

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



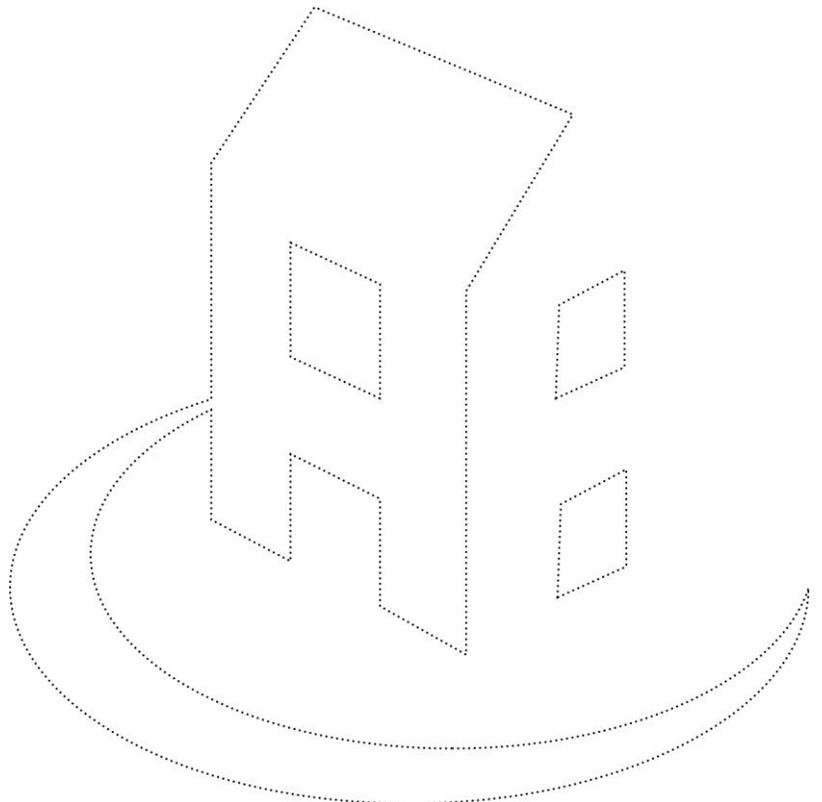
2011 Pre-Budget Submission to the
Standing Committee on Finance
and
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The Co-operative Housing Federation of Canada's Ontario Region represents and serves over 500 housing co-ops in the province, home to some 125,000 Ontarians

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 Nicole Waldron. I am Vice-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 this morning we will focus on a number of practical suggestions that we believe the Ontario government should consider as it prepares its 2011 budget:

1. **Make investment in affordable housing a cornerstone of Ontario's economic recovery plan.**
2. **Ensure affordable housing a targeted sector for provincial infrastructure investments.**
3. **Show leadership and help leverage federal funding by committing provincial funding for affordable housing.**
4. **Preserve and renew the existing stock of community housing for future generations.**
5. **Take steps to make housing more affordable to low-income Ontarians.**
6. **Revise outdated utility allowances for low-income residents in community housing.**

1. Creating more affordable housing

Recommendation:

1.1 *Make investment in affordable housing a cornerstone of Ontario's economic recovery plan.*

With Ontario only beginning to emerge from its deepest recession in many decades, the 2011 budget should focus on economic recovery and helping Ontarians who are shouldering the burden of the economic downturn. This spring's budget should leave behind a legacy of investments in infrastructure and people to pave the way to a sustainable and prosperous future for our province.

Governments in Canada, both federal and provincial, have tended to regard meeting the need of our citizens for affordable housing as essentially a social policy issue. This view has caused policy makers to look at the cost of developing new housing and ensuring housing affordability as one that can't be afforded in hard economic times. This way of thinking is short sighted as it fails to take account of the pivotal economic dimension of affordable housing initiatives by government:

- It overlooks the cost to our economy of failing to act on housing need. The lack of housing that key workers can afford is a major roadblock to growth and investment in Ontario.
- It fails to recognize that the construction of new affordable housing and rehabilitation of existing stock provides significant economic stimulus, creates jobs, has a large multiplier effect, and uses locally produced materials.
- And it doesn't take account of the valuable, long-term public asset that is created.

Analysts around the world continue to urge targeted stimulus and infrastructure spending to boost economic performance. Constructing co-op and non-profit housing should be seen as a key part of Ontario's investment in economic recovery and featured in the 2011 budget.

