household but is now only $954 per month—down 43% from a rent gap of $2,199 per month before cost reductions.

**** For demonstrative and illustrative purposes only using our typical 200-unit rental apartment building project as our hypothetical base case.***

DEVELOPMENT PROCESS

Long before the first shovel hits the ground, housing costs are being determined in municipal planning offices, community centres, and council chambers across the GTHA. The decisions made at this stage, about growth patterns, infrastructure investment, and community priorities, create the foundation upon which all subsequent development economics rest.

To better understand the myth of development policies and process, consider the following facts and impacts on the housing system.

Community Planning and Growth Management

Every municipality in the GTHA operates within a hierarchy of municipal and provincial planning documents that shape where and how housing can be built. Essentially, provincial policy sets the broad formula, regional official plans allocate growth, and municipal official plans translate these into local policy. This planning cascade—while necessary for coordinated regional development—creates multiple layers of review and potential delay, and the economic impact of these planning decisions is profound but often invisible.

For example: when a municipality designates an area for intensification, it is not just making a land use decision, it is determining the infrastructure requirements, community service needs, and development economics for decades to come. A decision to concentrate growth around transit nodes creates different development economics than a decision to spread growth across greenfield sites.

The Zoning Challenge

Zoning bylaws are where planning policy meets development reality. Often written decades ago for a different housing market, many outdated zoning bylaws in the GTHA create artificial constraints that only drive-up housing costs. For example: height limits that stop just short of efficient building types; parking requirements that assume every resident owns multiple cars; and density limits that prevent cost-effective development—these all translate directly into higher housing costs.

More problematic is the mismatch between what communities want and what their zoning allows. For example, a municipality might have policies supporting affordable housing and transit-oriented development, but at the same time might have zoning bylaws that makes both financially impossible. This regulatory uncertainty forces developers to pursue costly and time-consuming amendments for projects that should be permitted by right.

Notably, the Ontario government has attempted recently to reduce this uncertainty or mismatch through Ministerial Zoning Orders (MZOs) but this tool is not a permanent solution, plus, they can actually increase delays if municipalities or communities challenge MZOs through the courts.

Infrastructure and Timing

Infrastructure capacity determines where housing can be built, but infrastructure funding and timing determines when housing can be built.

Infrastructure includes key systems, amenities and services such as: water and wastewater systems, transportation networks (e.g. roads, transit), energy and communication networks, solid waste management systems, environmental sustainability and management systems, and community facilities like schools and parks.

In fast-growing parts of the GTHA, real housing demand and development regularly outpace infrastructure delivery, creating bottlenecks that delay projects and drive-up costs.

The economics are straightforward but brutal: every month of delay waiting for infrastructure capacity costs money. Developers carrying land face ongoing financing costs. Construction costs escalate with inflation. Market conditions can shift, affecting project viability. What starts as an infrastructure timing issue becomes a housing affordability issue as the cost of housing increases whether projects proceed or not, and the lack of housing creates additional demand, which increases prices.

Development Charges: The Hidden Tax on Housing

Development charges represent one of the most direct connections between municipal finance and housing affordability. Originally designed to ensure new development pays for the infrastructure it requires, because of the limited viability of using existing funding tools available to municipalities, development charges in the GTHA have evolved into a significant component of housing costs.

Recent analysis shows development charges for new housing in major GTHA municipalities have increased by 150-250% over the past decade, far outpacing inflation or income growth. In some jurisdictions, development and planning charges now represent 20-25% of the total cost of new housing—essentially, a direct tax on affordability that gets passed through to end users.

This escalation reflects legitimate infrastructure needs in growing communities, but it also reflects a fundamental mismatch between municipal responsibilities and municipal revenue tools. Municipalities are responsible for providing infrastructure to support growth, but their revenue tools are limited. Property taxes are politically difficult to raise, and provincial and federal infrastructure funding often comes with strings attached. Development charges become the path of least resistance for municipal finance, but the cumulative impact on housing affordability is severe.

The Timing Problem

Development charges are typically paid upfront, at the time of building permit issuance, but the infrastructure they fund is often built years later. This creates a cash flow problem for developers and an infrastructure timing problem for communities. Developers must finance development charges from project inception, adding carrying costs throughout the development process. Communities receive infrastructure funding before they have the development to support it.

Alternative approaches, such as development charge deferral programs or infrastructure financing districts, can help address these timing mismatches, but they require coordination between municipal finance and development economics that often does not exist.

THE MYTH:

"Zoning and planning rules don't significantly impact housing costs."

THE REALITY:

Planning decisions can add 20-40% to final housing costs.

GTHA Planning Cost Analysis (per unit):

- Zoning amendment process: $15,000-$25,000 (legal, consulting, time)
- Development charges: $100,000-$132,000
- Planning delays (30 mos. average): $55,800 (carrying costs 6% on higher project costs)
- Technical studies required: $5,000-$15,000
- Total planning-related costs: $175,800-$227,800 per unit

THE MATH*:

Impact of Housing Affordability Formula (S+F+I-D=A) on Affordability:

- Streamlined approval (12 months): saves $27,634 per unit
- By-right zoning: saves $20,000 per unit
- Reduced development charges (to non-GTHA levels): saves $65,000 per unit

Total potential savings: $140,800 per unit = $1,173/month rent reduction

For demonstrative and illustrative purposes only using our typical 200-unit rental apartment building project as our hypothetical base case.

LAND ECONOMICS

Land represents a significant cost component in most GTHA housing developments, often accounting for 15-20% of total project costs. Understanding land economics is crucial to understanding housing affordability, but land markets operate differently from other commodity markets in ways that profoundly affect housing costs.

To better understand the myth of land economics, consider the following facts and impacts on the housing system.

The Land Assembly Challenge

Most workforce housing requires assembling multiple properties to achieve the scale necessary for cost-effective development. This assembly process creates unique economic dynamics that drive up land costs and project risk.

Property owners facing potential assembly have enormous leverage. A single holdout can delay or kill an entire project, leading to inflated land prices that reflect this leverage rather than underlying land value. The assembly process can take years, during which developers face carrying costs, market risk, and regulatory uncertainty. Successful assembly often requires paying premiums of 50-100% above market value to secure the final properties needed for a project. These premiums get reflected in final housing costs, creating a direct connection between land assembly dynamics and housing affordability.

Speculation and Market Distortion

Land speculation or buying property for expected future value rather than current use, has also become a growing market distorting factor in GTHA land markets. International investment, local speculation, and land banking all contribute to land prices that reflect expected future development potential rather than current economic fundamentals. This creates several problems for workforce housing development, in particular:

- inflated land prices that make projects financially challenging from the outset;
- reduced land supply as speculators hold properties off the market waiting for higher prices;
- market volatility that makes project financing more complex and expensive; and
- community tensions when speculation drives displacement without delivering new housing.

The challenge is distinguishing between legitimate investment in future development potential and pure speculation that drives up costs without adding value. Policy responses, such as speculation taxes, vacancy taxes, or “use-it-or-lose-it” zoning, can help address the most egregious speculation, but they must be carefully designed to avoid unintended consequences.

THE MYTH:

"Land costs are the biggest driver of housing unaffordability."

THE REALITY:

In the GTHA, construction costs dominate, with system costs exceeding land costs.

