

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

Thursday December 14, 2006

DEPUTANTS:

Joseph Zebrowski, President – Ontario Council, Co-operative Housing
Federation of Canada

Harvey Cooper, Manager, Government Relations, Ontario Region



**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 residents living in 550 non-profit housing co-operatives across Ontario.

My name is Joseph Zebrowski. 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 are committed to playing a significant role in meeting 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 2007 budget:

- 1. The state of housing in Ontario: a current snapshot**
- 2. Speeding up delivery of affordable housing**
- 3. Supply and demand both matter**
- 4. Release of federal funds earmarked for housing**
- 5. Protecting the viability of existing community-based housing.**

1. State of Housing in Ontario: A current snapshot

One of the fundamental problems leading to the housing crisis in Canada and Ontario the last 10 to 15 years has been the lack of consistent housing policies and programs on the part of both the federal and Ontario governments. While there have been small pockets of new affordable housing developments in several Ontario communities, there is still no commitment to a long-term, sustainable approach to addressing affordable housing needs in this province.

In the coming days the Ontario Region of CHF Canada and the Ontario Non-Profit Housing Association (ONPHA) will jointly publish *Where's Home 2006*, our annual picture of housing needs in Ontario. This report takes a comprehensive look at trends in rents and vacancy rates, rental housing development, tenant incomes, and housing affordability issues across the province and in 22 selected municipalities.

We would be pleased to provide a copy of the report to any Committee member or other interested MPPs.

Some key findings in *Where's Home? 2006* include:

- Rents on approximately 80 % of all rental units in Ontario have been increasing well above the rate of inflation over the last 10 years.
- An incredible 270,000 Ontario renter households – or 20% of all renter households in the province – pay over 50% of their income on rent.
- Over the ten-year period from 2006 to 2016, demand for rental housing in Ontario will likely be in the range of 12,000 to 14,000 units annually.
- 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.

2. Speeding up Delivery of Affordable Housing

Recommendation 1

The Ontario Government should speed up the delivery of the federal/provincial Affordable Housing Program (AHP) and ensure that its campaign commitments of providing 20,000 affordable rental units and 35,000 housing allowances are met.

In their 2003 election platform the current government pledged to address the desperate shortage of affordable rental housing and provide affordability assistance to a number of Ontario households. This promise was greeted as very welcome news after the previous provincial government had ended affordable housing construction in 1995.

In 2001, the federal and provincial governments across Canada formally committed to the Affordable Housing Program. However, only a small fraction of the units promised under the program have been delivered in Ontario. Under a revised agreement signed in April 2005 with Ottawa, Queen's Park undertook for the first time to match federal AHP funding. The Province is now pledging to produce 15,000 affordable housing units and 5,000 housing allowances during the life of the program which has been extended to 2010.

These commitments fall short of the Ontario Liberals' 2003 housing platform. At that time they promised 20,000 affordable units, plus 6,600 supportive units, and 35,000 housing allowances, as well as a number of other housing initiatives, all to be completed in the government's first term. These undertakings are also far below the documented need for affordable housing with over 122,000 households on municipal social housing active waiting lists across the province.

Although the number of new units and housing allowances promised are modest when compared to the need, these commitments do mark the re-entry by the Province into the

affordable housing field, after a decade-long hiatus. This is a significant and welcome development but acceleration in program delivery in 2007 is absolutely essential. Failing this, it is clear that the government will not come close to meeting even its scaled-back housing goals, or responding to the urgent housing need across Ontario.

3. Supply and demand both matter

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 sides of the affordable housing equation - demand and supply – matter and need a government response.

Supply – new affordable homes of paramount importance

Recommendation 2

The Ontario government should focus program resources on developing non-profit and co-operative housing to ensure long-term benefit and value for the public investment.

While there is a clear need for additional rental units, it is also important to ensure that any new rental units remain affordable over the long term. 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 to provide the best buy for public investment because, over time, the capital costs are paid for and long-term public benefit is achieved.¹

Despite some improvements in the AHP, it remains in many ways a program that favours private developers or large municipal housing companies which often have the support of municipal councils. Housing co-ops and other smaller community groups are at a natural disadvantage as often they do not have the financial wherewithal required to participate in the program. As a result, we face the very real prospect that the Canada-Ontario AHP program will be the first affordable housing program in 30 years to effectively shut out housing co-ops.

We are pleased to note that the Minister of Municipal Affairs and Housing, the Honourable John Gerretsen, has taken a first step to address this problem with his recent announcement of an initiative to expand the capacity of the co-operative and non-profit sectors to deliver affordable housing under the program. We hope that this “partnership”

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.

will bear fruit in 2007 and Ontario will put in place program goals that ensure a significant number of permanently affordable co-op housing units are developed.

