

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

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A Place for Co-op Housing  
in Ontario's  
Long-Term Affordable Housing Strategy

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Submission of the Ontario Region of the  
Co-operative Housing Federation of Canada



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## Introduction

The Ontario Region of the Co-operative Housing Federation of Canada welcomes the opportunity to submit our suggestions to the Province on its Long-Term Affordable Housing Strategy. The Ontario Region speaks on behalf of some 550 housing co-ops across the Province and the 125,000 residents who are proud to call co-operative housing their home.

Co-ops are the only form of resident-controlled social housing in Ontario. They are governed by the *Co-operatives Corporations Act* (not the *Residential Tenancies Act*) and residents are members of their co-ops, not tenants. Co-op members elect the board of directors annually from the membership and contribute to the operation and life of the community through a range of volunteer activities. This involvement gives them a unique role in the governance of their housing and makes them direct stakeholders in its successful operation.

In their 2007 election platform, the Ontario Liberals promised to develop a Long-Term Affordable Housing Strategy that would include **a mix of non-profit and co-operative housing**. We were very pleased when in June 2009, the Minister of Municipal Affairs and Housing, the Honourable Jim Watson, announced the launch of far-reaching consultations on what should be in the Strategy.

This commitment to develop a ten-year strategy offers a historic opportunity to replace a patchwork of on-again, off-again housing programs with a vision for affordable housing in this province and a blueprint for achieving it.

It is commendable that Minister Watson has taken the time and made the effort to travel throughout Ontario, holding 13 regional consultations, to gain valuable public input on the development of the Strategy. A great many co-op members and staff took advantage of these sessions and, along with other housing providers, community leaders, private-sector landlords and tenants, anti-poverty activists, developers, legal clinic staff and interested members of the public, welcomed the opportunity to offer their suggestions, expertise and insights to the Minister concerning the long-term housing plan.

Building on the views that our members have expressed at these meetings and in resolutions passed at our annual meetings, our submission offers a number of suggestions that we hope will be of assistance to Minister Watson and the Province as the Long-Term Strategy is developed and rolled out. In framing our recommendations, we have attempted to respect the Minister's caution, expressed at many of the consultations, that the government is looking for realistic, workable solutions that will improve the existing affordable housing system in this province.

Our submission aims to provide practical and effective recommendations that will result in the development of more affordable housing, reduced waiting list times, improved affordability for many Ontario households, better maintenance of our existing housing stock, and stronger protection of its non-profit use for generations to come. We believe that co-op housing has an important and particular contribution to make in achieving these outcomes and that, more generally, **a revitalized community-housing sector** should be seen as the cornerstone of a

successful affordable housing strategy. This belief guides much of what we have to say in this brief.

The Ontario government should know that it has a very willing partner in the co-operative housing sector as it develops and delivers on its vision and blueprint for affordable housing.

In this submission we review and make recommendations on what we consider to be the key elements that the Province should address in the Affordable Housing Strategy. These recommendations are grouped under the following section headings:

1. A framing vision, guiding principles and clear goals for the Strategy
2. A community-focused Affordable Housing Strategy
3. Co-operative housing – a vital part of the mix
4. More affordable housing – critical to combat poverty and boost the economy
5. Measures to make affordable housing truly affordable
6. A renovated Affordable Housing Program
7. Overhauling the *Social Housing Reform Act* to build stronger communities
8. Preservation of the affordable housing stock for generations to come
9. Keeping non-profit housing non-profit
10. Leveraging federal participation.

# The Building Blocks of a Successful Affordable Housing Strategy

## 1. A framing vision, guiding principles and clear goals for the Strategy

The starting point for development of a Long-Term Affordable Housing Strategy must be an agreed-upon vision with guiding principles and clear goals to achieve it. Everything else follows from this and all measures that are proposed as part of the Strategy must be rigorously tested to ensure they are consistent with the framing vision.

When the *Social Housing Reform Act* was being worked on in the late 1990s, commendable objectives, largely agreed to by a mix of stakeholders, were set for the Act and nominally remained in place as the legislation was worked on. They were never consulted by the government, however, and much of the Act that followed was fundamentally at odds with the stated objectives. This cannot be allowed to happen with the Affordable Housing Strategy.

The Province has set out a proposed vision, guiding principles and goals in its Strategy consultation paper. These express a core commitment to building strong communities and community partnerships and CHF Canada's Ontario Region believes that they provide a very good starting point for developing the final framing statement that will guide work on the Strategy. That said, we feel that some elements are missing or need a sharper focus.

Our submission deals with many of these elements. At the centre should be a renewed commitment to a community-based approach to delivering and operating housing with a new focus on giving residents and applicants more power and choice in their housing. The framing statement should also assert:

- the value of diverse, mixed-income communities
- the need for a mix of community housing solutions
- the recognition that all levels of government have a key role to play in the affordable housing
- the need for a long-term approach.

This last point cannot be overemphasized. Since the mid-1990s, a fundamental problem that has led to the current housing crisis in Ontario and elsewhere, particularly in urban centres, has been the lack of continuing housing programs that have as their purpose the systematic reduction of housing need.

Instead, housing policy has taken an on-again, off-again approach that has offered no certainty at all as to governments' long-term intentions for housing. The federal Affordable Housing Initiative which was launched in the fall of 2001 and resulted in Ontario's Affordable Housing Program (AHP), has not once had a commitment of longer than five years and has never been accompanied by a long-term vision for Canadian housing policy.

This will have to change if Ontario is serious about its commitment to a long-term strategy. What will be required is a sustainable approach to addressing affordable housing needs in this province -- the government has to signal that it is in for keeps. That is why the promise of a long-term affordable housing strategy is very welcome news indeed. Affordable housing

must be considered a core community need and therefore a central government program like health and education (it is hard to imagine either of these being treated to the stop-start approach hitherto applied to housing) and funded each year in the provincial budget. This fundamental principle must be central to a comprehensive strategy.

A process needs to be established to bring a range of stakeholders together to define and agree on the vision, principles and goals. We are pleased that Minister Watson has said that the government will set up working tables to do this work and that his goal will be to develop consensus recommendations on the Strategy.

## **Recommendations:**

**1.1. A framing vision, guiding principles, and clear goals should be developed to provide direction for work on the Affordable Housing Strategy.**

## **2. A community-focused Affordable Housing Strategy**

### ***A renewed commitment to a community-based model***

Community-based housing has established a solid track record in Ontario. Housing co-operatives and non-profits have operated successfully across the province for decades, gaining wide public acceptance and making significant contributions to the wider community where they are seen as good neighbours.

Government turned to the community housing model more than 30 years ago as an alternative to large-scale, government-owned and -run housing. The shift was grounded in the belief that community groups bring special knowledge of, and commitment to, the people they serve and an ability to be flexible and innovate that wasn't found in government-run housing.

In Ontario, there has been a clear erosion of this model in recent years. As discussed below, the *Social Housing Reform Act* has fundamentally shifted power and control from communities to government and more and more of the housing being developed is owned and run by municipal governments. This is at odds with a broad-based international trend away from top-down housing models and towards giving people real influence over the decisions that shape their lives, including decisions about their housing. A long history of public ownership of housing assets is giving way to governments facilitating and supporting community ownership and control of affordable housing.

The Province needs to use the opportunity presented by the development of an Affordable Housing Strategy to make a renewed commitment to a community-based approach to developing and operating affordable housing. Such a commitment would be consistent with the priority the government has given to improving the social, health and education systems in Ontario.

## **Recommendation:**

### **2.1 A renewed commitment to a community-based housing model should be a cornerstone of the Affordable Housing Strategy.**

#### ***More control, support and choice for residents***

A key element of a community-based housing strategy should be a new policy focus on residents and the communities they live in. The first guiding principle that the Province has identified for its Affordable Housing Strategy—to take a “people-centred” approach—already reflects this policy direction. The description of the principle notes that “Programs, services and supports will be responsive to need, and focus on positive results for individuals and families.”

The government in England has moved in this direction with a major overhaul of its system of regulation designed to put communities in control and focus on tenants. A guiding principle of this reform is the belief that social housing must be a more effective platform for social mobility, helping people get on in life and play an active role in their community and wider society.

## **Recommendation:**

### **2.2 The Affordable Housing Strategy should include a new policy focus on giving social housing residents and applicants more control of their housing, more supports and more choice in the type of housing and form of tenure available to them.**

#### ***Build mixed-income, permanently affordable housing***

In addition to community control, the community-based housing model in Ontario has been defined by, and its success has derived from, certain key features. These include:

- diverse, mixed-income communities, and
- community ownership and permanent affordability.

The Affordable Housing Strategy needs to include measures to protect and enhance these features in the existing affordable housing stock and ensure that they are part of the program model for new affordable housing.

As part of the shift from a public housing model to a community-based approach noted above, government recognized that creating smaller, more diverse housing neighbourhoods, with households of differing incomes and backgrounds, would result in more successful communities.

One example that illustrates the success of this approach is the St. Lawrence Market neighbourhood in downtown Toronto. Formerly derelict industrial waste sites were

transformed over 30 years ago into 56 acres of vibrant, mixed-income, mixed-tenure communities, anchored by a number of large housing co-operatives.

The St. Lawrence neighbourhood has been so successful that the edges of the neighbourhood are now prime locations for high-end condominium development. Visitors from around the world come to study what we have done right.

There is a widespread concern in the community housing sector that some of the lessons learned by policy makers when they rethought the public housing model 30 years ago are being forgotten as new programs are being designed or new rules introduced in existing ones. In particular, there is a concern that program policies, combined with the lack of growth in the availability of affordable housing, is resulting in increasing concentrations of high need residents in the limited stock of social housing.

In recent years, we are also seeing the erosion of community ownership and permanent affordability of social housing.

The Affordable Housing Program, unlike earlier provincial and federal community housing programs, allows development and ownership of housing by the private sector with affordability limited to 15-20 years. This feature was introduced by the previous provincial government and has been retained by the current one in spite of strong advocacy by a wide range of community groups for a redesign of the program to deliver permanently affordable housing.

Experience has shown that rental housing produced and owned by private developers under government-funded rental supply programs delivers much less value for the public investment than not-for-profit programs. The federal and Ontario governments have tried a number of private-sector programs over the past half-century. These include the Limited Dividend (LD), the Multiple Unit Residential Building (MURB), the Assisted Rental Program (ARP), the Canada Rental Supply Plan, Ontario Rental Construction Loans, Convert-to-Rent (Ontario), and Renterprise (Ontario).

Studies of these initiatives show that the poorest households have little access to the housing, the units remain affordable for only a limited period, and there is little accountability to taxpayers for the public investment. Private sector partners have often looked for ways out of the program when better market opportunities presented themselves. A 1997 study funded by CMHC compared the long-term benefits of private-sector and social housing projects.<sup>i</sup> It found that subsidizing co-op and non-profit projects costs far less than subsidizing private investors, developers, and landlords.

Non-profit and co-operative housing is a best-buy for the Province as it provides a permanent supply of affordable housing for Ontarians, particularly for those of low and modest means.

