

Pre-Budget Submission to the
Standing Committee on Finance and
Economic Affairs
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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 555 non-profit housing co-operatives across Ontario.

My name is Amanda Yetman. 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 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 its 2009 budget:

- 1. making sure that affordable housing is a cornerstone of the Anti-Poverty Strategy**
- 2. expediting the long-awaited provincial Affordable Housing Strategy**
- 3. building new affordable homes**
- 4. ensuring housing is affordable to Ontarians of low and modest means**
- 5. protecting the viability of existing community-based housing.**

1. Affordable Housing and the Province's Anti-Poverty Strategy

Recommendation 1

Make sure that affordable housing is a cornerstone of the Province's Anti-Poverty Strategy.

The McGuinty government has committed to developing a comprehensive strategy by the end of 2008 to reduce poverty in Ontario. This is an undertaking that should be applauded by all. Numerous studies have documented the alarming and growing rates of poverty in Ontario. As the Province struggles to cope with an unprecedented economic downturn it is essential that we not lose sight of the need to improve the lives of those who have been pushed to the margins of our society. In fact, ensuring that as many Ontario citizens as possible are in a position to contribute to our society is critical to our economic recovery.

Clearly, if Queen's Park is dedicated to making significant inroads into alleviating the poverty faced by many Ontario households then affordable housing must be a cornerstone of its plan.

Increasingly, research is confirming that housing stability and affordability are vital platforms for individual health and well-being, economic prosperity and an inclusive society.

Affordable housing makes economic sense

If the Ontario economy is to remain competitive in the global marketplace an adequate supply of housing that is affordable for our provincial workforce is critical. It is well documented that construction of new affordable housing and rehabilitation of the existing stock provide significant economic stimulus and create jobs while ensuring a stable supply of affordable housing for the long term. And there is no better time to build than now. Economists around the world are urging infrastructure spending to boost economic performance.

Housing a key factor in economic downturn

It is important to remember that the roots of the current global financial crisis can be found in the U.S. sub-prime mortgage debacle, where unscrupulous mortgage brokers peddled risky financial products to people in desperate need of housing. These housing and resulting financial problems can, in turn, be traced in part back to the lack of any American affordable housing strategy. Recent U.S. administrations ignored the critical housing needs of low- and moderate-income households and abandoned them to the vagaries of private markets. What this tells us is that what starts in the housing sector does not stay in the housing sector.

The Ontario and Canadian governments do not have any high ground to occupy as they contemplate the lessons to be learned from the American experience. We have not had any significant, continuing funding programs for affordable housing for well over a decade at either the Ontario or federal level. In fact, Canada is the only industrialized nation in the Organization of Economic Co-operation and Development (OECD) that is without a national housing program for its citizens.

2. The Provincial Affordable Housing Strategy

Recommendation 2

The Ontario Government should begin consultations on its long-term affordable housing strategy in January 2009 and deliver its final report by the end of September, in time for recommendations to be included in the 2010 provincial budget.

Need for long-term affordable housing strategy

Since the early 1990s, one of the fundamental problems that has led to the housing crisis in Ontario and elsewhere in Canada, particularly in urban centres, has been the lack of continuing housing supply programs and the lack of consistent, forward-looking housing policies.

Since the launch in the fall of 2001 of the Affordable Housing Program, cost-shared by all three levels of government, we have seen small pockets of new housing development in several Ontario communities. Some additional federal funding, flowed through to municipalities with few strings attached, has also resulted in a mix of small-scale housing initiatives across the province.

These time-limited, piecemeal programs, however, have done very little to meet the growing need for affordable homes in Ontario. And the problems will only deepen as the AHP program comes to an end with no commitment by either the federal or Ontario government to a new supply program. A long-term, sustainable approach to addressing affordable housing needs in this province is long overdue.

We recognize and appreciate that in their 2007 election platform the Liberals committed to addressing this need by “creating a long-term strategy for affordable housing that contains a mix of non-profit and co-operative housing.” The Ontario government should know that they have a very willing partner in the co-operative housing sector in developing and delivering this plan.