- ***Demand – many Ontarians of low and modest means cannot afford current rents***

Recommendation 3

Provincially funded rent supplements should be provided for at least half of the units to be developed under the AHP program. The Province should provide increases to the minimum wage and shelter component of OW and the ODSP, restore cost-of-living protection to workers' compensation benefits and end the clawback of the Canada Child Tax Benefit.

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. For reasons that are hard to understand, we have ended up with an affordable housing program that isn't designed to serve low-income households on a rent-g geared-to-income basis. The current program rules requiring average project rents at 80% of local market rents result in charges well above what a low-income household could afford.

In Toronto, for example, 80% of an average one-bedroom rent would produce a rent of well over \$700 per month. This compares to the maximum shelter portion of \$427 per month for a person in receipt of the Ontario Disability Support Plan (ODSP). In short, the program shuts out people with very low incomes such as minimum-wage earners, social assistance recipients and seniors receiving basic pension benefits.

Measures should also be taken to increase affordability, such as increases to the minimum wage and shelter component of Ontario Works (OW) and the Ontario Disability Support Program, restoration of cost-of-living protection to workers' compensation benefits, increases to the supply of rent supplements, and an end to the clawback of the Canada Child Tax Benefit.

4. Release of Federal Funds Earmarked for Housing

Recommendation 4

The Province should immediately release the \$392 million of federal housing funds, currently held in a provincial trust account, and allocate this money for affordable housing purposes.

Because of a dispute with the federal government about funding promised under previous agreements, the Ontario government has set aside \$392 million, (including \$80 million for aboriginal housing) of recently released federal housing funding into a provincial trust

account. We support the Province in its quest to receive fair financial treatment from the federal government. That said, the action to hold affordable housing dollars hostage, pending a resolution in a stand-off that may never get fully resolved, is unconscionable.

The Province should immediately allocate the money for the purpose for which it was intended – helping to solve the affordable housing crisis in Ontario.

It is worth noting that these federal housing funds come with fewer policy and program strings attached than previous funds, allowing the Province much greater leeway to use the money as it chooses. The only federal requirement is that the funds be used for housing purposes. This flexibility gives Queen’s Park a rare opportunity to meet its housing goals free of the constraints built into the current Affordable Housing Program.

5. Protecting the Viability of Existing Community-Based Housing

- *Topping up capital reserve funding*

Recommendation 5

The Ontario government should provide funding in the 2007 budget to top up the under-funded capital reserves of co-ops and non-profits operating under the *Social Housing Reform Act*.

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.

A series of studies by individual municipalities and the Province have all found that capital reserves of Ontario-program housing providers are seriously under funded. These different studies peg the province-wide shortfall as ranging from \$500 million to \$1 billion.

The province also needs to continue to press the federal government to re-invest the funding that comes available as project operating agreements expire in affordable housing, including funding to top up the capital reserves of existing projects.

“Uploading” of provincial housing co-operatives

Recommendation 6

As one of the outcomes of the provincial-municipal review of the funding and delivery of services, the Province should upload the cost and program

control for Ontario's devolved housing co-ops to the provincial level and transfer administration to the Agency for Co-operative Housing

We are pleased that the Provincial-Municipal Fiscal and Service Delivery Review will provide an opportunity to revisit the larger issues associated with the transfer of various responsibilities, including social housing, to Ontario's municipalities. Recently, we raised with Minister Gerretsen the notion of uploading the cost and program control for Ontario's devolved co-operatives to the provincial level. We will be sending the Province a detailed proposal on this very shortly.

The co-operative housing portfolio accounts for approximately \$60 - \$65 million or about 8% of the total current annual cost to Ontario's municipalities for social housing. Under our proposal this cost would be assumed by the Province. Ontario would then enter into an agreement with the Agency for Co-operative Housing for program administration

The Agency is already administering the three federal co-operative housing programs in Ontario and other provinces under a long-term contract with the CMHC. Altogether, this involves responsibility for almost 35,000 units of co-operative housing, 18,920 of them federal-program housing co-ops in Ontario. The Agency was established for the specialized and sole purpose of administering co-op housing programs.

The transfer of the co-op housing portfolio would afford the Province a way to provide the municipalities with a significant but discrete measure of financial relief. Our proposal would result in substantial immediate and long-term cost savings to the municipalities and the elimination of downstream liabilities for capital repairs and increasing mortgage interest rates and property taxes. It would also leave them with a more homogeneous residual portfolio which would be both simpler and more economical to administer.

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 are anxious to work with the Province 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