

From  
**Abandonment**  
to

**Affordable  
Housing**



**Policy options for addressing Toronto's abandonment issues**

David Wachsmuth  
Abandonment Issues

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# Executive summary

In Detroit, choking on tens of thousands of abandoned properties, the housing abandonment problem is easy to see but effective solutions are hard to imagine. In Toronto, the opposite is true. The abandonment problem is easy to miss, but it is real, and effective solutions are available. This report presents the City of Toronto with a logical and timely new strategy to help address the city's affordable housing crisis by addressing the problem of abandoned properties: a Use It or Lose It bylaw.

Abandonment has often been conceived of as an 'on-or-off' state, but it is actually a multidimensional process, with functional, physical, and financial aspects. Toronto has relatively few functionally abandoned (vacant) buildings, and speculation in gentrifying neighbourhoods seems to explain the existence of many of the ones the city does have. A larger problem is physical abandonment—in particular the deterioration of private rental stock. Some low-rent high-rise apartment buildings in the inner suburbs have vacancy rates higher than 50 per cent, and no one knows the state of old walk-ups in the central city. Financial abandonment is not a problem in Toronto per se, but may be a useful area indicator of other abandonment issues.

Our report recommends that the City adopt a three-pronged strategy of:

- More effective monitoring of abandonment with a problematic-property tracking system
- Preventing existing rental stock from being abandoned through a landlord licensing scheme and better demolition and conversion control
- Reclaiming abandoned housing with vacancy fees and an expropriation scheme that would see suitable abandoned buildings converted into affordable housing with non-profit partners

To co-ordinate these strategies, the City should adopt a Use It or Lose It bylaw, which would define abandonment and outline the various consequences for property owners of neglecting their responsibilities to the people of Toronto. In the short term, the Affordable Housing Office should incorporate a commitment to preventing and reclaiming abandonment and enacting a Use It or Lose It bylaw into Housing Opportunities Toronto, the ten-year affordable housing strategy currently being drafted.

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Figure 1: An abandoned building in Parkdale

## I. From abandonment to affordable housing

I n the summer of 2006, the City of Toronto expropriated an abandoned building at the south-west corner of Queen St. W. and Dowling Ave. with the intention to redevelop it as affordable housing. Expropriations in the city, if not routine, occur from time to time, and have sometimes occurred in order to build affordable housing—Regent Park is an early, famous example. But 194 Dowling Ave. was unique. It was a single building, expropriated because it was abandoned and residents of the lower-income Parkdale neighbourhood wanted a wasted space returned to them.

Taken as a precedent, it arguably represents a circumscription, in the face of an affordable housing crisis, of the right of private property owners to use—or not use—their property as they see fit. It also represents a vindication of local activists, such as the Ontario Coalition Against Poverty (OCAP), who have been calling for over a decade for the City to adopt a Use It or Lose It policy that would see abandoned buildings routinely expropriated and converted into affordable housing. The Affordable Housing Office has made it clear that it does not consider the expropriation of 194 Dowling Ave. to be a precedent, but for community members, the genie may already be out of the bottle. Writing about the expropriation in a grassroots newsletter produced by “individuals who have experienced homelessness and poverty”, Parkdale resident Phillip Hozer (2006: 5) wrote:

[The expropriation] can be taken as a victory for affordable housing advocates throughout the city. This event has set a new precedent that should be taken seriously by owners of dilapidated or abandoned buildings in Toronto.

The purpose of this report is to present the City of Toronto with a set of policy options for addressing housing abandonment, with a specific emphasis on strategies for maintaining and adding to the city’s stock of affordable housing. In some cases the discussion will touch on the role of senior levels of government, but only in brief; the focus is on municipal policies and municipal actions. As we shall see, there are many ways to define abandonment, but all uses of the term in this report will refer to privately-owned residential property. This leaves aside abandoned commercial and industrial lands, which tend to present a different series of challenges and opportunities. This also leaves aside public property that is abandoned, although this is a significant problem in its own right, and one certainly deserving of policy attention.

## **1.1 Why should Toronto have an abandonment policy? The importance of a made-in-Toronto approach**

Most research and policy work on abandonment has been done in the United States, and is oriented toward declining American central cities whose economies, property markets, and housing systems are considerably different from Toronto’s. There is no ‘off-the-shelf’ package of suitable policies available; and while various jurisdictions in North America and elsewhere have lessons to offer, the City will have to pick and choose from among them to craft a made-in-Toronto approach. There is one common lesson that is unambiguously applicable to Toronto, however: the City needs an abandonment policy. Other cities in Canada are reaching similar conclusions: the City of Winnipeg (2004) (which, admittedly, has a far more pressing

problem with abandonment than Toronto) adopted a comprehensive ‘Vacant and Derelict Buildings By-law’ in 2004, and Victoria city council began to consider a draft bylaw in late 2007 (Heiman, 2007).

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The policy rationale for taking action against abandonment is clear on a number of levels.

- There is an economic argument: The public has made substantial investments—in transit, in roads, in utilities—in the properties that sit vacant or are deteriorating. These investments are going to waste if the properties are abandoned. Moreover, abandoned properties (and particularly vacant lots) not only may generate less property tax revenue themselves, but they often negatively affect property values of neighbouring buildings (Mallach, 2006). Abandonment costs cities money, and a proactive response is likely cheaper than no response.
- There is also a public-health-and-safety argument: Abandoned properties are tears in the fabric of communities and are magnets for vermin, garbage dumping, fires, and crime (Mallach, 2006; Spelman, 1993; Skarbek, 1989; Brady, 1983).
- There is a prudence argument: As we shall see, Toronto does not currently have a problem with abandonment on par with many American cities—probably a consequence of its strong property market. But falling property values especially on the east and west coast of the United States have seen even cities with formerly robust property markets plunged into abandonment crises in recent months (Szep, 2008). If real-estate conditions in Toronto take a similar downturn, the presence of proactive policies could be an important bulwark against an abandonment surge.
- Finally, and most importantly, there is a moral argument: Toronto is in the throes of an affordable housing crisis that has seen thousands of citizens made homeless and tens of thousands more housed precariously. Property that could house people is going to waste. When communities assert a collective right to their own neighbourhoods, municipal policy should support them, not oppose them.

The City has a unique opportunity at the present moment to take action on abandonment. The *City of Toronto Act* (2006) has opened up a number of new policy options that were not previously available to the City, such as increased powers to regulate and to levy fees. At the same time, the Affordable Housing Office is in the process of preparing Housing Opportunities Toronto (HOT), an affordable housing strategy to guide Toronto for the next ten years, and is currently accepting public feedback on a draft of the framework (City of Toronto, 2007). Policies to address abandonment—both the boarded-up buildings and vacant lots that pepper the city’s landscape and the physical deterioration of low-cost private-

rental apartments that provide the overwhelming majority of Toronto's affordable housing—should be integrated into this strategy.

## **I.2 Report methodology and plan**

This report's methodology combines a literature review, Toronto-specific policy and property analysis, and interviews. The property analysis has been done in collaboration with members of Abandonment Issues and with some assistance from graduate students in Prof. Ute Lehrer's Public Involvement and Planning class at York University. Interviews were conducted to support other research; only in rare cases can the results of interviews be considered 'findings' *per se*. The majority of interviews were short, informal discussions used to clarify information; where more significant material emerged, the interview is cited in the bibliography.

The next chapter provides a definition of abandonment. The third chapter describes the abandonment issues Toronto faces. The final chapter presents a set of policy options for addressing abandonment in Toronto, drawing in some cases on strategies from other jurisdictions in North America and the United Kingdom, but tailored to Toronto's specific context. The policy recommendations are summarized in an appendix. An inventory of vacant properties in Toronto is provided in the second appendix. More background on housing abandonment—its scope in Canada, the United States, and England; and its causes—is provided in two further appendices.



Figure 2: A boarded-up building on College St.

## 2. Understanding abandonment

The housing bubble that has seen real estate prices soar to unprecedented levels in the United States over the last several years has finally begun to burst. (Toronto, at least so far, has remained immune.) As the New York Times reported in late December, the effects have been particularly severe in Florida, where the bubble inflated first and fastest (Goodman, 2007). In Lee County, where the housing market collapse has led to hundreds of homes being abandoned (fully one quarter are vacant), residential burglaries are up by a third and unemployment by almost 90 per cent. The article in the Times explicitly links the declining housing market, the housing abandonment,

and the rise in crime; if the connection is an accurate one, an increase in scholarly interest in abandonment might be expected as the housing bubble continues to deflate. Indeed, although abandonment was frequently studied in the 1960s and 1970s, academic attention has subsided since then, especially outside the United States (Keenan *et al.*, 1999; Wilson *et al.*, 1994).

Housing abandonment is difficult to describe precisely. There are nearly as many definitions of abandonment as there are municipal governments tracking the issue and scholars writing about it. The broad contours of the phenomenon—and its most extreme manifestations—are uncontroversial, but obtaining a definition is important for academics and policymakers, particularly in cases like Toronto that lack widespread, unambiguous derelict or vacant buildings. According to the State of New Jersey’s definition (Mallach, 2006: that a property be legally unoccupied for at least six months and fulfil one other of a number of criteria, such as being in need of rehabilitation), Toronto likely has hundreds of abandoned structures. According to the definition used by Hillier *et al.* (2003: that a property be neglected functionally, financially, or physically and furthermore be deemed to be imminently dangerous), Toronto may have no more than a handful. The way abandonment is defined is thus of immediate practical as well as theoretical concern, since still more permissive definitions than New Jersey’s and more restrictive definitions than Hillier *et al.*’s could be plausibly proposed as well; the choice will structure the kinds of interventions considered by government, community groups and other social actors.

## 2.1 Abandonment is a process

Although early researchers often theorized abandonment as the end state of a well-defined and perhaps inevitable process of decline, and municipal governments in particular continue to treat buildings as either ‘abandoned’ or ‘not abandoned’, there is now occasional recognition that abandonment is not a binary state, nor a one-way progression either. O’Flaherty (1996: 207), for example, observes:

Abandoning a building, especially a multiunit apartment building, is a messy process. Only rarely is it possible to attach a single date such as “June 15, 1989” to the actual abandonment. Abandonment consists of a multitude of acts of omission or commission often spread out over months or years—letting the hallway lightbulbs burn out, going into tax arrears, stopping utility payments, no longer seeking new tenants, stopping rent collection, permitting squatters, and so on. Many decisions in the process are reversible, and they often are reversed when new information becomes available.

Still, there is an expediency to using the term ‘abandoned property’; in what follows, it should be understood as descriptive of a continuum of abandonment rather than conditions necessary for a structure to pass from ‘non-abandoned’ to ‘abandoned’.

Allan Mallach (2006: 1), in *Bringing Buildings Back*, the most thorough existing study of abandonment policy options, defines abandonment as follows: “An abandoned property is a property whose owner has stopped carrying out at least one of the significant responsibilities of property ownership, as a result of which the property is vacant or likely to become vacant in the immediate future.” Leaving aside the binary nature of the definition, there are two considerations evident here—a property’s operation and its occupancy status—and, in modified form, these form the basis for many cities’ classification systems. Municipalities commonly use structural condition and length of vacancy (past or projected) to define abandoned buildings (Cohen, 2001).

## 2.2 Abandonment is multidimensional

Structural upkeep is only one of Mallach’s “significant responsibilities of property ownership”, although since it implicates city governments responsible for building code enforcement it tends not surprisingly to be a key municipal indicator. It coincides with what Hillier et al. (2003) term *physical* abandonment; they suggest that abandonment has two other aspects as well: *financial* and *functional*.

- Financial abandonment occurs when an owner discontinues property tax payments, perhaps because the property has accumulated negative equity.
- Functional abandonment occurs when a building ceases to be used: a row house in good repair, for which all property taxes are being paid, but which is boarded off and therefore vacant, is functionally abandoned. A building that is still occupied but no longer has mail service or utilities is likewise functionally abandoned to a certain extent.

These three aspects of abandonment are interconnected and often occur simultaneously, but they are sufficiently distinct analytically to justify treating them distinctly (see Figure 3).

Abandonment should thus be understood as both a process—rather than a state—and as multi-dimensional. It should not, for example, be reduced simply to ‘vacancy’. And while many subtle approaches to abandonment treat it as a multi-dimensional process rather than a single state, they all still tend to conceptualize the process teleologically, with total vacancy as the endpoint (e.g. Mallach, 2006; Hillier *et al.*, 2003; O’Flaherty, 1996).

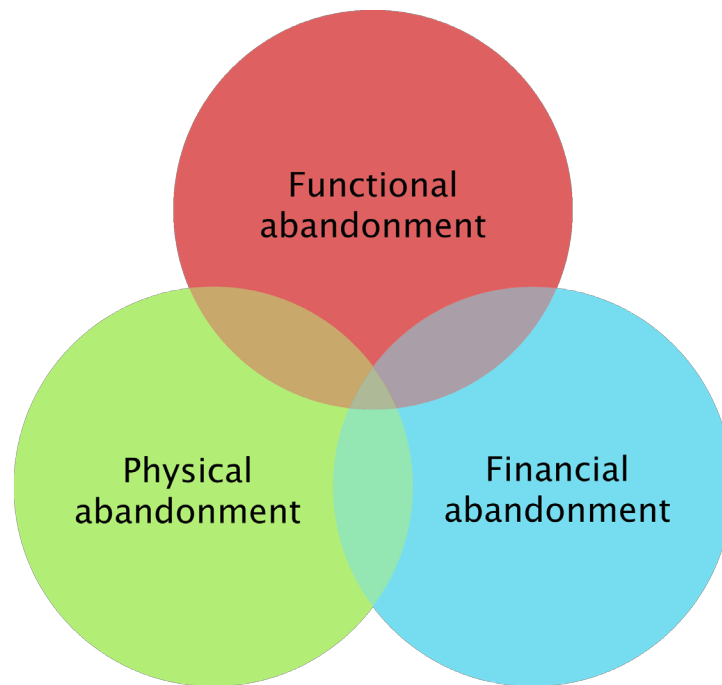


Figure 3: Abandonment is multidimensional—it has three distinct but related aspects.

