



ONP^hA

A FRESH START FOR CANADA'S HOUSING SYSTEM
ONPHA'S SUBMISSION FOR CANADA'S NATIONAL HOUSING STRATEGY

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Introduction

Housing fits into the middle of everything. It is physical design, it is community development, it is social development, it is important to health and educational outcomes, it can be a poverty reduction tool, and it is an investment, a wealth creator and a generator of economic development. It is both an individual and public good.¹

In March 2016, the United Nations Committee on Economic, Social and Cultural Rights released a report noting that the federal and provincial governments needed to do more to address Canada's eroding housing affordability. It further stated that the federal government should develop a national housing strategy. When Minister Duclos announced public consultations in June 2016, the Ontario Non-Profit Housing Association (ONPHA) was pleased that the federal government was ready to listen to the community on how to address the housing challenges of the 21st century. It goes without saying that the federal government has a strong and important role to play in setting the stage for the country and for making a long-term commitment to help Canadians access the housing that they need and can afford.

ONPHA is an independent member-funded and member-directed association. We have been around for 28 years and were created by organizations that provide affordable homes to a diverse range of Canadians including: seniors, low-income families with children, Indigenous people, victims of violence and abuse, people living with developmental disabilities, mental illness and addictions, HIV/AIDS, and the formerly homeless and hard-to-house. We have over 740 housing member organizations that manage more than 163,000 non-profit housing units in 220 communities across Ontario.

ONPHA has played an important role in the housing sector by offering training, education, research, policy and advocacy. We train staff and board members on areas such as finance and governance. Our annual conference is the largest of its kind in Canada, attended by over 1,100 housing practitioners from across the country. Our InfoON best practice publications help members stay on top of the information they need to know to run successful businesses and our FocusON publications investigate 'wicked-problem' research and policy issues.

Our members have been active and willing participants in the multiple social and affordable housing programs created by the federal, provincial and municipal governments beginning in the 1940s. When the federal government shifted its focus from the provision of "public" housing to the community-based sector in the 1970s, our members were there to help the federal government achieve its goals. Back then, the

¹ Modified from Myers, D, quoted in Buzzelli, M (2008), "Is it possible to measure the value of social housing?"

community-based housing sector was small and nascent. Forty years have now passed and our members' capacity to own and manage housing has increased. Our members, and their programs, have grown stronger and more mature over time. But the mission is simple and remains the same – house low- and moderate-income Canadians that struggle to access private rental housing and homeownership markets and provide safe, affordable homes for individuals, families and seniors.

Since 2003, ONPHA has gathered data on the number of households waiting for rent geared-to-income (RGI) housing in Ontario, which is the only province in this country that has mandatory centralized waiting lists for public, municipal, non-profit and co-op housing. More than 171,360 households are currently waiting for a home that they can afford. Waiting lists have grown by more than 45,000 households in 12 years, and applicants face an average wait of nearly four years. In many communities, the wait is much longer².

Our partnership with the Co-operative Housing Federation of Canada to document the affordable housing crisis in Ontario ran from 1999 to 2013. Our last publication in this series, called “Where’s Home 2013”³, examined the changes in rental housing supply and demand, demographic patterns, new affordable rental housing construction and core housing need. Not much has changed over the past three years and the data still represents the best source for information about the need for affordable housing in Ontario. We noted that “modest government investments in new affordable housing over the past decade have not been sufficient to improve the overall affordability picture for Ontarians”⁴.

ONPHA and its members have worked closely with provincial and municipal governments to house low- and moderate-income people, to renovate aging social housing buildings, to construct new affordable housing and to provide stable homes for households needing support services. Most recently, we engaged with the Province of Ontario as it updated its own Long-Term Affordable Housing Strategy⁵.