THE MATH*:

GTHA Cost Breakdown (per unit):

- Construction costs: $356,250 (55.5% of total)**
- System costs (delays, charges, financing): $206,134 (32.1% of total)
- Land costs: $80,000 (12.5% of total)
- Total: $642,384 per unit

Key Insight:

- System inefficiencies ($206,134) cost 2.5x more than land ($80,000)

Land Assembly Mathematics (updated for larger projects):

- Properties needed: 8 parcels for optimal development
- Base land value: $16M ($80,000 per unit) for 200-unit site
- Assembly premium (holdout leverage): 75% average = $12M ($60,000/unit) additional
- Speculation premium: 25% above market = $4M ($20,000/unit)
- Total land cost: $32M ($160,000/unit) - (23.9% of total)
- Assembly timeline: 24-36 months average
- Carrying costs during assembly: $2.4M

Speculation Tax Impact (if implemented):

- 3% annual speculation tax on vacant/underutilized land
- Effect: Reduces land banking, increases supply
- Estimated price reduction: 15-20% of current land costs
- Per-unit savings: $12,000-16,000 = $100-133/month rent reduction

**** For demonstrative and illustrative purposes only using our typical 200-unit rental apartment building project as our hypothetical base case.***
***** Assumes conservative construction costs and limited housing construction innovation.***

The Myths Of Finance

Three myths related to housing finance are commonly cited as leading causes of and/or potential solutions for our housing affordability crisis:

Myth 4: "Institutional investment in housing only drives up prices."

Myth 5: "Development charges fairly distribute infrastructure costs."

Myth 6: "Developers make huge profits and could easily reduce prices."

HOUSING FINANCING

The workforce housing challenge in the GTHA reflects fundamental changes in how housing markets operate. Over the past several decades, housing markets have evolved from primarily local, shelter-focused systems into sophisticated and globally connected investment markets. This evolution involves two key processes, commodification and financialization, that create both opportunities and challenges for delivering workforce housing. Understanding these market dynamics is essential because they shape every component of our Housing Affordability Formula and affect all stakeholders in the housing system.

To better understand the myth of housing financing, consider the following facts and impacts on the housing system.

Housing Commodification: Market-Based Housing Allocation

Commodification describes a situation where housing operates within market systems where supply, demand, and pricing determine housing allocation. This market-based approach has enabled significant private investment in housing development and has been central to creating the housing stock that serves millions of GTHA residents. Specifically:

- market forces determine housing allocation, allowing efficient resource distribution and private investment in housing supply.
- private ownership and investment enable development, providing the capital and expertise necessary for large-scale housing construction.
- competitive markets drive innovation, leading to improved building techniques, designs, and amenities.
- property values provide wealth-building opportunities for homeowners while creating incentives for property maintenance and community investment.

Within our Housing Affordability Formula (S+F+I+D=A), commodification enables the "Supply" component by attracting private development capital, supports the "Finance" component through market-based lending, and creates "Income" opportunities through property appreciation. However, it also means that housing costs reflect market dynamics rather than affordability targets.

Housing Financialization: Global Capital in Local Markets

Financialization represents the increasing integration of housing markets with global financial systems. This evolution has brought new sources of capital, investment sophistication, and market efficiency to housing, while also creating new challenges for local affordability. Specifically, modern financialized housing markets are characterized by:

- **Institutional Investment Participation:** Pension funds, REITs, insurance companies, and other institutional investors now actively participate in housing markets, bringing professional management, stable capital, and long-term investment horizons. Canadian pension funds alone manage over $2.3 trillion in assets and are increasingly interested in real estate investments offering stable returns and inflation protection.

- **Sophisticated Financial Instruments:** Modern financial markets have created tools like real estate investment trusts (REITs), mortgage-backed securities, and international investment vehicles that make housing investment more accessible and efficient while spreading risk across broader investor bases.

- **Global Capital Mobility:** International investment flows can quickly respond to market opportunities, bringing capital to growing markets like the GTHA while also creating connections between local housing and global economic conditions.

- **Professional Investment Management:** Institutional ownership often brings professional property management, maintenance standards, and operational efficiency that can improve housing quality and tenant services.

How Market Evolution Affects Development Economics

These market dynamics create both opportunities and challenges within our development formula.

- **Supply Opportunities and Constraints:** Global capital markets can provide the funding necessary for large-scale development projects that individual local investors might not be able to support. However, institutional investors often prefer larger, standardized projects that may not align with diverse community housing needs. The result can be ample capital for certain types of development while other housing types struggle to attract investment.

- **Finance Transformation**: Traditional development finance relied primarily on local banks and developers, with projects needing to work based on local market conditions. Today's markets include international capital, institutional funds, and sophisticated financial structures that can accelerate development but may also introduce complexity and requirements that may not align with local affordability goals.

- **Income Competition:** In globalized markets, local wages compete with international investment capital for housing access. While this can drive economic growth and development, it can also create affordability challenges when global wealth concentrates in local markets faster than local incomes can adjust.

- **Delay and Risk Management:** Modern financial markets provide sophisticated risk management tools but also require extensive due diligence, regulatory compliance, and stakeholder coordination that can extend development timelines. Projects may have access to more capital but face more complex approval and management processes.

The GTHA Market Reality

In the GTHA, these market dynamics create specific patterns that affect affordable workforce housing:

- **Investment Capital Availability:** The GTHA attracts significant investment capital due to its economic growth, political stability, and housing market liquidity. This capital availability supports robust development activity and creates opportunities for innovative financing approaches, but it also means housing prices reflect broader investment demand beyond local housing needs.

- **Development Scale and Efficiency:** Institutional investments in larger-scale developments in the GTHA can often enable opportunities to achieve economies of scale and operational efficiencies. As such, complex and ambitious multi-year projects such as multi-building purpose-built rental communities, master-planned mixed-use communities, and developments with complicated coordinated infrastructure needs can often become financially viable with institutional backing. However, these larger-sized projects may not always align with the specific unit types, price points, or locations most needed by middle-income households.

- **Market Sophistication:** Modern GTHA housing markets operate with sophisticated pricing mechanisms, professional management standards, and efficient transaction systems. This creates market liquidity and investment confidence that supports ongoing development, while also meaning that housing costs reflect complex market factors beyond simple supply and demand.

- **Investment-Community Alignment Challenges:** The central challenge for workforce housing is that market-driven development naturally gravitates toward the highest returns, which may not align with community affordability needs. This is not due to any shortcoming by investors or developers but rather reflects the normal operation of market systems seeking efficient capital allocation.

Creating Opportunities Within Market Realities

Understanding these market dynamics reveals both challenges and opportunities for workforce housing.

- **Leveraging Institutional Capital:** Large institutional investors often have longer investment horizons and lower return requirements than traditional development finance. Pension funds seeking stable, inflation-protected returns over 20 to 30-year periods may be well-suited for workforce housing investments that provide steady cash flows rather than quick appreciation.

- **Professional Management Benefits:** Institutional ownership can bring professional property management, maintenance standards, and tenant services that improve housing quality. Large-scale ownership can also enable coordinated improvements and long-term asset planning that benefits both investors and residents.

- **Innovation and Efficiency:** Market competition drives innovation in construction methods, building design, financing structures, and property management. These innovations can reduce costs, improve quality, and create new approaches to workforce housing delivery.

- **Policy Partnership Opportunities:** Modern financial markets create opportunities for public-private partnerships where government policy can help align market incentives with community needs. Tools like loan guarantees, tax incentives, and regulatory formulas can make workforce housing investments attractive to market participants while achieving affordability goals.

The Investment-Affordability Balance

The fundamental challenge facing affordable workforce housing is balancing the returns necessary to attract private investment with the affordability requirements of middle-income workers. This is not an inherent conflict but rather a design challenge that requires thoughtful approaches.

- **Investor needs:** Stable, risk-adjusted returns that compete with alternative investment opportunities, typically 4-8% annually for institutional investors or 10-15% for development projects.

