

PRESENTATION COPY

Pre-Budget Submission to the
Standing Committee on Finance and
Economic Affairs
Legislative Assembly of Ontario

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**Co-operative Housing Federation of Canada
Ontario Region**

Introductory remarks

Thank you for this opportunity to make a pre-budget presentation to the Standing Committee on Finance and Economic Affairs on behalf of more than 125,000 members living in 550 non-profit housing co-operatives across Ontario.

My name is Lori-Anne McDonald. I am President of the Ontario Council of the Co-operative Housing Federation of Canada. With me today is Harvey Cooper, Manager of Government Relations for the CHF Canada's Ontario Region, who will answer any questions you may have.

Housing co-operatives want to continue helping meet the affordable housing needs of Ontarians. In our presentation we will focus our remarks on a few critical housing issues that the Ontario government should consider as it prepares for its 2006 budget:

- 1. The State of housing in Ontario: What's wrong with this picture?**
- 2. Solutions needed on both sides of the supply and demand equation**
- 3. Using the AHP to alleviate the affordable housing crisis**
- 4. Protecting the viability of existing community-based housing.**

1. State of housing In Ontario: What's wrong with this picture?

Housing is a vital platform for individual health and well-being, economic prosperity, an inclusive society and, as research is increasingly confirming, for healthy communities. All these areas are key priorities for the provincial government. Clearly if government is to deliver on these priorities, accessible affordable housing has to be a fundamental part of the foundation.

There is an impression among some in the media, promoted by some commentators that, with vacancy rates climbing, the housing situation is improving for those of low and modest means in this province. But in our view the real story is that there is still so much housing-driven poverty in Ontario.

This past September, the Ontario Region of CHF Canada and the Ontario Non-Profit Housing Association (ONPHA) jointly published *Where's Home? 2005 A Picture of Housing Needs in Ontario*. This report takes a comprehensive look at housing issues across the province and in 21 selected municipalities.

Where's Home? illustrates trends in rents and vacancy rates, rental housing development, tenant incomes, and housing affordability. It is based on data provided by Canada Mortgage and Housing Corporation (CMHC) and Statistics Canada. We have with us

copies of the full report that can be provided to any Committee member or other interested MPPs.

2. Solutions needed on both sides of the demand and supply equation

In the past couple of years Ontario's average vacancy rates have been increasing. This is good news. Unfortunately, this is of no help to many low-income renters who cannot afford the existing rents.

Overall, it is important to remember that vacancy rates are cyclical. Rates can drop as rapidly as they have recently risen. As interest rates increase from today's historic lows, as immigration returns to normal levels, and as the pool of tenants with down-payments dries up and graduation to homeownership slows we can expect vacancy rates to drop.

There has been a lot of debate as to whether growing rental affordability problems are mainly a poverty problem – the result of low incomes of many tenants - or a housing problem – the result of a shortage of affordable units. The reality is that both demand and supply matter.

The data in *Where's Home?* documents why solutions are needed on both sides of this equation. Some key findings include:

- Rents on approximately 75% of all rental units in Ontario have been increasing well above the rate of inflation over the past decade.
- We are losing rental housing. In the 21 markets examined, in spite of the 30,000 new units that were completed over the past 10 years, when demolitions and conversions are factored in, there was a net loss of 16,435 purpose-built rental units.
- An incredible 270,000 Ontario renter households – or 20% of all renter households in the province – pay over 50% of their income on rent.
- Rental production in the late 1980s and early 1990s averaged more than 14,000 units annually. However, since senior levels of government exited from the housing field, this figure has declined to just over 2,000 units per year since 1995.

Clearly the Province must work on both sides of the supply and demand equation. New affordable units must be added, while measures are taken to increase affordability such as increases to the minimum wage and shelter component of Ontario Works and the Ontario Disability Support Program, and an increase in the supply of rent supplements.

3. Using AHP to alleviate the affordable housing crisis

More than four years ago the federal and provincial governments formally committed to the Affordable Housing Program (AHP) in Ontario. Because of serious program flaws and the lack of a matching provincial financial commitment, only a very small fraction of the promised units have been delivered under the program.

Under a revised agreement signed in April of this year with the federal government, Queen's Park has now undertaken to match federal funding under the program. The province is pledging to produce 15,000 affordable housing units and 5,000 housing allowances under the life of the program which has been extended to 2010.

These commitments fall short of the Ontario Liberals' 2003 housing pledge contained in their election platform. At that time they promised 20,000 affordable units and 35,000 housing allowances, as well as a number of other housing initiatives, to be completed in the government's first term. These undertakings are also far below the documented need for affordable housing with over 160,000 households on municipal social housing waiting lists across the province.

Although the number of new homes and rent subsidies promised are modest when compared to the need, these commitments signal the re-entry by the Province into the affordable housing business, after a decade-long absence. This is a significant and very welcome development.

The Province has now unmistakably hitched its affordable housing agenda to the AHP wagon. As the government plans for the 2006 budget year, it must ensure that this vehicle is sturdy enough to allow it to make real inroads in alleviating the affordable housing crisis that has built up over the last number of years.

For the past 35 years the co-op housing sector has worked with governments to design and deliver successful affordable housing programs. Based on this experience, we have some recommendations to make on improvements that are needed to the Affordable Housing Program to help ensure that it meets its intended purpose.