In our recommendations to the Province of Ontario, we noted that the affordable housing crisis facing Ontario is the culmination of more than 25 years of insufficient investment. In the absence of supportive tax policy and large-scale, consistent and stable government-funded housing development programs, neither the private nor the

² See our 2016 Waiting List Survey Report here: <http://qc.onpha.on.ca/flipbooks/WaitingListReport/>

³ Available here: http://www.onpha.on.ca/onpha/Content/PolicyAndResearch/Other_Research/WH2013.aspx

⁴ See ONPHA (2013) “Rental market data from the 2011 National Household Survey” http://www.onpha.on.ca/onpha/Content/PolicyAndResearch/focusONs/Rental_market_data_from_the_2011_National_Household_Survey.aspx

⁵ Available here: http://www.onpha.on.ca/onpha/Content/PolicyAndResearch/COMMUNICATION_WITH_GOVERNMENT/2015/2015_LTAHS_Submission.aspx

community sector have developed the volume of affordable rental housing to meet rising need.

We believe it is imperative that all levels of government work together to improve access to affordable housing and to strengthen the social housing sector. We all need a strong federal government presence to help meet the needs that exist today.

This submission details ONPHA's recommendations for Canada's first National Housing Strategy. In preparing it, we have relied on the perspectives of our member organizations across the province. We ask that the National Housing Strategy:

1. **Preserve** stock, fund new development, and increase the capacity of the community-based non-profit housing sector
2. **Recognize** the growing need for supportive housing
3. **Address** the housing needs of Indigenous people
4. **Define** the federal interest, reflect that interest in ministerial roles, and work with provinces to connect strategies effectively
5. **Create** greater incentives for energy and climate change retrofits and initiatives that help housing providers reduce their operating costs
6. **Preserve** tax exemptions, rebates and rent subsidies
7. **Incent** the private sector to develop more affordable rental stock in partnership with the community-based non-profit housing sector

ONPHA's Recommendations for a National Housing Strategy

This next section describes each of our recommendations in greater detail.

1. Preserve stock, fund new development, and increase the capacity of the community-based non-profit housing sector

Community-based housing providers have been part of the Canadian housing system since the 1970s. From small-scale, local grassroots efforts, an industry has emerged and is now a significant and reliable component of the housing system in most markets across Ontario. Community-based housing providers are non-profits that are well-managed and driven by boards committed to their mission. They function differently – through a range of models that vary in scale, structure and funding arrangements. Non-profit housing corporations offer a range of services including:

- Owning and managing properties over the long term, largely in perpetuity
- Providing housing management services to their target community
- Partnering with for-profit businesses, governments, philanthropies and other non-profits to provide high quality service to tenants

In order to house low- and moderate-income households, non-profits rely on subsidies and grants from government. Some have charitable status and most benefit from HST exemptions from the federal government due to their non-profit status. In exchange for the subsidies, government has provided oversight of non-profits to ensure compliance as well as assurance that money was going where it is supposed to go.

Non-profits operate at a local level. They understand local market conditions and the need and demand for their particular client group and housing types. While developers buy, build, flip and profit, our members are in the business for the long haul. Non-profits have also proven their ability to manage assets, to manage risk, to help their tenants, to maintain low vacancy rates, to ensure long-term affordability, to redevelop when needed, to be good partners and to ensure regulatory compliance. A National Housing Strategy that is grounded locally and can respond to local needs, should incorporate and acknowledge the value that is offered by non-profits.

Non-profits however, are changing and undergoing transformation. Some non-profits have built or acquired new housing, and others have expanded their

services to tenants in need of support. Some have entered into new arrangements with private sector partners to house their clients in market rent units with attached government-funded rent supplements or housing allowances. Other housing providers' long-term operating agreements are expiring, leaving them with decisions about their future operations.

The common ground of all of these variations is that non-profits want to adapt to change, and to continue to serve their target community or client group. However, the myriad of challenges and issues facing this sector means that many housing providers are at risk. Without strategic investment to ensure social housing sustainability and development, we face the potential of lost housing stock and increasingly long waiting lists for affordable housing.