Recommendation:

1.2 *Ensure affordable housing a targeted sector for Ontario's infrastructure investments.*

Like transit, hospitals, schools, bridges, highways and sewers, affordable housing is an essential component of Ontario's infrastructure. It is critical to the Province's long-term economic success and a significant factor in the quality of life for Ontarians.

Since 2004, affordable housing has been identified by the Ontario government as a key infrastructure priority.¹ Investments in affordable housing have been part of the *ReNew Ontario* infrastructure strategy, the Infrastructure Ontario Loan Program and the 2009 Ontario Budget's stimulus plan investment in infrastructure.

In spite of these policy and program initiatives, however, there has been no government commitment to affordable housing as a core infrastructure sector to be funded on a continuing basis. Beginning with the 2011 budget, Queen's Park should commit to including funding for affordable housing in each year of its expected 10-year Infrastructure Plan.

Recommendation:

1.3 *Show leadership and help leverage federal funding by committing to a three-year provincial extension (2011-2014) of the Federal- Provincial Affordable Housing Program (AHP).*

¹ Building a Better Ontario, Ministry of Public Infrastructure Renewal, 2004

The need for affordable housing is large and growing

Using data from Statistics Canada and Canada Mortgage and Housing Corporation, the Ontario Region of CHF Canada and the Ontario Non-Profit Housing Association (ONPHA) publish our annual study *Where's Home?* 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.

Some key findings in the most recent May 2010 edition of *Where's Home?* include:

- Demand for new affordable housing in Ontario is conservatively estimated at 10,000 homes a year for the next decade. On average, only one-third of this need has been met in each of the last 10 years.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
- Waiting lists for affordable housing continue to be long and are growing. They swelled to over 141,000 households throughout Ontario in 2010. Many people in need of affordable housing have given up even putting their names on the lists as reports of waiting a decade and longer for a unit are not uncommon. In Peel Region, the wait is 21 years.⁴

Ontario's Long-Term Affordable Housing Strategy and the Affordable Housing Program

With demand for affordable housing far outstripping supply, *Where's Home 2010?* and many other studies have argued that there is an urgent need for senior levels of government to set clear targets and make funding commitments for new affordable housing. Against this backdrop the co-operative housing sector welcomed the release in late November of the Province's much anticipated Long-Term Affordable Housing Strategy. Unfortunately there are significant gaps in the housing plan. Most glaringly, the Strategy contains no action plan and no funding for new affordable housing or for new rent subsidies or housing allowances to help people afford existing housing.

At a minimum, housing advocates expected that the Strategy would include a commitment of provincial funding for the next three years (2011 -2014) of the existing Federal-Ontario Affordable Housing Program which is due to expire just a couple of months from now, on March 31. But the Strategy made no mention of the program and its looming expiry.

To date, according to the Ministry of Municipal Affairs and Housing, under the various phases of the AHP agreement, including the extension signed in 2009, since 2005 approximately 3,500 units per year have

² ONPHA and CHF Canada, Rental Housing Demand, pg. 59 *Where's Home?*, May 2010

³ ONPHA and CHF Canada, Table 6: Residential Starts in Ontario by Tenure, 1989-2009, *Where's Home?*, May 2010

⁴ ONPHA, Annual Waiting List Study, April 2010

been built or are in the construction or planning stage.⁵ While extending the AHP would meet only a fraction of the known need, it would allow the existing program to continue without interruption and make a critical contribution to meeting that need.

The planning, approvals and building cycle of any housing project is usually in the 3 to 5 year range. The start-stop approach to funding affordable housing taken by senior governments for the last two decades has been very damaging. With no certainty that government funding will be available, it is impossible for the affordable housing development sector to build capacity and plan for the future to ensure there is a continual flow of projects in the pipeline.

Leveraging federal participation

The Province's Affordable Housing Strategy speaks of the need for the federal government to make a long-term commitment to funding affordable housing. But this challenge to Ottawa to continue the historic federal role in supporting affordable housing carries little weight in the absence of any commitment by Queen's Park to being an active partner going forward in funding affordable housing development.

In 2005, the McGuinty government stepped up and matched federal AHP funding that was on the table. In 2009, Ontario again matched federal funding with an impressive \$1.2 billion contribution under the two-year Social Housing Renovation and Retrofit Program (SHRRP). This significant contribution should not be underestimated.

