

MOVING FROM STRATEGY TO ACTION: TIME FOR PROGRESS ON AFFORDABLE HOUSING

SUBMISSION TO THE STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS, JANUARY 2017



The
**CO-OPERATIVE
HOUSING
FEDERATION**
of Canada

The Co-operative Housing Federation of Canada (CHF Canada) Ontario Region is the umbrella organization for the 550 independent housing co-operatives in Ontario, home to some 125,000 people across the province.

This has been an important year for affordable housing. The federal government started its work towards creating a National Housing Strategy and, partnering with the provinces, made a significant new investment in affordable housing. The Province for its part released the Update to the Long-Term Affordable Housing Strategy and set the laudable goal of every person having an “affordable, adequate and suitable home.”

Realizing this goal will help lift children, seniors and refugees out of poverty, enabling them to reach their full potential and lead more dignified lives. It will also significantly reduce government spending on healthcare, emergency shelters and incarceration. A recent report estimated the cost of poverty in Toronto alone to be between \$4.5 and \$5.5 billion annually.¹ The lack of affordable housing is a leading cause for poverty in Ontario.

Affordable housing has an important part to play in building and growing an inclusive economy. For every dollar spent on construction of affordable housing, there is a corresponding \$1.40 increase to the GDP through new local jobs and locally sourced construction materials.² It also creates a long-term public asset, and a permanent pathway to the middle class.

The Province took an important step forward in 2016 by allowing municipalities to enact inclusionary zoning legislation and by increasing its contribution to the Investment in Affordable Housing program. To reach its goal of every Ontarian having an affordable and adequate home, it will need to use every tool at its disposal and find the most cost-effective means to build new affordable housing.



CHF Canada leadership meets with
Minister of Housing Chris Ballard

¹ Alexa Briggs, Celia Lee, and John Stapleton, *The Cost of Poverty in Toronto* (Social Planning Toronto and Open Policy Ontario, November 2016).

² Steve Pomeroy, *The Housing Market and Canada's Economic Recovery* (Federation of Canadian Municipalities, January 2012).

Given its key role in stimulating the economy, below are five recommendations that the Province can and should implement quickly to make progress on affordable housing as it considers the 2017 Budget.

1 Protect low-income households living in housing co-operatives

Nearly 7,000 vulnerable households in Ontario depend on federal rent-geared-to-income (RGI) housing supplements to pay their rent. This assistance is an important part of Ontario's already stressed social housing system. It provides good quality, affordable housing to those who need it the most in communities across Ontario.

For half of Ontario's housing co-ops, RGI assistance is tied to operating agreements that are linked to the co-op's 35-year or longer mortgage with Canada Mortgage and Housing Corporation (CMHC). When the mortgage is paid off, the agreement ends but these co-ops will not be mortgage-free. As is the norm in the residential housing industry, almost every co-op will need to refinance to pay for extensive capital repairs of their aging properties. Housing co-ops are working with the credit union sector to pay for these repairs. They cannot, however, pay for these repairs and also subsidize rents for low-income residents.

In the 2016 budget, the federal government announced an interim solution setting aside \$30 million to continue to provide rent supplements in co-ops and other federal providers whose operating agreements expire between April 2016 and March 2018. They also committed to finding a long-term solution as part of the National Housing Strategy. However, because of the 1999 Canada-Ontario Social Housing Agreement (SHA), which transferred jurisdiction of the social housing portfolio from Ottawa to Ontario, it is unlikely the federal government will act unilaterally. All recent housing programs have been cost-shared between the federal and provincial governments.

The Province should seize on the federal government's commitments and immediately begin negotiations with Ottawa to ensure this important source of affordable housing is maintained, and that supported households are protected. Because of the complexities of the housing system in Ontario, any new program or funding needs to be specifically earmarked for co-ops, maintain the same number of assisted households, and ensure that households continue to receive support at RGI levels,



now and into the future. Otherwise, these low-income households are in danger of losing their homes and being added to spiraling social housing waiting lists.

2 Take an “affordable housing first” approach to surplus government property

The Province has an opportunity to help build new affordable housing in key housing markets without allocating new funding. If the Province took an “affordable housing first” approach to its surplus properties, by either giving affordable housing providers the appropriate properties for development, or by making the provision of affordable housing a condition of sale, it could significantly add to the affordable housing available in some of Ontario's least affordable markets.