ONPHA believes that the National Housing Strategy must be able to respond to the affordable rental housing needs of communities across this country. Limited rental housing has been constructed over the past 10-15 years leaving a widening gap in our country's housing stock and the lack of affordable rental housing can no longer be ignored. To do it right, the National Housing Strategy should draw upon the 40 years of experience of non-profits owning and managing properties for those not able to access the private rental market, condominium rental market or homeownership.

The strategy should also recognize that non-profits and communities do not all have the same issues. Many housing providers are grappling with issues related to the expiry of operating agreements. In parts of Ontario there is a preponderance of aging social housing buildings, and many larger providers are struggling with significant capital repair backlogs. In other areas, there is a lack of affordable rental housing so new construction funding is critical. Further still, there are particular population groups with unique issues and needs that must be acknowledged. Canada's Indigenous population⁶, for example, faces disproportionate housing need compared to the non-Indigenous population, and this must be addressed through distinct measures which are discussed later in this document. There is also growing need for increased supportive housing which is addressed below. Targeted programs are needed to address specific issues but they should not be funded at the expense of other priority areas. Instead, dedicated and consistent pots are necessary.

On the question of how to fund the strategy, the federal Gas Tax Fund (GTF) could be used as a model. It provides predictable, long-term, stable funding for

⁶ This paper uses the term "Indigenous" to refer to the people who lived here before European contact. It includes people who identify as First Nations, Métis or Inuit. We also use the words "Native" and "Aboriginal" as these are terms used by government to deliver various social housing programs in the past.

Canadian municipalities to help them build and revitalize their local public infrastructure while creating jobs and long term prosperity⁷. The formula ensures that every province and territory receives a base amount which is then topped up based on a per capita calculation – every year municipalities know what they will receive in funding so they are able to incorporate this into multi-year planning with certainty. The program is permanent through federal legislation and indexed with inflation. The GTF respects local autonomy in decision-making with conditions and accountability measures in place. It would be feasible to use a similar model for social housing funding – identify an annual base amount for each provincial/territorial jurisdiction and ensure a framework so that housing providers could engage in longer-term planning. Accountability measures could be included with government agreed-upon spending categories and reporting requirements.

Recommendation

We recommend that the National Housing Strategy recognize the contributions of the non-profit sector to date and formally recognize the role of the non-profit sector in contributing to long term housing affordability for Canadians. When funding is available, we recommend that the federal government ensure that two dedicated, consistent, long-term, stable and robust funding streams are created specifically for community-based non-profits for renovation/repair of existing housing stock and for new affordable rental housing development, including for new supportive housing.

2. Recognize the growing need for supportive housing

Several ONPHA members, and many more social housing providers across Canada, provide supportive housing for individuals needing support, including those with mental health issues or addictions. These housing providers connect vulnerable tenants with much needed supports and resources, either through their own professional staff or through collaborative partnerships with health and community-based support services. Supportive housing programs are funded in various ways. In Ontario, providers receive funding through the provincial Ministry of Health and Long Term Care (MOHLTC), or through their Service Manager⁸.

⁷ Retrieved from: <http://www.infrastructure.gc.ca/plan/gtf-fte-eng.html>

⁸ A Service Manager (or Consolidated Municipal Service Manager (CMSM)) is a level of government in Ontario responsible for carrying out the funding and administrative responsibilities of the provincial *Housing Services Act*. A

Coordination of the housing and support side is critical to the success of supportive housing. Ontario has recently dedicated a limited amount of funding for much-needed supportive housing. The ministries that fund housing and support are also now beginning to work more collaboratively⁹. Federal inter-departmental/agency collaboration and role clarity should also be built into and reflected in the National Housing Strategy.