### **Recommendation:**

#### **2.3 The Affordable Housing Strategy should include measures to protect and enhance the key elements that have defined and led to the success of community housing,**

**including mixed-income communities, community ownership and permanent affordability.**

***Help rebuild the development capacity of the community sector***

Almost all social housing produced over the last 40 years has been developed by community-based, non-profit and co-operative housing organizations. Following the termination of government-funded, non-profit housing programs in the mid-1990s, most of the skilled people who worked in the community-based housing development field moved on to other pursuits.

Past governments have recognized the value of investing in the community infrastructure to develop co-op and non-profit housing and have put in place programs to support it. This investment has produced significant public benefit at a very modest cost. Now is the time for the Ontario government to make a similar investment to rebuild community development capacity in the province.

It should be noted that we are not questioning the essential role played by the private sector in the development of co-op and non-profit housing in Ontario. Private firms have constructed practically all of the social housing developed over the last half century, in partnership with community organizations, and this will continue to be the case under future programs. Their expertise, however, is not in the development of social housing communities that will be sustainable in the long term and this is not their purpose. This is the role of the community housing sector.

In 2006, the Ontario government put in place a short-term partnership agreement with CHF Canada and the Ontario Non-Profit Housing Association with the goal of increasing the number of non-profit, community housing projects developed under the Affordable Housing Program. The initiative was very modest in scope but did result in a small number of new co-ops and community non-profits that would not otherwise have been developed. This initiative could serve as a model for a more ambitious partnership between government and the co-op and non-profit housing sectors.

**Recommendation:**

**2.4 The Ontario government should support and invest in rebuilding the development capacity of the community housing sector in the province.**

**3. Co-operative housing – a vital part of the mix**

Historically, about one in every four or five units of non-profit housing developed in Ontario has been co-op housing. Over the last several years under the Affordable Housing Program, the co-op share of new affordable housing development has dropped to less than four percent.

The Ontario Liberals' last election platform included an explicit commitment to developing housing co-operatives as part of the social housing mix. Many MPPs are committed

supporters of co-op housing. In spite of this, the development of co-op housing under the Affordable Housing Program has effectively been shut down.

### ***Success of the co-operative housing model***

Housing co-ops build social cohesion by bringing together a mix of low- and moderate-income households of diverse backgrounds who form well-integrated communities operating on the principle of mutual self-help.

Successive program evaluations by Canada Mortgage and Housing Corporation (CMHC), including the most recent one in 2003, have found that co-ops provide a platform for residents to develop many new skills, acquire organizational experience and gain employment. Residents in co-ops report an improved sense of community, better relations with friends and neighbours and improved social supports compared to other forms of rental housing.

Together, co-op members, supported by professional managers, make the business and community decisions about their housing. As direct stakeholders in the consequences of these decisions, members are motivated to act responsibly and become engaged in their community. By working collectively to run their housing, co-op members develop broader forms of interaction and strong communities are created. This involvement very often extends to the wider community as well where co-op members are known to be engaged citizens.

Put simply, housing co-ops are communities that work and should be seen by the Ontario government as a valuable option that it can use to achieve its vision for affordable housing.

Appendix A, “The Benefits of Co-operative Housing” offers more detail on what distinguishes the co-op model from other forms of social housing.

Co-op housing is not a suitable form of tenure for everyone looking for affordable housing but it is the preferred choice of many. As highlighted above, giving tenants choice in the type of social housing they want to live in is an important part of a community-focused housing strategy.

The development of more co-op housing should be expressed as an explicit goal of the Affordable Housing Strategy. To achieve this goal, the Province should require that at least 20%, or one unit of every five funded under the Affordable Housing Program, be targeted for the development of non-profit co-operative housing. Municipalities would administer the allocation of these units to eligible co-op groups but the targeted funding could only be used for co-op housing. The Province took a similar approach a few years ago when it reserved units for development on Brownfields sites.

### **Recommendation:**

#### **3.1 The development of a mix of social housing, including housing co-ops, should be expressed as a goal of the Affordable Housing Strategy with a target set of**

**developing at least 20% of housing funded under the Affordable Housing Program as co-op housing.**

#### **4. More affordable housing—critical to combat poverty and boost the economy**

In the opening paragraph of the Affordable Housing Strategy consultation paper, the provincial government makes the case that affordable housing is essential to our success as a province, as it notes the following:

“Stable and secure housing:

- provides a foundation for people to escape from poverty and homelessness
- reduces the need for more costly government services
- attracts and keeps the skilled workers needed to improve our economic competitiveness”.

This section of our submission will comment on each of these relational statements. Note, however, that we do not deal with the issue of homelessness in this paper, as critical and shameful as this problem is in Ontario. That ground will be well covered in other expert submissions the Province will receive in response to the consultation paper. That said, CHF Canada is a firm believer in “housing first” strategies for the homeless. Regardless of how multi-faceted the challenges may be for homeless Ontarians, adequate, permanent housing, suitably supported as required, will always be the gateway to a comprehensive solution.

##### ***Affordable housing is key to reducing poverty***

As a first step in putting this proposition into an Ontario context, it is important to grasp the scope of the Province’s housing need challenge. According to housing data from the 2006 Census, which CHF Canada has analyzed in depth in the recently released 2009 edition of *The Dunning Report: Dimensions of Core Housing Need in Canada*, 14.5 percent of households in Ontario fall into what is called core housing need. CMHC defines core need as follows:

“Core housing need refers to households which are unable to afford shelter that meets adequacy, suitability, and affordability norms. The norms have been adjusted over time to reflect the housing expectations of Canadians. Affordability, one of the elements used to determine core housing need, is recognized as a maximum of 30 percent of the household income spent on shelter.” (*Source: CMHC website*)

The Ontario rate is higher than the all-Canada rate of 12.7%. It means that, by the federal government’s own measurement, more than one in seven of measurable households in the province are unable to afford adequate, suitable shelter – nearly 630,000 households in all. By far the largest proportion of this group – 71% – have an affordability problem rather than adequacy or suitability problems.

Further, according to the 2009 edition of *Where’s Home?*, a joint publication of CHF Canada’s Ontario Region and the Ontario Non-Profit Housing Association, 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 renter households (45% of the total) spend more

than 30% of their income on rent. Social housing waiting lists for rent-geared-to-income social housing in the province continue to grow. At last count there were over 130,000 households on active waiting lists across Ontario. Meanwhile, vacancy rates have steadily tightened in the last four years across Ontario.

Clearly then, Ontario has a significant affordable housing gap, and one that exceeds national averages. It is hard to see how such a situation is remotely acceptable in a place as relatively advantaged as the province of Ontario, yet the problem is a chronic one and seemingly regarded as too big to solve. CHF Canada disagrees fundamentally with that position.

One can debate whether Ontarians are in housing need because they are poor, or poor because they are paying too much for their housing, but it would be beside the point, which is that the shortage of affordable housing is a significant contributor to poverty in Ontario.

### ***Can we rely on the private market?***

It is tempting, for some at least, to look to the private market for solutions to housing shortages. This was certainly the hope of the Ontario government in the second half of the 1990s. It came to nothing, because private market rental development isn't the answer. The financial realities of residential construction are that developers can't deliver new rental housing at rents people can afford to pay. That's not a political point of view; it's simply the reality of real estate economics.

In fact, in the absence of consistent housing supply problems, quite the opposite effect has been the reality. Again, from *Where's Home?*:

“Taking into consideration many factors 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... 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.<sup>ii</sup>

And very few of that small number of rental unit additions in recent years can be described as truly affordable – see section 5 of our submission for more on this subject. *Where's Home?* further notes that over the last decade 8,500 rental housing units have been lost either to demolition or conversion to condominiums.

Clearly, there is no substitute for government intervention if the shortage of affordable housing is to be addressed. And addressed it must be because there are more consequences of inaction than just the undeniable injustice of the status quo.

### ***Housing poverty increases the need for more costly government services***

According to a 2007 U.S. study<sup>iii</sup>, there are strong linkages between child poverty – which lack of access to affordable family housing perpetuates – and future rates of productivity, consumption and economic output, and a direct correlation between poverty, crime levels and healthcare costs. The negative impacts were found to be significant. According to the study, child poverty in the U.S.

- reduces productivity and economic output by about 1.3 percent of GDP
- raises the costs of crime by 1.3 percent of GDP
- raises health expenditures and reduces the value of health by 1.2 percent of GDP.

We will look further at the correlation between affordable housing and the economy in the next section. But if we extrapolate from the ratios cited above for the Ontario economy, one percent of our GDP (\$590 billion [rounded] for 2008 according to the Ontario Ministry of Finance) comes to close to \$6 billion; in total the economic cost of child poverty alone, if the same productivity, crime and health cost ratios are applied to Ontario, the combined cost of inaction comes to more than \$22 billion. If the actual cost were to be as little as half that amount, a very strong economic case can still be made for investing in poverty reduction strategies in this province. And housing, as we have already argued is a fundamental determinant of poverty – for better or for worse.

### ***Affordable housing is good for the economy***

Unlike some other countries, which have come to realize that, in the globalization era, housing and economic efficiency are inextricably linked, Canada has tended to regard housing affordability and core need reduction as dimensions of a purely social problem. This view has caused policy makers to look at the cost of addressing housing affordability out of context, as they overlook the cost to our economy of *failing* to act on housing need.

In May of 2009, a panel of leading authorities on housing policy was convened on the occasion of the launch of *Housing for the Toronto Economy*, a landmark study by Professor Duncan MacLennan of the School of Geography and Geosciences at the University of St. Andrews in Scotland. The panel was moderated by Derek Ballantyne, the then-CEO of Toronto Community Housing. TCHC's website had this to say about the outcome of the panel's discussions:

“Social housing is about more than helping people. It's tightly connected to the economy. And until housing providers, tenants and advocates start making that point loud and clear, senior governments will continue to see housing as a burden and a cost and refuse to champion long-term strategies for more and better housing. Under-housing tenants has a negative impact on children's ability to learn, compromising the city's ability to train and educate our future innovators and leaders.”

The panelists went on to make the following observations, the first of which echoes the findings of the Holzer report cited above:

- Poor quality housing hurts people’s health, which has a negative impact on workforce productivity.
- Bad urban planning, that segregates poverty in certain neighbourhoods, influences the reality and perception of crime and security in a community, and by that hinders job opportunities and economic development.
- Sprawl creates congestion and environmental pollution, which costs cities and saps growth and productivity.

A holistic approach to housing policy (which Professor MacLennan’s work supports) is essential if we are to get it contextually right and move away from the “silo” thinking which consigns housing to a policy realm unconnected with general productivity and prosperity. The lack of housing that the workforce can afford is a roadblock to growth and investment.

There is also the danger of absolute labour shortages. At the moment, Ontario’s unemployment rate remains high in the present downturn, but it is not uniform across the province and the provincial economy will recover, with some structural adjustments. The labour shortage risk is real. Service economy jobs will become hard to fill if workers cannot find affordable housing within reasonable reach of the jobsite, and in larger urban areas the situation could easily spill over to key worker sectors – firefighters, police, teachers and medical personnel are examples – as it has done elsewhere, most notably in London, England, which for some time now has had key worker supply difficulties due to the lack of affordable housing.

