

**A Community Growing Apart:
Income Gaps and Changing Needs
in the City of Toronto in the 1990s**

Appendix IV:
Rental Housing Affordability and Low Income

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Rental Housing Affordability and Low Income

Rental housing affordability has become a major issue in the 1990s, particularly in very large cities such as Toronto. A major gap – indeed a chasm – has developed between market rents and the incomes of low-income persons and families.

Canada Mortgage and Housing Corporation (CMHC) considers a person or family to be in “core housing need” in terms of affordability if their housing consumes more than 30% of their before-tax income, and if suitable accommodation could not be obtained elsewhere in the community. Suitable housing would mean housing in good physical repair, with a suitable number of bedrooms, and housing which would not require the expenditure of more than 30% of before-tax income on rent, calculated with reference to average market rents in the community.

The most recent data on core housing need are for 1996, calculated from the Census. In that year, 18% of all households in Canada and 20% of those in the Toronto CMA were in core housing need – the great majority of whom were renters experiencing affordability problems (CMHC Research Highlights #55-2. *Special Studies on 1996 Census Data: Housing Conditions in Metropolitan Areas*).

CMHC has also produced research on households which spend more than 50% of their before-tax income on rent. This statistic has been used by the Federation of Canadian Municipalities, the City of Toronto and others as an indicator of acutely severe affordability problems in large urban centres. In 1996, 13.4% of Canadian tenant households were spending at least half of their pre-tax income on rent (CMHC, Socio-Economic Series #55-7).

The table below presents data for 1998 for three family types in the City of Toronto: a two-parent family with two children, a lone parent with one child, and a non-family person. We present data on the incidence of low income among these family types, defined as the proportion of each family type having less than half the median income of a similar family. We also present data on the monthly median income of those in low income, that is, their annual income, divided by 12.

By definition, half of all families or persons in each household category have incomes less than half of the median. Thus, in 1998, 8.3% of all husband-wife families with two children in the City of Toronto had monthly pre-tax incomes of less than \$1,300; 21.8% of lone-parent families with one child had monthly incomes of less than \$925; and 14.8% of non-family persons had incomes of less than \$583.

CMHC provides data on rents in the Toronto CMA for private units in buildings with six or more units, by the size of the apartment. In the table, we calculated the average rent for a “suitable” apartment for each family type. A median low-income family of two parents with two children would have to spend 67.6% of their before-tax income on an average

two-bedroom apartment. This rises to 95.0% of the income for a median low-income lone-parent family with one child for rent on an average two-bedroom apartment, and requires no less than all (101%) of the median before-tax income of a single or non-family person for rent of an average bachelor apartment.

Table 1: Rents Compared to Low Income, City of Toronto, 1998

	Husband-wife families with 2 children	Lone-parent families with one child	Non-family persons
Percentage in low income (less than half of median)	16.6%	43.7%	29.6%
Median monthly income (for those in low income)	\$1,300	\$925	\$583
Average rent in Toronto CMA	\$879	\$879	\$589
Rent as a percentage of median monthly income (for those in low income)	67.6%	95.0%	101.0%

Source: Income data from Statistics Canada Small Area & Administrative Data. Rental data is obtained from CMHC. For families with children rent refers to that for a two-bedroom apartment; for non-family persons rent refers to that for a bachelor apartment.

In determining core housing need, CMHC considers suitable housing to be such that each adult or cohabiting adult couple has a bedroom (with the exception of single persons in a bachelor unit), and that each child should have a bedroom unless they are of the same sex, or of different sexes and under the age of 5. Thus, many husband-wife families with two children in fact require a three-bedroom apartment (CMHC Research Highlights #55-1, *Canadian Housing Conditions*).

In plain language, the data show that the rent of an average, suitable apartment in a rental building would consume impossibly large shares of the before-tax income for low-income families and persons in the City of Toronto. This is particularly so for lone parents and single persons.

Of course, it could be said that these families and persons could rent units with below-average rents. Obviously many do and could not survive otherwise. Rents for rooms, second suites and apartments above stores are not included in the CMHC averages. However, these units and apartments with well-below-average rents are highly likely to be sub-standard, unsuitable for children, and they are also in very short supply.

While we lack definitive data, it seems highly probable that housing affordability problems for low-income families in Toronto have increased still further since 1998. Virtually no new rental housing has been built since 1998, let alone affordable rental housing, and some affordable units have been lost from the rental market. The vacancy rate in rental buildings has fallen even further – from 0.8% in 1998, to just 0.6% for one- and two-bedroom apartments in 2000. Rents in vacant units are generally increased significantly when they are re-rented, since rent controls no longer apply to vacant units.

CMHC data for the Toronto CMA show that rents in private rental buildings with six units or more have increased sharply since 1998. Between 1998 and 2000, monthly rent for a bachelor apartment increased by 15.3%, to \$679 per month; rent for a one-bedroom apartment increased by 14.0%, to \$832 per month; and rent for a two-bedroom apartment increased by 11.2 %, to \$982 per month. The proportion of lower-rent apartments has been steadily shrinking and by 2000, only one in three of all units were rented for less than \$800 per month (City of Toronto, *The Toronto Report Card on Homelessness, 2001*).

Definitive figures will not be available until the release of 2001 Census data in 2003, but it is clear that a very large proportion of the incomes of low-income families is being swallowed up by rising rental costs. Incomes at the bottom are not growing in line with soaring rental costs. Our community consultation sessions suggest that this is resulting in even deeper poverty than the income statistics suggest, severe overcrowding, and increased occupancy of sub-standard housing such as basement rooms. The chasm between low incomes and rents is also a major factor behind increased literal homelessness in the City of Toronto and increased use of shelters by all family types, including families with children.