The value of the existing supportive housing programs cannot be understated, but the bottom line is that there are simply not enough resources to address the ever increasing demand for these programs. As many as 1 in 5 individuals will experience mental illness in their lifetime, and for a significant percentage of them their illness is both serious and persistent. An estimated 7% of low-income adults live with serious and persistent mental illness, although clinicians believe this is very low. In Ontario alone, it is estimated that a staggering 23,000 individuals live in unsupported social housing units and struggle with serious and persistent mental illness.

In 2015, ONPHA published “Strengthening Social Housing Communities”¹⁰ to bring attention to the growing number of unsupported vulnerable tenants in Ontario. Most housing providers where these tenants live are not funded to deliver any support services. The result: unsupported tenancies that can have serious consequences for staff, neighbouring residents, and tenants themselves.

Recommendation

We recommend that the federal government recognize the increasing need for supportive housing, and undertake a systematic approach to identify needs and offer supports. We also recommend the federal government engage in cross ministerial collaboration to coordinate housing and support.

3. Address the housing needs of Indigenous people

The Indigenous population in Ontario, and Canada more broadly, has greater housing (and health) needs than the non-Indigenous population but has been highly underserved by prior programs. In 2011, 19% of non-reserve Indigenous households lived in core housing need compared to 12.2% of the overall

CMSM could be a regional government, a county or a separated city, depending on the local circumstances. The CMSM is also responsible for administering other social service programs such as Ontario Works and child-care.

⁹ See “A stronger supportive housing system for Ontario”. Retrieved from:

<http://www.mah.gov.on.ca/Page13793.aspx>

¹⁰ Available here:

http://www.onpha.on.ca/onpha/web/Policyandresearch/Other_research/Content/PolicyAndResearch/Other_research_list.aspx?hkey=0742ba26-d027-4c79-92a0-8f4d4606a33a

Canadian population in the same year¹¹. Statistics show that average incomes of the non-reserve Indigenous population are 83% of non-Indigenous households,¹² and a shocking 1 in 15 Indigenous people in urban settings will experience homelessness as compared to 1 in 128 of the general population¹³.

Most current knowledge and research about Indigenous housing issues focuses on the on-reserve population, even though 73% of the population lives off-reserve and experiences greater need for housing than non-Indigenous populations in the same urban areas. Additionally, Canada's Indigenous population is growing at a faster rate than the non-Indigenous population which is particularly true for urban areas¹⁴.

In Ontario, there are approximately 4,000 Indigenous specific social housing units (2,400 urban and 1,600 rural units). In 2008, ONPHA, with support from its Aboriginal Housing Advisory Committee, conducted a survey of Ontario's Aboriginal Housing Providers with the intention of developing an understanding of the unique issues they and their tenants face. Many of the conclusions and key issues that were established from the survey are still relevant now and have been highlighted below.

The expiry of operating agreements (EOA) will impact Indigenous housing providers more disproportionately than other housing providers because all units are RGI (100%) and tenants are largely on social assistance which means that the rent scales require deeper subsidies. Of 117 Ontario Urban Native social housing projects tested in 2012, 99, or 85%, were projected to experience an operating failure upon EOA¹⁵. Loss of the subsidy upon EOA means that many Indigenous housing providers will not be able to afford to keep their properties as revenue will not be high enough to cover operating costs. It is critically important that this housing remains available for Indigenous people in the future.

Indigenous providers often operate much like supportive housing providers, however most do not receive any additional funding for informal supports they provide to tenants. As the National Housing Strategy revamps the federal institutional framework, it must recognize the social, health and other economic supports that are direly needed by the Indigenous population. Our members

¹¹ Canadian Housing Observer - https://www.cmhc-schl.gc.ca/en/corp/about/cahoob/upload/housing_affordability_and_need_68193_w.pdf

¹² "A Time for Action: A National Plan to Address Aboriginal Housing" - http://www.ontarioaboriginalhousing.ca/wp-content/uploads/2014/09/NAHA_Action_Plan_July_2009_FINAL.pdf

