



Developing communities: Growing and strengthening Ontario's housing co-ops 2024 Ontario pre-budget submission



Co-operative Housing
Federation of Canada

CHF Canada is the national voice of co-operative housing, representing 2,200 housing cooperatives, home to a quarter of a million people in every province and territory. In Ontario, we represent 550 co-ops, home to 125,000 people. Co-operative housing is a well-documented success story. For over 50 years, co-ops have provided good quality, affordable housing owned and managed by the community members who live there.

The issue: Ontario's housing crisis

Ontario housing in 2023:

12% *Ontarians in core housing need¹*

\$2,500 *Ontario average asking rent (Aug 2023)*

\$2,900 *Toronto average asking rent (Aug 2023)*

9.9% *Ontario average rent increase (Aug 2022 – Aug 2023)²*

1 Core housing need measures whether a household experiences problems relating to affordability ('affordable' is defined as paying less than 30% of income on shelter costs), suitability (enough space for the composition of the household) or adequacy (housing in good repair). Canadian Housing and Renewal Association. Nov 27, 2023.

chra-achru.ca/wp-content/uploads/2023/11/Community-Housing-and-Productivity-Study_final.pdf

2 *September 2023 Rentals.ca Report*. September 2023. rentals.ca/national-rent-report



Ontario's housing and affordability crisis persists. Despite the rising cost of living, Ontario remains a top choice for those looking to build a career and raise a family. Amidst the challenges posed by soaring housing expenses, co-op housing is essential to remedying our housing affordability challenges, particularly for low- and moderate-income households. Co-op housing offers an alternative to renting or buying for newcomers, seniors, young families, and others caught in the housing crisis. Co-op housing provides the security of tenure to members, strong communities and high asset management standards, thereby improving housing stability and quality of life for Ontario residents. Across the country, including in Ontario, co-ops guarantee and preserve affordability in the present and future by virtue of operating as a non-profit with co-operative principles. This model shields households from renovations, or the sale of units. While other housing models face mounting uncertainties, the affordability of co-ops has remained stable.

In 2022, new expert analysis demonstrates co-ops have been a resilient form of affordable housing, becoming more affordable than comparable private rental housing over time.

In Toronto, co-op housing costs were 70–80% of market rental costs until 2016; after which they became even more affordable as this gap widened to 60–70% of market rental costs by 2020–21. For a 1-bedroom, the average co-op cost was initially \$160 per month lower than the average private market rent; by 2020–2021, the gap had widened to \$452 per month. In Ottawa, the average monthly 2-bedroom co-op cost was about \$200 lower than a comparable private market unit in 2016; by 2020–2021, this gap had widened significantly to \$525.³

No single policy lever can solve Ontario's housing affordability crisis, and no one actor can do it alone. CHF Canada proposes four recommendations to preserve and grow co-operative housing across the province so that more Ontarians can have a decent, affordable place to call home.

³ Suttor et al. *The Co-op Difference: Comparing co-op and market rents in five Canadian cities*. November 23, 2022. chfcanada.coop/wp-content/uploads/2022/11/The-Co-op-Difference-report.pdf



Key recommendations

1

Support HSA co-ops as they enter into new agreements with municipalities

In 2022, amendments were made to the *Housing Services Act (HSA)* to reflect the end of mortgage many co-ops were approaching. These changes reinforced the role of municipal service managers, who remain responsible for funding rental assistance for low-income households once the initial mortgage is paid off and the initial HSA obligations end. Of the 251 co-ops governed by the HSA across Ontario, over half will reach their end of mortgage by 2027. This means that negotiations between individual co-ops and municipal service managers are occurring now for new (service or exit) agreements.

As a sector, we are optimistic that these new agreements will ensure the existing affordability of co-op homes by preserving long-term Rent-Geared-to-Income (RGI) subsidies. We envision these agreements to facilitate high asset management standards and spur more capital repairs, renovations, sustainability upgrades, expansions, mergers of co-ops and acquisitions of affordable housing. Overall, the Financial Plans associated with the new agreements should provide flexibility for the co-op in order to foster scale and sustainability – such as developing new homes, joining or forming a new entity, or refinancing.