This is untenable from both an analytical and policy perspective. Vacancy is unquestionably an extreme state of abandonment, but the practices that constitute the process of abandonment—“letting the hallway lightbulbs burn out, going into tax arrears, stopping utility payments, no longer seeking new tenants, stopping rent collection, permitting squatters, and so on” (O’Flaherty, 1996: 207)—are practices of abandonment whether or not a single tenant (or a host of tenants) remains. Likewise, if policies aimed at preventing abandonment are motivated by shoring up affordable housing or preventing neighbourhood decline, the issue of vacancy *per se* is not the determining one.

Conversely, scholars and governments do not necessarily consider every vacant building abandoned. Fielder and Smith (1996; quoted in Keenan *et al.*, 1999: 706) distinguish between “transactional vacants” and “problematic vacants”. The former are units that are still viable or are being redeveloped, and thus are likely to return to the market without intervention. The latter are units that may be in poor condition and for which “the vacancy is likely to be prolonged”.

The length of time for which a vacant building is vacant has functional implications: a building left vacant for ten years is more likely to remain vacant for another year than one only vacant for a few months, and the deterioration it suffers in the meantime will likely make it harder to rehabilitate. Plainly there is some

period of time during which a property owner may keep her property vacant without negative implications or the likelihood of the vacancy extending indefinitely, as in the context of renovation or intended sale. New Jersey sets a threshold of six months, after which a property is considered abandoned if it fulfils other criteria as well (Mallach, 2006). Six months is the same period of time that OCAP (2002) suggested as a trigger for its proposed Use It or Lose It bylaw. Most American approaches are somewhat less strict than New Jersey or OCAP; Accordino and Johnson (2000), for example, follow the United States General Accounting Office by describing a building as abandoned if it has been vacant for more than two years. Islington, a borough of London, England, employs a nuanced classification scheme that separates vacant properties into three categories based on the period of vacancy: short-term vacancy (under six months) is not considered problematic, while medium-term (six months to two years) and long-term (more than two years) vacancies are approached with increasing urgency (Islington Council, 2007).

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*O’Flaherty, 1996: 207*

In another measurement of vacancy as an indicator of abandonment, American municipalities that seize vacant properties following tax foreclosure generally do so after a period of several years. New York only waits one, but Detroit waits three and Atlanta waits five (Bowman and Pagano, 2000). (Toronto will initiate a tax sale after three years of tax delinquency, but, as we shall see in the next chapter, tax-delinquent properties in the city are rarely vacant.) A precise vacancy threshold is not required or even necessarily tenable, but these practices suggest an understanding of vacancy as a contributing factor to abandonment that intensifies over time.

If there is some controversy over the relationship between abandoned and vacant structures, there is a similar ambiguity concerning abandoned buildings and vacant land. Northam’s (1971) definition of vacant land included land with abandoned structures on it, and subsequently these two phenomena have often been discussed together. The rationale for doing so is generally that both represent undeveloped resources for a city or community, or that both are symptoms of disinvestment. But Bowman and Pagano (2000:

559), in an empirical study of vacant urban land in the United States, argue that the practice is flawed from both a conceptual and a policy perspective, concluding that “vacant land and abandoned structures are not interchangeable indicators of decay and destruction; rather they have separate causes and need different policies.” As we shall see in the next chapter, however, Toronto’s context may be sufficiently different from that of American cities to render this warning inapplicable; there is local evidence that vacant land is often vacant for the same reasons that vacant buildings are vacant. This report will thus include vacant land under the heading of ‘abandoned property’.

## **2.3 Abandonment: a multidimensional process**

In summary, residential abandonment is properly understood as a multidimensional process. Abandonment is a process as opposed to an on-or-off state; the process can advance or retreat, and does not necessarily lead to an endpoint of vacancy. Abandonment is multidimensional because it has three distinct aspects—physical, financial, and functional—which may coincide with each other, but are analytically and empirically distinct. Policy responses to abandonment need to be sensitive to both these realities.



Figure 4: A mixed commercial-residential property among a block of boarded-up buildings on Danforth Ave.

### 3.

## Toronto's abandonment issues

A major impediment to tracking abandonment in Toronto is the quality of available data. Broadly speaking, there is no data. There is no public tracking of vacant or boarded up properties, nor readily accessible information we are aware of about deteriorating buildings (ones in the process of being abandoned). The present study, therefore, relies heavily and unavoidably on incomplete and in some cases anecdotal data. The locations of vacant buildings were gathered by Abandonment Issues through a combination of tips, most significantly from the Ontario Coalition Against Poverty, which has scouted abandonment extensively in the downtown; but also

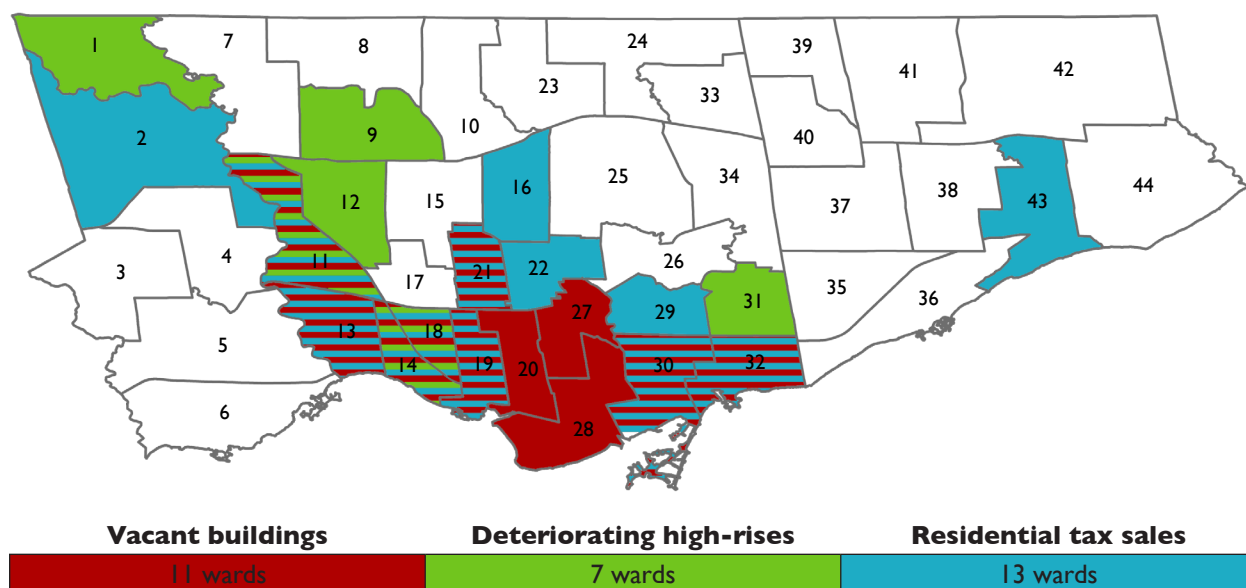


Figure 5: Toronto's abandonment issues by ward

from attendees at group events and emails; surveying on foot; and research in the municipal property registry and tax rolls. At present, there is a heavy bias toward the downtown—a reflection of Abandonment Issues' limited resources—but subsequent work will attempt to broaden the scope of investigation.

The high-rise apartment buildings discussed below were largely identified by members of the Association of Community Organizations for Reform Now Canada (ACORN Canada) in the course of canvassing work they do in low-income neighbourhoods. The buildings discussed are by no means intended to be a representative sample of large multi-rental units, either in terms of spatial distribution or physical and social characteristics, but are highlighted because they were identified as particularly deteriorated and as having particularly high vacancy rates. The properties in tax arrears were identified from the City of Toronto's periodic announcements of tax sales. Although a total of 40 properties have been listed since 2005, only the 23 residential properties are discussed below.

### 3.1 What kind of abandonment issues does Toronto have, and where are they concentrated?

Recalling Hillier *et al.*'s (2003) distinction between functional, physical, and financial abandonment from the previous chapter, it is possible to examine each of these aspects of the problem as they occur in Toronto, recognizing that they may well overlap and be implicated in each other's incidence. Figure 5 shows the location

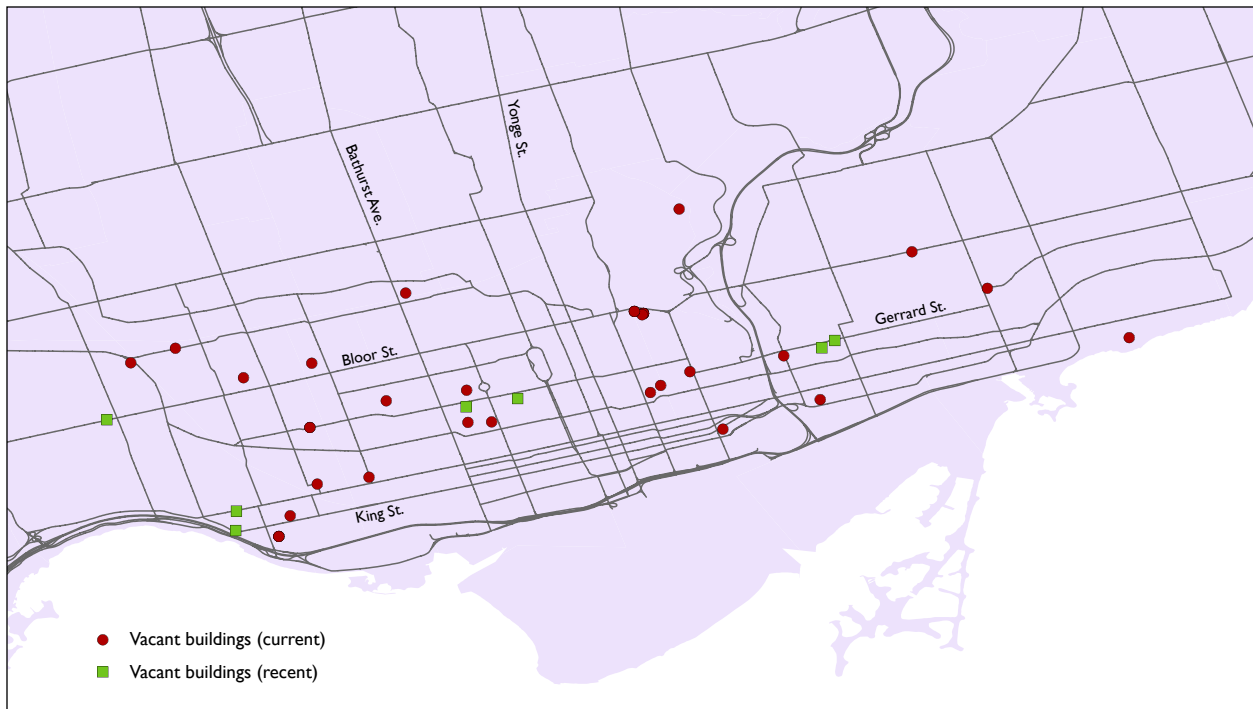


Figure 6: Current and recent vacant buildings in downtown Toronto

by ward of all the properties discussed below. Even despite the evident downtown bias to the data, it is clear that abandonment is a city-wide problem. Some neighbourhoods have more concentrated abandonment than others, but it is likely that complete data would show that nearly every neighbourhood is affected.

### Functional abandonment: speculation-driven vacancy

Functionally abandoned buildings are what most people think of when they think of abandonment: vacant and boarded-up. Figure 6 shows the location of some currently or recently vacant buildings, mainly in the downtown. (See Appendix II for a list of these properties.) Because of the aforementioned difficulty obtaining data on these properties in Toronto, it is hard to be certain how representative this sample is of the functionally abandoned buildings across the city but, within the sample, a number of patterns are evident. The majority of these buildings are small multi-unit buildings located in areas with historically low but increasing property values—that is to say, gentrifying, or potentially gentrifying neighbourhoods. The largest concentration of buildings is in the east end from Sherbourne Ave. over into Riverdale, but there are also a relatively large number in Parkdale and the Junction to the west. It is likely that there are proportionately more vacant buildings in the

central city than in the inner suburbs, but the lack of any buildings outside the downtown is more a reflection of Abandonment Issues' limited resources than it is strong evidence that none exist.

Two cases where long-term vacant buildings have recently begun to be redeveloped both fit the profile of speculative ownership as a prelude to 'highest and best use': a set of properties at Bloor St. and Oakmount Rd., opposite High Park, which were boarded up for many years are now being torn down in preparation for a condominium development; and 207 Beverley St., located south of University of Toronto in the Annex, which is being converted into loft condominiums after a decade of vacancy. Yet in certain respects the details of these and other properties do not match the standard narrative of gentrification-fuelled speculation. Specifically, relatively few of the vacant buildings have been bought or sold in recent years. It is more typical for them to have stayed under the same ownership for a decade or more. 207 Beverley St. is a case in point. It was a night club in the 1990s that suffered a fire sometime after 1997 and before 2000; it was subsequently boarded up, and has remained under the same ownership through the fall of 2007, when the redevelopment began. So it seems likely that many of the properties are being held speculatively, but by the same owners under whom they fell into disuse.<sup>1</sup>

#### *Case study: North St. James Town*

The area immediately south-east of Bloor St. and Sherbourne St., part of North St. James Town, is the most spectacular example of speculative abandonment in Toronto, and moreover has the highest concentration of abandoned buildings in the city. Figure 7 shows the study area, bounded by Bloor St. to the north, Sherbourne St. to the west, Howard St. to the south, and Parliament St. to the east. The properties indicated in red—a majority of the lots—are owned by various holding companies sharing the same Unionville mailing address, almost certainly all creatures of a three-man team that developed some of the St. James Town high rises. A number of the lots contain boarded-up buildings, and a number more are vacant.

It is difficult to verify the facts in this case, but a combination of interviews and archival research suggests that the developers tried to buy up all the property in the two-block radius in order to build more high rises like those south of Howard St. The City did not allow the plans to proceed, the acquisitions stalled, and now the properties are unused and deteriorating. The vacant buildings have been boarded up for a decade or more, and are steadily deteriorating. A number of the buildings have heritage status—the six

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<sup>1</sup> For more discussion of speculation and other causes of abandonment, see Appendix IV.