¹³ Aboriginal Homelessness in Canada: A Literature Review - <http://www.homelesshub.ca/sites/default/files/AboriginalLiteratureReview.pdf>

¹⁴ "A Time for Action: A National Plan to Address Aboriginal Housing" - http://www.ontarioaboriginalhousing.ca/wp-content/uploads/2014/09/NAHA_Action_Plan_July_2009_FINAL.pdf

¹⁵ See page 52, <http://www.hscorp.ca/wp-content/uploads/2013/03/Social-Housing-End-Dates-in-Ontario-HSC.pdf>

have also told us that they want to see specific allocations of funding managed by Indigenous organizations and that they need housing programs that are flexible, and that reflect local differences and priorities. The majority of our members who are Indigenous housing providers view housing as critical in addressing issues related to poverty and health in their communities.

Recommendation

We recommend that the federal government create a meaningful action plan and dedicated funding stream that can address the serious issues facing the Indigenous population. The key points are that the federal government should:

- a) Ensure that a range of housing options are dedicated for Indigenous people via a housing trust including the development of new, and the repair of existing, social housing, in addition to long-term and fully subsidized portable housing benefits, and funding for affordable ownership;
- b) Respect Indigenous governance structures and ensure that Indigenous perspectives are represented at all levels of decision-making processes;
- c) Address the financial situation of those housing providers who have reached or are approaching EOA to ensure that housing remains available for the future; and
- d) Introduce dedicated funding for tenant supports that are culturally appropriate and that address health, economic and social conditions.

4. Define the federal interest, reflect that interest in ministerial roles, and work with provinces to connect strategies effectively

The federal government must clearly define and communicate its interest in housing. In our view, the federal interest should be to focus on areas which are within its control such as monetary policy and taxation.

Clarifying mandates, and the departmental and agency roles required to carry out those mandates, would provide the federal government an opportunity to better align with provincial and local strategies related to housing. An example of such alignment is how Canada Mortgage and Housing Corporation (CMHC) has, in the past, offered very low interest rates to the social housing sector. This was a much needed element that greatly benefited provincial and local housing approaches and contributed to poverty reduction.

The federal role in data collection could be another area for exploration and enhancement. Since the 1970's, other jurisdictions, such as the United Kingdom, Australia, and the United States, have invested in collecting housing data for use

by academics, researchers, consultants, students and the public. Canada has not done so, and gaps in knowledge about the true housing landscape may both reflect and further stall the development of housing policy or strategy¹⁶. It is important that policy makers and the overall housing sector have improved access to relevant and current data. When determining who should be responsible for the timely collection of data, the federal government should consider Statistics Canada's well recognized expertise in data collection and statistical reporting.

Additionally, the relationship between the varying federal government departments and agencies that have a role in housing, homelessness and community health policy or programs could benefit from a review for the purpose of enhanced alignment. As an example, reviewing the Canada Social and Health Transfers, which are the main conduits for funding of community-based services for youth, seniors, and people with disabilities, should be considered. In addition, the role of Employment and Social Development Canada (ESDC) could also be reviewed as it is currently essential in the interplay between non-profit housing and the Homelessness Partnership Strategy (HPS), a program through which many housing providers receive funding.

The federal government should also connect and work in tandem with provincial and local strategies. As an example, Ontario released its Long Term Affordable Housing Strategy in 2010, and made a commitment to update it after five years. The province additionally required that its network of Service Managers complete long term housing and homelessness plans that were also subject to regular updates. Regular updates are a good practice that the federal government should adopt for the National Housing Strategy.

ONPHA believes that the National Housing Strategy should be flexible so that it can fit within the strategic planning that has already been undertaken locally. The National Housing Strategy should be a framework which can produce results that work given our local conditions, our local needs and our local capacities.