Meanwhile, the realities of the current Ontario economy present an ideal opportunity to act now on affordable housing development. The economic stimulus effect of building housing is significant, with an economic multiplier effect second only to manufacturing. According to the Liscio Report, an independent research group from New York City, each dollar spent on construction generates a further \$1.27 in economic activity. That is why Canada’s Finance Minister so readily embraced housing investment in the 2009 federal budget, and why Ontario should not delay its investment in new affordable housing.

## **Recommendations:**

- 4.1 For the ten-year term of this Strategy, Ontario should commit to funding an affordable housing program to increase the supply of affordable housing by 8,000 units a year.**
- 4.2 The Province should set specific targets for reducing core housing need, budget each year to reach identified milestones, and monitor and report on progress.**

### ***Three ways to boost the supply of affordable housing***

There are some significant and effective steps the Province can take to boost the supply of affordable housing in Ontario without adding significant cost to government. Three measures are set out below

#### Inclusionary zoning

The Province, under its planning authority, can mandate a municipal zoning approval process that requires developers to make a percentage of housing units in new developments available at below-market rents. In return, the developer receives a “density bonus”, permitting a higher density of housing units than would ordinarily be permitted under zoning restrictions. The non-market housing thus created would be affordable to those who can afford housing at the rents delivered by the developer, and would offer the government a less costly RGI proposition, as the gap to bridge between the actual rents what a low- income household can afford to pay at 30% of income would be smaller.

And contrary to the arguments advanced by home-builder associations, the cost of “subsidizing” this housing is not borne by the market buyers in the same development; it is recaptured by the greater number of homes for sale permitted by the density bousing.

While inclusionary housing policies are set by local governments it is very much up to the Province to ensure that these municipal approaches can be enforced and are not subject to endless challenges at the Ontario Municipal Board. Currently, a private MPP member’s bill (Bill 198, *An Act to amend the Planning Act with respect to inclusionary housing*) passed second reading in the Ontario legislature and has been referred to the Standing Committee on General Government. This bill would accomplish the purpose of giving municipalities the authority to establish inclusionary zoning practices.

The government should give very serious consideration to supporting this initiative. Failing that, the Province should make sure a like-minded approach is included in the Affordable Housing Strategy.

Inclusionary zoning has proven a very effective tool in the United States. It has been used in California, Massachusetts, New Jersey, Colorado, and the DC Metropolitan Area, as well as cities like Santa Fe, New Mexico and Burlington, Vermont. More than 100 jurisdictions employ inclusionary zoning in California alone; a 2003 survey conducted by the Non-Profit Housing of Northern California and the California Coalition for Rural Housing found that in California more than 34,000 units of affordable housing had been created. CMHC has examined the effectiveness of inclusionary zoning in the U.S. through the analysis of case studies. CMHC’s general conclusion is that the method is successful, particularly when used in a mandatory fashion.

## **Recommendations:**

### **4.3 The Ontario government should provide municipalities with explicit legal authority to adopt mandatory inclusionary housing policies that would define the responsibilities of developers in contributing to creation of affordable housing.**

#### Make government lands available

Elsewhere in this submission, negotiating with Ottawa on the use of surplus federal lands for affordable housing is discussed. Ontario has lands of its own that are surplus to its needs and should follow through on earlier commitments to facilitate the development of affordable housing on provincial lands that are available. Capital costs are clearly going to be lower if land is available without charge, with the resulting effect, as with inclusionary zoning, that required economic rents will be lower. This has potential implications for the level of capital grant required and certainly for the costs of bridging the gap between economic rent and an RGI rent level.

To ensure maximum accountability for public investment, and long-lasting affordability, priority for provincial lands should be given to co-operative and other non-profit housing. The Province should retain ownership of the land and provide long-term leases to the affordable housing proponents.

By providing leadership on the issue of government lands, Queen's Park may also be able to encourage the participation of other levels of government (we have already spoken to the question of federal participation) that have lands suitable for affordable housing development.

## **Recommendations:**

### **4.4 Ontario should establish a policy of priority for housing on provincial lands and make surplus lands available through proposal calls to non-profits and co-ops for the development of affordable housing.**

#### Encourage and facilitate infill housing on existing co-op and non-profit housing lands

Elsewhere we have identified the following obstacles under the Affordable Housing Program to expansion of existing co-op and non-profit housing:

- the requirement for a new housing corporation to be set up when an existing one wants to add units
- the forced severance of lands before new development can be approved.

Many housing co-ops are interested in adding units on their existing site or on nearby lands to meet the changing needs of their members or more generally the need for affordable housing in the community. These requirements noted above, however, mean that they can't expand

their co-op to do this. Instead, they must sponsor a new, small, separate, and cost-ineffective co-op if they want to add co-op housing units.

Removing these barriers to adding units to existing co-ops will result in a great deal more interest in infill opportunities from co-ops that have land available. The Province should actively encourage such initiatives and facilitate them in any way possible, because, as with the use of government real-estate assets, lands that are already held by affordable housing providers do not have to be reacquired, thus reducing economic rents and the cost to government of RGI assistance. **Recommendation 6.6 below addresses this issue.**

## **5. Measures to make affordable housing truly affordable**

### ***New rent-gear-to-income funding needed***

If a new Long-Term Affordable Housing Strategy is to be effective, new housing supply must 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.

Under government housing programs from the mid-1970s to the mid-1990s rental assistance for low-income households was based on recipients paying roughly 30% of their gross income on rent. This funding was guaranteed for the full term of the program agreement and most low-income households were eligible.

No new geared-to-income rent supplement program has been promised under any of the federal and Ontario affordable housing initiatives. An advantage of such a program is that, because it makes use of existing rental housing, the assistance can quickly be made available to households that have affordability problems. This would be a particular benefit in many federal-program co-ops that have faced a sharp drop in RGI assistance because of a program flaw and are not able to provide help to a number of their low-income households.

### ***Housing allowances are a limited solution***

Flat rate housing allowances not an answer. The latest Ontario program offers only \$100 per month, regardless of recipient income levels, and is restricted to working families with children, a rule which excludes help under the program for chronically sick, disabled and elderly Ontarians with fixed incomes – some of the most vulnerable, housing-poor segments of our population.

Housing allowance programs are not entirely without value, particularly for the working poor, for whom such programs can have value as a tool to assist with housing affordability. This tends to be more the case when in times of relatively high vacancy rates, however; experience

has shown that when vacancy rates fall and rental markets tighten, private landlords tend to allow housing allowance agreements to lapse.

Moreover, in jurisdictions where shelter allowances have been a predominant housing tool to assist with housing affordability, with no complementary supply program, they have tended, over time, to distort the rental housing market by driving rents upwards. As shelter allowances are not significant enough to trigger additional supply of affordable housing, market forces prevail. Effective demand is increased by the amount of the allowance; in the absence of new supply, rents go up. Housing allowances, while a useful component on the affordability side of the equation, do not provide comprehensive, long-lasting and reliable rental assistance for low-income households.

A recent study commissioned by the Ontario Ministry of Municipal Affairs and Housing that looked at the experience of housing allowances in three jurisdictions that have used this approach extensively (Australia, U.S. and the U.K.) confirms this finding. The findings note:

“Where constrained supply exists demand-side programs could be complemented by supply initiatives. Without sufficient new supply there will be an inevitable pressure on rents and programs costs.”<sup>iv</sup>

What is needed to address Ontario’s affordable housing shortage is a comprehensive strategy that includes an RGI capacity to deliver housing that is truly affordable to all segments of Ontario’s core need demographic. This requires rent levels no greater than 30% of before-tax household income. There are two ways to achieve this.

The first is to match a new supply program with rent-geared-to-income assistance to a proportion of the units. The program can target low-end-of-market as the base rental level and add RGI assistance to further reduce rents on the basis of income for the units targeted to low-income households. Co-op and non-profit housing offers the best value in supply programs because there is a guaranteed continuity of purpose that cannot be matched by the market sector.

The second delivery mechanism for adding low-income housing is a RGI rent supplement program for landlords. Existing providers of mixed-income, co-op and other non-profit housing are ideal candidates for such a program, as they have both the capacity and the inclination to increase their low-income penetration. The federal Section 95 program providers in particular have seen an erosion of their historic capacity to offer low-income housing and offer the government excellent rent supplement value, as the rents that would require assistance are set only at break-even levels and not at whatever the market will bear.

We do not, however, propose that a new provincial rent supplement program be restricted to non-profit providers. Private landlords too should be eligible to participate, though two aspects of the earlier discussion of shelter allowance apply here. The first is that rent supplement programs increase effective rental demand; without an increase in supply they will have an inflationary effect in the rental market. And second, the appetite of landlords to accept rent supplement applicants is greater in soft rental markets but diminishes in tighter ones.

RGI housing programs are expensive, which is a reason governments shy away from them. But without an RGI component, housing programs, as the AHP has demonstrated, are not effective in supplying affordable housing to those most in need of it.

### **Utility costs**

There is an additional affordability challenge for low-income Ontarians that the availability of RGI housing will not address: the cost of utilities. Thousands of social housing residents 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.

However, 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. When the HST is introduced next year there will be a significant further escalation of utility costs. For years the co-op housing sector has called on the Ministry of Municipal Affairs and Housing to take action on this matter but the only response so far has been to study the problem. Action on an improved utility allowance should form part of a comprehensive long-term strategy.

### **Recommendations:**

- 5.1 Any new rent supplement program on other direct assistance to low-income Ontarians for their housing should be designed to cover the full affordability gap between a household's income and the actual rent.**
- 5.2 RGI assistance should be made available for 50% of the units developed under the Affordable Housing Program or any successor to it, and eligibility rules should match the rules in earlier programs.**
- 5.3 A multi-year rent-geared-to-income rent supplement program should be set up for existing co-op and non-profit housing providers, and private landlords.**
- 5.4 Providers that have already been funded under the AHP should be eligible to use existing and new rent supplement and housing allowance programs.**
- 5.5 The Province should revise the ten-year-old utility allowance schedule to reflect the true cost for RGI residents who are paying for their own electricity, heat, natural gas and water and then index the schedule to track increasing costs in the future.**

## **6. A renovated Affordable Housing Program**

Major changes are needed to the Affordable Housing Program to remove barriers to the development of co-op and other community housing and to ensure that the housing remains affordable for the long term. Some improvements have recently been made to the AHP that will make it easier to develop co-ops and non-profits. Most importantly, the amount of capital

funding has been increased from \$70,000 to \$120,000 per unit. But other major changes are needed.

Housing co-ops and, to a lesser extent, other smaller-scale community housing providers, have largely been shut out of the program. As noted earlier, the share of housing co-ops developed has dropped from 20 – 25 percent of total allocations under earlier social housing programs to under 4 percent under the AHP.

There are many reasons why co-ops and other community-based housing projects are not being developed under the AHP. We have documented many of the shortcomings of the program in a report to the Ministry of Municipal Affairs and Housing and suggested improvements to increase the yield of community-based housing.