- **Community needs:** Housing costs at 30% of gross incomes for middle-income workforce households.

- **Market opportunity:** Creating investment structures where these needs can be satisfied simultaneously through innovative design and policy support, or regulatory realignment.

The housing market has evolved into sophisticated and globally connected investment markets, creating new opportunities for institutional capital. Canadian pension funds manage over $2.3 trillion in assets and increasingly seek stable, long-term returns of 6-8% with strong social impact alignment. Workforce housing represents an emerging $45 billion market opportunity over 10 years serving 920,000 essential workers—an asset class that offers the stable, inflation-protected returns and community benefit that institutional investors actively seek.

THE MYTH:

"Institutional investment in housing only drives up prices."

THE REALITY:

Institutional capital can enable workforce housing with proper structuring.

THE MATH*:

Canadian Pension Fund Investment Potential:

- Total Canadian pension assets: $2.3 trillion
- Current residential allocation: <3% = $69 billion
- Workforce housing opportunity: If increased to 5% = $115 billion
- GTHA workforce housing gap: Estimated $45 billion over 10 years
- Institutional return requirement: 6-8% vs developer requirement of 15-25%

Financing Comparison:

➢ **Traditional Developer Model** @ 15% return requirement

- Total project Costs: $642,384 / unit
- Financing costs (15% return): $78,500 / unit

Rent needed to break-even: $3,824 / month

➢ **Institutional Capital Model** @ 7% return requirement

- Same project requires return of $36,633 / unit = a saving of $41,867 / unit

Rent needed to break-even: $2,579 / month

**** For demonstrative and illustrative purposes only using our typical 200-unit rental apartment building project as our hypothetical base case.***

INFRASTRUCTURE AND MUNICIPAL FINANCE

Housing development does not happen without supporting infrastructure, roads, transit, water, sewer, schools, libraries, and community services. The way this infrastructure is planned, funded, and delivered has profound impacts on housing development economics and final affordability.

To better understand the myth of infrastructure and municipal finance, consider the following facts and impacts on the housing system.

Infrastructure Funding Models

GTHA municipalities use several approaches to fund the infrastructure required to support new housing:

- **Development Charges** require new development to pay upfront for infrastructure capacity. These charges have become a significant component of housing costs, but they ensure that infrastructure funding is available when development occurs.

- **Tax-Supported Infrastructure** uses property tax revenue to fund infrastructure over time. This approach spreads infrastructure costs across all property taxpayers rather than concentrating them on new development, but it requires municipal willingness to increase taxes.

- **Provincial and Federal Infrastructure Programs** can provide funding for major infrastructure projects, but these programs often have specific requirements and funding timelines that do not align with development schedules.

- **Public-Private Partnerships** can engage private capital in infrastructure delivery, but they require complex contractual arrangements and long-term municipal commitments.

Each funding approach has different implications for development economics and housing affordability. The key is aligning infrastructure funding with development timing to avoid delays and carrying costs that drive up housing prices.

Regional Coordination Challenges

The GTHA includes multiple municipal, regional, and provincial jurisdictions, each with its own infrastructure responsibilities and funding mechanisms. This jurisdictional complexity creates coordination challenges that affect development economics.

- **Service Delivery Overlaps:** A single development site might require approvals from municipal, regional, and provincial infrastructure providers, each with different timelines and requirements.
- **Funding Mismatches:** Infrastructure funding often comes from different levels of government with different funding criteria and timelines, creating delays and uncertainty for development projects.
- **Regional vs. Local Benefits:** Some infrastructure serves regional needs while being funded locally, creating fairness concerns that affect political support for infrastructure investment.
- **Transit Integration:** Transit infrastructure is typically planned and funded regionally, but housing development is approved municipally, creating coordination challenges for transit-oriented development.

Municipal Financial Pressures

Municipal governments across the GTHA face significant financial pressures that affect their approach to housing development and infrastructure investment.

- **Limited Revenue Tools:** Municipalities have limited options for raising revenue, primarily property taxes and development charges. This constrains their ability to fund infrastructure without directly charging development.
- **Service Level Expectations:** Residents expect high levels of municipal services, parks, libraries, recreation facilities, emergency services, but are resistant to tax increases to fund these services.
- **Infrastructure Deficits:** Many GTHA municipalities face substantial infrastructure deficits from decades of under-investment, creating pressure to fund infrastructure upgrades through new development.
- **Growth Management Costs:** Managing rapid growth requires administrative capacity, planning expertise, and infrastructure coordination that many municipalities struggle to fund and deliver.

These financial pressures create incentives for municipalities to maximize revenue from new development while minimizing costs, often through development charges and approval fees that get reflected in final housing costs.

THE MYTH:

“Development charges fairly distribute infrastructure costs.“

THE REALITY:

Current development charge (DC) structure adds $100K+ per unit while creating timing mismatches.

THE MATH*:

GTHA Development Charges Analysis:

- 2011 average DCs: $26,000 to $47,000 per unit
- 2023 average DCs: $100,000 to $132,000 per unit
- Increase: 208% over 12 years (vs 25% income growth)
- DC proportion of home cost: 15.6% of final price

Cash Flow Mismatch:

- DCs paid: At building permit (in month 18 of project)
- Infrastructure built: 4-6 years after permit
- Developer carrying cost: 8% annually on $100K = $8K/year
- Infrastructure timing cost: $16K-24K per unit

Alternative Financing Models:

Current Model:

- Upfront DC payment: $100K per unit
- Carrying cost to developer (for 3.5 years): $28K
- Total cost: $128K per unit

Deferred DC Model:

- DC payment: At occupancy (saves 18 months carrying)
- Carrying cost: $0
- Infrastructure financing: Municipal debenture at 4% for 25 years
- Total cost: $104K per unit
- Savings: $24K per unit = $200/month rent reduction

Infrastructure Financing District Model:

- Infrastructure funded: Through property tax increment
- Development charges: Eliminated
- Property tax increase: $150/month over 20 years
- Net savings: $917/month vs current DC system

Middle-Income Workforce Affordability:

- Contributes to but does not achieve affordability for $55K+ earners

**** For demonstrative and illustrative purposes only using our typical 200-unit workforce housing apartment building project as our hypothetical base case.***

DEVELOPMENT ECONOMICS

Developers are the orchestrators of the housing development process, assembling land, capital, regulatory approvals, construction capacity, and market demand into viable housing projects. Understanding developer economics is crucial to understanding why the current system produces the housing it does, and what changes would be needed to produce different outcomes.

To better understand the myth of developer economics and risk management, consider the following facts and impacts on the housing system.

Capital Assembly

Most housing development requires multiple sources of capital with different risk and return profiles.

- **Equity Capital** (20-40% of total project cost) bears the highest risk and expects the highest returns. Equity providers typically expect returns of 15-25% annually and bear the first loss if projects fail.
- **Construction Financing** (60-80% of total project cost) provides short-term funding during the construction period. Construction lenders typically charge 2-5% above prime rate and require personal guarantees from developers.
- **Permanent Financing** (70-85% of completed project value) provides long-term funding once projects are complete and occupied. Permanent lenders offer lower rates but require proven operating performance.
- **Gap Financing** bridges timing mismatches between other financing sources. Gap financing is expensive, often 10-15% annually, but essential for complex projects.

Each financing source has different requirements, timelines, and approval criteria. Assembling all required financing is a complex coordination challenge that can take months or years to complete.

Construction Costs

Construction costs represent 55-60% of total development costs in most GTHA projects, making cost management crucial to project viability. However, construction cost management has become increasingly challenging due to several factors.

