# Key Own

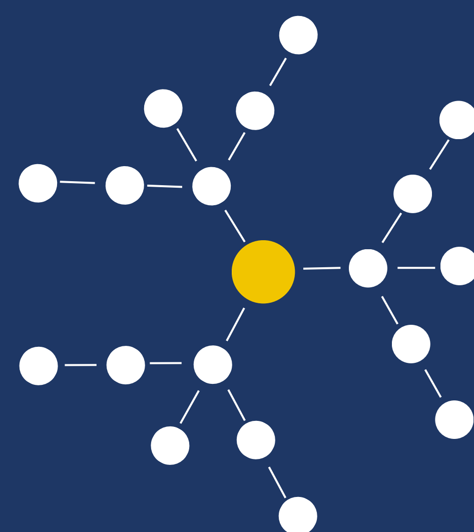
*Leading Urban Change project profile*

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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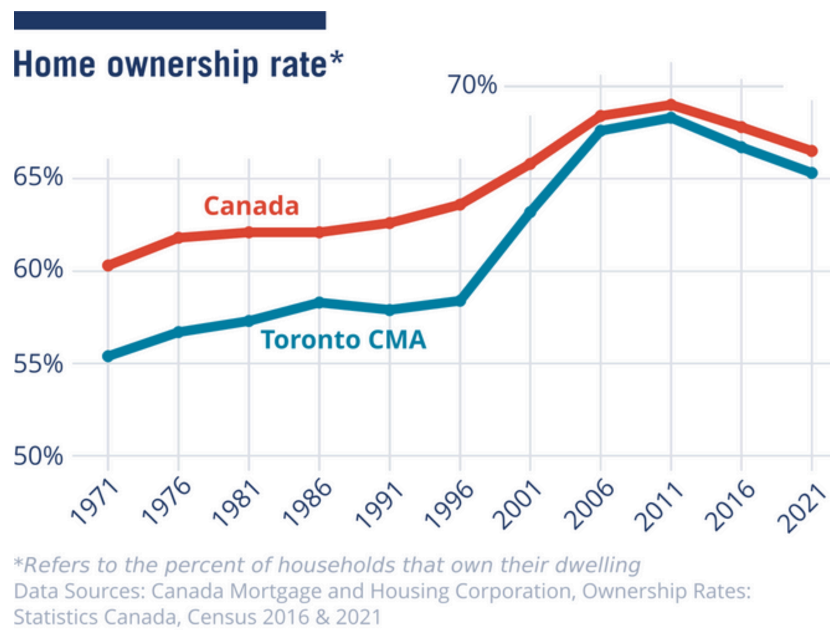
## Introduction

Canadian homeownership is on the decline. From 2011 to 2021, the homeownership rate fell from its historic peak of 69% to 66.5% while the "growth of renter households outpaced the growth of owner households."[1] Canadians who do manage to buy are taking on larger mortgages amid housing inflation (figure 1). First-time homebuyer households' median mortgage amounts grew by 12.3%, beyond their median income growth of 5.1% from 2018 to 2022.[2] For many, this means that homeownership is increasingly unattainable.

Key Own, a startup founded in 2018, has a unique proposition for home ownership. Under the program, an occupant can live in a Key-owned unit over a five-year term, making monthly payments to cover rent and building equity toward the full amount of a traditional downpayment. After five years, an occupant can buy the home from Key and take out a traditional mortgage, avoiding the bidding uncertainty of buying a home on the open market. Occupants make an initial downpayment of 2.5-5% of a home price guaranteed by Key at the beginning of their term. An important consideration is that Key occupants do not need to qualify for a mortgage until the end of the five years.

Instead of renting while saving for a traditional down payment and mortgage, Key lets occupants receive stable housing in a home they have a clear path toward buying. This frontloads some benefits of homeownership while deferring the traditional barriers of saving for a

Figure 1: Homeownership rate in Canada and Toronto between 1971 and 2021




[1] Statistics Canada, "To Buy or to Rent," 2.
[2] Statistics Canada, "Housing Affordability in Canada," 4.

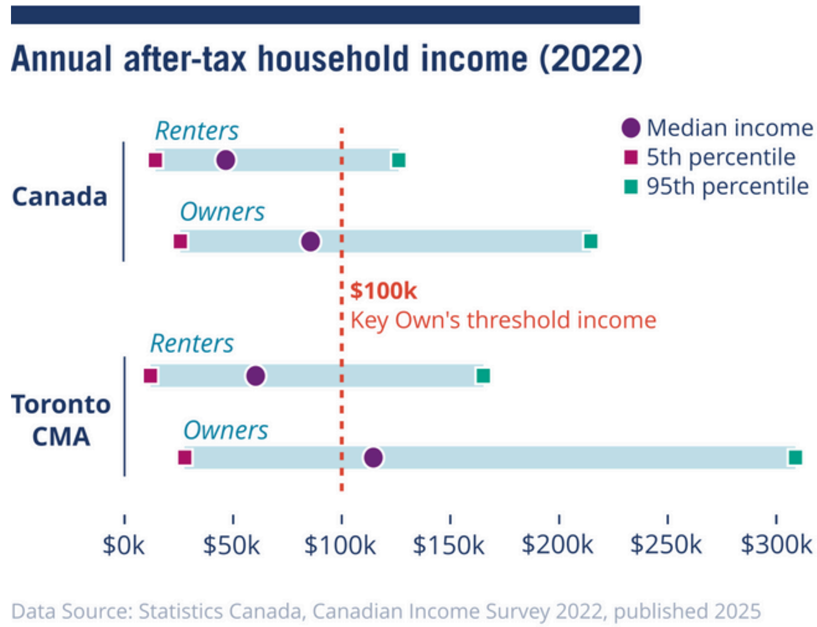
downpayment and accessing mortgage financing.