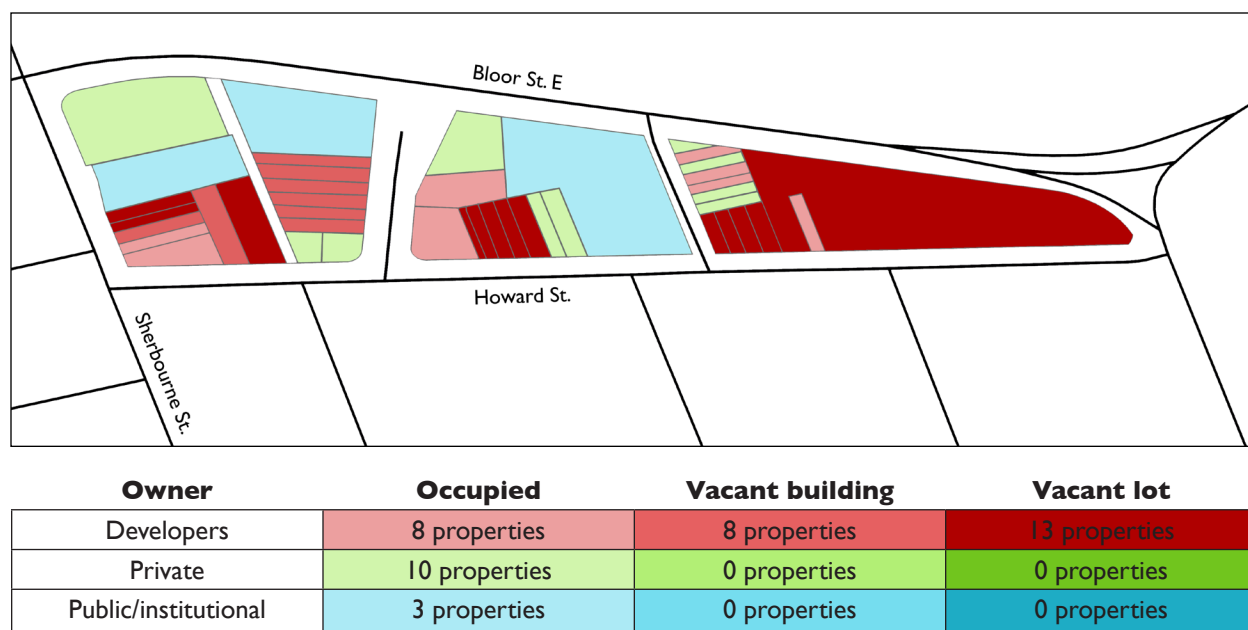


Figure 7: Ownership and land use in North St. James Town

semi-detached houses on Glen Rd. (see Figure 8), built in the late 19th century and now boarded up, were listed in January (City of Toronto, 2007e) following concerns about their poor and worsening condition (City of Toronto, 2007h). The concerns are probably well founded; there is evidence that the owners intentionally caused the collapse of the roof of 6 Howard St. in 2006 by stacking palettes of bricks on the roof (Bozinovic, 2007). 6 Howard St., like the building beside it, had heritage status.

### *The opportunity cost of abandonment*

Although North St. James Town is a low-income neighbourhood, the properties owned by the three developers are not abandoned because they cannot be rented out. Instead, the owners purposely keep them vacant while continuing to pay property taxes. The neighbourhood seems to be in the early stages of gentrification: between 1996 and 2001, the number of owner-occupied housing increased by 18 per cent (it still represents only two per cent of the neighbourhood's tenure type) and the number of families with more than \$80,000 in annual income tripled (again, the absolute numbers are very small) (City of Toronto, 2004b).

The opportunity cost to the City of these properties remaining vacant is doubly high: not only has there has been significant public investment in infrastructure serving them which has gone to waste (particularly transit; the houses are minutes away from Sherbourne subway station), but if they were to be redeveloped



Figure 8: Abandoned buildings on Glen Rd.

as affordable housing they could serve as modest firewalls against gentrification. Positive incentives, such as rehabilitation funding through the federal Residential Rehabilitation Assistance Program (RRAP) would accomplish nothing here, since the owners do not want to rehabilitate the properties. The City can address this abandonment only by intervening directly (expropriating the properties) or changing the financial incentive structure (e.g. through vacancy fees). Both of these possibilities will be explored in the next chapter.

#### *Inheritance disputes and other legal complications*

There are certainly examples in the city of functionally abandoned (vacant) buildings that are not being held speculatively—where inertia or lack of capital for renovation costs provides the roadblock. One modest category is single-family homes caught up in inheritance disputes or other legal complications. These are sprinkled throughout the city, including in neighbourhoods with high property values (there is one such house in Rosedale, and another boarded-up house in the Beaches is likely also tied up in a legal dispute). But they are of little interest from the perspective of affordable housing; they contain few units, and single-family homes with medium or high property values are unlikely to be affordable even if not vacant.

## Physical abandonment: deterioration of multi-rental high rises

People do not always associate poor living conditions in apartment buildings with abandonment, but a crumbling building that still has tenants is not much different from a crumbling building that does not. Moreover, the number of units of affordable housing at risk because of the deterioration of the private rental stock is certainly orders of magnitude higher than the total number of units that could be reclaimed from all boarded up buildings. And since practically no new rental housing has been built in the past decade or seems likely to be built in the near future, preserving the existing stock is probably the most important task for affordable housing policy in Toronto.

That being the case, it is unfortunate that there has not been a single city-wide study of the state of the private rental stock since amalgamation; it is impossible therefore to rigourously assess the city's physical abandonment problems. It is likely that the worst-maintained buildings are aging walk-ups in the central city, since the owners have limited means of financing maintenance work (maintenance on large multi-rentals is generally financed through retained earnings), but while there is a huge number of these small buildings, they account for fewer than five per cent of the rental units (City of Toronto, 2006c).

Most units are located in the large multi-rental high rises that are spread throughout the city, but particularly inhabit the inner suburbs. It has not been possible to do anything like a comprehensive survey of these, but ACORN Canada and Abandonment Issues have identified a handful of buildings that are in particularly bad condition, with ACORN estimating vacancy rates to be between 30 and 50 per cent in many of these buildings. These ten buildings are represented in Figure 9 by their vacancy rates estimated from the 2008 assessment rolls, prepared by the Municipal Property Assessment Corporation (MPAC). The vacancy rates indicated by MPAC range from 13 per cent to fully 65 per cent, and average to 46 per cent. (The fact that the buildings are mainly located in North York and Etobicoke reflects ACORN's primary area of operation; Scarborough probably has similar problems.)

MPAC data on their own are not a reliable indicator of occupancy status, certainly not past a single significant digit of accuracy, but other evidence suggests that the incredibly high vacancy rates given on the assessment rolls are likely to be broadly correct. An Abandonment Issues door-to-door survey of two of the buildings in Figure 9 supported the rough accuracy of the figures; Abandonment Issues was able to confirm, for example, four vacancies and one occupancy on a floor listed by MPAC as having six of ten units vacant.



Building	Address	Vacant units (2007)	Vacancy rate (2007)
1	2667 Kipling Ave.	137/228	60%
2	2677 Kipling Ave.	102/227	45%
3	2737 Kipling Ave.	75/408	18%
4	1765 Weston Rd.	160/246	65%
5	1775 Weston Rd.	103/245	42%
6	2467 Keele St.	14/41	34%
7	1011 Lansdowne Ave.	172/351	49%
8	730 St. Clarens Ave.	39/304	12%
9	165 Jameson Ave.	15/77	19%
10	500 Dawes Rd.	63/284	22%

Figure 9: High vacancy rates in high-rise apartment buildings (sources: ACORN Canada; Abandonment Issues; MPAC)

The vacancies are a recent problem. Figure 10 shows vacancy estimates from MPAC assessment data for a subset of the high-rise buildings in Figure 9 in comparison with Canada Mortgage and Housing Corporation (CMHC) vacancy rates for Toronto. (The broader trend of vacancy rates in the city will be addressed in the next chapter.) While the high rises had consistently higher vacancy rates than Toronto through 2003, the rates in the former skyrocketed in 2004, slightly later than—and completely out of proportion with—the general rise in vacancies across the city. The trend was the same for each of the buildings

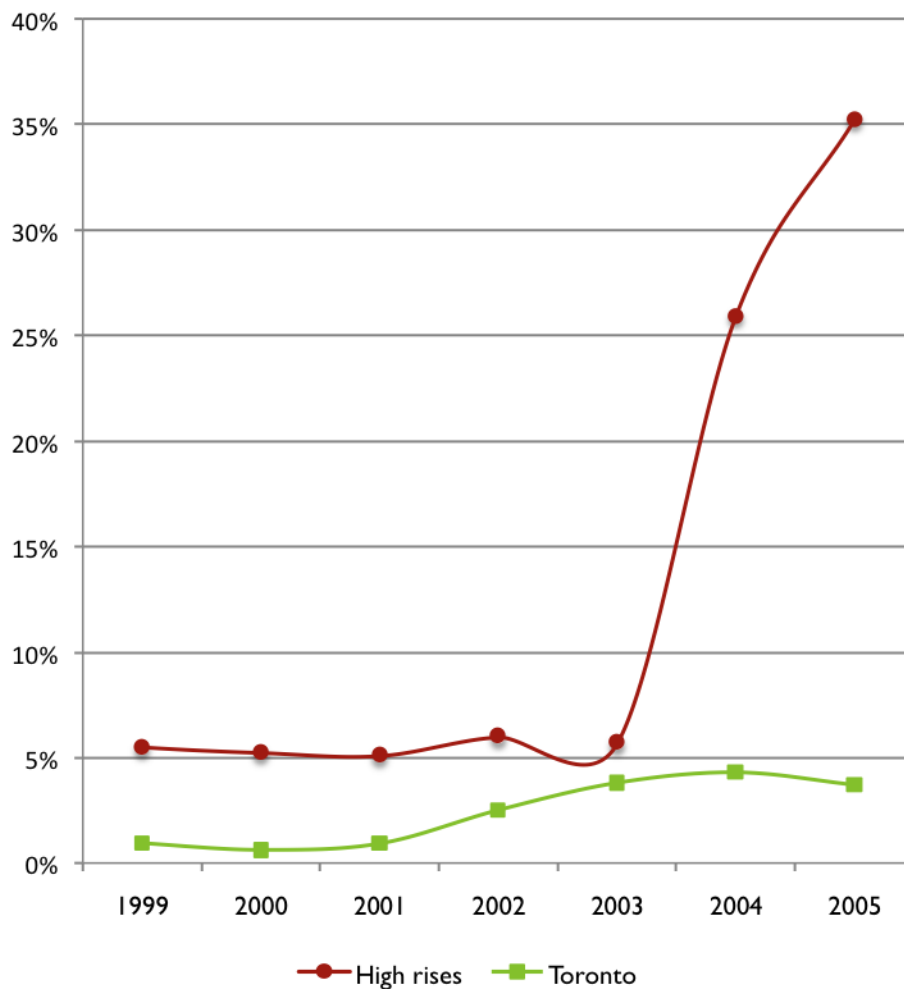


Figure 10: Rental vacancy estimates in selected high rises, compared to rates in Toronto, 1999-2005 (sources: CMHC, 2007; MPAC)

sampled: relatively high but stable vacancy rates through 2003, and then a roughly seven-fold increase in 2004 and 2005.

This is spotty but suggestive evidence that the rise in vacancies throughout the city has been (and may continue to be) concentrating in low-end high rises—possibly prompted by tenants in these buildings upgrading their accommodations once the city’s rental market slackened somewhat. Vacancies are trickling down to the bottom end of the market. The policy challenge is that these units and the buildings that house them will continue to deteriorate while they are vacant. Indeed, tenant testimonials communicated by ACORN suggest that many of the units in these buildings are completely uninhabitable.

Toronto's vacancy rate has been remarkably high in recent years, but many of the 'vacancies' may well be illusory, in the sense that, when the rate tightens again, the cost to bring units in these high rises back to up code will be high.

### *The challenge of code enforcement*

Any of a handful of the buildings in Figure 9 could illustrate the difficulties the City currently has enforcing the building code in the low-cost private rental sector. 1011 Lansdowne Ave. made headlines in February 2005 when a squatter died during a police sweep of the building. The fact that squatters were living in the building illustrates the extent to which extreme disrepair becomes indistinguishable from abandonment. Between 2000 and 2005, 54 work orders were issued on the building, and the owner (who also owns a number of the other buildings in Figure 9) received 12 convictions and \$12,000 in fines (Meles, 2006). Neither these minuscule fines nor a sustained, month-long police crackdown was able to stabilize the situation, and by early 2006 the Councillor was preparing the way for the closure of the building under the public nuisance provision of the *City of Toronto Act* (s. 388) if improvements were not made (City of Toronto, 2006b). As of March 2008, the threat has not been acted upon.

The pair of buildings at 1765 and 1775 Weston Rd. (owned by the same landlord that owns 1011 Lansdowne Ave., and the former of which has the highest vacancy rate of any building examined here) have also posed continual problems for municipal staff, to the extent that the City authorized a grant of \$5,000 to the tenants of the buildings to help cover their legal fees in grievance proceedings against the landlord (City of Toronto, 2005a). In both these cases (as well as many others), sustained staff attention has produced improvements in the buildings' conditions, but only at a high cost of time and resources. The City requires both more capacity for monitoring and more capacity for enforcement; as the next chapter will discuss, a landlord licensing system would be one means of acquiring both.

## **Financial abandonment**

In the American cities worst affected by abandonment, it is common for owners to cease paying property taxes on their properties, and these cities often acquire large inventories of vacant buildings and lots through tax foreclosure. In contrast, Toronto has almost no financial abandonment. The vast majority of properties—and the vast majority of vacant properties—in the city have their taxes paid; in the rare cases where a property-tax bill remains outstanding for three years, the City can initiate a public auction of the property under s. 342 of the *City of Toronto Act* to recover the taxes.

