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Houses Opening Today Toronto (HOTT)

Leading Urban Change project profile

Leading Urban Change

The Leading Urban Change (LUC) program is a hands-on professional development experience for mid- to senior-level professionals advancing workplace initiatives. Participants use the program to move a current or previous initiative forward through structured activities and applied learning – working through barriers, engaging stakeholders, and designing actionable strategies tailored to their leadership goals and local context.

LUC is a project accelerator whereby participants explore strategies and mechanisms to overcome barriers and identify growth opportunities. The program offers engagement with industry practitioners, faculty experts, and peers from across sectors, opportunities to expand professional networks, and one-on-one coaching.

Some key benefits include:

- Practical tools to advance a current workplace initiative
- Strategies for cross-sector collaboration and partnership-building
- Frameworks for systems-level thinking across sectors
- Insights into financing, governance, innovation, and policy
- Opportunities to apply data storytelling and equity-centred approaches
- Access to peer feedback, coaching, and expert instruction
- Option to collaborate in a case study write-up of your initiative, for publication on the School of Cities website

Leading
Urban
Change

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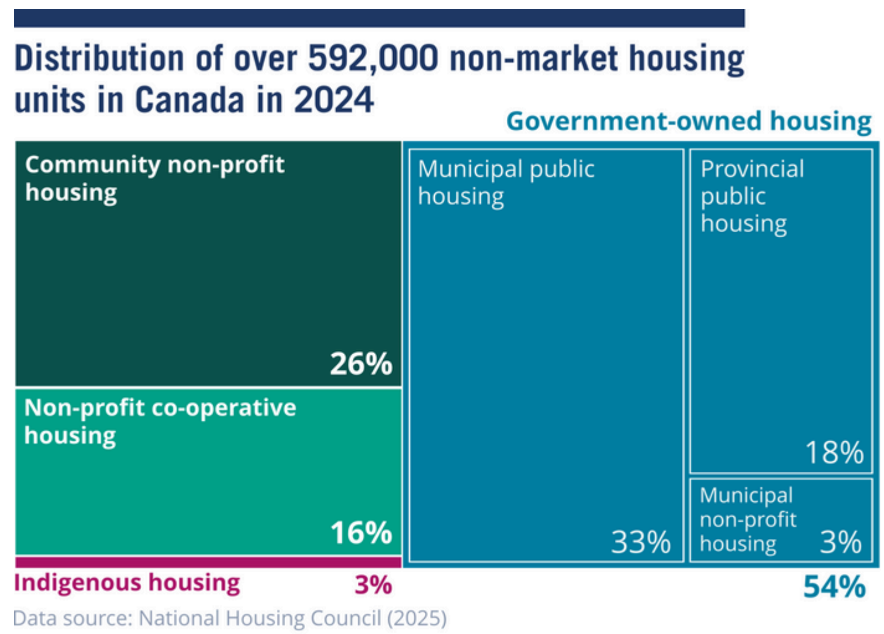
Introduction

In 2024, Canada had over 592,000 non-market units operated by both governments and non-profits with government support (figure 1).[1] The non-market sector makes up just 3.5% of Canadian housing stock, below its peak of 6% in 1996 and the OECD average of 7%.[2] Housing non-profits balance a patchwork of subsidies, operating agreements, and loans across the sector, all of which will eventually expire and mature for every property in their portfolios. These turning points create challenges and opportunities, especially for continuing to serve existing tenants.

Houses Opening Today Toronto (HOTT) is a non-profit navigating one such turning point. Founded in 1987, HOTT operates 14 properties across Toronto, ranging from apartments to shared rooming houses, with a majority of the homes as rent-geared-to-income (RGI) units in the Danforth neighbourhood. Financial support from the City of Toronto and CMHC provided 30-year operating agreements that have now expired across eight HOTT rooming houses (figure 2). HOTT and the City are continuing to operate them on the lapsed agreements' existing terms. HOTT now has the option to propose new agreements for the City's approval. They are considering four paths:

1. Selling properties to raise equity
2. Changing housing types
3. Changing rent and subsidy models
4. Refinancing properties

Figure 1: Distribution of non-market housing units in Canada in 2024



[1] CMHC, *Social and Affordable Housing Survey.*
[2] OECD, *Affordable Housing Database, 1.*

HOTT's board and staff are considering this as an opportunity to raise new funds, potentially financing more purchases or redevelopments of new non-market buildings.