Traditionally, co-ops have not been on equal footing when negotiating with service managers, even with the recent changes to the HSA. If service managers do not propose appropriate levels of funding for the RGI subsidy, we further risk the loss of non-market homes and an acceleration of the housing crisis. As co-ops negotiate agreements, CHF Canada urges the Province's support for co-op housing throughout the end-of-mortgage negotiations to ensure the system and new agreements remain fair and result in maintained affordability and updated, transformed homes.

Maintaining the status quo agreements poses a potential hindrance to the growth of the co-op sector. The end-of-mortgage process presents an opportunity to transform the sector through collaboration, focused on growth and long-term resiliency. This is an opportunity for co-ops to play a meaningful role in addressing the housing crisis in Ontario.



2

Protect renters by investing in a two-year pilot Community Housing Acquisition Fund

Canada loses approximately eleven deeply affordable rental homes for every unit that is built. In Ontario specifically, between 2016 and 2021, the province lost 49,355 affordable units (rents at less than \$750/month)⁴. The impact of losing affordable housing goes beyond the immediate effect on the person forced to move out because they can no longer afford housing costs. The loss of housing options leads to declining community cohesion as people leave cities and businesses struggle to fill talent gaps from a local labour pool. This, in turn, makes communities less livable.

To prevent the loss of affordable housing in the private market, Ontario should pilot a Community Housing Acquisition Fund. This Fund would empower the community housing sector (co-ops and non-profit rentals) to purchase and convert affordable market rental housing to co-operative housing, safeguarding affordability for renters.

A dedicated acquisition fund would help existing co-ops and non-profits bridge the gap between the debt the project could feasibly take on by purchasing an affordable building. Transformation and conversion of rental buildings efficiently maintains affordability, proving cost-effective and faster compared to constructing new homes. Acquiring existing affordable rental units costs roughly half as much per door compared to building new housing. Additionally, removing the provincial land transfer tax for acquisitions made by the community housing sector would further streamline the process, reducing associated costs and obstacles. Ontario's constrained skilled trades labour market would benefit from this approach. Preserving affordable housing reduces pressure on an already limited workforce that can be deployed for new housing construction projects. Acquisition also has a multiplier effect for both buyer and seller, with the sellers able to recapitalize through adding net new housing through the proceeds of sales.

Other provinces have already launched acquisition funds – including British Columbia and Nova Scotia. Demand is high. Since applications for BC's \$500 million Rental Protection Fund opened in July 2023, 22 non-profit housing applicants have been pre-qualified, along with the impact of 25 proposed housing acquisitions across B.C. This could result in keeping housing costs affordable for close to 3,000 people in the province.

Nova Scotia's Community Housing Acquisition program, launched in July 2022, will provide successful applicants up to \$10 million in loans to purchase and preserve affordable housing.

⁴ Pomeroy, S. *Filling the hole in the bucket: Loss of existing affordable rentals massively undermining new affordable supply.* chec-ccrl.ca/filling-the-hole



Ontario can also be a leader in this emerging solution through the launch of a two-year dedicated pilot project with \$25 million each year for the Community Housing Acquisition Fund. CHF Canada, in partnership with our community housing partners, has the existing capacity to manage and deliver these funds through our partnerships.

The intent of the Community Housing Acquisition Fund is not for the government to fund the full purchase price of the building but rather to provide a grant to cover the equity gap for the downpayment that many co-ops and non-profits do not have, compared to private investors. The community housing sector would still be responsible for raising capital through other sources, such as their own reserve funds, investment from private funders and charitable organizations, and funding from all orders of government.

Case study: Acquisition fund could help rental building convert to housing co-op.

In 2023, tenants of a 21-unit building in Hamilton, Ontario rallied together to convert their rental building into a housing co-op. When the landlord put their building up for sale, the tenants made the decision to find a solution to ensure that they could remain in the community and continue to live affordably. While the negotiations are ongoing, the potential conversion to a housing co-op is widely supported; the City of Hamilton, CMHC, and the Community Housing Transformation Centre have all contributed to this grassroots effort to help the tenants acquire the building and convert it into a housing co-op to further maintain affordability and stability for residents. Despite financial support from numerous actors, the tenants were still short on the down payment needed to purchase the building.