- **Material Cost Volatility:** Lumber, steel, concrete, and other building materials have experienced extreme price volatility, making project budgeting difficult and expensive.
- **Labour Shortages:** Skilled construction trades are in high demand across the GTHA, driving up labour costs and extending construction timelines.
- **Supply Chain Disruptions:** Global supply chain challenges affect availability and pricing of everything from windows to elevators, creating delays and cost overruns.
- **Quality and Code Requirements:** Building code requirements and quality expectations have increased substantially, driving up construction costs without necessarily adding value for end users.
- **Developer Construction Expertise:** Experienced developers can achieve 10% cost reductions through value engineering, efficient design, bulk purchasing, and construction innovation. These savings represent $35,625 per unit and can be passed through to workforce affordability while maintaining project viability.

Risk Management

Successful developers typically manage multiple projects simultaneously to spread risk and maintain steady business operations. However, this multi-project approach creates its own challenges.

- **Capital Allocation:** Each project requires significant capital commitments years before revenue is generated. Developers must carefully manage cash flow across multiple projects to avoid liquidity crises.
- **Market Timing:** Housing markets are cyclical, but development timelines are long. Developers must make commitments based on current market conditions but deliver products years later when markets may be very different.
- **Regulatory Risk:** Planning and zoning changes can affect project viability long after initial commitments are made. Developers must manage regulatory risk across their entire project portfolio.
- **Financing Coordination:** Each project has its own financing requirements and timelines. Coordinating multiple financing packages while maintaining overall business creditworthiness is a complex management challenge.

Business Sustainability vs. Affordability

Developers require sufficient returns to justify the risks and capital commitments involved in housing development. These return requirements directly affect what types of housing projects are financially viable. Housing development involves substantial risks that must be compensated through risk-adjusted returns:

- **regulatory risk** of approval delays or denials;
- **market risk** of changing demand or pricing conditions;
- **construction risk** of cost overruns or delays; and
- **financing risk** of changing interest rates or credit availability.

Developers typically target returns of 15-25% annually to compensate for these risks. Projects that cannot achieve these returns will not attract development capital, regardless of housing need.

This creates a fundamental challenge for workforce housing: the returns required to attract development capital are often incompatible with affordability requirements. Projects that provide housing affordable to middle-income workers often cannot generate returns sufficient to attract private development capital without alternative financing or system improvements.

This significantly enlarged “affordability trap” explains why market-rate development focuses on higher-income buyers while affordable housing relies on subsidies. The gap in the middle-income workforce housing has widened substantially between market economics and subsidy programs.

THE MYTH:

“Developers make huge profits and could easily reduce prices“

THE REALITY:

Developer margins are typically 15-25%, reflecting high risks and long timelines

THE MATH*:

Capital Requirements:

- Total Project Investment: $128.4 M ($642,384 / unit)
- Required 15% return: $15.7 M annually
- Break-even rent: $3,824 / month
- Workforce target rent @ $65K salary: $1,625 / month
- Rent gap: $2,199 / month
- Key Insight: Even eliminating all developer profit would only reduce the rent by $1,245 / month ($3,824 to $2,579 / month) still leaving a $954 / month rent gap for workforce affordability @ $65K annual salary.

Risk-Adjusted Returns:

- Development timeline: 36 months average
- Market risk: Rent/cap rate changes can eliminate profit
- Regulatory risk: Approval denial loses $3.2M equity
- Construction risk: 10% cost overrun = $7.125M loss
- Required return: 20-25% to compensate for these risks

**** For demonstrative and illustrative purposes only using our typical 200-unit rental apartment building project as our hypothetical base case.***

The Myths Of Income

There a myth related to income that is commonly cited as leading causes of and/or potential solutions for our housing affordability crisis:

Myth 7: "Middle-income workers can afford housing if they just save more or move further out."

HOUSEHOLD ECONOMICS

The development economics that determine housing costs must ultimately connect with the financial realities of the middle-income workforce that needs housing. Understanding end-user economics, what people can actually afford to pay for housing, is crucial to designing development approaches that create genuine affordability.

To better understand the myth of household economics, consider the following facts and impacts on the housing system.

Purchase Affordability: The Mathematics of Homeownership

Homeownership in the GTHA has become a mathematical impossibility for most middle-income workers. The numbers are stark and unforgiving.

For example: a typical workforce housing purchaser earning $75,000 annually can qualify for a mortgage of approximately $350,000 under current lending rules. With a 10% down payment, this provides purchasing power of roughly $390,000. However, the average resale price for even modest housing across GTHA markets typically exceeds $700,000, which translates into a gap of over $300,000 between earning capacity and actual housing costs.

This gap has widened dramatically over the past decade. In 2014, the $75,000 earner could qualify to purchase a resale home in many GTHA markets; today, that same earner is effectively excluded from homeownership across most of the region.

Even if appropriate housing were available at appropriate prices, the down payment requirement creates an additional barrier. Saving $100,000 to $200,000 cash for a down payment while paying high rents is nearly impossible for most middle-income earners. The median time to save a down payment in the GTHA now exceeds 12 years for middle-income earners, compared to six years a decade ago.

This creates a vicious cycle: high rents make it difficult to save for homeownership, while lack of ownership options keeps people in the rental market, maintaining upward pressure on rents.

Rental Market Realities

The rental market theoretically provides more accessible housing options, but rental affordability has also deteriorated significantly. A middle-income household can afford rent of approximately $1,875 monthly (30% of $75,000 gross income). However, average rents for two-bedroom apartments in most GTHA markets now exceed $3,000 monthly. This forces difficult choices, as fully addressed in Paper One of this series:

- **Location compromises***:* Moving further from employment centres to find affordable rent, increasing commute times and transportation costs.
- **Size compromises***:* Accepting smaller housing than household and family needs require.
- **Sharing arrangements***:* Adult roommates or multi-generational living to share housing costs.
- **Cost burden***:* Spending 40-50% or more of income on housing, leaving little for other necessities.

Income Growth vs. Housing Cost Growth

The fundamental challenge in workforce housing is aligning housing costs with the earning capacity of the workforce that needs housing. This requires understanding both sides of the equation: what middle-income workers earn and what housing costs.

Over the past decade in the GTHA, housing costs have increased at roughly twice the rate of income growth. This divergence means that housing affordability deteriorates every year for middle-income earners who make up nearly 50% of GTHA households, even if their incomes are growing.

For example: a nurse earning $70,000 in 2014 could afford housing options that represented perhaps 25% of the GTHA housing stock. The same nurse earning $85,000 today (21% income growth) faces housing costs that have increased by 45-65%, meaning their housing options have shrunk to perhaps 8% of current housing stock. This divergence is unsustainable. Either income growth must accelerate dramatically, housing cost growth must moderate significantly, or new approaches to housing provision must bridge the gap.

Geographic Income Variations

Income levels vary significantly across the GTHA, but housing costs have become more uniform across the region. This creates particular challenges for essential workers whose employment is location specific.

For example: A teacher in Toronto earns roughly the same salary as a teacher in Durham Region but faces significantly higher housing costs. A nurse working at a downtown hospital cannot choose to live in a lower-cost distant suburb if their work requires proximity to the hospital.

This geographic mismatch between income and housing costs forces workforce housing solutions to be location-specific, considering both local income levels and local housing costs.