Figure 2: HOTT's eight end-of-mortgage properties

Context

Historically, the federal government played a large role in funding and building non-market housing. The first period of Canadian public housing started in the 1950s and gained momentum in the 1960s, when cost-sharing programs with provinces and territories enabled public housing construction. Provincially-owned housing corporations provided units that were almost entirely operated as RGI for families and seniors.

In the following community housing period, from the mid-1970s to early 1990s, non-profits like HOTT and co-operatives took on a larger role amid growing opposition to public housing. Federal strategy shifted to support smaller organizations that could provide more efficiencies compared to provincial bureaucracies, less resistance to large developments, and avoid concentrating poverty.[3] HOTT acquired its properties starting in the late 1980s with CMHC mortgages that ensured rent subsidies under an RGI model.

The retrenchment period from the 1990s to the early 2000s saw the federal government dramatically reducing its role in non-market housing. The 1993 federal budget ended new funding for the sector and downloaded responsibilities to the provinces and territories. Most provinces and territories could not keep up and stopped new non-market construction. Non-profits like HOTT relied on scarcer public funds to meet ever-growing needs. This retrenchment accelerated the process of fragmentation that began in the 1970s, where providers and the federal partners supporting their viability lost staff, regulatory consistency, and capacity to provide services.[4] When some non-profits became

[3] Pomeroy, *Background Primer on Canada's Housing System*.
[4] Pomeroy, *Background Primer on Canada's Housing System*.

insolvent, affordable units not acquired by the remaining non-profits and public agencies were lost.

During the retrenchment period, the Ontario government downloaded HOTT's agreements further to the City. Private donations and subsidies from the City now bridge the gap between HOTT's rents and operating costs. Over time, HOTT added small apartments to its portfolio of detached homes. The City awarded HOTT $4.3 million through the Multi-Unit Rental Acquisition Fund to purchase 22 units in 2023.

"*Non-market housing is only about three and a half percent in Canada, which is really low. If we wanted to not have a housing crisis and to not have homelessness, we should get to 10 percent. That's the housing crisis pretty well done in terms of its chronic aspect.*"[5]

Evaluation options

Today, HOTT is considering a transition away from the rooming houses it started with for a range of reasons. Recent zoning changes may allow for the redevelopment of rooming houses into small apartments serving more tenants, while incoming rooming house regulations will add operational costs for licensing and increased reporting. Most HOTT tenants, when asked, said they would prefer to move into individual units over shared accommodation. A minority said they would prefer to stay in their current units.

HOTT's first option is selling some rooming houses to buy new multi-unit buildings. With months of notice, HOTT would reserve vacant units in its other buildings for rooming house tenants to move into. Tying sales to new building purchases would allow HOTT to immediately retain or grow its overall number of affordable units.

Their second option is to convert some rooming houses into single-unit homes for families. Non-market family housing would serve a new population and avoid the costs of Toronto's new rooming house regulations. This would house approximately the same number of people but reduce the number of affordable housing units, an important metric for the City's housing strategy. With families with children currently occupying over 40% of Canada's non-market units, HOTT would need to work with the City to determine whether non-market family housing is a priority need to serve.[6]

Their third option is shifting to non-RGI models. Each rent model provides a different level of affordability and requires different government partnerships. RGI models provide the

[5] HOTT staff interview.

[6] CMHC, *Social and Affordable Housing Survey*.

deepest level of affordability for tenants. Instead of letting its current agreements lapse, HOTT could enter a new agreement with the City to ensure a subsidy and adherence to City RGI policies for 10 years. RGI models, however, bring in extremely low rental revenues and create a large administrative burden. Ontario Works (OW) and Ontario Disability Support Program (ODSP) models would also be deeply affordable and shift some of the administrative burden to the province.

Average-market-rent (AMR) models would have tenants pay a percentage of the nearby average rent for their unit type, creating more sustainable rental revenues and requiring less administration. A mix of AMR and even market rent units in parts of HOTT's portfolio would be unaffordable for many, but could supplement City subsidies for their most affordable units. HOTT is unlikely to change its RGI model for existing tenants, but wants to explore the option.

HOTT's fourth option is to refinance its properties, taking out new mortgages based on their expected rental income. They can tap into various sources, including private ten-year loans, CMHC's ten-year financing, and seven-year community bonds. HOTT is considering private and CMHC loans with ten-year terms that would amortize over 30 years. Their projections are based on interest rates of 5.16% to 6.01% from private lenders and 4.09% to 4.52% from CMHC.