This stands out as a striking example of the need for provincial funding for non-profits and co-ops to purchase and convert private affordable rental housing into non-market, co-operative housing.

The strength of affordable and co-operative housing is the community that comes with it. An acquisition fund would help keep people in their communities.



3

Create at least 250,000 non-market housing units by 2031

A small fraction of the homes built within the last 20 years have been non-market housing, only 0.4% between 1990 and 2021.⁵ Housing options need to be available for low- and moderate-income households.

The Province should require municipalities to set non-market housing targets, based on the current need and population growth projections. These targets should be matched with a program to fund the carrying cost of the financing needed to build such homes that are affordable

to low and moderate-income households. We recognize that the Province has already set municipal targets for new housing supply overall, but we are recommending more specific non-market targets also connected to the Build Faster Fund. Municipalities on track to meet or exceed their non-market housing targets, or who pledge to increase density of non-market units, should be eligible for higher and/or additional funding from the Fund.

We are eager for the Province to address this gap and guarantee that a fair share of non-market housing for low and moderate-income households is included in the Province's goal of developing 1.5 million new homes by 2031⁶, with CHF Canada as a partner.

Reporting from Scotiabank notes that Ontario needs 248,900 affordable homes⁷. Analysis from Deloitte shows that boosting Ontario's share of non-market housing (including co-op) to at least the OECD average by 2030 could increase economic productivity by 5.8% to 9.5% and contribute between \$23.3 to \$50.3 billion to GDP⁸. CHF Canada urges the Province and federal government to continue to work together to cost-share to achieve this goal. Not only would building this housing bring people out of core housing need, but it would also grow the economy.

Achieving this goal can happen using multiple levers, including new construction as well as the acquisition and conversion of private rental housing to non-market housing.

5 Bringing affordable housing home: An action plan for housing stability in Ontario. United Way Greater Toronto. November 2023, [unitedwaygt.org/wp-content/uploads/2023/11/BAHH_Action_Plan_Final.pdf](https://www.unitedwaygt.org/wp-content/uploads/2023/11/BAHH_Action_Plan_Final.pdf).

6 Government of Ontario. *More Homes Built Faster*. October 25, 2022. [ontario.ca/page/more-homes-built-faster](https://www.ontario.ca/page/more-homes-built-faster)

7 Young, R. *Canadian Housing Affordability Hurts*. Scotiabank Global Economics: Insights & Views. January 18, 2023. [scotiabank.com/ca/en/about/economics/economics-publications/post.other-publications.insights-views.social-housing--january-18--2023-.html](https://www.scotiabank.com/ca/en/about/economics/economics-publications/post.other-publications.insights-views.social-housing--january-18--2023-.html)

8 Canadian Housing and Renewal Association. Nov 27, 2023. [chra-achru.ca/news/canada-can-boost-gdp-by-billions-through-investing-in-more-community-housing-deloitte-report](https://www.chra-achru.ca/news/canada-can-boost-gdp-by-billions-through-investing-in-more-community-housing-deloitte-report)



Outstanding recommendations from the Housing Affordability Task Force should be prioritized for implementation as they would further aid the co-op housing sector in building more homes. These include:

- 1. Modernize the Ontario Building Code and other policies to remove any barriers to affordable construction and to ensure meaningful implementation;***
- 2. Eliminate or reduce tax disincentives to housing growth; and***
 - a. Specifically, removing the land transfer tax for co-ops and expanding the affordability periods for development charge discounts and exemptions to at least 40 years***
- 3. Provide provincial and federal loan guarantees for purpose-built rental, affordable rental and affordable ownership projects.***

Additional exemptions would make the construction of non-market housing more feasible, on top of the recent policies that exempted and discounted taxes, fees, and levies for rental and non-market housing construction (i.e. development charges and removal of provincial HST portions). In order to most effectively build 250,000 housing units quickly and affordably, the Province could exempt or defer property taxes on the new development of non-market housing. While most co-ops can apply for an exemption, it is not guaranteed that they will receive it. Each municipality has a different process for applying for an exemption, which can be cumbersome for the co-op. To move away from this patch-work system, reduce regulatory red tape and administrative burden, the Province should automatically apply property tax exemptions for non-market housing developments.