THE MYTH:

"Middle-income workers can afford housing if they just save more or move further out"

THE REALITY:

The math doesn't work even with maximum stretching

THE MATH*:

Purchase Affordability ($65,000 GTHA worker):

- Gross monthly income: $5,417
- Mortgage qualification (32% GDS): $1,733/month
- Mortgage amount (at 6.5%, 25 years): $285K
- With 10% down payment: $315K purchasing power
- GTHA average home price: $1.1M
- Affordability gap: $785K (249% more than affordable)

Rental Affordability ($65,000 GTHA worker):

- Affordable rent (30% of gross): $1,625/month
- GTHA average 2-bedroom rent: $2,800/month
- Monthly gap: $1,175 (72% more than affordable)
- Annual shortfall: $14,100

**** For demonstrative and illustrative purposes only using our typical 200-unit workforce housing apartment building project as our hypothetical base case.***

"Drive Until You Qualify" Math:

- Commute from affordable area (Barrie to Toronto): 90 minutes each way
- Transportation costs: $8,400/year (gas, insurance, vehicle wear)
- Time cost (180 hours/month at $31/hour wage): $5,580/month
- Total real cost: Higher than staying and paying premium

Saving for Down Payment Reality:

- Required down payment (GTHA average): $110K
- Possible savings (after rent, taxes, living costs): $2,400/year
- Time to save: 46 years
- Home price appreciation: 4% annually = prices double in 18 years
- Conclusion: Mathematically impossible to catch up

The Myths of Delays

Two myths related to delays are commonly cited as leading causes of and/or potential solutions for our housing affordability crisis.

Myth 8: "Approval delays are a minor inconvenience that don't really affect housing costs."

Myth 9: "Community consultation doesn't add significant costs to housing."

PROCESS DELAYS

Time is money in development, but in the GTHA's complex regulatory environment, time has become one of the largest cost drivers in housing development. What should be a predictable process for approving appropriate development has become a maze of overlapping jurisdictions, competing requirements, and uncertain timelines that add substantial costs to every housing project.

To better understand the myth of process delays, consider the following facts and impacts on the housing system.

The Planning Application Process

A typical workforce housing project in the GTHA might require multiple planning approvals.

- **Official Plan Amendment** if the proposed development does not conform to existing policy.
- **Zoning Bylaw Amendment** to permit the proposed density, height, or use.
- **Site Plan Approval** for detailed design and technical requirements.
- **Committee of Adjustment** applications for minor variances.
- **Multiple technical studies** addressing traffic, environmental, heritage, and servicing impacts.

Each approval has its own timeline, requirements, and potential for delay. More problematically, these approvals are often sequential rather than concurrent, meaning delays in one approval cascade through the entire process.

The Cost of Uncertainty

Regulatory uncertainty creates costs that go far beyond simple delays. When developers cannot predict approval timelines or requirements, they must build risk premiums into their projects to account for potential delays, cost overruns, or approval failures. These risk premiums get reflected in final housing costs even for projects that proceed smoothly.

The most expensive uncertainty involves fundamental project viability. When basic parameters like permitted density, height, or use are uncertain through the approval process, developers face the possibility that approved projects will be financially unviable. This uncertainty makes projects more expensive to finance and riskier to undertake.

Technical Studies and Compliance

GTHA municipalities require extensive technical studies for most development projects, addressing everything from traffic impacts to environmental concerns to heritage considerations. While these studies serve legitimate planning purposes, they also add significant costs and delays to the development process.

The challenge is that technical study requirements have grown organically over time, often without consideration of cumulative impacts on development economics. A project might require a dozen different studies, each taking several months and costing $10,000-$50,000 each, adding $500,000-$750,000 to costs before any substantive planning review begins.

More problematically, study requirements are often duplicative or unnecessary for the specific project. A workforce housing project on a transit-oriented site might require a traffic study that assumes car-oriented development patterns, or an environmental study that addresses concerns irrelevant to the specific site.

While municipalities are reviewing and seeking to improve these processes, these take time and policy and procedures are not necessarily consistent or coordinated across the GTHA.

Appeal Processes and Extended Timelines

The planning appeal process provides important checks and balances in the development approval system, but it also creates opportunities for extended delays that can make projects financially impossible. Appeals to the Ontario Land Tribunal can take 12-24 months to resolve, during which developers face ongoing carrying costs, market risk, and financing challenges.

The appeal process affects development economics even for projects that are not appealed. The possibility of appeal makes projects riskier and more expensive to finance, and the uncertainty about final approval makes it difficult to secure construction financing or pre-sales.

Quantifying Delay Costs

The cumulative cost of delays in the GTHA development process is substantial.

- **Carrying Costs:** Developers typically carry land and development loans throughout the approval process. At current interest rates, carrying costs can range from $2,000-$8,000 per unit per month depending on project scale and financing structure.

- **Market Risk:** Extended approval timelines expose projects to market volatility. Construction costs, interest rates, and sales prices can all shift significantly during multi-year approval processes, affecting project viability.

- **Opportunity Costs:** Capital tied up in delayed projects can't be deployed elsewhere, reducing overall development industry capacity and increasing the cost of capital for housing development.

- **Regulatory Costs:** Legal fees, consultant costs, and municipal fees accumulate throughout extended approval processes, often totaling $100,000-$500,000 per project regardless of project outcome.

THE MYTH:

"Approval delays are a minor inconvenience that don't really affect housing costs."

THE REALITY:

Each month of delay adds $500-$1,500 per unit to final housing costs.

THE MATH*:

GTHA Approval Timeline Analysis:

- Current average timeline: 30 months from application to occupancy
- Best practice timeline: 12 months
- Excess delay: 18 months

Cost of Delay (200-unit, $87.25M project):

- Land carrying costs: 6% annually on $16M land = $960K/year = $80K/month
- Consultant/legal fees: $25K/month
- Market risk/price escalation: $40K/month
- Total monthly delay cost: $145K = $725 per unit per month

18-Month Excess Delay Impact:

- Total additional cost: $145K per month for 18 months = $2.61M
- Per unit impact: $13,050
- Monthly rent impact: $109/month increase

Municipal Comparison:

- Fast-track municipalities (12 months): Enable progress toward workforce affordability
- Slow municipalities (36+ months): Price out workforce entirely

**** For demonstrative and illustrative purposes only using our typical 200-unit rental apartment building project as our hypothetical base case.***

COMMUNITY ENGAGEMENT

Housing development does not happen in a vacuum, it happens in communities where people live, work, and have built their lives. Understanding the community side of development economics means grappling with legitimate concerns about neighbourhood change while recognizing that resistance to development has real costs that ultimately get reflected in housing prices.

To better understand the myth of community engagement, consider the following facts and impacts on the housing system.

Community Dynamics and Their Economic Impact

Opposition by existing residents to new housing development is often dismissed as selfish or short-sighted, but the reality is more complex. Existing residents have legitimate concerns about how new development will affect their neighbourhood, traffic, parking, school capacity, community character, and property values. The challenge is that addressing these concerns through the development process adds time and cost that gets reflected in final housing prices.

Community opposition typically manifests in several ways, each with distinct economic impacts:

- **extended consultation processes** that add 6-18 months to project timelines;
- **design modifications** that reduce density or add costly features to address community concerns;
- **appeal processes** that can delay projects for years while adding legal and carrying costs; and
- **political risk** that makes financing more expensive and complex.

The irony is that many community concerns about new development stem from decades of poor development practices. Communities that have experienced inappropriate development, inadequate infrastructure, or broken promises from developers and municipalities develop, quite rationally, a skepticism about new proposals. This skepticism creates costs for all subsequent development, including projects that would genuinely benefit the community.

The Economics of Consultation

Meaningful community engagement is essential for good development, but the current consultation process in many GTHA municipalities has become a costly and time-consuming exercise. Multiple rounds of public meetings, each requiring extensive preparation and follow-up, can add $50,000-$200,000 to project costs while reaching only a small fraction of community residents.