This approach is not new. The City of Toronto has already implemented a similar strategy through its Open Doors program, and has successfully used it to build new affordable housing along the city's lake shore, and in a number of upcoming projects.

The Province's current practice when selling surplus properties is to allow affordable housing providers, along with school boards and other community groups, to make an offer before the property is placed on the open market. The Province, however, will only accept offers at fair market value which is normally well beyond what affordable housing providers can afford.

As part of their 2016 report *Enabling and Celebrating Community Hubs*, the Premier's Community Hubs Advisory Group noted that the Province is developing a framework to evaluate the socioeconomic value of community use of public properties. This work should be expedited. In communities facing significant affordable housing shortages, the public good would be much better served by supporting the creation of new affordable housing than receiving fair market value.

3 Planning for the future: investing in green affordable housing

According to the Ministry of Environment's estimates, housing is third only to transportation and industry as a producer of greenhouse gases in Ontario. To reduce emissions, and ensure affordable housing communities can succeed in the low-carbon economy, the Province needs to following through on its commitment to use cap-and-trade revenues to fund retrofits in social housing.

Affordable housing providers, including co-ops, do not have the resources to significantly reduce emissions. The vast majority of

housing co-ops in Ontario were built over 25 years ago using modest construction methods. There are substantial reductions in emissions that could be made by retrofitting these buildings, and the energy efficiencies which would be realized would keep this housing affordable for those who need it the most. The Province should ensure it is appropriately funding retrofits for all affected providers. The Climate Change Action Plan calls for the first dollars of the program to be put towards older apartment towers. We believe that the Province should include a plan in its 2017 budget for smaller providers as well.

Housing co-op communities have proven time and again that they are leaders in sustainable housing, and can build the community change necessary for a sustainable future. Co-ops would welcome the opportunity to work with the government to pilot test building net-zero and near-net zero affordable housing communities.

4 Partner with federal non-profits and housing co-ops to build new affordable housing

There are a number of federal affordable housing providers, particularly in the GTHA, which have significant equity in their existing housing that could be leveraged to add to the supply of new affordable housing. New research suggests approximately \$400 million dollars of equity could be leveraged. Partnered with IAH funding this could be an important source of new affordable housing from community-based providers with a long history of providing good-quality housing.

Unfortunately these smaller housing providers are often reluctant to apply for IAH funding to build new housing because they do not have the resources of private developers or larger municipal non-profits. A competitive application regularly costs more than \$50,000, and as high as \$200,000, to create. For small community-based providers, this is simply too much to risk on an application.

By conducting a pilot test where IAH funds are earmarked for existing private non-profits and co-operatives, the Province could help spur a new wave of affordable housing development in these communities.





MPPs celebrate Co-op Housing Day at Queen's Park with co-op representatives in 2016.

The co-operative housing sector is ready to work with MPPs of all parties to follow through on these practical budget proposals and to partner with government to find other creative ways to ensure that every Ontarian has a decent, affordable place to call home.

5 Build more co-op housing

Historically almost a quarter of social housing developed in Ontario was co-op housing. Under current programs, that share has dropped to less than 4%.

We do not believe this is the policy intent of the government. In debates at Queen's Park, MPPs from all parties have spoken at length about the benefits of the co-op housing model. They have universally agreed that co-operative housing is cost-effective and builds healthy communities. Numerous MPPs have also suggested that the government needs to find ways to facilitate the development of more co-ops.

The current IAH program, however, is oriented to private sector developers and municipally-run housing corporations who can contribute equity and have the capacity to cash flow developments. The IAH also only requires private developers who receive substantial government funding to offer affordable rents for 20 years. This is far too short a time period. Most affordable housing in the Province is over 30 years old and is still providing affordable homes to those in need.

New affordable housing investments should be focused on developing mixed-income not-for-profit and co-op housing. Numerous studies have shown that this is the best use of government funding.³ The housing created is affordable in perpetuity and is a valuable resource for future generations.

Over the years our association has made a number of recommendations to the Province on how to address these barriers and level the playing field for co-ops and private non-profits. We recommend that the IAH program be reviewed to ensure the best return on affordable housing investment for Ontarians over the long-term.

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³ David M. Black et al, *Cost Effective Housing: A Comparison of Non-Profit and Market Housing* (CMHC, 1997).