The Province can leverage other policy levers to accelerate and streamline planning and development approvals for non-market projects. Echoing United Way Greater Toronto's recent report that underscored how vacant and underutilized provincially owned lands are invaluable community assets that should be repurposed by and for community benefit – specifically for affordable, non-market housing. The Province can partner with the co-op housing sector and enter long-term, land lease agreements, or provide land at low to no cost. The development of new policies should ensure that any vacant or underutilized land is prioritized for use for affordable, non-market housing.

The next generation of co-op housing: The Co-operative Housing Development Program. *The federal government has committed to launch the Co-operative Housing Development Program in 2024, making \$1.5 billion available for new co-op housing construction. Given the affordable, non-market housing need in Ontario, the Province should look to partner with CHF Canada to bolster the impact of this new program in Ontario.*



4 **Develop and fund a for-Indigenous, by-Indigenous urban, rural, and northern housing strategy**

CHF Canada continues to call for a fully funded, Indigenous urban, rural, and northern housing strategy for Ontario.

Provincewide, 19% of Indigenous households are experiencing core housing need, defined as housing that is inadequate, requiring major repairs and/or housing costing more than 30 per cent of household income.⁹

In Toronto, approximately 23 per cent of the unhoused population comprises Indigenous households, even though they represent just under 1 per cent of the city’s overall population. In Northern Ontario, the rate of those without shelter per 1,000 people is often two or three times higher than in major provincial urban centres, with higher rates

of unhoused people identifying as Indigenous. For example, in Kenora, 88 per cent of the unhoused population identifies as Indigenous¹⁰.

First Nations Housing Co-op, London, Ontario • Opened in 1998 • 42 co-op homes (two-, three- and four-bedrooms). It is no co-incidence that three Indigenous co-ops are clustered in the city of London. The area has a rich history of collaboration between diverse Indigenous Peoples, but today, urban Indigenous people face challenges connecting with each other. When Native Inter-Tribal Co-op opened in 1984, it became so popular they couldn’t meet the demand. First Nations followed in 1988, then Four Feathers in 2012. “These co-ops paved the way for Indigenous folk to come together and connect,” says CHF Canada Indigenous Board Director April Ager-White who lives in First Nations Co-op. “It was a valuable opportunity to create community for people from many tribes living in an urban setting.” It’s time to increase the number of co-op homes available to Indigenous people so they can benefit from the co-op difference which closely aligns with Indigenous cultural teachings.

Ontario needs a comprehensive funded housing strategy designed by and for Indigenous communities, encompassing urban, rural, and northern areas. This strategy is essential to tackle the housing inequality faced by Indigenous people and to address the enduring effects of racism, colonialism, and intergenerational trauma. CHF Canada works with Indigenous organizations, such as the National Indigenous Collaborative Housing Inc. (NICHI) to advance housing solutions and end chronic experiences of homelessness for Indigenous peoples from coast-to-coast.

9 Office of the Parliamentary Budget Officer. *Urban, Rural and Northern Indigenous Housing*. February 11, 2021. distribution-a617274656661637473.pbo-dpb.ca/5b2407108abe40544f4c66d4a7fe08c47aacce914911c2f7e3bbcad23a2070fc

10 Parson, Holly. *More than Just a Number: Addressing the Homelessness, Addiction and Mental Health Crisis in the North*. August 2022. aptnnews.ca/wp-content/uploads/2022/08/homelessness-mental-health-and-addiction.pdf



Conclusion: Co-op housing for all

In 2018, CHF Canada members voted to adopt a resolution that outlined a future path forward for co-op housing growth: Co-op Housing for All. Co-op Housing for All is about ensuring co-ops are secure well into the future and developing more co-op homes so that anyone interested in co-op housing and willing to accept the responsibilities and benefits of membership can do so. CHF Canada is ready to partner with the provincial government to fulfill this vision – a vision that provides stable affordability, quality living conditions, and well-being.

Implementing these recommendations in the upcoming budget would help remedy Ontario's housing supply and affordability crisis and reinforce the co-op housing sector's vision of Co-op Housing for All.

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