Development of strategy needs to be expedited

Unfortunately, more than a year after the Liberal government was re-elected, work on the housing strategy still has not begun. A mid-year launch was promised but that timeline has slipped. In the *Report of the Provincial-Municipal Fiscal and Service Delivery Review*, released on October 31, the government announced that public consultation on the affordable housing strategy has been pushed back to the spring of 2009.

Development of housing projects typically takes about three years from the time a commitment is received to when people actually move in. If the McGuinty government is to make any meaningful progress in meeting the need for affordable housing in its second term, it is critical that it bring some urgency to developing its promised housing strategy and commit to an expedited timetable.

The start of consultations should be moved up from “spring 2009” to January with an end of September deadline set for release of the strategy. While this work goes on, the government should extend the funding of the existing Affordable Housing Program in the 2009 budget. This will result in shovels in the ground in 2009 and begin to create some momentum and to

rebuild development capacity while the new affordable housing strategy is developed and rolled out.

Upload co-operative housing

One issue that we encourage the Province to revisit as part of its affordable housing strategy is the uploading of some social housing costs from the municipalities back to Queen's Park. The recent Provincial-Municipal Review, unfortunately, did not provide any relief for municipalities from social housing costs though it is widely recognized and even acknowledged by the McGuinty government that these costs do not belong at the municipal level.

The co-operative housing sector submitted a proposal to the Review Panel two years ago that suggested that the Province should take back the cost of the co-op housing portfolio from municipalities. Co-ops represent about 8% of the devolved social housing stock, estimated at just over \$100 million, province-wide. Under our proposal, Queen's Park would then contract for program administration with the Agency for Co-operative Housing, which already administers all federal housing program co-operatives in Ontario (close to 19,000 units) as well as in three other provinces. By moving forward on this initiative, the McGuinty government would take a crucial and very symbolic first step in uploading social housing costs, but would do so in a way that contains its costs.

Federal government needs to be an active partner

The federal government also has a significant role to play in the affordable housing field. Unfortunately, the Harper government has shown few signs that it is prepared to take on the federal government's traditional responsibilities in this area. The Conservatives' election platform promised some renewed funding for affordable housing but it is far from clear whether the government will now deliver on that promise.

The Ontario government needs to continue to press Ottawa to take action on affordable housing, making it clear that Ontario is back in the affordable housing business and fully expects our national government to be a full partner in meeting housing need in this province.

To do so credibly, however, the Province needs to commit its own funding for affordable housing in the 2009 budget. It won't go unnoticed by the federal government that in the McGuinty government's first term, the vast majority of funds committed by senior governments under the AHP in Ontario were federal, not provincial.

3. New Affordable Housing

Recommendation 3

As part of its long-term housing strategy, Ontario should ensure at least 8,000 affordable rental units are developed annually, beginning with an immediate funding commitment in the 2009 budget.

Documentation of housing need

Using data from Statistics Canada and Canada Mortgage and Housing Corporation, the Ontario Region of CHF Canada and the Ontario Non-Profit Housing Association, annually publish our *Where's Home* report. This yearly review 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. This year's edition will be finalized in the next few weeks.

Some key supply findings in *Where's Home 2008* include:

- Over the ten-year period from 2009 to 2019, demand for rental housing in Ontario is forecast to be in the range of 10,000 to 12,000 additional units annually.¹
- Rental production in the late 1980s and early 1990s averaged more than 14,000 units per year. However, with the lack of significant senior government participation, this figure has declined to just over 2,000 units per year since 1995.²
- An astonishing 95% of the housing starts in the most recent five-year period have been in the ownership market, with rental construction accounting for only 5% of the market. Just 15 years ago, the proportion was 75% ownership and 25% rental.³

The need for more affordable housing in Ontario is urgent and growing with current municipal social housing waiting lists across the Province sitting at well over 124,000 households. Many more people in need of affordable housing have given up even putting their names on the lists as reports of waiting a decade for a unit are not uncommon. In Peel Region, apparently the wait is 21 years.⁴

¹ ONPHA and CHF Canada, *Where's Home? 2008*.