Unlike a number of American states such as Connecticut and Georgia, where tax foreclosure is used as a means of establishing public ownership of residential properties to guide future development (Mallach, 2006: 77-79), Toronto is obligated under provincial law to sell properties in arrears at a public auction, and recoups only the taxes owed to it. This is a wasted opportunity for the City, but it is mainly a hypothetical one, since, of the few properties that go into arrears in Toronto, even fewer are ever actually auctioned off. Between 2005 and 2007 there were 40 tax sales announced, but in most cases the existing owner came forward and paid the outstanding taxes before the auction occurred. Of the 13 properties designated for tax sales in 2007, for example (11 of which were residential properties or condo units), 12 did not end up being auctioned, and the one that did was contaminated commercial land.

Tax sale information is an ambiguous indicator of financial abandonment, because the City initiates proceedings against only 10 to 15 properties per year, regardless of the number of qualifying properties, but analyzing the 23 residential buildings and vacant parcels listed since 2005 allows a few conclusions to be drawn. Moreover, a spokesperson from Revenue Services (the municipal unit responsible for tax sales) stated that the City prioritizes buildings in its auctions, suggesting that the data set for developed land at least is substantially complete.

As Figure 11 demonstrates, the location of tax-sale properties broadly overlaps the areas singled out above as abandonment-heavy. There is a particular concentration in the east end of the downtown, and another around Jane St. to the west. The vacant lots are with only one exception located outside the corridor of higher property values between the Don Valley and Keele St.; the fact that these properties have remained undeveloped likely reflects their lower land values. The buildings are more dispersed, but also concentrated in the west and the east. They are mostly owner-occupied single-family homes (single- or semi-detached). Only two of the buildings were vacant at the time of the auction; Revenue Services confirmed that the large majority of buildings in tax arrears are occupied.

To the extent that Toronto experiences financial abandonment, then, it is of a type quite different from the standard American case, where the buildings that go into arrears tend also to be vacant. Financial abandonment may not be an individual-property-level policy problem for the City, but its spatial correlation with areas experiencing physical and functional abandonment suggests that it would be a useful neighbourhood-level variable to track in order to better understand the causes and implications of abandonment in Toronto.

## **Public abandonment**

Abandonment is a public-private partnership. Although this report addresses abandoned properties in the private sector only, it is important to note that housing abandonment is not simply a private-sector

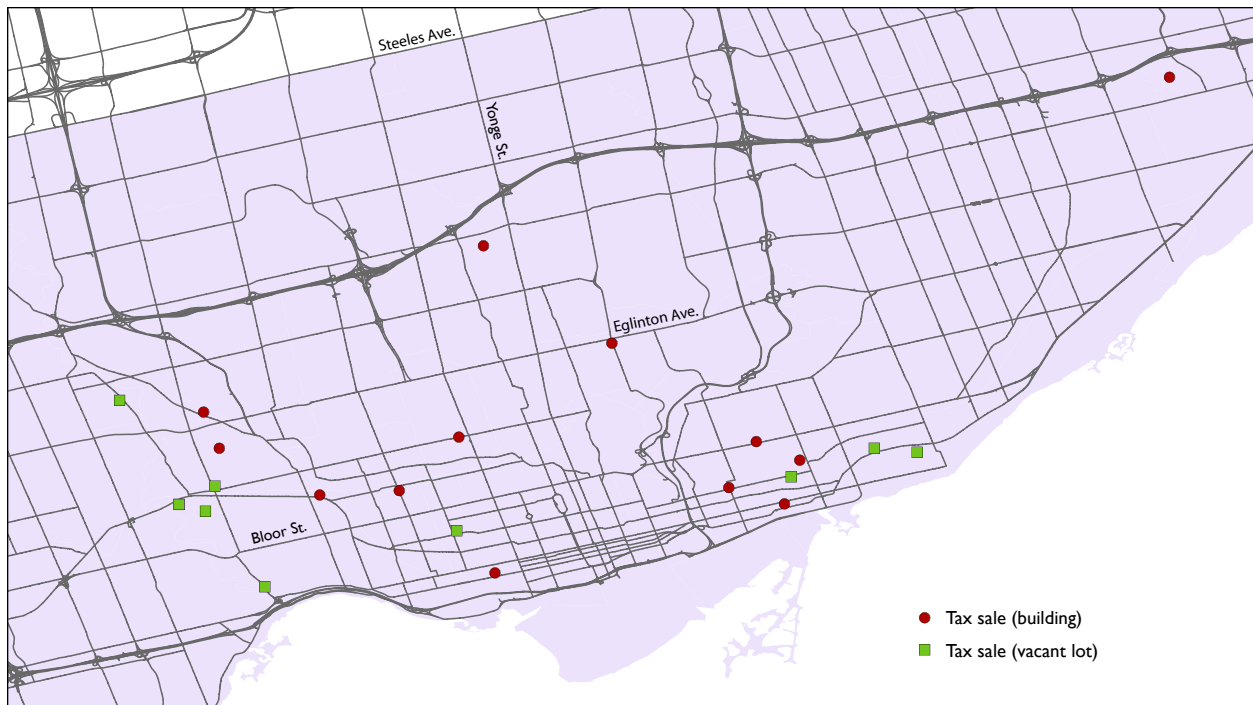


Figure 11: Announced residential tax-sale properties in Toronto, 2005-2007

problem. Toronto has well-publicized problems with both functional and physical abandonment in its public-housing stock, administered by the Toronto Community Housing Corporation (TCHC). While maintenance conditions in the most run-down private rental in the city are probably worse than anything found in TCHC buildings, conditions in the latter have been sufficiently poor to prompt one resident to file a class-action lawsuit against the City (Monsebraaten, 2007). Moreover, it was recently reported in the media that TCHC owns fifty single-unit dwellings that are currently vacant because of their poor state of repair (Bradshaw, 2007). The cause of this abandonment is easy to pinpoint: consistent under-investment by all levels of government—but particularly the senior ones, who have greater fiscal capacity—in social housing.

### 3.3 Why are there so few abandoned properties in Toronto?

Because there has not been any comprehensive Toronto-specific research, it is impossible to state with any certainty why there is so little abandonment in the city, but a few factors are suggestive. The two conditions most strongly associated with abandonment in American cities are sagging property markets and downtown decline. Particularly in negative- or low-growth cities, there simply is not sufficient residential

demand to occupy the existing housing stock, a fact which is exacerbated in central cities by decades of rampant suburbanization. Neither of these factors exists in Toronto; especially in recent years, property values have boomed, and residential demand downtown is high. Moreover, until the last few years, vacancy rates were extremely low, which may have acted as an incentive for landlords to keep their rental units on the market.

The factors that make Toronto's abandonment problem not as severe as other cities' also gives it greater potential to address the problem it does have. A strong rental market means landlords are generally in a financial position to respond to both negative and positive economic inducements; a landlord licensing fee, for example, that might force marginal landlords off the market in Baltimore could likely be absorbed without difficulty by high-rise landlords in Toronto. The bottom line is that Toronto is well-positioned to take action on abandonment as means of addressing the affordable housing crisis. The next chapter suggests some potential means for doing so.

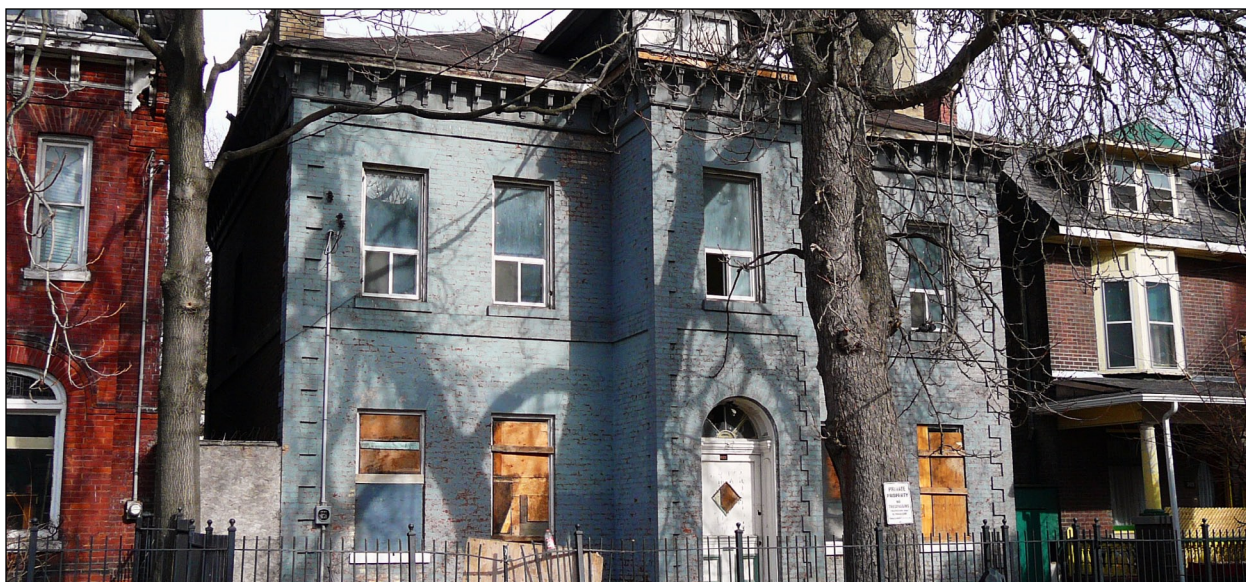


Figure 12: A boarded-up building on George St., recently listed for heritage status by the City (photo: Scott Weir)

## 4. Policy options for Toronto's abandonment issues

As stated in the first chapter, there are a variety of policy rationales for addressing housing abandonment in Toronto, but perhaps the most persuasive is the affordable housing crisis facing the city. This crisis is primarily a crisis of private-rental housing—the large majority of the affordable housing stock in Toronto. Recent years have seen the deterioration of the position of low-income households in the rental sector in Toronto and across the country—no surprise, given that Canada has the most free-market approach to housing in the West, and the second lowest rate of social housing, after the United States (Hulchanski and Shapcott, 2004). An

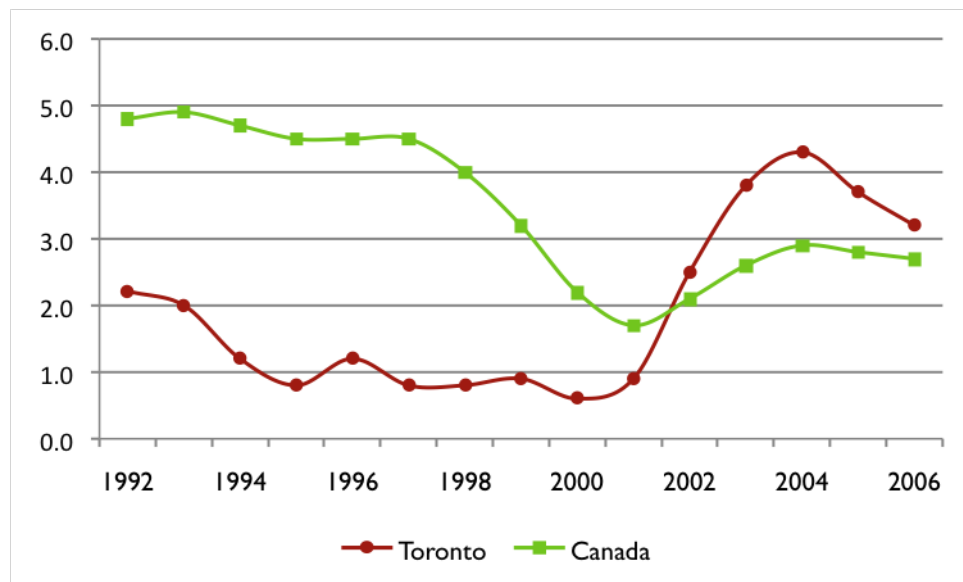


Figure 13: Rental vacancy rates in Toronto and Canada, 1992-2006 (source: CMHC, 2007)

additional worrying trend in Toronto over the last few decades has been the disappearance of mixed-income neighbourhoods in the face of the increasing spatial segregation of the working poor (overwhelmingly immigrants) in the city's inner suburbs and the wealthy in the downtown: what David Hulchanski (2007) has called the “three cities within Toronto”.

As Figure 13 shows, around the turn of the century the vacancy rate in Toronto climbed to a healthy level for the first time in decades, but this is likely to have been only a temporary reprieve driven by low interest rates and an increase in homeownership rates. The vacancy rate is already declining again. If it continues to drop, as it likely will, households in the rental sector will feel the squeeze; there has been almost no new rental housing construction in Toronto in over a decade, and the City's primary rental stock has declined by over two thousand units from 2001 to 2005, even as the population inches higher (City of Toronto, 2006c). Many—perhaps most—of these units were lost to condominiums, but some were lost to abandonment. Most abandoned housing was affordable housing: in the interest of maintaining a vibrant rental housing sector, and particularly one that is not limited to only a few areas of the city, the City should act to prevent further abandonment from occurring, and to reclaim what housing has already been lost. These two objectives, along with better understanding and tracking of the problem, should form the basis of Toronto's abandonment strategy (see Figure 14).

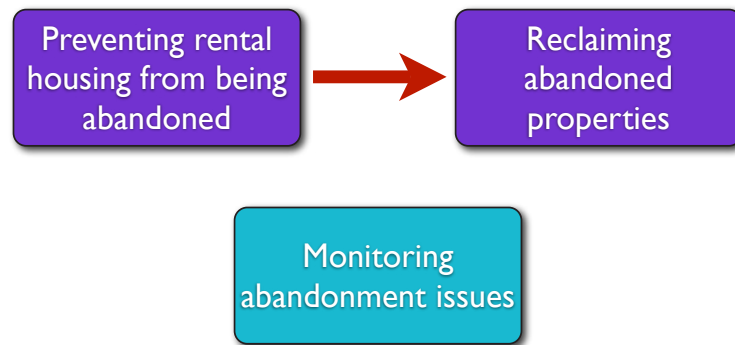


Figure 14: Schematic of abandonment policy options

## 4.1 Monitoring abandonment issues

The first step in addressing an abandonment problem is understanding it. The previous chapter has demonstrated the enormous uncertainty that surrounds housing abandonment in Toronto, and only the municipal government has access to the necessary information to properly track the issue. Experience from jurisdictions in the United States and England suggests that an effective property tracking system is a pre-requisite to any further action the City might take, and can be assembled without an inordinately heavy investment of resources. This will especially be the case if the City adopts, as it has signalled that it intends to do (City of Toronto, 2004a: 6-7), a public disclosure system for property complaints as part of a landlord licensing scheme.