However, a number of other housing initiatives in this province, including the Developing Opportunities for Ontario Renters Program (DOOR), the Rental Opportunities for Ontario Families Program (ROOF) and Off-Reserve Aboriginal Housing Program were accomplished with unilateral federal funding totalling just under \$400 million. As well there were concerns expressed by the Provincial Auditor in his December 2009 Review of Social Housing Programs regarding the Province withholding some of the federal housing transfers funds rather than spending the full amount of the federal funding on housing-related programs and activities.

It has not gone unnoticed by Ottawa that a great deal of the affordable housing activity in Ontario is the result of federal funding contributions. In view of this, it is critical that in the 2011 budget Ontario signal to the federal government that the Province is fully committed to extending funding for the AHP for three more years and are looking for an early commitment from Ottawa to contribute its share.

A mix of permanently affordable housing should be produced

To get the maximum benefit for the public investment in new affordable housing supply Queen's Park needs to ensure that new units are not only initially affordable but remain so over the long term. Co-operative and other forms of non-profit housing are a best-buy for the Province in this respect. They

⁵ Ministry of Municipal Affairs & Housing website, January 2011

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.

Unfortunately, the existing AHP is oriented towards private sector developers or municipal governments that can contribute equity and have the capacity to put together and cash flow development proposals in a way that no community-based sponsor can compete with. This has resulted to a great extent in small-scale community-based housing proponents being shut out of the program.

Housing co-ops have been particularly disadvantaged. Historically, 20% -25% of projects developed under social housing programs were co-operatives. Under the AHP, that has dropped to under 4%. In the AHP and any future housing initiatives, Ontario should take steps to level the playing field with a goal of producing a mix of housing options that will remain affordable for the long term.

2. Preserve and renew the existing stock of community housing for future generations

Recommendation:

2.1 *The Ontario government must take immediate steps to address the capital repair and funding deficit in community housing.*

The long-term viability of much of Ontario's social housing stock, now administered by municipalities, is at serious risk. Many of the properties 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 housing providers are seriously under-funded.

Social Housing Renovation and Retrofit Program (SHRRP)

As noted earlier, the Social Housing Renovation and Retrofit Program (SHRRP), introduced in the 2009 provincial budget, provides for \$1.2 billion in combined federal and provincial funding for the renovation and retrofitting of the social housing stock over two years. The Province is to be commended for the steps it has taken in the last two budget years to begin to refurbish our aging social housing infrastructure. Housing providers have used this funding for building envelope and energy efficiency measures, such as window replacement, heating systems, lighting retrofit, dealing with mould, and other restoration measures.

This funding was welcome and extremely significant. However, as valuable as the SHRRP program has been, it provided one-time funding that has not come near to making up the funding shortfall or providing a long-term solution. In most cases, even those housing providers that were successful in receiving SHRRP funding estimate that less than one-third of their replacement needs have been met. A good number of co-ops and non-profits received no funding at all.

Infrastructure Ontario funding

Another well-received measure taken by the Province has been to make community housing providers eligible to borrow funds for capital repair at a reduced rate financed through Infrastructure Ontario. However, despite being eligible, very few housing providers are able to take advantage of the program. The approval process is onerous and not particularly well adapted to small-scale, community-based organizations. Infrastructure Ontario is set up for large institutions such as hospitals and municipalities, with a rigorous and prudent approach to risk assessment appropriate for such organizations.

In the case of loans for capital costs in social housing projects, despite little or no risk of these housing projects defaulting due to existing government protections, many housing providers have been unable to access Infrastructure Ontario-arranged financing. The Province should make the necessary regulatory changes to improve non-profit and co-operative housing providers' ability to borrow and better access Infrastructure Ontario-preferred financing.

Reliable funding for capital improvement going forward

Another significant gap in the Affordable Housing Strategy was the failure to set out a plan to provide reliable funding to address the capital repair and improvement shortfall in community housing. Faced with an unprecedented provincial deficit, the government clearly didn't feel it could commit significant new funding to deal with the problem.

Future, targeted funding initiatives by government will be needed to renew the community housing infrastructure. Investment in energy efficiency upgrades, for example, is urgently needed and will pay immediate dividends. However, there are steps the government can take to facilitate the refinancing and recapitalizing of the community housing stock without adding cost to government.