Recommendation

We recommend that the National Housing Strategy be flexible, principled and updated regularly. Most importantly, it should define the federal government's interest in housing and ensure that this interest is reflected in the mandates of ministers and the departments and agencies for which they are responsible. Furthermore, the government must ensure that this interest connects seamlessly with individual provincial, territorial, and local strategies and approaches.

¹⁶ Buzzelli, M (2008), "Is it possible to measure the value of social housing?"

5. Create greater incentives for energy and climate change retrofits and initiatives that help housing providers reduce their operating costs

The National Housing Strategy provides an opportunity to reflect on how intimately linked are energy use, greenhouse gas (GHG) emissions and housing. Canada's housing affordability crisis is linked with the rising cost of energy. It takes energy to build, operate and maintain a home. While our members have different building sizes, shapes and configurations, all have operating costs that are influenced by the rising costs of utilities – whether electricity, natural gas or water. Tenant revenues have remained relatively flat – because tenant incomes are not increasing and because this is a function of the way the social housing rent scales work. However, at the same time, hydro and water costs have been increasing by about 10% on average annually over the past eight years.

Around the world, the importance of energy conservation is increasingly being recognized as a component in the fight against global warming. Investments in green infrastructure were identified as one of the key goals of the federal government. Ontario has also identified energy conservation and climate change as priorities. Social housing has a role to play in helping the provincial and federal governments as they try to achieve their goals of managing increases in energy demand and reducing GHG emissions.

Conceptually, increasing the price of energy has been seen as the most effective way to promote reduced consumption. However, many residents in social housing do not have much control over how much energy they consume. Factors such as age and design of the building, level of insulation, efficiency of the power plant, type of appliances and light fixtures all have a great effect on consumption. Unless social housing providers make substantial retrofits to their buildings, consumption will not go down. In turn, this means prices will tend to remain relatively high. And because housing providers do not have excess funds to put towards retrofitting aging buildings, recent provincial investments have been critical for our members.

Work undertaken in 2013 on energy efficiency measures in four Toronto social housing buildings demonstrated that substantial savings are possible by making key investments.¹⁷ One of the non-profits had energy savings of 37% and reduced their annual costs by over \$160,000.

¹⁷ Retrieved from: <https://www.ucalgary.ca/cities/files/cities/toronto-report.pdf>

Through the Towerwise Retrofit project, Toronto Community Housing Corporation, Toronto Atmospheric Fund (TAF), Federation of Canadian Municipalities (FCM) and Natural Resources Canada (NRCan) are undertaking energy efficiency retrofits across seven social housing buildings. Initial projections indicate GHG emissions will be reduced by 30% and utility costs will be lowered by 20%. However, if more funding were available, deeper retrofits could be undertaken, which would reduce GHG emissions by 60%. While deep retrofits are more costly at the outset, they provide greater operating savings over the long term.

Recommendation

We recommend that the National Housing Strategy acknowledge the strong link between housing operating costs and energy usage. Beyond contributing to the overall sustainability of social housing, energy initiatives aimed towards this sector will significantly contribute to Canada's ability to meet its established climate change commitments. Efforts to address climate change must recognize that retrofitting existing housing stock is necessary and that additional incentives and funding may be needed to allow the deepest retrofits to occur. Further, the federal government must ensure that funds allocated to provinces and territories for this purpose are not restricted and are made widely available to all social housing providers.

6. Preserve tax exemptions, rebates and rent subsidies

Forty years of non-profit community-based housing has allowed the emergence of a sector that fulfills a mission of helping those unable to afford housing in the private market. One of the key features of the community-based housing model is that it is generally a mixed-income approach. This means that some tenants pay an average market rent or a lower-end market rent while other tenants receive a subsidy and pay a rent geared to their income. The model allows the housing provider to help those with moderate incomes who may have difficulty finding affordable rental housing in the market as well as those needing a subsidy. It is a model that provides greater financial sustainability over time while also providing social benefits such as reductions in concentrated poverty.