The challenge is designing consultation processes that genuinely engage community voices, while avoiding the delays and costs that make affordable workforce housing financially impossible. This might involve front-loading community input into policy development rather than project-by-project review, using digital engagement tools and accessing the engagement power of trusted local anchor organizations, like community centres, to reach broader community voices, or creating standard community benefit formulas that provide predictability for both developers and communities.

Displacement and Community Change

New housing development, particularly in established neighbourhoods, raises legitimate concerns about displacement and gentrification. When higher income residents move into historically low-income neighbourhoods, this invariably leads to rising property values, rents, and living costs which can displace long-time residents and businesses. These concerns reflect real economic pressures that affect community residents, but addressing them through the development approval process often makes affordability worse, not better.

For example: when communities ask for below-market rental replacement housing for every unit of affordable housing that gets demolished, they are expecting the housing market to solve income inequality through development economics. When they require extensive community benefits as conditions of approval, they are adding costs that get reflected in final housing prices.

THE MYTH:

"Community consultation doesn't add significant costs to housing."

THE REALITY:

Extended consultation processes can add $50,000-$200,000 per project.

THE MATH*:

Community Consultation Cost Breakdown:

- Public meetings (6 rounds): $60,000 (venue, materials, staff time)
- Design modifications from community input: $150,000
- Additional delay (6 months): $145K x 6 = $870K
- Legal/planning fees for appeals: $75,000
- Total consultation costs: $1.155M = $5,775 per unit

Community Opposition Impact Analysis:

- Projects facing opposition: 65% experience 12+ month delays
- Appeal success rate: 23% (but 100% cause delay)
- Average appeal timeline: 18 months additional
- Cost per month of delay: $145K for 200-unit project
- Delay cost: $2.61M = $13,050 per unit = $109/month rent increase

**** For demonstrative and illustrative purposes only using our typical 200-unit rental apartment building project as our hypothetical base case.***

All these expectations or requirements may be justified on social equity grounds, but they can work against housing affordability. Therefore, the solution is not to ignore displacement concerns or the need for community benefits, but to address them through policy tools designed for that purpose—such as tenant protection measures, community land trusts, and social housing programs, rather than through the development approval process that ultimately makes all housing more expensive.

Preliminary Insights For Action

Reframing the housing equation using the Housing Affordability Formula and applying it to the current New Home Development System in the GTHA provides clearer evidence how isolated interventions can only ever provide incremental improvements, and how a coordinated systems approach can reduce costs and have meaningful impacts on "building more affordably" in order to build affordable housing.

There are three key action areas that could be explored immediately and ideally across all municipalities in the GTHA to start driving the changes for affordability, including: maximum impact interventions, partnership and collaboration models, and the participation of non-profits.

MAXIMUM IMPACT INTERVENTIONS

Understanding the complete new home development eco-system reveals that not all interventions are created equal. Some changes produce incremental improvements, while others create transformational impact by addressing fundamental bottlenecks or misalignments in the system. Therefore, the key is to focus on those strategies or policies that will yield maximum lasting impact.

Based on our analysis of the current GTHA new home development market, following are some potential changes to policy, process, regulation, or strategy that could be explored to incentivize and enable affordable workforce housing development.

1 High-Impact Planning and Policy Interventions

- **Streamlined Approval Processes:** Reducing approval timelines from 36 months to 12 months can reduce carrying costs by $27,634 per unit while also enabling more predictable development economics.
- **Pre-Approved Housing Designs:** Standardized housing designs that meet planning and building code requirements across all jurisdictions and municipalities can eliminate months of design review while reducing development costs and risks.
- **Inclusionary Zoning with Flexibility:** Policies that require affordable housing but provide

multiple compliance options—such as on-site units, off-site units, or cash-in-lieu—can create affordable housing without making projects financially impossible.

- **Infrastructure Funding Reform:** Mechanisms that align infrastructure funding with infrastructure delivery can eliminate delays and carrying costs that drive up housing prices.

2 Investment Attraction Strategies

- **Creating Investment-Grade Products:** Standardizing development processes and investment structures can make investing in affordable workforce housing more accessible to institutional investors who require scale and predictability.

- **Policy Frameworks for Institutional Capital:** Tax policies, regulatory frameworks, and investment incentives that recognize the unique characteristics of institutional investment can unlock massive pools of capital for workforce housing.

- **Track Record Development:** Successful demonstration projects can prove the viability of workforce housing investment, creating confidence for larger-scale institutional investment.

3 Potential Market Structure Improvements

- **Anti-Speculation Measures:** Policies that discourage land speculation, such as vacancy taxes or "use-it-or-lose-it" zoning, can reduce land costs without preventing legitimate development.

- **Development Industry Capacity Building:** Skilled labour training programs, financing assistance, and technical support for developers can expand the capacity of the development industry to deliver affordable workforce housing.

- **Community Benefit Formulas:** Standardized approaches to community benefits can provide predictability for developers, while ensuring community needs are addressed.

4 Coordinated Intervention Strategies

The highest-impact interventions are those that address multiple aspects of the development eco-system simultaneously. Some models or strategies to consider for the GTHA could include:

- **Transit-Oriented Workforce Housing Districts**: Coordinated investment in transit infrastructure, streamlined planning approvals, and affordable workforce housing development can create complete communities, while maximizing infrastructure investment.

- **Institutional Investment Pilot Programs:** Partnerships between pension funds, municipalities, and developers can demonstrate the viability of institutional investment in affordable workforce housing, while building track records for larger-scale investment.

- **Regional Growth Management:** Coordinated planning across the GTHA that aligns housing development with employment growth and infrastructure investment can address regional housing needs, while optimizing infrastructure efficiency.

- **Community Partnership Models**: Approaches that engage community members as partners in housing development rather than obstacles can reduce development timelines, while building community support for housing.

COLLABORATION AND PARTNERSHIPS

Our Housing Affordability Formula (S+F+I-D=A) shows that system improvements can potentially reduce development costs by $209,126 per unit in the GTHA. But the challenge is not necessarily in creating these savings *per se*. Rather, it is in structuring viable partnerships where developers can earn reasonable returns while delivering housing that middle-income workers can afford, and ensuring these savings reach end-users through contractual affordability commitments.

The New Home Development System as it stands forces an impossible choice: developers must maximize returns to manage risk and access capital, while communities need affordable housing. But our formula suggests that affordable workforce housing can also become a viable business model through the right partnerships, streamlined processes, and collaborative cost reduction that benefits all stakeholders.

A closer look at the tangible benefits of building affordable workforce housing also suggests this is an untapped market opportunity and not a burden, in offering:

- **Stable tenant base:** Employed, credit-worthy renters who value housing stability.
- **Reduced risk:** Institutional partners provide patient capital and shared risk.
- **Regulatory advantage:** Faster approvals and access to prime development sites.
- **Market differentiation:** Community-builder reputation attracts ESG-focused investors.
- **Volume opportunities:** Access to larger-scale institutional capital for multiple projects.

There are three examples of Collaborative Partnership Models that could potentially address the affordable workforce housing challenge in the GTHA—each with its own opportunities and benefits.

1 Comprehensive Development Partnerships

This model tackles the issue of system-related costs (i.e. planning delays, development charges, risk premiums) that are currently adding over $209,000 per unit in costs, by establishing **formal multi-stakeholder partnerships** where each party contributes their expertise and resources to deliberately reduce any avoidable costs.