Some of the high-level barriers include the following:

- The development capacity in the community-based housing sector largely disappeared following the termination of funding programs in the 1990s.
- The AHP is oriented to private sector developers who 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. Following the City of Toronto's recent call for AHP development proposals, 29 of the 31 projects shortlisted were private sector. Six projects were finally recommended to Council for approval – all private sector firms. These projects will provide affordable housing for only 20 years.
- In a number of cases, service managers give their municipally owned housing companies priority, or create equity contribution requirements that knock co-ops and other community-based proponents out of the competition.
- The current design of the AHP reflects government's instinct to minimize risk and shift it to another party, including the proponents of the affordable housing projects. Senior levels of government are not doing enough to ensure non-profits and co-ops receive funding when needed, thereby passing the risk on to the party with the least resources.
- Current restrictions on the release of Proposal Development Funding (PDF) means it is not released until the group acquires land. This necessitates non-profit, small-scale proponents to look for other sources of interim funding, increasing both project timelines and costs.
- Other program design issues, including the lack of upfront funding, the slow advancement of funds, the Ministerial consent process, the requirements of registering instruments on title, the requirement for projects adding units to set up separate corporations, and indemnity provisions create barriers that prevent small-scale, community-based housing providers such as co-ops from receiving development funding.

## **Recommendations:**

### **6.1 Equity contributions should not be a direct or indirect requirement of the Affordable Housing Program or successor programs.**

- 6.2 Projects receiving funding should be required to remain affordable for a minimum of 35 years.**
- 6.3 To level the playing field, significantly increased funding for proposal and project development should be made readily available to non-profit and co-operative proponents.**
- 6.4 Restrictions under current AHP rules on stacking programs should be removed. For example, CMHC's PDF funding should be available under the AHP.**
- 6.5 Minimum program standards should be set and sufficient program funding provided to ensure that proposed operating budgets are adequate to allow projects to operate successfully over the long term.**
- 6.6 Existing co-ops and non-profits should be able to add units on their existing site or on an adjacent site without having to set up a separate corporation and sever the land when the added units are on the project's existing site.**
- 6.7 AHP program rules should require capital reserve contributions sufficient to ensure long-term viability of the project.**

## **7. Overhauling the *Social Housing Reform Act* to build stronger communities**

Housing co-ops have struggled to succeed as member-controlled businesses and communities under the *Social Housing Reform Act* (SHRA). This Act's program rules are complex and prescriptive and make little allowance for important differences in how co-ops and other types of non-profit housing operate. This has undercut the ability of co-ops to direct their own affairs – a characteristic that has always distinguished the co-op model and been the hallmark of its success.

In the years since the SHRA was passed, the Ontario Region has pressed the provincial government to overhaul the Act to restore community control, replace prescribed processes with a focus on outcomes and treat residents receiving RGI assistance more fairly.

**SHRA reform remains the top priority of CHF Canada's Ontario Region.**

We have set out below a number of recommendations on the broad directions that we feel reform of the SHRA should take and the key issues that need to be addressed. We will make more detailed recommendations on the changes housing co-ops are calling for when work on amending the legislation begins.

It is worth noting that a number of the recommendations in this submission are consistent with advice given to the Minister of Municipal Affairs and Housing in 1998 in the final report of the Social Housing Committee that the government had set up to advise it on what to include in the *Social Housing Reform Act*. Unfortunately, many of the Committee's recommendations that would have resulted in a more balanced and reasonable act were set aside by the government when the SHRA was drafted. The Committee's report is worth revisiting as part of the planned review of the legislation.

## ***Comprehensive reform of the SHRA***

While in opposition, Liberal MPPs were highly critical of the *Social Housing Reform Act*, predicting that it would undermine the viability of co-ops and non-profits and strip them of control of their homes. We are pleased that Minister Watson has said that he plans to make changes to the Act as part of putting the Affordable Housing Strategy in place. This review offers the government the opportunity to remake the Act, guided by its vision of building stronger social housing communities.

In keeping with its commitment to taking a people-centred approach in the Strategy the government should take steps to engage social housing providers and residents in the review of the SHRA.

### **Recommendations:**

- 7.1 As part of the Affordable Housing Strategy the Province should commit to comprehensive amendments to the SHRA, guided by a set of reform goals that are consistent with the vision that underpins the Strategy.**
- 7.2 The review of the SHRA should include a survey of social housing providers and residents seeking their views on changes that are needed.**
- 7.3 A process should be established to work with CHF Canada's Ontario Region and other stakeholders to complete the amendments before the next provincial election.**

### ***Putting communities in control***

The SHRA has done significant damage to the community-based housing model. As noted elsewhere in this paper, the Act fundamentally shifts control and power from communities to government. This is at odds with the policy direction in many countries around the world where governments are seeking to empower housing communities and their residents. It is also at odds with the Liberal government's commitment – expressed first in its 2003 election platform and most recently in its Vision for its Affordable Housing Strategy – to building strong communities as the best way to deliver effective services. A re-commitment to a community-based model should be at the heart of SHRA reform.

### **Recommendations:**

- 7.4 Changes to the SHRA should result in a re-balanced accountability framework that recognizes the legal primacy of community housing boards and gives them real control over day-to-day decisions.**
- 7.5 The statement of purpose in the SHRA should be amended to reflect the commitment to a community-based housing model. A possible redrafting would read "The purpose of this Act is to provide for the efficient and effective**

***administration of housing programs by service managers and the efficient and effective operation of projects by self-governing community-based housing providers.”***

### ***A unified program framework across Ontario***

Service managers and some others have called for more local flexibility in making decisions and setting priorities related to affordable housing. The argument is that local government understands local needs best.

CHF Canada agrees that local flexibility is appropriate and beneficial in some program areas. For example, subject to achieving certain outcomes set by the Province, it is reasonable for local governments to be given significant flexibility in deciding how to target spending on new affordable housing. Similarly, we agree that local governments, with input from the community, are better positioned than the Province to know what groups should receive special priority when housing applicants from central waiting lists.

With respect to the SHRA, however, clear limits need to be placed on local flexibility so that housing providers in all parts of Ontario are operating under fundamentally the same program. This is essential to guarantee fairness and equitable treatment for applicants, residents and housing providers across the province. It is also essential to the successful operation of the program.

### **Recommendation:**

**7.6 The key parameters that define how the reformed SHRA will work, such as the funding model and accountability provisions, should be set out in legislation and apply uniformly across the province.**

### ***A mechanism for an independent review of service manager decisions***

A fundamental gap in the SHRA is the lack of any mechanism, other than going to court, for co-ops and non-profits to appeal a decision by a service manager that they consider to be ill-founded, unreasonable or beyond the service manager’s authority.

The SHRA gives service managers significant additional powers and a great deal of latitude (compared to those that the Province had previously when it administered operating agreements) to deal with what they perceive as breaches of program rules by housing providers. These powers include, for example, much expanded authority to put providers in receivership and new powers to remove and install board members.

The co-operative housing sector has been impressed with the approaches used by a number of municipalities when a co-op is seen to be in difficulty. Overall, we have observed very good working relationships between co-op housing providers and their service managers who are closely attuned to local needs and housing conditions.

That said, both because of the level of oversight prescribed in the SHRA, and because municipalities generally operate much closer to housing providers compared to provincial and federal- program regulators, service managers are much more likely to intervene in providers' operations and second-guess their decisions.

There are a number of instances that the Ontario Region is aware of where a service manager has required a co-op to take certain actions that are clearly beyond its authority to require because no breach of the Act has occurred. There are also occasions when a co-op disputes that a breach has actually occurred. It is poor public policy to give this degree of authority to service managers without providing balance and some type of independent review process for housing co-ops and non-profits.

Co-ops don't have the resources to take legal action to test whether a service manager has exceeded its authority under the SHRA or is acting reasonably, nor should they be expected to use their members' finances to do this. But, as things stand, that is the only recourse co-ops have if they can't resolve the matter with the municipality.

### **Recommendation:**

- 7.7 The SHRA should be amended to introduce an independent review process for housing providers to use to appeal decisions by a service manager that they consider to be ill-founded, unreasonable or beyond the service manager's authority.**

### ***Receivership and sale provisions appropriate for community housing***

The single most urgent reforms needed are to the sections of the SHRA dealing with breaches ("triggering events") by providers and the remedies available to service managers to deal with them. Particularly problematic are the open-ended receivership and sale provisions which leave co-ops and non-profits vulnerable to takeover by service managers.

In two cases now before the courts, the receiver in place at the co-op, supported by the service manager, is seeking court approval to transfer ownership of the co-ops to the municipal housing company. In both cases, the co-ops are entirely viable and could, with some help, continue to operate as co-ops but the service manager has decided it prefers to run the housing directly.

Under the SHRA, it is relatively easy for service managers to identify triggering events and put co-ops into receivership without full examination of whether the triggering events exist or whether the requirements for appointing a receiver under the SHRA have been followed.

Once in receivership, it is almost impossible for a co-op to defend itself unless CHF Canada intervenes and funds legal action. The co-op board has no access to funding and cannot hire a lawyer. This gives the service manager an open door to move from receivership to sale.

In one case, CHF Canada did intervene to help a co-op challenge receivership. The Divisional Court quashed the receivership and severely criticized the service manager's actions, saying that "it must . . . be remembered that the applicant is a non-profit housing co-op, democratically operated by its members . . . It is not a mere agency of the municipality and its decisions must be given some deference by the municipality for this reason, a deference markedly absent from the evidence before us." But even in this case where costs were awarded against the service manager, the net cost to CHF Canada for the legal action was well over \$100,000.

Frank Bennett, a leading expert on receivership law who is advising on the two cases before the courts, says that the remedy of receivership and sale that is available to service managers under the SHRA "is inappropriate in the context of a social housing complex except in the situation where the housing provider is in financial difficulty and unable to pay creditors. . . . A sale that does not involve repayment of a debt is, in effect, expropriation without compensation." He comments that receivership which is "a remedy to recover money is now being used to transfer property where there is a concern about management." He has called the inappropriate use of receivership and sale powers in the two cases "receivership law gone amok".<sup>v</sup>

A related problem that Bennett identifies is that there are no guidelines under the Act or regulations for the receiver in exercising the power of sale. Both the Act and regulations are silent on when and under what circumstances the power of sale can or should be exercised.

CHF Canada believes that many of the receiverships under the SHRA to date have not been legally justified and that they would have been quashed in court if challenged. Nor do we believe that the receiverships have been justified from a policy point of view. The record of receivers in addressing underlying problems in co-ops has been poor and the cost has been very high.

A further significant problem with the use of receivership, especially as sale of the co-op may follow, is that it puts co-ops in the position where, to protect themselves, they should always challenge receivership in court at the beginning. Failure to do so makes it very difficult to win in court at a later stage. This has been a major factor in current litigation.

Finally, in order to ensure that housing providers faced with receivership or sale of their property have appropriate protections, Ministerial Consent should be required before a provider can be put in receivership and the requirement for Ministerial Consent to sale of a property should be retained if the sale power is not removed from the Act.