The key is to allow community housing providers to borrow additional funds for capital improvements with an extended amortization period that will allow them to afford to repay the additional debt. There are currently a variety of constraints under government funding programs and financing arrangements that stand in the way of additional borrowing. There are, however, steps the government can take to get around these problems and put in place arrangements that will meet community housing providers' capital borrowing needs.

CHF Canada has been participating with other community housing partners and Ontario government ministry representatives on an Asset Leveraging Working Group for over two years to explore capital funding problems and recommend solutions. The Group recently released a major study that examines options and presents a recommended financing process for capital investments. We are urging the government to make it a priority to work with us to implement a solution to this urgent and growing problem without delay.

3. Take steps to make housing more affordable for low-income Ontarians

Recommendation:

3.1 The budget needs to include measures to increase housing affordability for low- and moderate –income Ontarians.

In addition to having a shortage of affordable housing supply 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 need to be addressed in Ontario's budget.

Again, according to *Where's Home 2010?*, over 260,000 Ontario renter households – or 20% of all renter households in the province – pay more than 50% of their income on rent. Over 580,000 households, about 45% of renter households, spend more than 30% of their income on rent.⁶

Affordability is a large and persistent housing problem. Shelter costs constitute the largest regular expense for most households. The Province's recent Strategy documents, both for affordable housing and poverty reduction, acknowledge that the lack of affordable housing is a core contributor to deepening poverty. Excessive housing costs simply crowd out other necessities for many low-income households in this province. Decent, adequate and appropriate housing is unaffordable for many Ontarians.

Only about 6% of Ontario households are able to access rent-geared-to-income housing subsidies, yet close to half of all renters in the province are paying more than 30% of their income on housing. There is currently little in the way of housing assistance for the working poor. Lengthy waiting lists and subordination to priority need often preclude access to the many Ontarians who are desperate to find a home that they can afford.

Measures must be adopted to close the gap between housing costs and low incomes. Ontario should ensure that any new housing supply programs penetrate down to levels of true affordability for low-income households. The Affordable Housing Program has not achieved this. Some units are rented at a below-market rate but rents are not adjusted based on income and the very neediest households can't afford to live in this housing.

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.

A number of other measures that would assist in housing affordability involve providing a stronger social safety net for low-income Ontarians. This could include:

- Transforming social assistance to support moving out of poverty, based on the Social Assistance Review of Income Security

⁶ ONPHA and CHF Canada, Housing Affordability, pg.61, *Where's Home?*, May 2010

- Introduce \$100 monthly Healthy Food Supplement for all adults on social assistance
- Fully index social assistance rates to inflation
- Increase maximum Ontario Child Benefit to \$ 125/month

Revise outdated utility allowances for low-income residents in community-based housing

Recommendation:

3.2 The Ontario government should revise the provincial utility allowance schedule, which is over a decade old, to reflect the true cost for rent-gear-to-income (RGI) residents who are paying for their own utilities.

There is an additional affordability challenge for low-income Ontarians that the availability of rent-gear-to-income (RGI) housing will not address: the rapidly increasing cost of utilities. Many thousands of social housing households who are receiving RGI assistance pay their own utilities on top of their rent. The Province uses a utility allowance schedule setting out the level of assistance that RGI tenants and co-op members who pay their own utilities will receive.

These schedules have not been revised since 1999, prior to the downloading of social housing to municipalities. Meanwhile, rates paid by residents for electricity, heat, natural gas and water have increased substantially. The introduction of the HST has resulted in a significant further escalation of utility costs.

For many years the co-op housing sector has called on the Province to take action on this critical issue that is contributing to escalating energy poverty in Ontario. We were disappointed that the recent Affordable Housing Strategy did not include an action plan to deal with this concern. The 2011 budget presents an opportunity to rectify this omission.

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 housing options available to Ontarians.

We feel that some of the key directions that the Province should move in and signal in its 2011 Budget are clear:

- Make investment in affordable housing a cornerstone of Ontario's economic recovery plan.
- Ensure affordable housing development and renovation is a targeted sector for Ontario's infrastructure investments.
- Provide leadership and help leverage federal funding for affordable housing by extending the existing Affordable Housing Program for three years.
- Preserve and renew the existing stock of community housing for future generations.
- Take steps to make housing more affordable to low-income Ontarians.
- Revise outdated utility allowances for low-income residents in community-based housing.

Again, we want to thank the members of the Committee for giving us the opportunity to express our views today. We would be pleased to answer any questions.