## Context

Key currently owns and operates 82 homes, all of which are condominiums in downtown Toronto.[3] Key's first model was to serve as an intermediary platform that matched properties listed by landlords to occupants. In that first model, occupants built equity on variable timelines instead of fixed terms. Key is phasing out this approach as all its occupants move toward graduating into homeownership. Under their new model, Key buys properties through an investment fund backed by government and institutional financial investors, who are provided reliable returns and the positive social impact of supporting a pathway to homeownership. Key also invests each occupant's initial downpayment and contributes a portion of the returns to each occupant's equity.

Reliability comes from Key's thorough underwriting process. Their underwriting generally selects occupants with annual household incomes above $100,000, reflecting Toronto's affordability thresholds (figure 2), while also welcoming diverse profiles such as the self-employed, newcomers, and those with strong savings but limited credit history. If occupants ever do miss payments, Key's process is to deduct the amount from initial downpayment rather than pursuing rental arrears or potential evictions. Compared to renting, the model thus offers both years-long stability and lower turnover for occupants and Key.

Figure 2: Annual household income in Canada and Toronto in 2022




Key is often compared to rent-to-own housing (RTO). RTO in North America grew after the 2008 subprime mortgage crisis, offering alternative financing as banks instituted stricter underwriting requirements.[4] RTO can be seen as an options contract for housing, where occupants secure a right-to-buy home at a fixed future time and price. Occupants pay an

[3] Key's president and co-founder, Rob Richards, formerly led Plaza Ventures, a major condo developer in Downtown Toronto.

[4] Jaggia and Patel, "Rent-to-Own Housing Contracts."

options premium comprised of both their initial downpayment and a portion of their monthly rents. RTO's ideal occupants are "those who are financially constrained at the beginning of the period, but expect to be unconstrained by the end of the lease period."[5]

The RTO industry has had some challenges. Many low-income occupants are unable to qualify for mortgages when their term ends.[6] Occupants also risk losing contributions upon eviction or foreclosure as a result of missing property taxes or high monthly payments.[7] In 2022, the CMHC's Affordable Housing Innovation Fund created a stream for RTO programs that has since been discontinued. Key's approach is fundamentally different: occupants always retain their contributions, underwriting is rigorous, and every program is structured to maximize long-term success and security.

## Challenges and barriers

Key's waitlist of over 10,000 applicants indicates significant demand. Their largest challenge so far has been growing their investment fund to acquire more units. For long-term sustainability, Key will have to acquire properties at or faster than the rate of occupants buying their homes. Their unique approach also isn't an exact fit for many potential partners. Many government housing investments focus on renting and low-income Canadians. In the private sector, many institutional investors have separate divisions for rentals and home sales, but not co-ownership. Key hopes that education and partnership can overcome this resistance, and that a growing record of successful occupants will establish their model's reputation.

The current market downturn is another potential challenge across the housing industry. Toronto's condominium market, where investors own nearly 40% of units, currently faces plateauing prices and a growing unsold inventory.[8] While Key could buy more homes in a short-term downturn, a long-term drop in housing prices would impact Key's larger model and ability to ensure returns for its fund investors. Each occupant's contributed equity is held in and invested through the Key fund, rather than in a separate trust, and backed by their home's value. Occupants' contributed equity thus depends on the Key fund's stability and solvency. The fund is conservatively managed with institutional and government partners, providing strong safeguards and transparency until purchase.

An occupant could also end up taking out a mortgage greater than their home's actual value, as prices are contractually set

[5] Jaggia and Patel, "Rent-to-Own Housing Contracts," 63.
[6] Goldstein, "Divvy Wants to Make Rent-to-Own Deals Easy."
[7] Goldstein, "Divvy Wants to Make Rent-to-Own Deals Easy."
[8] Statistics Canada, "Investors in the Condominium Apartment Market."

at the start of their term. However, even in periods of market fluctuation, occupants retain their accumulated equity and benefit from multiple protections that minimize downside exposure and financial risk. Occupants who choose to exit during or at the end of their term would get back their portion of contributed equity and improvements to the property. They would pay a fee of around 2.5% of the final home price for Key to transfer the home to a new occupant.

## Impact and scale

The Ontario government's recent investment in Key enables them to plan for an additional 3,000 homes.[9] Their fund now has over $300 million in equity and $700 million in debt, providing stability, government buy-in, and scale that they hope will also bring in other investors.[10] Key also hopes to integrate services like home insurance and loyalty point programs with neighbourhood businesses into the app where their occupants apply for underwriting and make payments.

If successful in Ontario, Key wants to scale to British Columbia and Quebec, and eventually across the country. To scale up, exemptions from municipal land transfer taxes could leave more for occupants when their term ends. The CMHC could provide low-cost debt insurance, like it does for affordable housing developers, to help Key acquire more homes. Federally, occupants could benefit if Key homes qualified for First Home Savings Account withdrawals and Registered Retirement Savings Plan (RRSP) withdrawals under the Home Buyer's Plan. Key continues to move between many of the traditional ways we approach housing – it sits between renting and ownership, is a public investment in a private fund, and ultimately, if scaled, may be another pathway to middle-income homeownership.

[9] Key Own staff interview.
[10] Key Own staff interview.

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