

## AFFORDABLE HOUSING AS ESSENTIAL TO A SERIOUS POVERTY REDUCTION STRATEGY IN ONTARIO

*Statistics Canada reports that housing is the major component of Canadian household expenditures. Rising shelter costs include not just rent and mortgage expenses but also basic utilities (water, gas, electricity). It is no surprise, then, that low income people, struggling to meet their basic living requirements, find shelter costs consume an increasingly higher proportion of their incomes. In 2006, Ontario set a new record with 66,746 households facing eviction (Co-operative Housing Federation of Canada). A survey by the Federation of Canadian Municipalities in 2008 shows that a lack of affordable housing is a priority public concern about municipal performance, especially in larger communities (FCM, 2008). Clearly, affordable housing must have a central place in any serious poverty reduction program.*

*This was affirmed in more than 25 community meetings in the winter and spring of 2008 when the Social Planning Network of Ontario presented its Policy Framework for Poverty Reduction in Ontario in communities across the province. The Framework promotes sustaining employment, livable incomes and essential social resources as the three main priorities to be addressed in a comprehensive poverty reduction strategy. In all communities, affordable housing was consistently identified as a key essential social resource, which people expect to see as a central part of the province's poverty reduction plan.*

*Entering the fall of 2008, when Minister of Children and Youth Services Deb Matthews is planning to present her poverty reduction plan to the Premier, it is important for communities to continue to discuss and promote a comprehensive, structural approach to poverty reduction with their local MPPs and other sectors that need to be engaged on the issues. In that regard, this Policy Dispatch is intended as a resource on the critical importance of adequate provisions for affordable housing in the provincial poverty reduction plan.*

### **Summary of Key Elements of an Affordable Housing Strategy to Reduce Poverty in Ontario**

Any effective housing component of a poverty reduction strategy must address both the current unavailability of affordable housing stock and the gap between market rents and low household incomes. The major components of an affordable housing strategy promoted by knowledgeable housing advocates include the following:

- **Public investment in creation of affordable housing stock.** Building 8,000 new affordable housing units yearly and increasing the number of Rent-Geared-to-Income units in existing housing co-operatives.
- **Housing allowance programs.** Establishing a housing benefit for the working poor and social assistance recipients to alleviate the high cost of housing in their living expenditure.

- **Inclusionary zoning.** Enabling municipalities to make regulatory provision for private market housing developments that requires the developer to set aside a certain number of affordable housing units in any new development (10% to 20% of units) in return for density bonuses or relief of development charges.
- **Repair of existing affordable housing stock.** Setting up a loan facility for the social housing sector in order to restore a state of good repair to existing social housing stock across the province and provincial government funding for capital repairs and operating costs for the 6,000 supportive housing units that it administers directly.
- **Additional protections and programs.** Legislating and regulating to provide more protection to tenants from unjustified rent increases and programs that support low income people from rising utility costs.
- **Emergency short-term housing.** Ensuring the continuing provision of short-term shelter relief to be phased out over time only as long-term solutions take effect.

### **More than a Decade of Policy Neglect**

The Ontario government withdrew investments in affordable and social housing in the 1990s. Social housing was devolved by the Harris Government to the municipal level in exchange for the transfer of a portion of the local education bill from the property tax rolls, which proved to be unequal in the end in terms of the major cost burdens shifting to the municipalities.

Nationally, Canada remains the only western industrialized nation without a comprehensive, national housing strategy. In the Affordable Housing Framework Agreement with the provinces and territories in 2001, the federal

government promised \$1 billion in spending on affordable housing. By 2006, only \$234 million of that amount had been spent. Although, the provinces promised to match the federal contribution of \$1 billion, in fact provincial spending on housing across Canada was actually down by \$210 million in 2007 (Shapcott, 2008b).

Ontario is the worst provincial performer over this period of time. Not only is Ontario the only province to show no increase, but it actually cut affordable housing spending by \$732 million. Ontario's housing spending has fallen from \$80 per capita in 1991 to \$58 per capita in 2007, the fourth lowest among the provinces and territories (Shapcott, 2008b).

Poor living conditions resulting from the lack of affordable housing are compounded by the relative stagnation of incomes in Ontario. Michael Shapcott of the Wellesley Institute says, "High shelter costs mean less money for food, transportation, clothing and other necessities. The growing squeeze between incomes and shelter costs is creating an affordability crisis" (Shapcott, 2008c). CMHC data in December 2007 indicate that Ontario has eight of the ten cities with the least affordable rental housing in Canada (Yetman and Cooper, 2008).<sup>1</sup>

Provincial spending on housing has always included the shelter allowance portion of social assistance benefits for people not in the workforce. Consequently, probably the single biggest reduction to the provincial housing budget in an indirect way was the 21.6% rate cut by the Harris Government in 1995. Ontario Works rate increases of 2% a year since 2004

<sup>1</sup> These cities listed from least affordable rents are Windsor, Ottawa, Toronto, London, Hamilton, Oshawa, Sudbury and Kitchener.

have not restored the loss from the 1995 cuts nor even offset the inflationary erosion since 1995 in the shelter allowance. The maximum shelter allowance falls very far below average rents. In Toronto, this shortfall ranges between an average of \$95 per month for a single person on social assistance to \$270 per month for a couple with children. More than 70% of Ontario Works recipients in Toronto pay rents in excess of the maximum shelter allowance available (Pomeroy and Evans, 2008).