### Problematic-property tracking system

As part of the property tracking the City will do under landlord licensing, it should maintain a centralized database of abandonment indicators and problematic properties, to serve as the basis for properly measuring abandonment and implementing the other recommendations of this report. The database should track, at a minimum:

- Property tax payments
- Code violations
- Outstanding and historical work orders

- Municipal liens
- Utility shut-offs
- Occupancy rates
- Crime reports
- Visual deterioration

Although this is not a short list, almost all this information is readily available right now; the challenge is simply to co-ordinate the data collection.

Sean Gadon (2007), the director of the Affordable Housing Office, suggested building a database of abandoned properties with a set of relevant data points: the problematic-property tracking system outlined above is the more systematic, integrated version of that suggestion. Such a system will give the City early warning about properties falling into abandonment, and allow more efficient and effective enforcement of regulations against delinquent property owners. The City of Los Angeles has had a good deal of success with the Neighborhood Knowledge Los Angeles system; a key feature is that it is designed for interactive public use (Mallach, 2006: 22). A side benefit of public access is that concerned citizens are able to provide virtual ‘eyes on the street’. Maintaining this database should not be difficult; the chief challenge will likely be initial implementation—establishing the necessary data sources and staffing.

### **Sponsoring abandonment research**

For a city the size of Toronto to have so little knowledge about the state of its abandonment problems is a missed opportunity. The City (through the Affordable Housing Office or Municipal Licensing and Standards) should commission high-quality research to answer definitively many of the questions this report was only able to tentatively address.

## **4.2 Keeping rental housing from becoming abandoned**

The old sports maxim applies to abandonment: the best defence is a good offence. Mallach (2006: 13), for example, states: “The best strategy for dealing with abandoned properties is to prevent them from being abandoned in the first place. The financial and social cost of keeping a property in use is often far less than the cost of restoring the property to productive use once it has been abandoned.” A particularly important

policy focus for Toronto in this context should be fighting the increasing concentration of poverty. This requires diversity in the housing stock, which means mitigating market forces that would otherwise lead to greater homogenization.

There are two aspects to preserving existing rental stock: keeping units habitable and up to code, and ensuring that apartment buildings remain apartment buildings. Code enforcement and rehabilitation assistance are consequently the two means by which governments generally attempt to preserve stock. Both are important, but Toronto's limited financial capacity constrains its ability to do both effectively. So beyond the actions it should take on its own, the City should lobby senior government for more funding for rehabilitating rental stock in Toronto. The federal RRAP program, which provides per-unit forgivable loans for major structural repairs, has been useful in keeping some marginal small rental buildings and rooming houses on the market, but the funding envelope is far short of what will be necessary to keep Toronto's large stock of high rises properly maintained. The Affordable Housing Office has pointed to energy retrofits for high rises as an issue that will be vital yet particularly challenging to provide. The remainder of this section looks at municipal code-enforcement mechanisms for keeping rental stock in operation.

## Landlord licensing

Code enforcement is the most common municipal strategy for preventing the deterioration of rental housing. Current enforcement mechanisms in Toronto suffer from two weaknesses: It is relatively costly for the City (in terms of staff resources) to oblige landlords to make repairs to buildings found to be in code violation, and the penalties landlords face for not complying, or for complying poorly, are not sufficiently strong to motivate proper maintenance. 1765 and 1775 Weston Rd. are cautionary examples of the consequences of these weaknesses. These buildings have seen over one hundred work orders issued since 2000, and large fines levied against the landlord. ACORN Canada has spent considerable time over the last several years fighting to improve conditions for the tenants of these two buildings, and despite a victory at the provincial Landlord and Tenant Board (formerly called the Ontario Rental Housing Tribunal), chief Toronto organizer James Wardlaw (2008) says conditions have only somewhat improved: "It's a constant battle to get problem landlords to make repairs and take care of their buildings."

Landlord licensing could be part of the solution to this problem. If structured properly, it would be a revenue-neutral mechanism for improving code compliance in rental buildings throughout the city that—crucially—would alter the economic incentives in favour of landlords performing required maintenance

themselves, while providing relatively straightforward means for the City to execute work orders in cases where they do not. The City is in the process of drafting a ‘multi-residential apartment buildings regulatory strategy’, which, once passed, will likely result in landlord licensing of some kind. The report, which was supposed to go to the Executive Committee in the summer of 2007, is still outstanding, but is expected soon. The report will suggest a number of possible models for the Committee to choose among; experience in Toronto and other jurisdictions suggests that an effective licensing strategy should have the following characteristics:

*It should be self-funded*

Given the City’s limited financial resources, any successful landlord-licensing strategy will be one that is cost-neutral; the accepted means of accomplishing this is funding the program through per-unit fees. Councillor Howard Moscoe, the chair of the Licensing and Standards Committee, has already spoken about the possibility of designating four classes of fees, depending on a building’s state of repair, which would range from approximately \$10 per unit for well-maintained buildings to perhaps \$400 per unit for the most flagrant cases of disrepair (ACORN Canada, 2007: 5). Such a fee structure would be ideal. Assessing the fee on a per-unit basis is important to not unduly disadvantage small landlords. A sliding scale of fees, moreover, is one way to create financial incentives for landlords to keep their buildings well-maintained.

*It should be universal but targeted*

As the Federation of Metro Tenants’ Association (2007) argues, any landlord-licensing scheme adopted by the City should be universal, in the sense that for-profit as well as non-profit landlords be subject to regulation. City documentation (e.g. City of Toronto, 2004a) simply refers to “privately owned” apartment buildings, but is not explicit about whether this would include non-profits. The Toronto Network of Non-Profit Housing Providers (2007) has raised important concerns about regulatory overlap and budgetary limitations, but the non-profit sector is not immune from poor landlord practices, and its tenants deserve the most effective code enforcement possible. Including TCHC in the licensing scheme might be politically unpalatable, but private non-profits and co-ops (represented by the building manager) should be covered in some respect.

Since municipal resources will inevitably be insufficient to allow equal monitoring and enforcement of all code violations, a targeting strategy is needed (Mallach, 2006: 41-43). A problematic-property tracking system, such as described above, would allow Toronto to make informed decisions about how to best allocate staff and financial resources in addressing code violations. Whether this system is tied to a universal, mandatory licensing scheme (with nominal fees for compliant landlords) or one that only regulates offenders is not in itself a crucial question; what is important is that any scheme allow municipal resources to be focused effectively.

In the event that Toronto adopts a universal, mandatory licensing program, there are various approaches to ensuring enrolment. The City has contemplated using financial penalties for non-compliance, for example (City of Toronto, 2004a: 5). The State of New Jersey has a different strategy, which could be complementary to fines: eviction orders are not enforced on behalf of landlords who have not been licensed (Mallach, 2006: 43). This approach has the benefit of requiring almost no staff or financial resources. The City could request that the Landlord and Tenant Board behave in a similar fashion.

#### *It should mandate proactive inspections*

At the present time the City performs inspections on rental housing reactively—only in response to complaints it receives, and not with sufficient vigour to prevent landlord abuses (City of Toronto, 2004a). This state of affairs is inevitable at the moment, given Municipal Licensing and Standards' severe staffing shortages, but a landlord-licensing scheme with annual registration fees would supply the income necessary to carry out proactive inspections and to follow up more effectively where there are problems.

#### *It should use escrow*

For landlord licensing to work effectively, it should make use of escrow accounts to apply economic pressure on delinquent landlords to make mandated repairs. Currently, it is sometimes cheaper for a landlord to pay the fines levied by the Landlord Tenant Board for poor maintenance than to make the repairs (Wardlaw, 2008). A strong landlord-licensing program, like the City of Los Angeles', is one that relies on escrow both to motivate repairs and to recover costs (ACORN Canada, 2007). In such a scenario, if a landlord fails to perform required maintenance on a unit, the tenant's rent is diverted into an escrow account until the landlord rectifies the situation; moreover, if the City is forced to issue a work order for the

repairs, the payment can be taken from the escrow account. The escrow system being considered by the City of Toronto (according to a brief description in City of Toronto, 2007d) would not allow rents to be diverted (it would work as a down-payment instead), and consequently might not be as effective a deterrent to maintenance delinquency as possible.

An escrow system will further help the City to avoid what the Toronto Network of Non-Profit Housing Providers (2007: 6) has called “the tension between revenue generation and tenant protection”—the possibility that, with large per-unit licensing fees in the worst buildings but limited staff resources to ensure that repairs are carried out, the City might simply be content to collect a steady stream of revenue from these buildings while the costs are passed on to tenants.

*It should operate per landlord, not per building*

In general there are two effective ways to grant licenses under a landlord licensing scheme: licenses can be assigned to buildings or to owners. The former is used by a number of jurisdictions in North America, including Vancouver and Los Angeles (City of Toronto, 2004a). The latter is used in some American cities (as well as Calgary and Edmonton) as a means of enforcing claims against absentee landlords living out of state (Mallach, 2006: 42-43). Toronto has indicated a preference for a per-building scheme, particularly in comparison with operator licensing, which it was considering prior to the passage of the City of Toronto Act, when the City was not permitted to license buildings (City of Toronto, 2004a). The City considered operator licenses sub-optimal, because they could be frustrated by frequent changes in property management.

But licensing the owners themselves circumvents this problem, and allows more effective deterrents and penalties to be applied to delinquent landlords. Owners with code violations in multiple buildings could have their penalties increased; similarly, owners could have the most expensive registration fee class (a function of the maintenance of the building, according to the most recent City proposal) of any of their buildings applied to all their buildings. Each of these scenarios would provide stronger incentives for landlords to maintain their entire inventory in good repair. Raleigh, North Carolina’s licensing system, for example, is a per-unit scheme with escalating penalties for code violations that culminate in sanctions being applied to all of a landlord’s buildings (City of Raleigh, 2005). This approach is both light-weight (it generally only regulates problematic units) and responsive to egregious problems.

*It should provide for landlords having their licenses revoked as a final recourse*

Under current municipal laws and policies, the ultimate penalty for a landlord flagrantly failing to maintain a building is section 433 of the Municipal Code, which allows municipalities to obtaining a court order shutting down a building for up to two years as a public nuisance. This course of action was contemplated in February 2006 for 1011 Lansdowne Ave, but the drawback is obvious: closing a building means displacing the tenants. An alternative would be for the City to revoke a landlord's license to a building—taking control of its management and possibly ownership without shutting it down. Such a procedure, which due to its severity would likely be a deterrent more often than an actual course of action, could be carried out under the policies discussed below, in **4.3 Reclaiming abandoned properties**, and would start with the building being declared 'abandoned' under the proposed Use It or Lose It bylaw.

*It should be linked to rehabilitation funding*

Experience in other jurisdictions suggests that landlord licensing will not be successful unless owners have access to funding sources to help make mandated repairs. While the City does not have sufficient financial capacity to offer large-scale financial support to landlords seeking to make renovations, it should take whatever steps possible to make rehabilitation economical. These could include targeting RRAP funding (which the City administers, even though the source is the federal government) and short-term tax abatements.

## **Demolition and conversion control**

As noted above, high and rising property values in Toronto place pressure on property owners to replace their rental apartment buildings with condominiums, through demolition or conversion. In the interests of protecting rental stock, the City has instituted controls on both demolition and conversion, previously under the Official Plan and more recently under *Municipal Code* Ch. 667, Residential Rental Property Demolition and Conversion Control, adopted in July 2007.

This policy, implemented under authority granted to the City in s. 111 of the *City of Toronto Act*, prohibits any demolition or conversion that would affect six or more rental units, except where an application is made to Council and approved. This aggressive approach to maintaining rental housing stock is

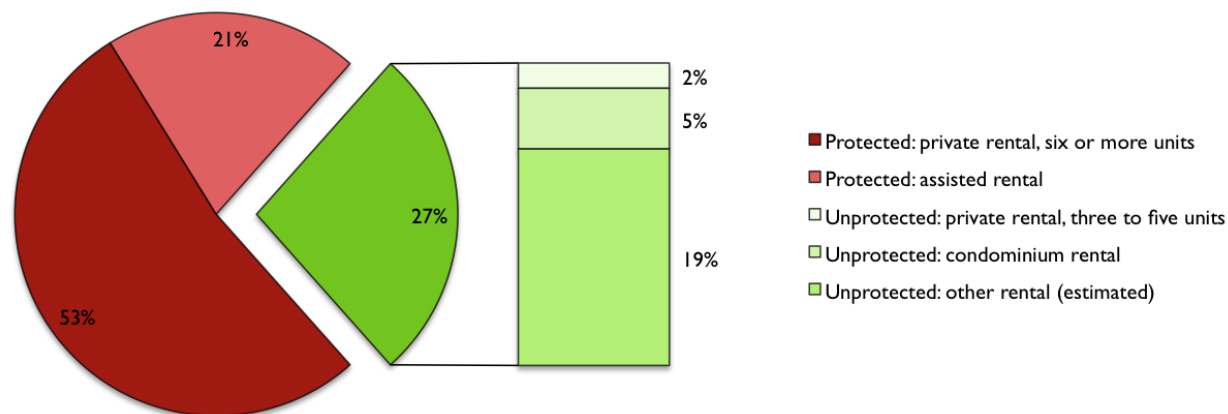


Figure 15: Toronto protected and unprotected rental housing stock by type, 2001 (source: City of Toronto, 2006c)

necessary but insufficient, since it applies only to buildings with six or more units in the ‘primary’ rental sector (purpose-built apartments with at least three units). These buildings account for 242,000 of the approximately 465,000 rental units in the City; 91,000 more are assisted units which are generally protected by long-term subsidies. What remains are 132,000 units—28 per cent of the total—unprotected by demolition and conversion control (see Figure 15). Most of these (122,000) are what is considered to be ‘secondary’ rental housing: apartment buildings with fewer than three units, condominium rentals, and ad-hoc situations. The remaining 10,000 units are in apartment buildings with three to five units. These represent only 4 per cent of primary rental stock, but fully 40 per cent of all private rental apartment buildings (City of Toronto, 2006c). With the secondary rental housing taken into account as well, it is likely that a majority of the rental buildings in the city are not protected by demolition and conversion control.