Amendments to the SHRA are urgently needed to address these problems. CHF Canada will be providing a more detailed submission on these issues in the near future.

## **Recommendations:**

- 7.8 The enforcement sections of the SHRA (sections 115 to 121) should be amended to provide appropriate and adequate protection for co-ops and non-profits against unjustified remedies being exercised by service managers. In particular**

**the receivership and sale provisions should be amended to prohibit sale or takeover of co-ops and non-profits and more generally to introduce a system that is appropriate in the context of social housing.**

- 7.9 The SHRA should be amended to ensure that basic legal protections are available to co-op and non-profit boards, including the right to retain legal counsel to challenge the appointment and action of a receiver or the action of a service manager in court and the right to use funds of the co-op or non-profit to pay for the legal action.**
- 7.10 A requirement for Ministerial Consent before a service manager can put a housing provider in receivership should be added to the Act and the requirement for Ministerial Consent to sale of property should be retained if the power of sale is not removed from the Act as recommended above.**

### ***Re-examine how RGI assistance is delivered and administered***

The transfer of responsibility for the RGI program from housing providers to service managers under the Act was a seminal decision that shifted control of a service and related decisions from the community to government. The change added significantly to the administrative complexity, cost, and oversight of the program.

While almost all municipal governments have delegated the actual administrative work back to housing providers through individual service contracts, the ultimate authority remains with service managers. Many of these service agreements include requirements that are extraneous to the operation of the housing provider but are required because, as an agent of the service manager under the agreement, the provider must meet additional administrative and accountability requirements of the municipality. This also creates an awkward and unclear division of authority, responsibility, and liability.

Most housing co-ops would prefer responsibility and accountability for RGI assistance to be returned to them to simplify administration while allowing RGI members to continue to receive the service in their home community.

In contrast, some social housing leaders are calling for RGI administration to be removed from social housing altogether and realigned with income security programs such as Ontario Works and child care.

This shift would be strongly resisted by housing co-ops. One reason is that most members receiving RGI assistance do not receive social assistance and so the realignment would be inappropriate. More fundamentally, this would significantly reduce the quality of service to members.

There is no question though that the RGI system used in social housing in Ontario is excessively complex, difficult to understand and very demanding on both recipients and administrators. There are examples in other countries of systems that are far simpler and effective for all concerned. These are worth looking at to see if an improved system can be introduced in Ontario.

## **Recommendation:**

- 7.11 A working group should be set up to examine concerns of housing providers, service managers and others with the current RGI system and develop consensus recommendations to government on an improved system that will reduce the administrative burden on housing providers and improve service for residents. The group should include CHF Canada and other social housing service organizations.**

### ***An outcome-based approach to regulation***

The SHRA is heavily rule-bound and administratively complex. It goes well beyond any previous social housing program in prescribing the details of how housing providers must operate – with oversight then focused on whether the mandated processes are being followed.

The Act and regulations dictate a great number of precise business practices that providers must adopt, undermining the ability of provider boards to make basic, day-to-day management decisions about how best to run their housing. Such rules interfere needlessly with control of their housing by community boards of directors.

In addition, the highly prescriptive approach to program regulation in the SHRA has stripped away much of the discretion given to boards under earlier programs to use their best judgment about how to apply policies in particular circumstances.

One area where the SHRA rules are particularly complex and prescriptive is in RGI administration. Under provincial housing programs before the SHRA, providers had direct responsibility for RGI administration, and it is instructive to note that the standard operating agreement between a co-op and the Province was just 27 pages, including the appendices and schedules! While there was an RGI program administration manual that provided guidance to housing providers, reasonable discretion was left to the people on the front lines administering the program.

It is worth noting and important to remember that the complicated and punitive approach dealing with households receiving RGI assistance was imported directly from the *Social Assistance Reform Act*, legislation that has had a very negative impact on recipients of social assistance.

In its first term the McGuinty government did make a number of progressive changes to the SHRA regulations, particularly lessening the punitive nature of some of the measures applied to RGI recipients.

One change that the co-op housing sector lobbied for strenuously was more flexibility in allocating RGI subsidy to in-situ market households who have had a severe change in economic circumstances. The government did amend the regulations to introduce more flexibility and allow more discretion. Unfortunately, the flexibility was given to service

managers, not housing providers and the application of this measure by municipalities has been uneven. This has resulted in co-op households falling into arrears and facing eviction, even though in many cases these families have been long-standing members of the community. This is another example of how the Act needlessly ties the hands of co-ops depriving, them of the ability to make responsible decisions based on their direct knowledge of the circumstances.

Generally, the rule-based and intrusive approach to regulation taken in the SHRA goes well beyond what is needed to ensure accountability. It undermines the co-op model of self-governance and, more broadly, the model of community control.

### **Recommendations:**

**7.12 The regulatory framework in the SHRA should be amended to hold housing providers accountable for achieving identified outcomes rather than following prescribed processes.**

**7.13 SHRA reform should also introduce greater flexibility for co-op and non-profit boards to exercise some discretion when applying prescribed policies.**

### ***Limit on subsidy repayment***

One of the long-term effects of the revised SHRA funding formula is that many providers will pay back not only the operating subsidy (made up of mortgage subsidy and property tax subsidy) but eventually also the RGI subsidy. This means that, in effect, households in co-ops and non-profits that are paying the full market charge will also subsidize the cost of income support for lower-income residents. In extreme cases, providers that receive no operating or RGI subsidy are required to make a payment to the service manager (called “negative subsidy”).

In contrast, the funding formula in the original co-op operating agreements treated operating subsidy as separate and distinct from RGI subsidy. While the operating subsidy was fully repayable, the RGI continued until the end of the operating agreement. At the point of full repayment of the operating subsidy, the annual reduction in subsidy stopped and the co-op continued to receive RGI subsidy.

### **Recommendation:**

**7.14 The SHRA should be amended to restrict repayment of subsidy to the operating subsidy and payment of negative subsidy by a provider to a service manager should be eliminated.**

### ***Separate accountability frameworks for operating and RGI subsidies***

The root of the problem described above concerning subsidy repayment is that the SHRA fails to distinguish adequately between two types of subsidy – operating and rent-geared-to-income. Operating subsidy benefits the housing project as a whole, allowing rents to be set at or near the market level. RGI subsidy supports the individuals in co-ops and non-profits, just as RGI funding under the rent supplement program with private landlords supports low-income tenants.

At the moment, a number of SHRA co-ops and non-profits receive no operating subsidy. Most, perhaps all, continue to receive some RGI subsidy. Over time, as a result of the funding formula, more and more providers will reach the point where they are receiving no operating subsidy.

Under the SHRA rules, these providers will continue to be subject to the same accountability requirements they were when they were receiving operating subsidy. This is unreasonable and at odds with a community-based approach to affordable housing. Providers should not be accountable to government for spending their own money. They should only be accountable to their board and, in the case of co-ops, the members.

Some, much simplified, accountability requirements should continue to apply related to the RGI funding.

In 1998, in its final report to the Minister, the Social Housing Committee recognized that these two types of funding have quite different purposes and recommended that different accountability requirements be attached to each.

## **Recommendation:**

### **7.15 Operating and rent-geared-to-income funding should be more clearly distinguished in the Act and different, appropriate accountability requirements should apply to each.**

#### ***A better access system for community housing***

Since the SHRA was put in place, serious concerns have been expressed by housing providers, sector associations and service managers about the effectiveness of the access system for applicants.

One area of particular concern has been the mandated priority on waiting lists for victims of abuse. The co-op sector has supported this mandate. But there is widespread concern that the lack of growth in the availability of affordable housing, combined with the absence of supports to ensure the successful tenure of priority households, has had a negative impact on housing providers, priority applicants and chronological applicants.

In order to collect data to assess the validity of such concerns and the true impact of the policy, housing sector organizations and service managers have initiated and funded a research study.

There is also a view shared by many, that the central waiting list system as it now operates is not serving those in need of affordable housing or housing providers as well as it should or could.

**Recommendation:**

- 7.16 The Minister should establish a process involving key stakeholders, to review the current access system for community housing, including special priority policy and operation of central waiting lists, and make recommendations for improvement.**

***Eliminate the surplus sharing requirement***

Co-ops believe that the requirement imposed by the Act to share up to half of any operating surplus with the service manager discourages good financial management. The surplus sharing requirement would at least be fairer if matched by deficit sharing, but this is not part of the funding model. It is a one-sided and unfair arrangement.

The requirement to share surpluses with service managers is particularly inappropriate at a time when the capital reserves of most housing providers are seriously underfunded.

**Recommendation:**

- 7.17 Housing providers should retain all operating surpluses with the requirement that, after offsetting any accumulated deficit, at least half of any surplus be put into their capital reserve.**

## **8. Preservation of the affordable housing stock for generations to come**

The long-term viability of much of Ontario's social housing stock 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 has found that the capital reserves of these buildings are seriously under-funded.

The Province has begun to take steps to refurbish the aging social housing infrastructure. In the 2008 budget, Queen's Park provided \$100 million in funding for municipalities to use for capital repairs, and \$1 million to set up an Asset Management Centre to be run jointly by social housing sector organizations.

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. This funding is both welcome and extremely significant. However, as valuable as the SHRRP program is, it

provides one-time funding and will still not come near to making up the funding shortfall or providing a long-term solution.

Additional measures are urgently needed to deal with this long-term liability. One significant step the Province could take with little cost to the provincial treasury would be to change program rules to allow co-ops and non-profits to borrow additional funds against their equity for capital repairs. Mortgages should be extended so that housing providers can afford to pay back the additional debt. Queen's Park could also provide reduced-rate loans for capital repairs through Infrastructure Ontario. Alternatively, as noted in the section on Leveraging Federal Participation, the Province could call on the federal government to make its Direct Lending program available for this purpose.

In addition, the Ontario government should be prepared to provide grant funding in the future when government-mandated capital upgrades are required.

## **Recommendations:**

**8.1 Change program rules to allow housing providers to borrow additional funds against their equity for capital repairs.**

**8.2 Preferential loans should be made available to co-ops and non-profits to finance rehabilitation work through Infrastructure Ontario or alternatively, through CMHC's Direct Lending program.**

## **9. Keeping non-profit housing non-profit**

Given the enormous public investment in the existing stock of social housing in Ontario, the Ontario government should take steps to ensure that this housing continues to operate on a non-profit basis even after their operating agreements expire and/or their mortgages are paid off. One important step the government should take is to amend provincial legislation to add protections for the continued non-profit use of co-op and non-profit housing.

Amendments to the *Co-operative Corporations Act* in 1992 introduced some significant protections. But since these amendments were passed, CHF Canada has become aware of shortcomings and possible loopholes. The attempts by members in one co-op to sell their units to themselves at below-market value have highlighted these problems. In this particular case, CHF Canada was forced to intervene at its own expense to prevent the loss of affordable housing units.

The operating agreements of federal co-ops and the rules in the *Social Housing Reform Act* include some added safeguards against the sale of co-op housing assets for private gain. The protections in the SHRA continue well into the future. But federal operating agreements have started to expire. As this happens, these added legal protections disappear and it becomes even more important to have the strongest possible protections in the Co-op Act.