Based on our hypothetical base case project*, a partnership structure would include:

- municipalities contributing land ($80K/unit reduction), streamlined approvals ($27.6K/unit reduction), and deferred development charges ($20K/unit reduction);
- developers contributing their value-engineering expertise for construction optimization ($35.6K/unit reduction) and accepting reasonable returns;

For demonstrative and illustrative purposes only using our typical 200-unit rental apartment building project as our hypothetical base case.

- community contributing their policy support ($15K/unit reduction); and

- institutional capital contributing lower cost "patient capital" financing ($41.8K/unit reduction).

Total collaborative savings would total $209K per unit, which translates into a $1,245 per month rent reduction or an equivalent of $49K less required in annual income to qualify. This would have an immediate benefit in broadening affordability to a wider range of middle-income workers, which is a key outcome and incentive for municipalities, communities, and institutional inventors to participate.

Importantly, developers who are ultimately carrying the development risk, would also benefit from this model in gaining: $80K per unit savings in carrying costs; access to institutional capital at 7% vs 15% market rates; faster project timelines and reduced regulatory risk; and access to a stable, long-term tenant base, while also still achieving reasonable development returns.

2 Phased Affordability Approach

This model tackles the reality that even with deliberate and maximum collaboration as demonstrated in the Comprehensive Development Partnership model that broadens affordability, there would still be a large group of middle-income workers facing a rent gap: $454 to $954 per month for middle-income workers earning $65K to $85K, and $1,579 per month for those earning $40K annually.

A Phased Affordability Approach addresses and reduces this gap over time through phased targeted interventions that are layered onto the Comprehensive Development Partnership model.

Based on our hypothetical base case project*, a phased affordability approach layered onto a partnership structure could be implemented as follows:

- **Phase 1:** Collaborative partnerships reduce break-even rents to $2,579/month;

- **Phase 2:** Income supplements averaging $700/month are provided to middle-income workers earning $65K to $85K to reduce and/or eliminate rent gaps and broaden affordability further; and

- **Phase 3:** Focus higher-rent units on skilled workforce earning over $85K annually.

This main benefit of this approach is in providing targeted support and direct assistance only to those who need it the most, which means that more middle-income workers can access housing they can afford. This approach also costs less for the public: instead of adding $209,126 per unit in system-related costs, the subsidy costs $140,000 per unit. Moreover, this approach maintains market viability for developers who can still earn reasonable returns with reduced risk.

For demonstrative and illustrative purposes only using our typical 200-unit rental apartment building project as our hypothetical base case.

3 Mixed-Income Workforce Communities

The model focuses on creating mixed-income workforce housing communities that can serve the full range of salary levels of middle-income worker households (i.e. $40K to $120K) within the same development.

For example, using our hypothetical base case project*, a mixed-income workforce housing community could be structured where the municipality contributes $16M in land value and the developer contributes $71.25M in construction and expertise to yield a targeted outcome of:

- 80 units at $2,579/month (affordable to $100K earners—e.g. senior nurses, experienced teachers); and
- 120 market units at $3,824/month (developer profit margin).

This model still requires some collaboration and coordination with other partners to achieve the affordable rents, and the developer would make a 12% return on invested capital with a reduced risk profile, but the higher proportion of rents reduces the degree of collaboration required.

THE ROLE FOR NON-PROFITS

Non-profit housing organizations represent a potentially valuable but currently underutilized component of middle-income workforce housing partnerships in the GTHA. While the sector brings mission-driven focus on affordability outcomes, deep community connections, and credibility as trusted intermediaries between market forces and community needs, most organizations lack the scale and development capacity to make a significant impact on the middle-income workforce housing challenge.

In the GTHA, non-profit housing development accounts for a very small proportion of total new home building activity. To fulfill their potential role in workforce housing partnerships, non-profits would need to substantially grow their development expertise, financial capacity, and operational capabilities through strategic investment in organizational development, partnerships with experienced developers, and access to patient capital that allows them to build track records in workforce housing delivery. This capacity building cannot happen organically. It requires deliberate support from governments, foundations, institutional partners, and the development industry who are all committed to building a more robust non-profit housing development sector capable of operating at the scale this challenge demands.

**** For demonstrative and illustrative purposes only using our typical 200-unit rental apartment building project as our hypothetical base case.***

With this enhanced capacity, non-profits could then serve crucial roles in middle-income workforce housing partnerships with developers and municipalities, providing their experience, expertise and/or oversight in:

- maintaining long-term affordability commitments beyond typical market cycles;
- providing wraparound services that ensure residents thrive;
- leveraging additional funding sources, including grants and donations, to enhance affordability; and
- serving as community-accountable stewards of public investments in middle-income workforce housing.

Experienced developers would contribute significantly to a workforce housing partnership in bringing their overall knowledge and experience in new home development, access to capital, the critical team infrastructure to deliver, and their construction experience and expertise to find ways to "build more affordably", including their economies of scale. For example:

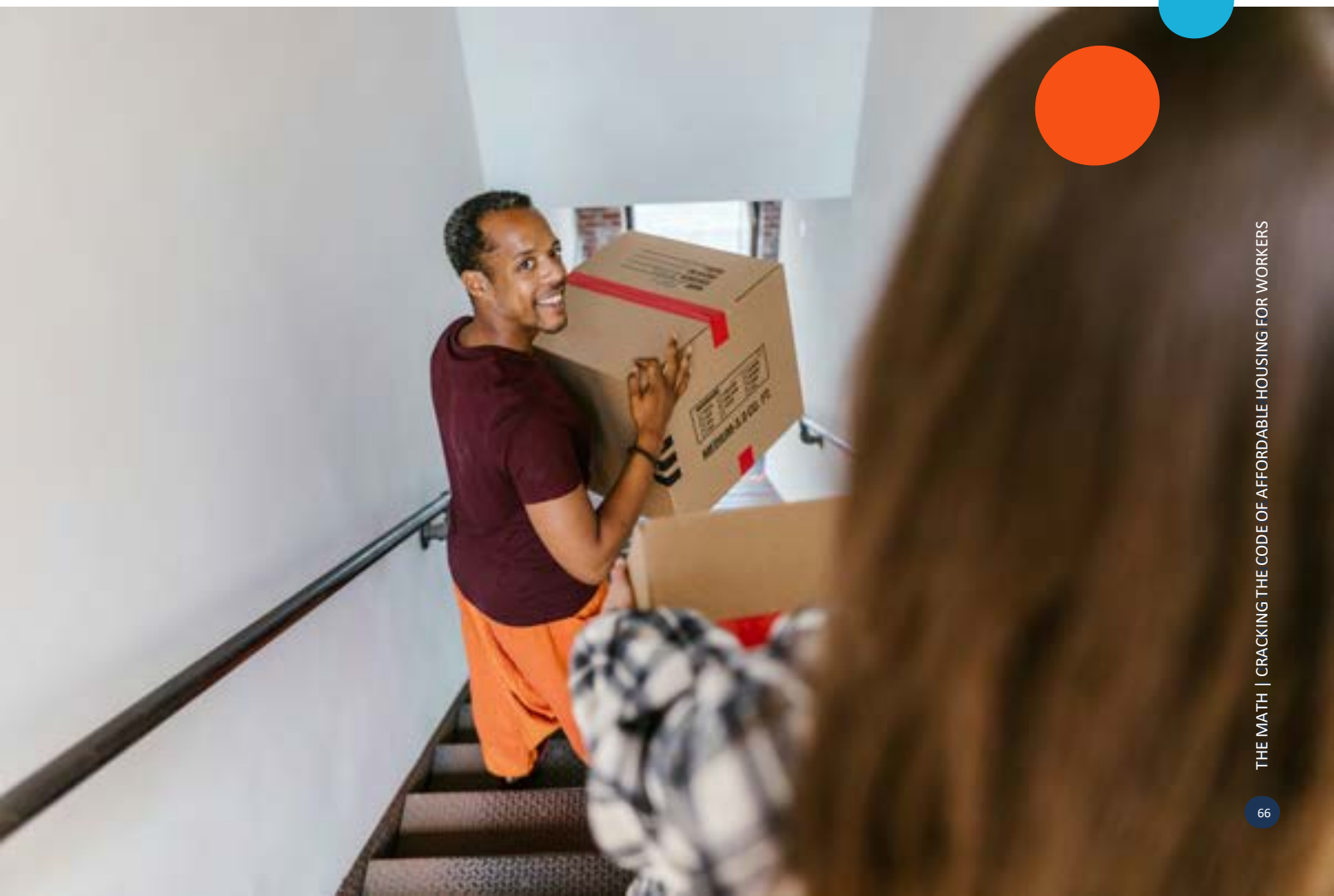
- **design standardization** to reduce architectural and engineering costs while maintaining quality and functionality.
- **value engineering** to optimize building systems, materials, and construction methods without compromising performance or resident experience.
- **bulk purchasing power** for materials and systems across multiple projects, achieving economies of scale that benefit affordability.
- **construction innovation** to implement efficient building methods and technologies that reduce costs and timelines.
- **supply chain optimization** reducing material costs and delivery timelines through strategic partnerships and planning.
- **trade coordination** improving construction schedules and reducing waste through experienced project management.