It is important to understand the conditions that were put in place in the past so that similar successes can be achieved in the future. The non-profit tax-exempt status is a critical component of the community housing model. This tax status gives housing providers access to a range of concessions including exemptions from income tax and HST, exemptions from ad hoc provincial or federal tax

rebates (e.g. energy efficient appliances), exemptions from certain rental rate requirements and waivers from development charges and fees. These concessions lower operating costs or reduce the costs of development. They help make the non-profit sector the success that it is. The Canada Revenue Agency (CRA) has sometimes questioned the activities of non-profits and considered revoking status without a good understanding of the sector and its mission. Any changes in the tax-exempt treatment of non-profits means that housing affordability for residents could be lost.

The second crucial component of the non-profit model has been long-term operating agreements - although some are beginning to expire. Much has been written about the expiry of operating agreements (EOA) by provincial governments and provincial and federal associations¹⁸. This paper does not cover those issues in detail. What all of the research suggests, is that the original government assumption - that once a housing provider had paid off its existing mortgage it could continue to help low-income residents into the future – is not always the case. Some may be able to make the building operate without continued government subsidies, others will not be able to make it work.

While many housing providers want to continue to have an affordable housing mandate and to fulfill the obligations set out in their original articles of incorporation, they will not be able to do so. Without non-profit tax exemptions or continued subsidies for low-income tenants, some housing providers will face financial challenges. Their mission will be in jeopardy if rental subsidies are not available to help residents or if their tax-exempt status is lost.

Recommendation

We recommend that the tax exemptions, rebates and rental subsidies that non-profits have benefited from in the past should continue in the future. We want to ensure that housing providers can continue to offer affordable housing through the development of government strategies that extend the not-for-profit status and HST exemptions for housing providers, and that continue to subsidize rents in the future.

¹⁸ See for example, Canadian Housing and Renewal Association, 2012 “Addressing the expiring subsidy challenge: Options and Remedies” http://chra-achru.ca/sites/default/files/addressing_the_expiring_subsidy_challenge_guide_-_final_english_0.pdf

7. Incent the private sector to develop more affordable rental stock in partnership with the community-based non-profit housing sector

The lack of affordable rental housing in Ontario has been well-documented by ONPHA through its “Where’s Home?” and Waiting List reports. The pressures on rental housing (not just affordable rental housing) in this country have also been well-documented¹⁹. In larger centres, rental housing is being lost to condominium conversion. Affordable rental housing is shrinking due to upward pressures on rental rates. New condominium rental housing has taken hold in cities like Toronto but their rents exceed regular market apartment rents by \$300 to \$400 per month. We suggest that the federal government consider launching another rental housing supply program. For example, the Canada Rental Supply Program (CRSP) provided landlords with low-interest loans to build new housing and retain affordability over a 15-year period. Over 20,000 units were constructed under this program in the early 1980s.

Rental supply could be achieved either through capital grants or tax credits. For example, the United States’ Low-Income Housing Tax Credit (LIHTC) has been successful in encouraging construction of new affordable rental housing through the involvement of the private sector. It provides favourable tax benefits as an incentive to invest in affordable housing. Since its introduction in the mid-1980s, over 2.4 million homes have been constructed or rehabilitated. American community-based non-profits have been successful in taking advantage of the LIHTC program and ensuring preservation of affordable housing for terms longer than those typically required under the program. Several non-profits have emerged from the LIHTC system in order to focus on acquiring private landlord properties reaching the end of their affordability term. Properties are acquired after the end of their operating agreement and are targeted to ensure their affordability for the future.²⁰

ONPHA suggested in its 2005 paper that “one way to refine and manage the cost of a capital gains exemption is to provide the exemption if the funds are reinvested in certain areas of public policy interest, (i.e. targeted reinvestment) such as creating new affordable housing.” We believe that a Canadian-style tax credit program or system could be explored by the federal government.