For the community bonds, HOTT is considering a partnership with Tapestry Capital. Tapestry could offer a seven-year term at an approximate interest rate of 4.5% without an amortization period. RGI rental revenue varies widely, so the amount of financing raised at maximum RGI income could be triple what is raised at minimum RGI income. HOTT provided internal projections for three scenarios in tables 1-3.[7]

Table 1: Five shared rooming houses at minimum RGI income

Loan source	Annual RGI income	Lower limit of financing	Upper limit of financing
Private ten-year financing	$27,031	$292,431	$319,050
CMHC ten-year financing	$27,031	$341,558	$350,011
Seven-year community bonds	$27,031	$500,574	

[7] HOTT, *Scenario Analysis for Financing.*

Table 2: Five shared rooming houses at maximum RGI income

Loan source	Annual RGI income	Lower limit of financing	Upper limit of financing
Private ten-year financing	$81,077	$877,138	$956,980
CMHC ten-year financing	$81,077	$1,024,491	$1,073,843
Seven-year community bonds	$81,077	$1,501,426	

Table 3: All eight rooming houses at maximum RGI income

Loan source	Annual RGI income	Lower limit of financing	Upper limit of financing
Private ten-year financing	$156,077	$1,688,684	$1,842,399
CMHC ten-year financing	$156,077	$1,972,373	$2,067,387
Seven-year community bonds	$156,077	$2,890,315	

Key insights and lessons learned

The City provides ongoing operating funding under the lapsed agreements, so approval ultimately lies with them. HOTT hopes to demonstrate that their goal of providing non-market housing could be better served if they had sufficient financing for new projects. Tenant challenges remain as well. If HOTT does change its shared rooming houses to family units, it would need time to find vacancies in other HOTT apartments and build buy-in with tenants.

The City's practice of operating under the existing terms of lapsed agreements has given HOTT significant time to explore options. Without that time, a sudden financing gap could have required scaling back services or quickly raising funds through sales. Flexibility means HOTT is less constrained in choosing options that best serve its current tenants, financing needs, and social mission. HOTT is watching for the City's implementation of new rooming house regulations by the end of 2025, but expects it to be a change – rather than a dramatic interruption – in their longstanding partnership.

HOTT is also better equipped to explore options because of its deeply collaborative volunteer committee. The committee combines a wide range of experiences and interests, including two tenants, students, and professionals from across the non-market and private housing sectors who agree on HOTT's social mission. HOTT hired consultants to develop its business plans and scenario projections with funding from the Ontario Non-Profit Housing Association (ONPHA).

Impact and scalability

Canada's non-market housing sector, as a whole, holds a significant amount of housing equity in its portfolios. Of that, 26% is owned by community non-profits like HOTT, and another 16% is owned by non-profit co-operatives.[8] One HOTT employee we interviewed called this "stranded capital": land, buildings, and funds that the government transferred to non-profit stewardship, but has since not been leveraged to grow itself. The private housing sector can access more financing, leverage its capital, and constantly expand without having to offer affordable rents.

The non-market sector also operates as a patchwork of non-profits with smaller budgets, less staff capacity, and smaller portfolios to leverage for financing. Many lack the economies of scale that empower private institutional investors and large public housing agencies.[9] HOTT's approach could apply to any non-profit with an underutilized historic portfolio, particularly as the neighbourhoods around them upzone. Non-profits with larger portfolios would be better able to provide stability for existing tenants as they sell, change operating models, or redevelop their properties.

"*Victoria Park Community Homes (VPCH) has over 2,000 units, and HOTT has about 280. VPCH leverages their assets, finds opportunities for land, and acts entrepreneurially. Comparatively, HOTT is on a smaller scale. This is an opportunity to think critically and creatively with what we've got. We have the luxury of time in this case to think about how to use our assets and not leave them stranded.*"[10]

As a caution, however, non-profits that 'un-strand' the capital in their portfolios risk financializing non-market housing. The funding they can raise will be limited by and in tension with keeping affordable rents for existing tenants. The tension already exists with the potential of adopting less affordable rent models once RGI requirements expire. Non-profits that pursue higher returns to attract private financing may begin to blur the non-market distinction. Financialization will have to be mediated by governance that balances new funding with existing obligations – like tenants' needs, the expired operating agreements' RGI requirements, and HOTT's dedication to truly affordable housing in Toronto.

[8] NHC, *Scaling Up the Non-Market Housing Sector*, 19.
[9] NHC, *Scaling Up the Non-Market Housing Sector*.

[10] HOTT staff interview.

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