Our recommendations focus on changes to achieve

- sustainability
- affordability
- a level playing field for community-based housing

Sustainability

Recommendation 1

The Ontario government should focus program resources on developing *not-for-profit* housing to ensure long-term benefit and value for the public investment.

New supply initiatives by the Province should focus on developing permanently affordable, not-for-profit housing. Co-operative and other forms of non-profit housing have proven over time to provide the best return on the public investment. Many earlier government housing programs, based in the private sector, have been unsuccessful. The poorest households have had little access to the housing, the units have not remained affordable, and there has been little accountability to taxpayers.

Furthermore, long-term savings are realized by taxpayers by creating not-for-profit housing because, over time, the capital costs are paid for and long-term public benefit is achieved. Non-profit housing programs also have the added benefit of strengthening local communities.¹

Affordability

Recommendation 2

Provincially funded rent supplements should be provided for at least half of the 15,000 units to be developed under the program.

The most glaring fault of the current AHP is that it does not serve the hundreds of thousands of Ontario households on social housing waiting lists.

To be considered affordable, at least half of the promised 15,000 units in the program should be accessible to low-income households paying roughly 30% of their income on rent and receiving a subsidy for the balance.

As designed, the program has no rent-geared-to-income component. Capital funding is intended to be sufficient to bring rental costs down to a below-market level but the housing will remain out of reach of those who are most in need.

The recently announced housing allowance program is not tied to the Affordable Housing Program and generally will only provide shallow subsidies averaging \$267/month/unit across the province. Households in core need requiring deep subsidies will have little access to either the units being produced under the AHP or to the allowances available.

¹ These findings were recently substantiated in a May 2005 City of Ottawa report, *Invest or Subsidize: Comparative Subsidy Cost of Non-Profit and Private Market Units Rent Supplements in Ottawa 1978-2004*, prepared by economist Steve Pomeroy of Focus Consulting

A level playing field for community-based housing

Recommendation 3

The Province should ensure that the AHP works for smaller community-based housing organizations.

Despite some real improvements in the revised agreement between Queen's Park and Ottawa, the AHP remains in many ways a private rental supply program. Non-profit and co-op proponents struggle with lack of equity and front-end cash flow required to make the program work. It is very difficult for these small-scale organizations to put together financially viable proposals and win allocations under a competitive bidding model.

These groups simply do not have the financial wherewithal to explore development opportunities, option sites, prepare working drawings, hire building consultants, and do the other advance work necessary to bring a housing proposal to the table. Well-resourced private sector sponsors can almost always out-bid non-profit groups that will deliver the most long-term benefit.

To increase the number of units delivered by the not-for-profit sector, a number of additional enhancements are needed to the program including

- a significant increase in the level of proposal development funding (PDF)
- provision of government land for permanently affordable non-profit housing
- commitment of resources to rebuild the capacity of community groups to participate in developing affordable housing.

4. Protecting the viability of existing community-based housing

- **Increase capital reserve funding**

Recommendation 4

The Ontario government should provide funding in the 2006 budget to top up the capital reserves of co-ops and non-profits operating under the *Social Housing Reform Act* to ensure funding is available for the future replacement of their capital assets.

The long-term viability of the social housing stock administered by municipalities is at serious risk. While this housing was still under provincial administration, the Province imposed a moratorium for several years on the funding of capital reserves. These reserves pay for the replacement of major building components.

The Ministry of Municipal Affairs and Housing commissioned a study over four years ago showing a severe funding gap. Recently the Social Housing Services Corporation, on behalf of municipal service managers, also conducted a detailed review of reserve funds province-wide. Depending on the assumptions used, particularly time-lines for replacement of worn-out assets, the province-wide shortfall ranges from \$500 million to \$1 billion.

One immediate measure the province should consider is leveraging the government's preferred interest rate under the Ontario Strategic Infrastructure Financing Authority (OSIFA) to allow providers easier access to capital financing at reduced rates for significant repairs.

- **Review and amend the *Social Housing Reform Act***

Recommendation 5

The Province should carry out a comprehensive review of the *Social Housing Reform Act* (SHRA) and include the co-operative housing sector as a key stakeholder.

Unfortunately, the *Social Housing Reform Act* has failed to deliver the more businesslike and reliable operating framework that co-ops had called for when social housing was transferred to municipalities. In fact, the funding arrangement under the Act is less secure than ever and co-ops operate in an environment where excessive regulation drives up costs.

These problems must be addressed through a comprehensive review and overhaul of the legislation. This is the number one priority for Ontario housing co-ops. The SHRA is undermining the community-based housing model that government turned to more than 30 years ago as an alternative to large-scale, government-owned and managed housing.

We have made detailed recommendations to the Minister of Municipal Affairs and Housing, the Honourable John Gerretsen, on improvements that are needed to the Act. Co-op constituents have reviewed many of these recommendations with their MPPs.

Minister Gerretsen has promised to put in place a process to review the Act but as the year draws to an end no details on timeline have been announced. We urge the Province to follow through on this promise and overhaul a badly flawed piece of legislation by the end of 2006.

Closing remarks

Co-operative housing in Ontario is a well-documented success story. For more than three decades co-ops have provided good-quality, affordable housing owned and managed by

the community members who live there. We look forward to working with the provincial government to strengthen these communities and develop more co-operative housing to meet the needs of Ontario citizens.

Once again, we want to thank the members of the Committee for giving us the opportunity to express our views today.