² ONPHA and CHF Canada, Table 7: Residential Starts in Ontario by Tenure, 1989-2007, *Where's Home? 2008*

³ ONPHA and CHF Canada, Table 7: Residential Starts in Ontario by Tenure, 1989-2007, *Where's Home? 2008*

⁴ ONPHA, 2008 Report on Waiting List statistics for Ontario, July 2008

Affordable housing construction; slow progress to date

The McGuinty government started late on the affordable housing file in its first term. It wasn't until its second budget in 2005 that they agreed to provide funding to match the federal contribution for affordable housing. According to the Ministry of Municipal Affairs and Housing, as of late fall 2008, 4,445 new rental and supportive units had been occupied, 1,941 units were under construction and 3,140 were "in planning approvals".⁵ It should be noted that the "planning approvals" category is something of a catchall for projects in the early stages of development, including some that are years away from being occupied and some that will not end up being constructed.

Since the Federal-Provincial Affordable Housing Program was launched in Ontario over seven years ago, only about 6,400 rental units have been occupied or are under construction.

While any new construction is welcome news, particularly after a gap of almost a decade under the provincial Conservative government, the number of new homes built falls far short of what the Liberals promised in their housing platform in the 2003 election. At that time they pledged 20,000 affordable units, plus 6,600 supportive units to be constructed in their first term in office.

Firm targets are required; co-op and non-profit housing should be a preferred vehicle

A supply program of 8,000 new units per year would be a reasonable target to include in the affordable housing strategy. The strategy also needs to ensure that any new units are initially, and remain, affordable over the long term. Co-operative and other forms of non-profit housing are a best-buy for the Province. These models have a proven track record of providing a supply of permanently affordable housing and creating stable, mixed-income communities in cities and towns throughout Ontario.

4. Housing that Remains Affordable

Recommendation 4

The Province should take a number of measures to increase housing affordability for Ontarians of low and modest means.

⁵ Ministry of Municipal Affairs and Housing, website posting September 29, 2008

Documentation of affordability problems

While we have a shortage of affordable units in Ontario, we also have a growing affordability problem for low- and moderate-income households. Both sides of the affordable housing equation – supply and demand – matter. Both must be addressed in the Province's long-term housing plan.

The statistics documenting growing affordability problems are grim:

- Rents on approximately 80% of all rental units in Ontario have been increasing at well above the rate of inflation over the last 10 years.⁶
- Over 260,000 Ontario renter households – or 20% of all renter households in the province – pay over 50% of their income on rent. Over 580,000 households, about 45% of renter households, spend more than 30% of their income on rent.⁷
- CMHC recently found that eight of the ten least affordable cities in Canada are in Ontario.⁸

Affordability measures must be more comprehensive

Any new measures put in place by the Province to help Ontarians pay for their housing costs should be designed to cover the full affordability gap between a household's income and actual rent. Traditional rent-geared-to-income (RGI) programs developed over 20 years from the mid-1970s to the mid-1990s did this. They were based on recipients paying roughly 30% of their gross income on rent with the government covering the rest of the rental cost.

Recent housing allowance programs have generally been short-lived and narrowly targeted, excluding many in need. Examples include the current Affordable Housing Program (AHP) and Ontario's recent Rental Opportunities for Ontario Families (ROOF).

Remarkably, the AHP was not designed to serve the 600,000 Ontario households who are in core need. The program was predicated on rents being pegged at roughly 80% of the local market rent. That effectively shuts out people with very low incomes such as minimum-wage earners, social assistance recipients and seniors receiving basic pension benefits.

The ROOF program, which exclusively used federal dollars, provides a limited, capped and narrowly targeted benefit. It is available only to working families with children and the housing allowance is fixed at \$100 per household per month.

⁶ ONPHA and CHF Canada, Rent Increase for a Two-bedroom Apartment Table, *Where's Home? 2008*, p.19

⁷ Statistics Canada 2007

⁸ Canada Mortgage and Housing Corporation, *Rental Market Report: Canada Highlights**, Fall 2007
<http://www.cmhc-schl.gc.ca/odpub/esub/64667/64667_2007_B02.pdf>

Undoubtedly these programs are providing some welcome financial relief for a number of low-income Ontario households. However, given that the cost of housing often has the greatest impact on the budgets of low- and moderate-income Ontarians, the government needs to ensure that new housing supports are more comprehensive than those provided under recent programs and that RGI assistance is available for at least half of the units under any new supply program.