At this year's annual meeting, CHF Canada's Ontario members passed a resolution calling on the Ontario Region to press the Ontario government to make further changes to the Co-op Act

to add greater protection for non-profit use. The Ontario Non-Profit Housing Association has also called on the Province to make legislative amendments to protect the continued non-profit use of social housing.

To date, not much attention has been paid by the provincial government to this important issue. However, action is required to close possible loopholes that could permit co-op and non-profit assets to be used for personal gain by members and to add other protections for the continued non-profit use of housing co-ops and non-profits. The development of the long-term strategy would be an ideal time to identify possible solutions to this important issue of public policy.

## **Recommendation:**

### **9.1 The Province should work with the co-op and non-profit housing sectors to make changes to provincial legislation to protect the continued non-profit use of social housing.**

## **10. Leveraging federal participation**

Ontario should negotiate for the continuation of Ottawa's traditional and significant role in supporting affordable housing development in the province.

The federal government has been active in the funding and financing of housing programs for 60 years. Although it no longer delivers development programs directly, Ottawa has continued to support affordable housing throughout the present decade in partnership with the provinces and territories, principally by means of the Affordable Housing Initiative (AHI), the Homelessness Partnering Strategy (HPS) and the Residential Rehabilitation Assistance Program (RRAP), as well as a number of other on-and off-reserve programs. AHI, HPS and RRAP, all of which feature valuable capital grants, were renewed by Ottawa in September 2008 for five years, with program redesigns scheduled for the third year.

Ontario therefore has a very timely opportunity to influence the look of the reworked federal programs in conjunction with the development of its long-term strategy, and ensure the continuity of the grant features of the programs.

There is also the issue of Ottawa's long-term financial support to federal-program housing providers. These assistance streams are beginning to expire as funding agreements draw to a close, and will terminate in significant numbers over the next decade. Providers rely on these subsidy payments to house low-income households on a rent-geared-to-income basis; thus far Ottawa has given no indication that it is prepared to renew its support at the conclusion of its existing funding commitments. The Ontario government has a clear interest in ensuring that this housing continues to be available, and accessible to low-income households in the province.

Canada Mortgage and Housing Corporation (CMHC) has other tools at its disposal that, to varying degrees, can assist with the delivery of new affordable housing. Examples include the

low-interest Direct Lending program, CMHC's capacity to waive mortgage insurance premiums to providers of new low-income housing, and the availability of proposal development funding (PDF) to assist developers at the initial design stages. Currently, PDF is not available to sponsors under the AHI; instead, CMHC offers seed funding, which provides only a fraction of the support that PDF provides.

Finally, there is the matter of federal lands. Elsewhere in this submission, there is reference to the use of surplus provincial lands for affordable housing development; Ottawa also has land assets that are surplus to its needs, notably lands held by the Department of National Defence and the Canada Lands Company. At present, Ottawa's policy for the disposal of these lands is to do so on the best commercial terms available. The mandate of the Canada Lands Company is to "... ensure the commercially oriented, orderly disposition of surplus properties with optimal value to the Canadian taxpayer and the holding of certain properties." A strong argument can be made that making federal lands available for affordable housing development, although not commercially oriented, does indeed offer an optimal value to the taxpayer by reducing the cost of development to federal and provincial treasuries.

One particular issue that the federal government must be prodded on is the billions of dollars that will become available over the next quarter century as federal housing project operating agreements expire. It is imperative that these funds be re-invested in affordable housing

To make the case credibly to the federal government that it should continue its historic role in supporting affordable housing, the Province will need to make a clear, long-term commitment to playing its part in meeting affordable housing need in Ontario.

### **Recommendation:**

- 10.1 The federal government should be urged to continue to provide capital grant assistance to the Province for affordable housing development as part of the renewal of AHI, HPS and RRAP in 2011. As Canada's largest province by population, Ontario is the most significant partner in Confederation in federal/provincial housing agreements and should use its influence to have a significant say in the 2011 program redesign. At the same time Ontario should commit to using federal transfers to achieve measured reductions in core housing need in the province.**
- 10.2 Ontario must press the federal government on the renewal of expiring assistance streams to federal-program providers, which include municipal housing corporations and private non-profits, as well as federal-program co-ops, to allow low-income residents to continue to pay rent geared to their incomes.**
- 10.3 Ontario should negotiate with the federal government for the availability of CMHC's Direct Lending program to affordable housing delivered under the Province's programs.**
- 10.4 Ottawa should be asked to reconsider its policy on the disposition of surplus federal lands to include their availability for affordable housing development.**

- 10.5 Ontario should ensure that CMHC will continue to waive insurance premiums on mortgages for low-income housing development.**
- 10.6 The Province should make the case that full PDF, rather than the less useful seed funding initiative, be available to all affordable housing proponents, including proponents under AHI.**
- 10.7 In its negotiations with the federal government on a continuing federal role in funding affordable housing in Ontario, the Province should make its own commitment to multi-year funding to meet identified targets for reduction in core housing need.**

## **A final word**

In this submission we have set out the key elements we believe the Province should include in its strategy to address Ontario's long-term housing needs. As noted earlier, these recommendations reflect the views of our member housing co-ops as expressed during the recent round of consultations on the Strategy and in resolutions passed at annual meetings of our members. We hope that they will be helpful to the government as it formulates the Strategy and that they will be given serious consideration.

In summary, our key recommendations are the following:

- A framing vision, guiding principles and clear goals should be established up front to guide work on the Affordable Housing Strategy. All proposed measures should be rigorously tested to ensure they are consistent with the framing vision.
- A renewed commitment to the community-based housing model should be at the centre of the Strategy.
- Co-op housing offers benefits not available in other forms of social housing, empowering the residents and building strong communities. The Strategy should include a clear commitment to developing more co-op housing to give applicants and tenants more choice in their housing.
- Affordable housing must be considered a core community need and therefore a central government program like health and education, with a long-term funding commitment. A continuing supply of new affordable housing is essential if the government is to meet its poverty reduction plan and can play a key role in re-invigorating Ontario's economy.
- The Province needs to take steps to ensure that existing and new community housing is truly affordable to low-income households in the Province.
- The Affordable Housing Program should be remade to focus on permanently affordable, community-owned and controlled, non-profit housing.

- The *Social Housing Reform Act* (SHRA) needs to be overhauled to restore community control in co-ops and non-profits, replace prescribed processes with a focus on outcomes, and treat residents receiving RGI assistance more fairly.
- The repair of the deteriorating existing social housing infrastructure must be addressed to ensure that this valuable public asset is available for generations of Ontarians to come.
- Legislative reform is urgently needed to ensure that co-ops and non-profits continue to operate with a non-profit purpose and remain a public asset even after government program rules no longer apply.
- The Province should press the federal government to continue its traditional and significant role in supporting affordable housing development.

A full listing of recommendations is included in Appendix C.

Minister Watson has made it clear during the public consultations that he held across the province that he is anxious to work with all partners to find answers to Ontario's affordable housing problems and put a sustainable long-term strategy in place. CHF Canada will be a ready partner in this work. Over the years our approach has always been to offer governments practical suggestions and solutions and to work with other stakeholders to find a way forward that everyone can support.

Co-operative housing in Ontario is a well-documented success story. For 40 years, co-ops have provided good-quality, affordable housing owned and controlled by the community members who live there. Put simply, co-ops build strong communities and we believe that co-op housing can play an important part in building a stronger Ontario.

## APPENDIX A: THE BENEFITS OF CO-OP HOUSING

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Co-operative housing offers a benefit promised by no other form of rental housing, whether private market or non-profit social housing: it gives control of the housing to the residents, allowing them to shape the environment that in turn will shape their lives. Subject to the legal requirements of government funding programs, the business and community decisions in housing co-ops are made by the residents themselves – the co-operatives' members who act democratically to guide their co-ops' operations. The members are the collective non-equity owners and together take responsibility for their housing and protect its purposes. In all other forms of rental housing the tenants have rights, but subject to them, they hold no power of decision over their living environment.

This distinction is significant. Co-op members working together to operate their housing develop broader forms of interaction and initiative, and thus are communities born. This is a positive outcome not only for the members themselves (and the government policy-makers who want to see positive results from publicly assisted housing) but also for the broader communities in which housing co-ops become respected corporate citizens. What drives these results is the fact that housing co-ops are fundamentally democratic organizations that shape their housing environment from the grass roots up.

Housing co-ops arrived later in Canada as an instrument of affordable housing policy than the more traditional models of publicly owned social housing. The first public housing program in Canada was announced in the 1940s. The public housing model, both in Canada and elsewhere, was based on a very simple premise: lower-income citizens needed access to decent housing they can afford and the state, as owner and landlord, provided it. Public housing was therefore a top-down model that, though well intentioned, provided little or no opportunity for tenant involvement in their housing or voice in its operation. Thus there was no real incentive for the residents to take pride in their living environment. Neither, apparently, was there for their government landlords. Much public housing throughout the western world has suffered from a chronic lack of physical upkeep, becoming over time little better in condition than the slum housing that public housing often replaced.

The outcomes are well known: tenant alienation, isolation from the general community, particularly in the large high-rise public estates, crime, drug abuse and general social dysfunction. These characteristics of traditional state-owned housing are still very much with us today, in public housing projects that have not changed in character for 50 years.

By the 1970s lessons were being learned, lessons about what worked and what didn't in urban community planning and housing policy. Policy-makers were concluding that smaller, more diverse housing neighbourhoods comprising households of differing income levels and backgrounds would be more conducive to building successful communities than the well-intended but failing public housing model.

It was in this policy context that the first co-op housing program was launched in Canada by the federal government in 1973. This model was in remarkable contrast to what had gone before – co-ops brought many new features to affordable housing in Canada:

- mixed-income communities

- mutual non-equity ownership by the members
- democratic control
- member direction of policy and by-laws
- governance by elected member boards
- board direction of co-op management
- member approval of budgets and occupancy charges
- adherence to the guiding principles of co-operatives

Thus the members were very much in control of their housing and could influence its quality and character. These features of the model combined quickly to produce strong co-operative communities, engaged citizens (co-ops were among the first homeowner groups to embrace environmentalism in the 1970s) and skills development among the residents. Engagement rather than alienation became the community norm, in marked contrast to the public housing model. It is a model that endures to this day in the 2,000 housing co-operatives that have emerged in Canada over the past 35 years.