¹⁹ Such as the Federation of Canadian Municipalities. See Pomeroy, 2015 for FCM, “Built to Last: Strengthening the foundations of housing in Canada”.
https://www.fcm.ca/Documents/reports/FCM/Built_to_Last_Strengthening_the_foundations_of_housing_in_Canada_EN.pdf

²⁰ Preservation of Affordable Housing (POAH), has prevented the loss of 8,500 affordable housing units for low- and moderate-income households in nine states and the District of Columbia. Their mission is to acquire at-risk privately-owned affordable housing properties.

ONPHA wrote in 2015 that “building new social housing is expensive and time-consuming, but it ensures the creation of an enduring public asset. The government and the public can count on this asset to provide affordable housing to low- and moderate-income households for an extended period of time [...] However, one of the downsides of not having a public asset is relinquishing control to the private market. When governments subsidize a unit owned by a private landlord, they have much less control over what happens to the unit upon vacancy [...] If the landlord decides not to continue the agreement, the rental subsidy program administrator must find a new private landlord to enter into an agreement with – at new market rents.”²¹

Experience has shown that maintaining affordability over long periods of time can be managed through both the demand and supply side. On the supply side, construction of new mixed-income affordable rental housing can ensure affordability through the land titles system (registration on title), via an operating agreement or a legislative framework. They have proven an effective way to ensure availability of housing for low- and moderate-income households over the long term. Supply side approaches matter when vacancy rates are low, where there is limited housing stock available, or when rental rates high – but that usually also means land costs are high, and the cost of construction is high. Supply side measures can also be time-consuming. Obtaining planning approvals, undertaking design and construction work means several years can go by before a housing project is open. But once a pipeline of projects is on the go, it can be relied upon for future use.

On the demand side, governments have also relied on rent subsidies – commonly known as rent supplements or housing allowances. Rent subsidies, however, do not increase the supply of affordable housing and can put additional pressure on rental markets and sometimes contribute to rent escalation. If not coupled with other policy initiatives, rental subsidy programs can group participating households in certain areas that are isolated from important services, and may subject renters to landlord discrimination. For this reason, rental subsidy programs are best used in markets with high vacancy rates, where private landlords have more incentive to participate and are less likely to raise rents.

Government should allow the community to respond with the tools or measures that work best in their area. There is no one silver bullet because circumstances across this country are unique which means the responses must also be unique.

²¹ See ONPHA, 2015 “Making Ends Meet: Opportunities and Challenges of Rental Assistance Programs”.
<http://www.onpha.on.ca/onpha/Content/PolicyAndResearch/focusONs/Making%20ends%20meet.aspx>

The original community-based non-profit housing supply programs have been effective over time. Non-profits have managed to ensure affordability for the 35 or 50 years of their operating agreements because those were the terms of the original agreements. Some of the original funding formulas have proven effective over time, others less so. The mixed-income housing model has benefits and has proven to be an effective model.

ONPHA believes that the National Housing Strategy must include both demand and supply side solutions. Non-profits hope to have access to programs that will work in their areas and that will work over the long-term.

Recommendation

We recommend that the federal government incent the development of new mixed-income affordable and mid-range rental housing and that the National Housing Strategy include measures which will ensure housing affordability over time. This means an approach that will require both the private and non-profit sectors work in partnership. Availability of supply side capital via a dedicated funding mechanism or a tax credit, coupled with a demand side rent subsidy, in markets where it is needed is the right approach.

Conclusion

The federal government must re-assume a leadership role in the sustainment, development and delivery of affordable housing in this country. It is vital to the success of its citizens, communities and the overall economy. Social and affordable rental housing investments have the power to transform communities and people's lives.

The housing challenges facing the country are too great for one level of government to solve in isolation, and the housing system, with its multiple ministries, Service Managers, networks and sector organizations is too complex to operate efficiently without a framework. The federal government has a critical and important role to play in setting the affordable housing stage for the country and for providing leadership, funding and supports to make it happen.

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