One very cost-effective way for the Province to increase affordability for qualifying households would be to take advantage of the existing supply of rental units in co-op, non-profit and the private sector buildings and offer rent supplements to these landlords.

Utility costs skyrocket for rent-g geared-to-income residents

A particular issue we would like to bring to the Committee's attention is that thousands of social housing residents who are receiving RGI assistance pay their own utilities, on top of their rent. The Province has long provided some compensation for tenants and co-op members in this situation, based on utility allowance schedules. Unfortunately these schedules have not been revised since 1999, prior to the downloading of social housing. Meanwhile, over the last decade the costs paid by residents for electricity, heat, natural gas and water have increased dramatically.

We and other housing advocates have long urged the Ministry of Municipal Affairs and Housing to take action on this matter. Unfortunately, our call has been met only with delays and vague promises to do something at some point in the future. A resolution on this matter was passed unanimously by several hundred delegates at the recent Annual General Meeting of CHF Canada's Ontario members in Toronto. For those RGI residents paying their own utility costs, many of whom struggle to meet day-to-day expenses this is a fundamental poverty issue that needs to be addressed.

Other affordability measures

There are a number of other affordability measures that we hope that the government will include in its poverty reduction strategy and will make a down payment on in the spring budget. CHF Canada's Ontario Region has been pleased to be an active participant in the *25-in-5 Network for Poverty Reduction*. We have endorsed the overall declaration of this broad-based coalition and we support the key priorities it has identified.

We encourage Queen's Park to include funding for these priorities in the 2009 budget:

- Sustaining employment so that any adult who works full time has a living standard above the measure of poverty.
- Livable incomes for all Ontarians including those unable to work.

- Strong and supportive communities that include investments in affordable housing, early learning and child care, public education and community programs.

5. Protecting existing community-based housing

Recommendation 5

The Ontario government should take steps, including providing funding and other supports, to address the capital repair and funding deficit in social housing.

Social housing stock at risk

The long-term viability of much of Ontario's social housing stock, now administered by municipalities, is at serious risk. Many of the housing units are 30 to 50 years old and require major capital investment. A series of studies by individual municipalities and the Province have all found that capital reserves of Ontario-program housing providers are seriously underfunded. The replacement costs of these assets are estimated at \$40 billion. We know that municipalities are strapped for cash and many are unable to ensure that the housing they oversee is adequately maintained.

2008 provincial budget takes important first steps

The Province is to be commended for the steps it took in the 2008 budget to begin to refurbish our aging social housing infrastructure. Measures included making \$100 million available to municipalities for capital repairs and making social housing providers eligible to borrow funds for capital repair at a reduced rate from the Ontario Strategic Infrastructure Authority (OSIFA).

Commitment needed for next steps

While an important new tool, the reach of the OSIFA loan program is limited as many housing providers whose properties are in need of renovation are not in a financial position to take on additional debt. For these providers, including most municipally administered housing co-ops, other solutions must be found.

The Province has demonstrated that it recognizes further action is needed. It has set up a committee with a mix of government and social housing sector representatives, including CHF Canada, to work on finding solutions.

We now need a commitment from the government to take the next steps necessary to ensure that co-ops and non-profits have access to low-cost capital to repair or regenerate their properties. These steps will include:

- changes to the regulatory environment to allow providers to leverage equity in their property
- creation of a new facility to attract and flow funds for repairs
- funding and loan guarantees from government.

We urge the Province to include an additional allocation of funding in the 2009 budget.

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.

Closing remarks

Co-operative housing in Ontario is a well-documented success story. For almost four decades co-ops have provided good-quality, affordable housing owned and managed by the community members who live there.

We are anxious to roll up our sleeves and work with the government and MPPs of all parties to ensure that co-op housing is an integral part of the solution to the affordable housing crisis in Ontario.

We feel the key steps the government should take to move forward are clear:

- Affordable housing has to be a major plank in the government's poverty reduction plan.
- The Province should expedite the development of its long-awaited affordable housing strategy with consultations beginning in January and the new strategy announced by the end of September.
- An effective affordable housing strategy must address both the need for more supply and affordability.
- The urgent need for refurbishment of the deteriorating social housing infrastructure must be addressed.

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