Three times, CMHC has evaluated co-op housing programs in Canada and three times the verdict has been positive. The 1983 evaluation concluded that “These [co-op housing] programs...have succeeded in incorporating various income groups in the projects. As such they have succeeded in overcoming one of the features of public housing which contributed to community resistance and which was seen as creating ghettos. The quality of housing provided under the programs has been high.” (*Section 56.1 Non-Profit and Cooperative Housing Program Evaluation*, CMHC 1983). The 1992 CMHC evaluation of the co-op programs noted that residents were very satisfied with their housing, that there is a high rate of resident participation and that most residents of co-ops acquired useful skills and experience from their involvement in co-op management. And most recently the 2003 evaluation made the following observations:

Greater resident involvement in the operation of co-operative housing than in other types of housing has contributed to benefits such as more influence over decisions about housing and higher security of tenure and quality of life. More than 90 percent of co-operative residents have participated in the operation of their housing and 65 to 70 percent feel they have the ability to influence decisions about their housing through participation. (*Co-operative Housing Programs Evaluation*, CMHC, 2003, p. iii)

Participation has contributed to benefits such as a greater degree of security of tenure in co-operative housing as compared with private rental. As well, households in co-operative housing have achieved more improvement than residents in other housing on key quality-of-life indicators such as an improved sense of community, improved relations with friends and neighbours and increased social supports. Co-operative residents achieved similar improvements to residents in other housing in terms of skills development and economic well-being such as increased labour force participation, acquiring new jobs and more training. (*ibid.*, p. iii)

For provincial co-ops the evaluation survey showed a 91.7 % rate of resident involvement compared to 4.1 % in mixed-income non-profit rental housing and 17.1% in non-profit rental housing. (*ibid.*, table 3.6)

The 2003 evaluation also showed that co-operative housing has improved the quality of life for the occupants as compared with other housing:

Participation in their housing leads to improved social support for co-operative residents. Three-quarters of co-operative residents who participated and reported benefits (compared with half of condominium residents) said they had gained more friends and strengthened personal support. (ibid., p. 29)

Co-operative residents were reportedly more satisfied with the sense of community where they live than residents in other types of housing. Co-operative members were more satisfied than condominium owners and non-profit renters with the sense of community with other residents. The evaluation went on to say this:

The main impacts on quality of life for co-operative residents versus residents in other tenures are in increased social support, sense of community, improved social relations with friends and neighbours, and feelings of independence and security. (ibid., p. 31)

This is all in stark contrast to the public housing experience.

The last public housing projects in Canada were developed in the early 1980s and the federal program was cancelled in 1985. A 1990 CMHC evaluation of the public housing programs cited increasing social problems in large-scale developments (*Evaluation of the Public Housing Program*, CMHC 1990, p. 7). A quarter of public housing clients surveyed reported worse conditions with respect to crime and vandalism than in their previous dwellings (ibid., p. 280). The evaluation cited the 1969 Hellyer Task Force on Housing and Urban Development, which criticized the physical adequacy and quality of life in larger urban public housing projects (ibid., p.7).

Over the years attempts have been made to remake public housing in small and large ways, in the United States and in the UK, as well in Canada. Typical has been the set-up of limited tenant participation through tenant advisory committees, but some jurisdictions have gone much further. In the UK, management of many council housing estates has been handed over to the residents through tenant-management organizations (TMOs) and in many cases full ownership has been transferred to housing associations and co-operatives. In the United States the federal Hope VI program has encouraged and financed the replacement of traditional “hard-core” public housing with mixed-use, mixed-income communities.

These policy shifts are very much towards the community model that housing co-ops have pioneered: diverse communities, resident engagement, the elimination of social dysfunction and involvement in the broader community. In Canada, one public housing project has been converted to a co-operative, and another, the well known Regent Park project in Toronto, is being redeveloped, through tenure mixing and a scattering of some of the previously concentrated social housing units. Some of these units will form a new housing co-op. Plans are now underway for a public housing conversion to a co-operative in Winnipeg, a project of the Manitoba government.

All these initiatives are part of a broad-based trend away from top-down housing models and towards giving people real influence over the decisions that shape their lives. So how successful have these moves towards more co-operative, tenant-driven organization structure been?

We have already cited successive CMHC co-op program evaluations. There have been a number of evaluations of the performance of TMOs in the UK. In 1995, the accounting firm Price Waterhouse carried out a study on behalf of the Department of the Environment. In 1999, the Office of Public Management carried out a review of tenant-led housing for the Housing Corporation. And in 2002, the Office of the Deputy Prime Minister (ODPM), which at the time was the social housing policy leader in the UK government, published an evaluation of the TMOs that looked into the success of the model.

The common thread running through the evaluations is that resident control works. The ODPM evaluation found that 77 percent of TMO tenants were satisfied with their TMOs, 10 percent higher than the satisfaction level of council tenants. The satisfaction of minority tenants was even higher at 81 percent. The Price Waterhouse Study found tenant management co-operatives to be very effective in securing improved housing services, greater tenant satisfaction and more economical operating costs.

Where ownership has passed from local councils in the UK to co-operative associations (so-called stock transfers), similar outcomes have been reported. In 2004, *The Co-operative Housing Journal*, published by the National Association of Housing Co-operatives in the U.S., reported on a Canada/USA study tour of stock transfers of council housing to co-operatives. The report had this to say about the delegation's findings:

“What distinguished these housing groups was the full control exercised by the members over their housing...the stock transfer co-operatives are able to set their own priorities for repairs and improvements...and, importantly, building the kind of community networks and opportunities the members want. One of the cooperatives offered an on-site credit union, a lunch club, an Asian women's group, Weight Watchers, yoga, a medical referral service, and aerobics—all this in a cooperative whose number one youth social activity was once solvent abuse. The solvents are gone now...All of these cooperatives boasted clean, well-maintained grounds, and in many cases, the landscaping activities of the members have transformed what were once dreary surroundings into attractive gardens. The members are pleased with the standards of property management, vandalism is much reduced if not eliminated, and the members are generally optimistic about the future. The broader goals of council housing renewal, community regeneration, and customer-focused housing services are being met, it appears, in these stock transfer cooperatives.” (2004 *Co-operative Housing Journal*, NAHC, p. 16.)

US-wide Hope VI program evaluation presents challenges because solutions are very much geared to local community needs and action plans, and are therefore not homogenous. The city of Elizabeth in New Jersey evaluated its Hope VI revitalization project. The evaluation, conducted by Brett M. Baden of Tufts University found that 97% of surveyed respondents reported improved conditions, 65% reported feeling safer being outside at night since the redevelopment, and 78% feel safer being inside their apartments.

These transformations demonstrate the value of putting people in control of their housing and taking responsibility for its management. Which housing co-ops have done all along. As a recent report from the Community Finance Solutions unit of Salford University in England observed, there is no service that cannot be improved by the active involvement of local people. (Foreword

to *Placeshaping: A Toolkit for Urban Community Land Trusts*, Community Finance Solutions 2008).

And yet co-op housing continues to get mixed reviews from some program administrators, who view co-ops as different animals than the more traditional models of social housing, and ones that can be harder to herd. This is a point worth exploring.

Co-ops subscribe to the international co-operative principles, a set of eight fundamental values that provide the co-op movement with its international ethical framework. Among these shared values are the time-honoured co-op principles of autonomy and independence. From the beginning, housing co-operatives have placed a high premium on the right to manage their own affairs and they have been known to take exception to what they consider unwarranted intervention in their operations. This has led to an interesting tension between housing co-ops and their government program partners that has played out throughout since government programs first sponsored co-op housing in Canada.

There is an underlying irony here. Government agencies, understandably anxious to have oversight and direction of housing programs they have sponsored at public expense, have not always taken well to the determination of co-ops to direct their own affairs. Accordingly, a view has grown up that this jealously guarded independence is a weakness of the model, perhaps even a partial policy failure.

In fact the opposite is true: the pride of purpose that underlies this restiveness is, on the contrary, a measure of the success of Canada's investment in affordable co-op housing and the policies that have given rise to it. It shows us that the early promise of co-operative housing has been realized: more than just a roof over the head, housing co-ops have harnessed the good will of the members to create self-determining communities in which they can rightly take pride. That they might, in the process, develop minds of their own as to what is best for their success is hardly surprising.

Yet as long as there is ambivalence about the model itself, any stumble by one example of it, and there have been a number (with responsibility comes risk), is taken as evidence that the model itself is flawed, at which point the easiest direction to follow is the exit sign. Simply remove the resident control and all will be well. It is a tendency that must be resisted by policy-makers and their administrators. Resident control and mutual decision-making are the essence of housing co-op living and fundamental to the benefit it brings: the members are able to make their own decisions and choices about their housing, their communities and ultimately their lives.

Nicholas Gazzard  
CHF Canada, 2009

## Core Housing Need Indicators for Ontario, 2006

**Ontario  
2006**

**Rates of Core Housing Need By Housing Tenure,  
Ontario versus Canada**

| TENURE | ONTARIO | CANADA |
|--------|---------|--------|
| Owned  | 7.4%    | 6.3%   |
| Rented | 33.0%   | 27.2%  |
| Total  | 14.5%   | 12.7%  |

Source: Will Dunning Inc., using data from CMHC (census-based housing indicators and data).

**Number of Households in Core Housing Need,  
By Household Type, and Housing Tenure,  
Ontario, 2006**

| HOUSEHOLD TYPE             | OWNED   | RENTED  | TOTAL   |
|----------------------------|---------|---------|---------|
| Family households          | 149,870 | 209,710 | 359,575 |
| Couples without children   | 30,460  | 37,860  | 68,320  |
| Couples with children      | 71,160  | 69,710  | 140,865 |
| Lone parents               | 41,655  | 97,795  | 139,445 |
| Multiple-family households | 6,590   | 4,345   | 10,935  |
| Non-family households      | 79,045  | 188,915 | 267,955 |
| Total                      | 228,905 | 398,625 | 627,530 |

Source: Will Dunning Inc., using data from CMHC (census-based housing indicators and data).

**Rates of Core Housing Need,  
By Household Type, and Housing Tenure,  
Ontario, 2006**

| HOUSEHOLD TYPE             | OWNED | RENTED | TOTAL |
|----------------------------|-------|--------|-------|
| Family households          | 5.9%  | 32.8%  | 11.3% |
| Couples without children   | 3.4%  | 18.4%  | 6.3%  |
| Couples with children      | 5.5%  | 30.8%  | 9.3%  |
| Lone parents               | 16.2% | 50.9%  | 31.0% |
| Multiple-family households | 7.0%  | 27.4%  | 10.0% |
| Non-family households      | 13.7% | 33.1%  | 23.4% |
| Total                      | 7.4%  | 33.0%  | 14.5% |

Source: Will Dunning Inc., using data from CMHC (census-based housing indicators and data).

**Average Affordability Gap,  
By Household Type, and Housing Tenure,  
Ontario, 2006**

| HOUSEHOLD TYPE             | OWNED    | RENTED   | TOTAL    |
|----------------------------|----------|----------|----------|
| Family households          | -\$3,544 | -\$4,409 | -\$4,048 |
| Couples without children   | -\$2,566 | -\$2,866 | -\$2,732 |
| Couples with children      | -\$3,661 | -\$4,393 | -\$4,023 |
| Lone parents               | -\$3,928 | -\$4,993 | -\$4,675 |
| Multiple-family households | -\$4,373 | -\$4,958 | -\$4,605 |
| Non-family households      | -\$2,475 | -\$2,795 | -\$2,701 |
| Total                      | -\$3,175 | -\$3,644 | -\$3,473 |

Source: Will Dunning Inc., using data from CMHC (census-based housing indicators and data).