A staff report on the demolition and conversion control bylaw states that “municipal policy interest” extends only to protecting “permanent rental housing” (City of Toronto, 2007b: 5); given the fact that one quarter of rental households do not live in “permanent rental housing” (i.e. the primary rental and assisted rental sectors), this policy is arguably misguided. In either case, at a bare minimum the City should ensure that permanent rental buildings with fewer than six units are protected from demolition and conversion as well. The *City of Toronto Act* does not permit regulation of these buildings, however (s. 111). The Community University Research Alliance (2007: 6) suggests that the City could provide incentives to maintain this stock, “such as modifying the tax rules for small landlords”.

### *Leveraging the heritage designation*

Another potential approach would be to use the City's heritage designation aggressively. In the wake of the 'demolition by neglect' of 6 Howard St. in 2006, the City has taken steps to maintain heritage buildings more effectively, particularly by amending the *Municipal Code* in September 2007 to carry stricter upkeep standards (City of Toronto, 2007f). Designating buildings under Part IV of the *Ontario Heritage Act* would prevent their demolition and allow for a more aggressive approach to ensuring proper maintenance. The City could then offer tax reductions conditional upon the buildings retaining their rental units, under s. 334 of the *City of Toronto Act* (which allows the City to offer conditional tax reductions to heritage properties). Demolition control through the *Heritage Act* could serve as the stick, and tax abatements the carrot.

Either of these approaches—tax incentives or more aggressive use of heritage listing (with possible tax incentives)—would require some municipal financial resources, if simply as tax revenue forgone, but could patch a gaping hole that currently exists in the City's rental protection strategy by protecting rental housing in buildings with fewer than six units.

## **4.3 Reclaiming abandoned properties**

Regardless of the effectiveness of policies to deter housing abandonment, there will inevitably be cases where deterrents are unsuccessful. For these cases, the City should consider what tools could be effective in reclaiming severely abandoned (usually vacant) properties. Many of the approaches commonly used by American municipalities in particular are not appropriate to Toronto, since they are designed to address rampant abandonment (thousands or tens of thousands of vacant buildings). These approaches are usually predicated on triage, and often involve widespread demolition as a means of securing properties when returning them to the market is deemed unfeasible.

Toronto, with its currently robust economy and strong real estate market, can make better use of economic incentives. By financially discouraging property owners from letting their property slip into disuse, the City can create a win-win situation, where units are returned to the housing stock if the incentives are successful, and the City receives income it can use for affordable housing if the incentives are not. In circumstances where it would make economic sense, the City should consider expropriating abandoned buildings and converting them directly into affordable housing

with non-profit partnerships. Although the policies discussed in this section are oriented toward reclaiming properties that have already been abandoned, it is clear that they would serve additionally (or even primarily, depending on the severity of the measure adopted) as a further deterrent to abandonment.

### **Vacant property fees**

When John Sewell was mayor of Toronto, he investigated the possibility of taxing vacant land at a higher rate than other land (Gadon, 2007). Washington D.C. does exactly this: residential land is taxed at \$1.85 per \$100 in assessment, while vacant land is taxed at \$5.00 per \$100 (Mallach, 2006: 145). But the *Municipal Act* did not allow Toronto to tax vacant land differently; nor do the *City of Toronto Act* and the *Assessment Act* today.

Increasing the cost to a property owner of keeping her property vacant is an excellent strategy for reclaiming abandoned property, since it creates incentives for the owner to rehabilitate or sell, and in the meanwhile raises revenue for the City. Toronto should strive to enact such a plan, but a property tax change is not the best means to this end. Better is to charge some sort of vacancy fee, since it is more flexible and can be more precisely targeted. OCAP (2002) proposed in 1997 a Use It or Lose It bylaw that would have seen a fine equal to 25 per cent of the assessed value of a property levied each year that a building is vacant; it is unlikely that such a high fine would gain political support, but the basic principle is an excellent one.

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**By financially discouraging property owners from letting their property slip into disuse, the City can create a win-win situation, where units are returned to the housing stock if the incentives are successful, and the City receives income it can use for affordable housing if the incentives are not.**

The *City of Toronto Act* (s. 262.2) grants the City authority to levy a fee based on “the location of the property, the physical characteristics of the property, including buildings and structures on the property, or the zoning of property or other land use classification”. This is likely sufficient for enacting a vacant-property fee. A

potential model is the City of Winnipeg, which received expansive provision to respond to abandonment, including with vacancy fees, through provincial amendments to the *City of Winnipeg Charter Act*.

The City of Winnipeg's (2004) approach is elegant: property owners with vacant buildings must maintain them to a high standard, waterproof, with functioning doors, and board-free. If a property owner wishes to board up a building, she must apply for a vacancy permit, the cost of which increases with each successive application. Owners of small residential properties are limited to four six-month permits per five years, which range in cost from \$100 to \$2,000. Owners of larger multi-rental properties can board them up indefinitely, but the annual cost (which starts at \$200) increases to \$3,000 by the fourth year, and increase \$1,500 each year after that. Properly enforced, this system will discourage abandonment by compelling property owners to maintain their buildings in better condition than they might otherwise wish to do. In the process, it will reduce the likelihood of serious structural damage that would compromise a building's chance of being rehabilitated.

The biggest challenge for Winnipeg in the enforcement of this bylaw is the weakness of the property market. Concerns that the financial penalties may actually push marginal buildings into abandonment lead to the penalties not being rigorously applied. But in Toronto such an approach would likely work much better, and would either bring abandoned buildings back on the market faster or would allow the City to raise revenue for affordable housing.

A number of American municipalities have instituted some form of a vacancy fee. Wilmington, Delaware has escalating annual registration fees for vacant properties; Portland conducts mandatory quarterly inspections of vacant buildings at the owner's cost; San Diego imposes fines every 90 days for vacant properties that do not have rehabilitation plans registered with the City (Mallach, 2006: 146-151). All of these models could potentially be used in Toronto.

### **Expropriating properties to guarantee affordable housing**

Another option for reclaiming abandoned properties is to take them away from their owner. Although this is a politically-charged course of action, when an owner chooses to treat housing as a commodity to be speculated with instead of a home for people to live in, the moral case for interfering with her private property rights is not hard to make. The principal advantage to this strategy is that, unlike the others discussed above, it provides a clear path for the development of social housing, which is to say housing

subsidized by government and guaranteed to remain at least nominally affordable for a relatively long period of time.

The exact way that the City could convert an abandoned building into social housing is difficult to specify, since the funding environment for affordable housing in Ontario is so uncertain, but assuming that the next provincial/federal funding program functions similarly to the current Canada-Ontario Affordable Housing Program (which provides per-unit subsidies to private, non-profit, and public providers of rental housing where rents are under 80 per cent of the CMHC average market rent for the area), the basic model would be:

- The City expropriates a qualifying property, paying the market value to the existing owner.
- The City issues an request for proposals for non-profit organizations to take on a nominal, long-term lease and redevelop the property as long-term-guaranteed affordable housing.
- The non-profit uses federal and provincial subsidies (currently \$70,000 a unit, under the Affordable Housing Program) to help finance the redevelopment.

This was the process followed by the municipal government in 2006 and 2007, when, for the first time ever, it expropriated an abandoned building to build social housing.

*Case study: 194 Dowling Ave.<sup>2</sup>*

The building at 194 Dowling Ave. is unique in Toronto: it is a formerly abandoned building that has been expropriated by the City and is now being converted into affordable housing. It is therefore a potential model for further reuse of abandoned buildings. But the circumstances that led the City to use their powers of expropriation in this way were far from straightforward.

Victor Willis (2008, 2007), the executive director of the Parkdale Activity-Recreation Centre, describes the desperate situation of people living in the building following its purchase in 1981 and conversion to a rooming house. Each apartment cost around \$450 per month, but there were few working washrooms and the rooms were tiny, cold, and depressing. In 1998 the building caught fire and two people perished in the flames. The building sat derelict for 8 years, not just an eyesore and reminder of the tragedy that had occurred but also “a community asset of potential affordable housing that was wasting away” (Willis, 2007).

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<sup>2</sup> See also Wachsmuth and Pasternak (2008).

The neighbourhood had elected a new city councillor, Sylvia Watson, in 2003, whom members of the community began pressuring to take action on 194 Dowling Ave. Two years later, in February 2005, the City passed a wide-ranging policy on housing and homelessness, which, among many other provisions, called for a working group to “identify unused or derelict publicly and privately owned buildings and land suitable for development or conversion to supportive, transitional and affordable housing use” (City of Toronto, 2005b: 6). Watson identified the building on Dowling Ave. (the only building brought forward by a councillor which proved to be suitable) and expropriation proceedings were initiated. After the provincial government, which has approving authority over all expropriations, allowed the expropriation to continue, the landlord managed to win a reprieve at the City’s Administrative Committee, and a community meeting was held to discuss redevelopment possibilities. At this meeting, the landlord failed to demonstrate a credible intention to carry out renovations, even presenting ‘redevelopment plans’ which were simply photocopied site plans overwritten with magic marker.

The community expressed an overwhelming desire for the building to be taken away from the landlord, and following a cross-city lobbying effort led by PARC, Council decided to proceed. A bidding process, only open to non-profit charitable organizations, was arranged and PARC won the contract to redevelop the property into affordable housing, which they will fund with subsidies from the Affordable Housing Program and a mortgage to be repaid with tenant rents (Willis 2007, 2008).

### *The challenges of expropriation*

The convoluted story of 194 Dowling Ave. points to one of the main challenges of using expropriation to turn abandoned buildings into affordable housing: the expropriation process is time-consuming and difficult. To satisfy the provincial *Expropriations Act*, the City needs to demonstrate that an expropriation is “fair, sound and reasonably necessary in the achievement of the objectives” of the City; a first step would be to make it explicit in Toronto’s abandonment policy framework that expropriating abandoned buildings will help the City achieve its affordable housing objectives.

The means of financing expropriation are a second challenge; since the City must pay the fair market value of the property it is expropriating. The acquisition of 194 Dowling Ave. was paid for out of the Land Acquisition fund, which currently stands empty. There is another possible model, though—if the City were to expropriate a building with less need for repairs and renovations than 194 Dowling Ave.

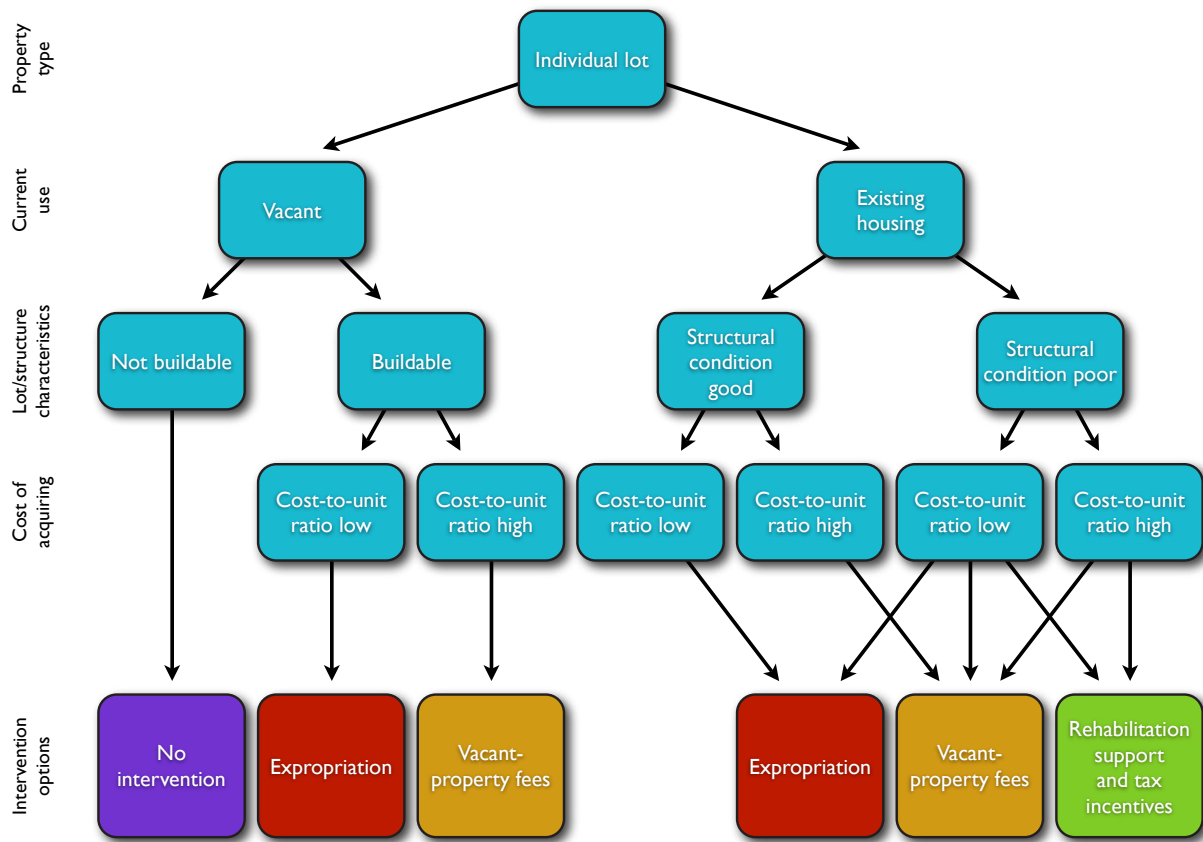


Figure 16: Potential decision tree for reclaiming abandoned properties

(not difficult, since that building was gutted by a fire), a portion of the federal-provincial subsidies and rents could be used to pay the acquisition costs. It is conceivable that the City could enter into arrangements with non-profits where it would put up the down payment on a property (and collateralize the mortgage) and let the non-profit cover the other costs. Still, the costs of redeveloping old buildings are inherently uncertain, and this fact would argue in favour of only using expropriation in cases where the economics are solid. Other considerations such as structural condition and lot size are also relevant; Figure 16 is a possible decision tree, sensitive to some of these factors, which outlines options for taking action on abandoned buildings or lots.