Critical to success in engaging and partnering with the non-profit sector will be ensuring that affordability benefits and cost savings actually reach tenants rather than simply increasing profits.

This can be achieved through several up-front terms, agreements and commitments, including:

- **Contractual Affordability Requirements:** Legal agreements requiring that system-enabled savings be passed through as below-market rents for 15-25 years.
- **Performance-Based Partnerships:** Public benefits (land, fast-track approvals, fee deferrals) contingent on delivering specific affordability targets verified through annual reporting.
- **Income-Linked Pricing:** Rents tied to area median income levels with annual adjustments, ensuring housing remains affordable as both costs and incomes change.
- **Transparency and Accountability***:* Annual public reporting on rent levels, tenant incomes, and affordability compliance with community oversight mechanisms.

The business case is clear for building up the capacity of the non-profit sector to work alongside and/or partner with experienced developers to deliver middle-income workforce housing, which is a massive and largely untapped opportunity in the GTHA. With a market size of 920,000 workers who earn $52K to $104K annually, of which 67.7% are considering relocating due to unaffordable housing costs, the demand is real and the investment opportunity is estimated at $45 billion over 10 years (CivicAction, 2025, *The Human Story of Workforce Housing*).



Concluding Thoughts & Next Steps

The mathematics of housing are not really about mathematics; they are about choices. The choices we make about how to plan communities, finance development, engage residents, and coordinate across jurisdictions determine whether the people who power our regional economy can afford to live in the communities they serve.

Our Housing Affordability Formula (S+F+I-D=A) reveals that housing affordability is not determined by any single factor, but by the complex interaction of supply systems, financing mechanisms, income realities, and delay costs. This complexity can seem overwhelming, but it also creates opportunities for transformational change.

Every element of the current system was designed by people making decisions they thought were reasonable at the time and from their own place and perspective within the New Home Development System. But the cumulative impact of those individual and siloed decisions has created a system that optimizes for many things such as municipal revenue, development industry returns, community consultation, and infrastructure funding, but not for workforce housing affordability.

Moving Forward Together

The good news is that we can make different decisions, and we do not have to make them alone. The workforce housing challenge requires the expertise, capital, and innovation that developers bring to successful projects. Rather than viewing this as a regulatory burden, we can position developers as essential partners in creating solutions that work for everyone.

But partnership is a two-way street. Just as we ask municipalities to streamline approvals and communities to embrace change, we must ask developers to embrace their role as community builders, not just profit maximizers. This means being willing to contribute their construction expertise and accept reasonable returns that reflect the reduced risk and community support that partnerships provide.

- We can design approval processes that balance planning oversight with development efficiency, while developers commit to passing cost savings through to workforce affordability.

- We can create financing mechanisms that engage institutional capital in workforce housing, while developers accept reasonable returns that reflect reduced risk and community partnership.

- We can plan infrastructure that supports affordable housing development, while developers contribute their fair share to the communities where they are building.

- We can embrace new partnerships with potential untapped investors, such as institutional capital who are seeking stable, long-term returns that tend to be aligned with delivering affordable workforce housing for middle-income earners.

As a result, the math can also work. Our analysis demonstrates that collaborative system improvements can create cost savings of $209,126 per unit.

Success requires collaboration, not mere confrontation, and it also requires fairness and shared responsibility. Developers need profitable projects with reasonable risk-return profiles, and they must be willing to define "reasonable" in the context of community partnership rather than maximum extraction. Communities need middle-income workforce retention and economic vitality, and they must streamline processes that enable it. Investors need stable, long-term returns, and they must recognize that sustainable returns come from sustainable communities.

The Discipline of Deliberate Action

While the updated construction costs reveal that achieving workforce housing affordability for the lowest-income essential workers requires additional interventions beyond system optimization, the collaborative approach demonstrated through the Housing Affordability Formula creates a strong foundation for targeted income support, innovative ownership models, or employer-assisted housing programs that can bridge the remaining affordability gap.

The GTHA stands at a critical moment: the middle-income workforce housing crisis threatens our regional competitiveness, community sustainability, and social cohesion. But within this crisis lies unprecedented opportunity to build a different kind of housing system, one that works for the teachers, nurses, firefighters, tradespeople, and other workers who make our communities function.

The workers who power our regional economy deserve suitable housing they can afford: the development industry has the capacity to deliver it through collaborative partnerships. Institutional investors have the capital to fund it with patient, stable returns. Municipalities have the tools to enable it through streamlined processes and strategic asset contributions. While the non-profit sector in the GTHA has deep community connections, mission-driven focus on affordability outcomes, and credibility as trusted intermediaries, to fulfill their potential role, non-profits would need to substantially grow their development expertise, financial capacity, and operational capabilities.

The math is clear: business as usual will not solve this challenge. But the mathematics of possibility are equally clear. With coordinated action across the new home development ecosystem, where each partner contributes fairly and shares risks and benefits equitably, we can make substantial progress toward housing that works for the middle-income workforce that powers our regional economy.

The question is not whether we can solve the workforce housing challenge. The question is whether we will choose to build collaborative systems where everyone contributes their fair share for collective benefits or continue with approaches that serve narrow interests rather than community needs. True partnership requires mutual commitment from public sector efficiency and support, private sector expertise and fair sharing of risks and benefits, non-profit drive for servicing community needs, and community willingness to embrace and vie for appropriate change. When each partner brings both their strengths and their willingness to collaborate fairly, we can create solutions that work for everyone.

The decisions we make in the coming months and years will determine whether the GTHA becomes a region where all workers can afford to live and thrive, or one where too many people are systematically priced out. We have the knowledge, the tools, and the opportunity to create affordable workforce housing solutions that serve both market realities and community needs. What remains is the commitment to move from analysis to action by building the partnerships and systems that can deliver results at the scale this challenge demands.

The good news is that we have done this before. Challenges in our past have often been solved by bringing everyone together around the same table, united by the same goal, and hammering out a solution, together. We can achieve success again.

In the next paper, we will map the maze of processes, players, and policies that currently deliver housing in the GTHA, while identifying opportunities to engage new players who can support the transformation needed to make workforce housing a reality.

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