**Shares of the Total Affordability Gap,  
By Type of Household,  
Ontario versus Canada, 2006**

| HOUSEHOLD TYPE             | ONTARIO | CANADA |
|----------------------------|---------|--------|
| Family households          | 67%     | 60%    |
| Couples without children   | 9%      | 9%     |
| Couples with children      | 26%     | 22%    |
| Lone parents               | 30%     | 28%    |
| Multiple-family households | 2%      | 2%     |
| Non-family households      | 33%     | 40%    |
| Total                      | 100%    | 100%   |

*Source: Will Dunning Inc., using data from CMHC (census-based housing indicators and data).*

**Distribution of Core Housing Need, By Type of Problem,  
Ontario versus Canada, 2006**

| TENURE OF PROBLEM                        | ONTARIO | CANADA |
|--|---------|--------|
| Below one standard                       | 80%     | 81%    |
| Affordability                            | 71%     | 72%    |
| Suitability                              | 6%      | 5%     |
| Adequacy                                 | 3%      | 5%     |
| Below multiple standards                 | 20%     | 19%    |
| Affordability and suitability            | 11%     | 8%     |
| Affordability and adequacy               | 7%      | 8%     |
| Suitability and adequacy                 | 1%      | 1%     |
| Affordability, suitability, and adequacy | 1%      | 1%     |
| Total – Below standards                  | 100%    | 100%   |

*Source: Will Dunning Inc., using data from CMHC (census-based housing indicators and data).*

**Ontario  
2006**

**1. A framing vision, guiding principles and clear goals for the Strategy**

- 1.1 A framing vision, guiding principles, and clear goals should be developed to provide direction for work on the Affordable Housing Strategy.

**2. A community-focused Affordable Housing Strategy**

- 2.1 A renewed commitment to a community-based housing model should be a cornerstone of the Affordable Housing Strategy.
- 2.2 The Affordable Housing Strategy should include a new policy focus on giving social housing residents and applicants more control of their housing, more supports and more choice in the type of housing and form of tenure available to them.
- 2.3 The Affordable Housing Strategy should include measures to protect and enhance the key elements that have defined and led to the success of community housing including mixed-income communities, community ownership and permanent affordability.
- 2.4 The Ontario government should support and invest in rebuilding the development capacity of the community housing sector in the province.

**3. Co-operative housing – a vital part of the mix**

- 3.1 The development of a mix of social housing, including housing co-ops, should be expressed as a goal of the Affordable Housing Strategy with a target set of developing at least 20% of housing funded under the Affordable Housing Program as co-op housing.

**4. More affordable housing—critical to combat poverty and boost the economy**

- 4.1 For the ten-year term of this Strategy, Ontario should commit to funding an affordable housing program to increase the supply of affordable housing by 8,000 units a year.
- 4.2 The Province should set specific targets for reducing core housing need, budget each year to reach identified milestones, and monitor and report on progress.

- 4.3 The Ontario government should provide municipalities with explicit legal authority to adopt mandatory inclusionary housing policies that would define the responsibilities of developers in contributing to creation of affordable housing.
- 4.4 Ontario should establish a policy of priority for housing on provincial lands and make surplus lands available through proposal calls to non-profits and co-ops for the development of affordable housing.

## **5. Measures to make affordable housing truly affordable**

- 5.1 Ontarians for their housing should be designed to cover the full affordability gap between a household's income and the actual rent.
- 5.2 RGI assistance should be made available for 50% of the units developed under the Affordable Housing Program or any successor to it, and eligibility rules should match the rules in earlier programs.
- 5.3 A multi-year rent-geared-to-income rent supplement program should be set up for existing co-op and non-profit housing providers, and private landlords.
- 5.4 Providers that have already been funded under the AHP should be eligible to use existing and new rent supplement and housing allowance programs.
- 5.5 The Province should revise the ten-year-old utility allowance schedule to reflect the true cost for RGI residents who are paying for their own electricity, heat, natural gas and water and then index the schedule to track increasing costs in the future.

## **6. A renovated Affordable Housing Program**

- 6.1 Equity contributions should not be a direct or indirect requirement of the Affordable Housing Program or successor programs.
- 6.2 Projects receiving funding should be required to remain affordable for a minimum of 35 years.
- 6.3 To level the playing field, significantly increased funding for proposal and project development should be made readily available to non-profit and co-operative proponents.
- 6.4 Restrictions under current AHP rules on stacking programs should be removed. For example, CMHC's PDF funding should be available under the AHP.
- 6.5 Minimum program standards should be set and sufficient program funding provided to ensure that proposed operating budgets are adequate to allow projects to operate successfully over the long term.

- 6.6 Existing co-ops and non-profits should be able to add units on their existing site or on an adjacent site without having to set up a separate corporation and sever the land when the added units are on the project's existing site.
- 6.7 AHP program rules should require capital reserve contributions sufficient to ensure long-term viability of the project.

## **7. Overhauling the *Social Housing Reform Act* to build stronger communities**

- 7.1 As part of the Affordable Housing Strategy the Province should commit to comprehensive amendments to the SHRA, guided by a set of reform goals that are consistent with the vision that underpins the Strategy.
- 7.2 The review of the SHRA should include a survey of social housing providers and residents seeking their views on changes that are needed.
- 7.3 A process should be established to work with CHF Canada's Ontario Region and other stakeholders to complete the amendments before the next provincial election.
- 7.4 Changes to the SHRA should result in a re-balanced accountability framework that recognizes the legal primacy of community housing boards and gives them real control over day-to-day decisions.
- 7.5 The statement of purpose in the SHRA should be amended to reflect the commitment to a community-based housing model. A possible redrafting would read "The purpose of this Act is to provide for the efficient and effective administration of housing programs by service managers *and the efficient and effective operation of projects by self-governing community-based housing providers.*"
- 7.6 Changes to the SHRA should result in a re-balanced accountability framework that recognizes the legal primacy of community housing boards and gives them real control over day-to-day decisions.
- 7.7 The statement of purpose in the SHRA should be amended to reflect the commitment to a community-based housing model. A possible redrafting would read "The purpose of this Act is to provide for the efficient and effective administration of housing programs by service managers *and the efficient and effective operation of projects by self-governing community-based housing providers.*"
- 7.8 The SHRA should be amended to introduce an independent review process for housing providers to use to appeal decisions by a service manager that they consider to be ill-founded, unreasonable or beyond the service manager's authority.

- 7.9 The enforcement sections of the SHRA (sections 115 to 121) should be amended to provide appropriate and adequate protection for co-ops and non-profits against unjustified remedies being exercised by service managers. In particular the receivership and sale provisions should be amended to prohibit sale or takeover of co-ops and non-profits and more generally to introduce a system that is appropriate in the context of social housing.
- 7.10 The SHRA should be amended to ensure that basic legal protections are available to co-op and non-profit boards, including the right to retain legal counsel to challenge the appointment and action of a receiver or the action of a service manager in court and the right to use funds of the co-op or non-profit to pay for the legal action.
- 7.11 A requirement for Ministerial Consent before a service manager can put a housing provider in receivership should be added to the Act and the requirement for Ministerial Consent to sale of property should be retained if the power of sale is not removed from the Act as recommended above.
- 7.12 A working group should be set up to examine concerns of housing providers, service managers and others with the current RGI system and develop consensus recommendations to government on an improved system that will reduce the administrative burden on housing providers and improve service for residents. The group should include CHF Canada and other social housing service organizations.
- 7.13 The regulatory framework in the SHRA should be amended to hold housing providers accountable for achieving identified outcomes rather than following prescribed processes.
- 7.14 SHRA reform should also introduce greater flexibility for co-op and non-profit boards to exercise some discretion when applying prescribed policies.
- 7.15 The SHRA should be amended to restrict repayment of subsidy to the operating subsidy and payment of negative subsidy by a provider to a service manager should be eliminated.
- 7.16 Operating and rent-geared-to-income funding should be more clearly distinguished in the Act and different, appropriate accountability requirements should apply to each.
- 7.17 The Minister should establish a process involving key stakeholders, to review the current access system for community housing, including special priority policy and operation of central waiting lists, and make recommendations for improvement.
- 7.18 Housing providers should retain all operating surpluses with the requirement that after offsetting any accumulated deficit at least half of any surplus be put into their capital reserve.

## **8. Preservation of the affordable housing stock for generations to come**

- 8.1 Initiate regulatory changes to allow housing providers to borrow additional funds against their equity for capital repairs.
- 8.2 Preferential loans should be made available to co-ops and non-profits to finance rehabilitation work through Infrastructure Ontario or alternatively, through CMHC's Direct Lending program.

## **9. Keeping non-profit housing non-profit**

- 9.1 The Province should work with the co-op and non-profit housing sectors to make changes to provincial legislation to protect the continued non-profit use of social housing.

## **10. Leveraging federal participation**

- 10.1 The federal government should be urged to continue to provide capital grant assistance to the Province for affordable housing development as part of the renewal of AHI, HPS and RRAP in 2011. As Canada's largest province by population, Ontario is the most significant partner in Confederation in federal/provincial housing agreements and should use its influence to have a significant say in the 2011 program redesign. At the same time Ontario should commit to using federal transfers to achieve measured reductions in core housing need in the province.
- 10.2 Ontario must press the federal government on the renewal of expiring assistance streams to federal-program providers, which include municipal housing corporations and private non-profits, as well as federal-program co-ops, to allow low-income residents to continue to pay rent geared to their incomes.
- 10.3 Ontario should negotiate with the federal government for the availability of CMHC's Direct Lending program to affordable housing delivered under the Province's programs.

- 10.4 Ottawa should be asked to reconsider its policy on the disposition of surplus federal lands to include their availability for affordable housing development.
- 10.5 Ontario should ensure that CMHC will continue to waive insurance premiums on mortgages for low-income housing development.
- 10.6 The Province should make the case that full PDF, rather than the less useful seed funding initiative, be available to all affordable housing proponents, including proponents under AHI.
- 10.7 In its negotiations with the federal government on a continuing federal role in funding affordable housing in Ontario, the Province should make its own commitment to multi-year funding to meet identified targets for reduction in core housing need.

## Endnotes

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<sup>i</sup> Canada Mortgage and Housing Corporation (1997), *Cost Effective Housing; A Comparison of Non-Profit and Market Housing*. Report submitted by Canadian Housing and Renewal Association and Ekos Research Associates Inc.

<sup>ii</sup> ONPHA and CHF Canada, Table 4: Residential Starts in Ontario by Tenure, 1989-2007, *Where's Home? 2008*, p. 31.

<sup>iii</sup> Harry J. Holzer et al., “The Economic Costs of Poverty in the United States: Subsequent Effects of Children Growing up Poor,” Centre for American Progress (January 24, 2007)

<sup>iv</sup> Ontario Ministry of Municipal Affairs and Housing, “Meeting the Need for Non-Market Housing Demand in Ontario: International Experience with Demand-Side Assistance, June 2005, Executive Summary”, p. 4

<sup>v</sup> Frank Bennett – advice to CHF Canada