Finally, it is worth noting that a number of jurisdictions (including, as of 2004, Winnipeg) have the authority to seize abandoned properties without compensation, typically if they are not maintained to some minimum standard. Toronto should press the province to consider a similar arrangement; although ob-

taining such powers would not likely lead to many expropriations (because property values are too high in Toronto for owners to let their properties go for free), it would act as a powerful deterrent to owners considering letting their buildings deteriorate.

#### *Other disincentives to speculation*

Two other potential policies for addressing speculation and getting abandoned properties back into use are zoning restrictions and mandatory leasing arrangements. The logic of the former is that the zoning of a particular property could be held at a low density to discourage the owner from holding the property hoping to intensify. The potential problem with this approach is that low-density property will incur lower property taxes, which may make speculative ownership more feasible.

Another potential policy for the City to explore—one which cannot currently be reconciled with the legal regime in Toronto but is sufficiently interesting to warrant attention—is mandatory leasing. This approach was introduced in the United Kingdom in 2006 under the name ‘Empty Dwelling Management Order’ (EDMO). By securing an EDMO from an independent housing tribunal, municipal housing providers can actually take over management of a rental property from the owner without purchasing it, leasing out the units and funding necessary repairs with proceeds from rents (Department for Communities and Local Government, 2006). A similar arrangement in Toronto could apply to vacant buildings and/or be the final penalty under a landlord licensing system.

The benefit of EDMOs is that they are substantially less capital intensive than expropriation, but at least in the short term (the building must be reverted to the control of its owner after no more than seven years) accomplish much the same effect—abandoned buildings converted to social housing. Still, lack of available funding is the main reason that only a dozen EDMOs have been secured since 2006, despite the enthusiasm of housing advocates and many municipal governments for this new policy tool (Howard, 2008).

## **4.4 An enabling framework: The Use It or Lose It bylaw and Housing Opportunities Toronto**

The abandonment strategies laid out in this chapter are wide ranging, and implementing some or all of them will need to be approached thoughtfully. Some of the policies could stand on their own; others

will require complementary strategies to be successful (e.g. landlord licensing and rental rehabilitation funding). To co-ordinate Toronto's abandonment policy, the City should implement a bylaw clearly establishing a definition of abandonment and the potential consequences for the owner. An appropriate definition would be one that integrates functional and physical (and potentially financial) abandonment, perhaps by defining an abandoned residential property as one that satisfies at least one of the following conditions:

- It has been vacant for six months or longer with no building permits issued
- It has substantial code violations outstanding, such that the suitability of the building to house tenants is seriously compromised (with the meaning of 'substantial' to be synchronized with the forthcoming landlord licensing scheme)
- It has an outstanding property tax bill of more than three years

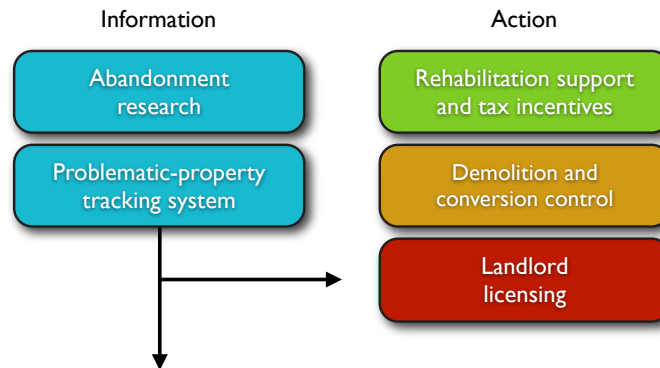
The bylaw would not need to specify a specific course of action to be taken in any given situation, but would simply lay out the different policy responses the City would be able to make, leaving the municipal government necessary flexibility. Nor would the bylaw be the sum total of Toronto's policy responses to abandonment, but would be part of an integrated framework (see Figure 16). Ideally, this bylaw would be implemented following an omnibus provincial bill amending the City of Toronto Act to allow greater municipal freedom to address abandonment, in the ways suggested above. Realistically, even if the City cannot convince the Province to take action, a Use It or Lose It bylaw or any of the accompanying policy tools would still be effective, and would be a signal to property owners that their private property rights are not so inviolable as to outweigh the community's pressing need for affordable housing.

## Housing Opportunities Toronto

Now is the ideal opportunity for Toronto to start taking action on abandonment, since the City's (2007a) Affordable Housing Office has tabled a draft for public consultation of a ten-year affordable housing strategy: Housing Opportunities Toronto. The Affordable Housing Office should integrate a commitment to fighting abandonment into HOT in at least the following three ways:

- Action area three, 'Preserve and Fix Rental Housing and Keep it Affordable' should be updated to include a statement about preventing abandonment as a strategy for preserving affordable housing, and, crucially, should recommend the policies outlined above under **4.2 Keeping rental housing from becoming abandoned**.

## Ongoing policies to monitor and prevent abandonment



## Reclaiming abandoned properties: the Use It or Lose It bylaw

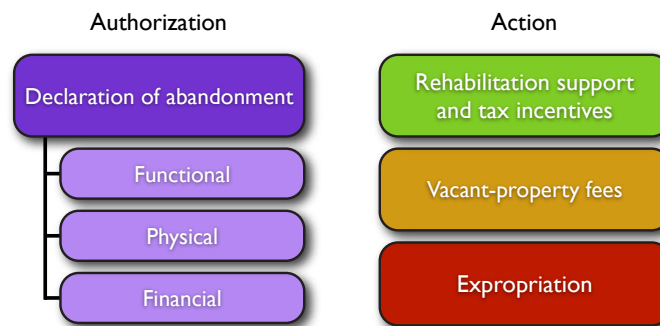


Figure 16: A comprehensive framework—ongoing monitoring and prevention policies, and the Use It or Lose It bylaw

- Action area five, 'Create New Affordable Rental Housing', should be updated so that Toronto's first action ('Identify and bank City land and other properties and buildings for affordable housing') places a high priority on reclaiming abandoned properties for affordable housing through the policies outlined above under **4.3 Reclaiming abandoned properties**.
- Action area seven, 'Create Housing Opportunities in All Neighbourhoods', should be supplemented with a commitment to enacting a Use It or Lose It bylaw to coordinate the City's response to abandonment.

In short, Toronto should adopt a comprehensive strategy for fighting abandonment—including a Use It or Lose It bylaw—and thereby assert a collective claim to the buildings and land in our neighbourhoods while taking a concrete step toward resolving the city's affordable housing crisis.

# Appendix I. Summary of recommendations

Recommended policy option	Means of addressing abandonment	Senior government action	Resources required for implementation
<i>Monitoring abandonment issues</i>			
Problematic-property tracking system	Better information gathering	N/A	Staff time
Abandonment research	Understanding abandonment in Toronto	N/A	Funding for researchers
<i>Keeping rental housing from becoming abandoned</i>			
Landlord licensing	More effective code enforcement	Province: enabling legislation already passed Federal: expand rental rehabilitation programs	System self-funding
Demolition and conversion control	Prevent demolition or conversion of smaller rental buildings	Province: allow control of buildings with fewer than six units	Staff time
<i>Reclaiming abandoned properties</i>			
Vacant-property fees	Raising money for affordable housing	N/A	System self-funding
Expropriation for social housing	Convert vacant buildings into social housing	Province: allow expropriation without compensation (optional)	Capital for expropriation; staff time
<i>Enabling an abandonment-policy framework</i>			
Use It or Lose It bylaw	Establish legal and policy framework for other strategies	Province: make omnibus amendment to City of Toronto Act	Staff time
Abandonment policies in HOT	Prioritizing abandonment intervention by integrating it into HOT	N/A	None beyond those required for the policies above

# Appendix II. Vacant properties in Toronto

The following table lists properties that Abandonment Issues believes are vacant and not being actively redeveloped, as well as some notable examples of long-term vacant properties that have recently seen redevelopment activity. Some addresses have been omitted because there may be squatters living in the buildings. Although we believe that the details presented below are accurate, due to our limited resources we cannot be certain, and City staff should verify the status of all the properties.

Property address	Current status	Heritage?	Additional notes
<i>Ward 11</i>			
2-16 Sandcliffe Rd.	Vacant	No	
<i>Ward 13</i>			
1844-1854 Bloor St.W; 6-14 Oakmount Rd.; 35, 27 Pacific Ave.	Redevelopment	No	Block of houses demolished for condos; were vacant for years
<i>Ward 14</i>			
22 Brad St.	Vacant	No	Signs of redevelopment
147 Cowan Ave.	Vacant	No	
194 Dowling Ave.	Redevelopment	Yes	Expropriated by City
1510 King St.W	Redevelopment	No	'Pope squat' location
<i>Ward 18</i>			
668 Brock Ave.	Vacant	No	
1004, 1006 College St.	Vacant	No	
1486 Dupont St.	Vacant	No	Signs of redevelopment
39 Gladstone Ave.	Vacant	No	
<i>Ward 19</i>			
165 Grace St.	Vacant	No	Ambiguous
767 Dovercourt Rd.	Vacant	No	Signs of redevelopment
2 Ossington Ave.	Vacant	No	

Property address	Current status	Heritage?	Additional notes
Ward 20			
43 Bellevue Ave.	Vacant lot	N/A	
45 Bellevue Ave.	Vacant	No	
207 Beverley St.	Redevelopment	No	Was vacant for years
357 College St.	Redevelopment	No	Was vacant for years
27 St. Andrew St.	Vacant	No	
Ward 21			
321, 323, 327, 329 Albany Rd.	Vacant	No	329 Albany Rd. in bad condition
Ward 27			
35 Astley Ave.	Vacant	No	
295, 305 George St.	Vacant	No	305 George St. in bad condition
Ward 28			
6-16 Glen Rd.; 4 Howard St.; 603, 607 Sherbourne St.	Vacant	Yes	Some have heritage status
6, 24-30, 58-64, 76 Howard St; 609, 611 Sherbourne St.	Vacant lot	N/A	6 Howard St. was demolished by neglect in 2007
399-403 King St. E	Vacant	Yes	
307 Sherbourne St.	Vacant lot	N/A	
Ward 30			
312 Broadview Ave.	Vacant	No	Former Salvation Army building
1195, 1211, 1215-1223 Danforth Ave.	Vacant	Yes	1215 Danforth Ave. has heritage status
558, 811 Gerrard St. E	Redevelopment	Yes	558 was 'Gatekeeper building' and has heritage status
6 McGee St.	Vacant	No	
Ward 32			
1635 Gerrard St. E	Vacant	No	Ambiguous
9 Lee Ave.	Vacant	No	Address is approximate

# Appendix III. The scale of the problem

Although abandonment has been studied much more frequently in the United States than anywhere else, it is difficult even there to know how prevalent it is. This appendix provides a brief overview of what is known about the scale of the abandonment problem in the United States, the United Kingdom, and Canada.

## Abandonment in the United States

The diversity in definitions of abandonment, discussed above in the second chapter, has led to a similar diversity in operational descriptions of the scale of the abandonment problem. There is therefore nothing approaching a reliable estimate of the number of abandoned structures for any jurisdiction larger than a municipality, and municipal estimates are only occasionally comparable. There have only been two attempts to assess abandonment levels throughout the United States (Pagano and Bowman, 2000; Burchell and Listoken, 1981), and only one in the last 25 years. Severe (and in some cases insurmountable) methodological limitations mean that neither can be taken seriously as more than a rough sketch. Still, abandonment is widely recognized to be a serious problem throughout the United States, and particularly for large- and medium-sized US central cities with declining populations (Accordino and Johnson, 2000). Cities such as Detroit and Philadelphia are generally estimated to have tens of thousands of abandoned structures (Hillier *et al.*, 2003; Bowman and Pagano, 2000; O'Flaherty, 1996). The worst relative incidence of abandonment is likely to be in smaller towns affected by regional economic slowdowns: Mallee (2006) states that an astonishing ten per cent or more of properties in some smaller cities such as East St. Louis, Illinois and Camden, New Jersey are abandoned. But the problem is by no means limited to slow- or no-growth cities: a majority of even the fastest-growing quartile of cities in the United States characterized abandonment as a 'problem' or a 'big problem' (Accordino and Johnson, 2000: 306.)

## Abandonment in the United Kingdom

This overview of abandonment in the United States, fragmented though it is, is more complete than is possible for any other country. The scale of the problem in the United Kingdom is less well known, partly because there is very little British scholarship into abandonment (Keenan *et al.*, 1999). Still, it is clear that many British cities experience something similar to American-style abandonment, if not necessarily to the same extent. A countrywide survey (Department of the Environment, 1993) identified 250,000 potentially problematic vacant dwellings, not all of which are necessarily 'abandoned' (under the definitions discussed above). More targeted studies have confirmed

the presence of abandonment, particularly in inner cities (Power and Mumford, 1999; Bell, 1996). We are not aware of any systematic studies of abandonment in other European countries; if they exist, they are not frequently discussed within the American and British literature.

### **Abandonment in Canada**

Canadian cities, with the notable exception of Winnipeg (Carter and Polevychok, 2003), have generally been spared abandonment on the scale seen in the United States or the United Kingdom, and consequently have been even less frequently studied. We have identified no research conducted specifically on abandonment in Toronto, Vancouver, or Montreal; O’Flaherty (1996) discusses the first of these in passing, concluding simply that Toronto seems to have very few abandoned buildings. The problem does exist, however, if more modestly than south of the border. Toronto’s abandonment issues were discussed in the third chapter; elsewhere in Southern Ontario, abandonment seems to be a problem of cities with declining or threatened industrial economic bases, such as Windsor, Hamilton, and Oshawa.<sup>3</sup> Still, the overwhelming focus in abandonment research and policy is the United States, and to a lesser extent the United Kingdom, so it is difficult to know if or how Canadian abandonment differs from the more well-studied cases.

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<sup>3</sup> As in Toronto, there have been no studies of abandonment in these cities that we are aware of, but personal surveys plus informal discussions with public-space activists in Windsor and Hamilton suggest a visible but not rampant abandonment problem in these municipalities.

# Appendix IV. What causes abandonment?

What causes abandonment? The basic answer is: the owner decides to abandon her property. Mallach (2006: 5), for example, states: “[Abandonment] most often occurs when an owner concludes, rightly or wrongly, that the potential losses from continuing to occupy or maintain the property exceed the potential benefits.” So the real question to answer is, what causes an owner to abandon property? As Mallach points out, different types of property are generally abandoned for different reasons: many causes, one effect. A derelict factory in a de-industrialized port area and a boarded-up row house in the inner city may have nothing in common except the fact that they are both currently abandoned.

The focus in this report is housing abandonment. In the US academic literature, two broad perspectives emerge, sometimes in combination with each other, sometimes in contradiction to each other. The first perspective—as associated, although not exclusively, with neoliberalism—is that a specific interaction of market forces and demographic change leads to neighbourhood decline, and that abandonment is an inevitable or ‘natural’ result of this decline. The second perspective is that abandonment is not ‘natural’, but is the product of actors negotiating specific political and institutional arrangements. The distinction between these two perspectives is critical from a practical as well as a theoretical standpoint, as Shlay and Whitman (2006: 155) argue with reference to the more general question of neighbourhood blight:

Proposing that a problem emerges unintentionally, as a product of accident or natural cause (e.g., economic and demographic forces), supports one type of policy solution while arguing that it is not accidental but due to human agency supports another. The natural causal argument will support policies revolving around the inevitability of blight. A human agency causal argument resolves around the opposite frame of reference—that blight is not inevitable and can be mitigated.

## **Abandonment as economic decline: the ‘neighbourhood life-cycle’ theory**

The standard explanation for housing abandonment is that it results from “the normal functioning” of housing markets (Accordino and Johnson, 2000: 302). Thirty-five years ago, Edson (1972: 382) was able to say that the causes were “well known”. The process begins when rents do not keep up with upkeep costs in the low-end rental market, either because housing demand falls (and with it, rents) or maintenance costs increase exogenously (from increases in labour costs or property taxes, for example). In response, the property owner cuts back on maintenance spending, and the building begins to deteriorate. As deterioration proceeds, the owner continues to ‘milk’ the prop-

erty, “dropping services and generally trading off immediate profits against a lengthening of the owned lifetime of the building” (White, 1986: 313).

This physical abandonment is likely to coincide with functional abandonment, as tenants leave and are not replaced. The process ends with financial abandonment: a defaulting mortgage and a cessation of property tax payments (Accordino and Johnson, 2000). That a building is allowed to deteriorate does not necessarily lead to vacancy, as nearly all structures are maintained at some quality level below that at which they were built. Housing vacancy occurs when the maintenance equilibrium between upkeep costs and rent falls below the homelessness line of indifference—the point at which, given the quality of housing at the rent being charged, a prospective tenant is equally willing to rent the accommodation or to go homeless (O’Flaherty, 1996).<sup>4</sup>

For practical reasons (among them the wide variation in definitions discussed above) most empirical studies of abandonment occur at the municipal level. Inter-municipally, abandonment has been linked with population growth: although, as we saw above, it affects even the fastest-growing cities, it is more pronounced in negative- or slow-growth cities, and the correlation is strong (Cohen, 2001; Bowman and Pagano, 2000). Still, it has been widely recognized since the 1970s that abandonment occurs at a range of scales—regions, cities, neighbourhoods, or blocks (Dear, 1976; Sternlieb *et al.*, 1974). Mainstream theoretical literature has paid the most attention to abandonment as a neighbourhood-level occurrence. It is held to be an aspect (usually the final manifestation) of ‘neighbourhood blight’, a broader phenomenon of decline that provokes the housing market deterioration said to cause abandonment. Despite evidence that abandonment is not spatially concentrated exclusively in highly run-down and low-income areas (Wilson *et al.*, 1994), this association continues to be a strong one. One reason for this persistence is the way abandonment is characterized as the culmination of a relatively uniform process of urban disinvestment and decay.

### *Neighbourhood change: “an inevitable trend toward decline”*

This characterization informs (explicitly or not) much of the current scholarship and policy on abandonment, and its roots can be found in neighbourhood life-cycle theory, which, as Metzger (2000) explains, emerged in the early 20th century as an attempt to explain observed patterns of neighbourhood development and, importantly, neighbourhood decline. A landmark 1959 report brought the theory into the mainstream of urban policy, influencing

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<sup>4</sup> Such a line of indifference can easily be defined theoretically, but the fact that it has force in practice is made clear by the co-existence of homelessness and rental vacancy in every Western city, whether or not there is abandoned housing.

planners across the United States on the basis of two fundamentals: that “the general pattern of neighborhood change was characterized by an inevitable trend toward decline”, and that this decline was often associated with the arrival of ethnic minority groups (Metzger, 2000: 8). This report divided the neighbourhood life cycle into five stages, with increasing density and development in stages one through three giving way to deterioration and population decline in stage four and then large-scale, government-led renewal in stage five.

By the 1970s, housing abandonment had ravaged many American inner cities and the appetite for renewal mega-projects had waned. The neighbourhood life-cycle theory changed as well: in 1975 the federal Real Estate Research Corporation (RERC) published an updated five-stage life cycle, which notably replaced ‘urban renewal’ with ‘abandonment’ for its final stage while renewing the emphasis on minorities and the lower class as harbingers of decline (Metzger, 2000). Brady (1983: 9) argues that the way that the RERC report and others published around the same time helped to imbue abandonment with an aura of racialized inevitability:

These attempts to explain abandonment clearly echo the deviant subculture theory and, in their persistent use of language borrowed from physics or biology, give the impression that neighborhood decline is somehow natural or inevitable, or that poor and ethnic people are infected with the problem and are therefore responsible for it.

‘Infected’ is an apt word choice here, since an important manifestation of the life-cycle theory in abandonment discourse was the notion of contagion. Aalbers (2006) notes that a distinctive feature of the neoliberal analysis of neighbourhood decline (of which the neighbourhood life-cycle theory was a precursor) is that it has assumed that socioeconomic decline causes physical decline. So Sternlieb *et al.* (1974: 33), for example, characterize abandonment as a contagion problem that is “most frequent in structures inhabited by blacks and Puerto Ricans”. Although they also acknowledge that it is white property owners, not minorities, who are most prone to abandoning their property, the issue is framed in terms of a problematic population entering a neighbourhood and ‘spreading’ abandonment by degrading the local housing market.

Policy approaches to urban blight and decline have always been strongly shaped by the underlying conceptualization of the problem (Gordon, 2004), and the life-cycle theory was no exception. The assumption of inevitable neighbourhood decline caused by demographic change and market forces became a self-fulfilling prophecy when planners “use[d] the life-cycle theory with triage to depress land values and accelerate the abandonment of privately owned property in neighbourhoods marked for decline” (Metzger, 2000: 20). Shifts in federal and state funding priorities toward suburban development abetted this trend.

### *The legacy of the neighbourhood life-cycle theory*

The neighbourhood life-cycle theory, particularly in its most overtly racialized form, has fallen out of favour in recent years, but despite this fact, and despite the fact that it is hopelessly flawed, it is still worth discussing. This is because its underlying assumptions continue to animate contemporary planning concepts. As Aalbers (2006) has argued, the distinguishing characteristic of the neoliberal approach to neighbourhood decline is that it holds that socioeconomic decline causes physical decline. Abandonment, as a severe manifestation of physical decline, is seen as fundamentally the product of socioeconomic changes, which are expressed through a worsening of the property and rental markets in a neighbourhood. This remains a common understanding of abandonment, and one that informs policy-making; the strategy of 'social mix' as a response to neighbourhood decline is perhaps the most prominent example.

### **Abandonment as an outcome of political and institutional arrangements**

The idea of inevitability that is central to the neighbourhood life-cycle theory may be flawed, but there is clearly a kind of inevitability sometimes associated with abandonment, in the sense that neighbourhoods are often buffeted by economic forces operating on a larger scale. So while it would be bizarre to ascribe, for example, the massive abandonment experienced by inner cities in the Rust Belt to socio-demographic changes, it would be equally bizarre to deny the presence of large-scale economic forces that powerfully influence the local operation of the housing system. 'Neighbourhood decline' explanations for abandonment generally consider it satisfactory to appeal to the inevitability of such 'market forces' (perhaps in combination with the socio-demographic angle that is typical of the life-cycle theory). But there is another loosely connected body of literature that seeks to denaturalize the so-called 'market forces', and to probe the political context through which they operate.

### *Speculative abandonment*

A common strand that runs through much of this scholarship is an emphasis on the role of speculation in producing abandonment. A well known articulation of this idea comes from David Harvey (1985, 1983, 1982), who probed the relationship between real-estate investment and large-scale processes of production and consumption. He described three 'circuits of capital' along which investment flows: the first into manufacturing, the second into the built environment, and the third into research and development. Harvey argued that the systemic tendency of capitalist economies toward overproduction leads, during times of economic downturn, to diversions of investment

from the primary circuit (manufacturing) to the secondary one (the built environment). Certain real estate markets are flooded with investment while others see investment withdraw, and property values rise and fall accordingly. The consequences for inner-city neighbourhoods can be dire, as capital leaves but the immobile physical infrastructure remains:

In areas experiencing prolonged economic decline, 'capital flight' and massive property devaluation are likely, with property abandonment both as a result of a collapse of values and as a deliberate strategy to sustain value in at least parts of the built fabric in an area. (Healey, 1991: 100-101)

The strength of this political-economy approach is that it denaturalizes the market forces and demographic change that are usually cited as the proximate cause of abandonment. Neighbourhood decline, in this view, is not a failure of the market per se, but of the institutions that govern it (Shlay and Whitman, 2006), and this failure is actively (and sometimes intentionally) created by certain social actors in the course of profit-seeking speculation. The banks that redline certain neighbourhoods, the real estate developers who pull investment out of the inner city in favour of the suburbs, and the landlords who decided to 'milk' their properties rather than maintain them "are not merely automata of the price mechanism that steer the natural operation of the market, but should be taken seriously for the power they command in the initiation or structuration of neighbourhood decline" (Aalbers, 2006: 1081, emphasis in original).

### *Abandonment and gentrification*

Harvey's work on circuits of capital is oriented towards large-scale crises in systems of accumulation. Neil Smith (1996), one of the most influential scholars of gentrification, makes an argument about speculation that is more relevant to the Toronto case. According to Smith, the prospects of downtown revitalization can lead to a 'rent gap'. The attractive features of the central city (proximity to employment, public transit, etc.) create a willingness among the affluent to pay relatively high rents, but the neighbourhood's deteriorated housing and low-income population maintain a lower-rent equilibrium. The difference between current rents and the rents that could be charged if the neighbourhood in question were renovated is called the 'rent gap', and if it is perceived to be high enough, speculators will begin to buy property in anticipation of profit-making possibilities. They may have little or no interest in maintaining existing rental properties, and the property decays while the new owners wait for the opportunity to redevelop, or sell at higher land values. Disinvestment, in this case, is a prelude to reinvestment rather than a sign of economic distress.

### *Government-created abandonment*

Also operating within a political-economy framework, Metzger (2000) has criticized Harvey for paying insufficient attention to the politics of neighbourhood decline—in particular the role government has played in defining the abandonment opportunity structure through changes in policies and funding priorities. While there is evidence to suggest that municipal policies aimed at reducing abandonment have had little impact on the issue (Bowman and Pagano, 2000), broader federal and state policies that may not explicitly concern abandonment have been implicated in its occurrence.

Metzger discusses the changing federal deployment of the neighbourhood life-cycle theory: following the race riots of the mid-1960s, the Federal Housing Administration redirected its lending program to urban areas that had formerly been redlined, resulting in a temporary increase in real-estate investment in these areas. But aggressive foreclosure policies (along with “widespread corruption and fraud” among federal officials and real-estate actors) led many of these investments to fail just a few years later (Metzger, 2000: 15). Although speculative investment and disinvestment in the secondary circuit of capital were implicated in the ensuing abandonment, Metzger argues convincingly that the key underlying factor was changing government policy. Accordino and Johnson (2000) make the same point more broadly, pointing to a range of post-War government policies subsidizing outmigration into the suburbs that (intentionally or unintentionally) helped choke off investment in inner cities and thus prompted large-scale housing abandonment.

### **From explaining the problem to addressing the problem**

This appendix has discussed two perspectives on the causes of abandonment—a set of demographics-and-market-forces arguments and a set of speculation-and-political-institutions arguments. Although the former is probably still more influential in municipal policy circles, it is not only analytically lacking but politically disempowering: policy has a difficult time holding off the inevitable. The political-economy approaches, meanwhile, emphasize the contingency of abandonment and neighbourhood decline. Since these problems are ultimately created by people, they are solvable by people, too. This report has made a number of suggestions about how to begin doing so.

# Appendix V. List of abbreviations

ACORN Canada: Association of Community Organizations for Reform Now Canada

CMHC: Canada Mortgage and Housing Corporation

EDMO: Empty Dwelling Management Order

HOT: Housing Opportunities Toronto

MPAC: Municipal Property Assessment Corporation

OCAP: Ontario Coalition Against Poverty

PARC: Parkdale Activity-Recreation Centre

RERC: Real Estate Research Corporation

RRAP: Residential Rehabilitation Assistance Program

TCHC: Toronto Community Housing Corporation

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