Ontario's failure to address the housing crisis is more disturbing in that \$150 million of federal housing funding available to Ontario was unspent in 2007-08 and a housing allowance program for 27,000 working poor households through the Rental Opportunities for Ontario Families (ROOF) program amounting to \$185 million was only made available to 14,000 applicants by the cut-off date because of strict eligibility criteria and cumbersome application requirements.<sup>2</sup>

The private market is totally failing low income individuals and families that depend on affordable rental housing. The private market's interest in building rental units in general is weak, even before affordability is taken into account. When senior governments were engaged in housing in the 1980s and early 1990s, rental housing production averaged 14,000 units per year, making up 23.4% of new housing stock in 1991. Rental housing production has declined to an average of 2,000 units per year since 1995 and made up only 10.3% of housing starts in 2001 (Canada Mortgage and Housing Corporation, 2007). The Ontario Non-Profit Housing Association reports that between 1995 and 2005, 21 municipal areas in Ontario show an actual loss of 13,000

rental units (Lawson and Kerur, 2008). In Toronto, only 5.1% of new housing construction was rental in 2001 (Federation of Canadian Municipalities, 2008).

In 2003, the provincial government made a commitment to create 20,000 affordable units including 6,600 supportive units – but only 11,376 units are occupied or being developed as of May 2008 (Ontario Ministry of Municipal Affairs and Housing, 2008). There is some modest sign that affordable housing is on the radar of the Ontario Government with the announcement of \$100 million for repair of social housing stock in the 2008 provincial budget.

### **Multiple and Unbearable Costs**

The crisis in affordable housing and homelessness in Canada bears costs that are many and unsustainable to the health and stability of community life.

- **Personal Costs.** With 124,000 Ontario households on social housing waiting lists and 270,000 paying between a third and half or more of their household income on rents, the scale of Ontario's affordability crisis is huge (Wellesley, 2008b; ONPHA, 2008). The impact on the lives of people struggling with the inability to afford or maintain decent shelter is well-documented – physical and mental health problems, conflicts with the law, family break-up (Interfaith Social Assistance Reform Coalition, 2007).
- **Community Costs.** Hulchanski has documented the severe drop in the owner-renter ratio in Toronto over last 50 years and the growing income gap that has become increasingly geographically concentrated over the last 30 years

<sup>2</sup> Provisions for the ROOF program can be found at [www.mah.gov.on.ca/Page4842.aspx](http://www.mah.gov.on.ca/Page4842.aspx)

(Hulchanski, 2008b). With a boom in the construction of expensive condominiums and the lack of affordable housing stock, there is a danger of polarizing residential communities into high end ownership and low end rental markets, thus sacrificing the social connectedness of mixed income neighbourhoods.

- **Community Health Costs.** Homelessness and poor housing conditions have a community health impact. The Wellesley Institute reports that homeless people have death rates between eight and ten times higher than people with housing and that homeless and under-housed people have a much higher risk of illness (Shapcott, 2008a; Wellesley Institute web site). After reviewing research from around the world, the Ontario Physicians Poverty Work Group of the Ontario Medical Association states that “[t]he evidence is strong enough to conclude that poverty may well be the most powerful determinant of health” (Bloch, Etches, Gardner, Pellizzari, Rachlis, Scott, and Tamari, 2008).
- **Economic Costs.** Inadequate and unstable housing with health effects on low income residents affects the quality of the workforce and, thus, has an impact on employers and the health of the economy.

### **Key Elements of an Affordable Housing Strategy to Reduce Poverty**

Housing is a shared jurisdiction best met by coordinated and collaborative action between the federal and provincial governments in terms of resource allocations and municipalities and communities in terms of affordable housing development and delivery. But this does not mean that Ontario cannot do more on its own even as the community

mounts pressure for a responsible federal role in housing. Quebec and British Columbia have done better than Ontario under the same circumstances of an absent federal partner. Jurisdictional wrangling is not addressing the problem at all and should not be a barrier to some provincial action.

Any effective housing component of a poverty reduction strategy must address both the current unavailability of affordable housing stock and the gap between market rents and low household incomes.

The major components of an affordable housing strategy promoted by knowledgeable housing advocates include the following:

- **Public investment in creating affordable housing stock.** The private market has failed to build the affordable housing required to meet the living needs of low income Ontarians. Senior governments must assume some leadership by allocating resources for the construction of affordable housing. Ontario’s per capita spending on housing (\$58) is not even 60% of the Canadian average (\$98) and stands at seventh among the provinces. When municipal per capita housing spending is added, Ontario still falls well behind Saskatchewan, Alberta, Nova Scotia, and Newfoundland and Labrador (Shapcott, 2008b). The Co-operative Housing Federation of Canada - Ontario Region (CHFC) projects that rental housing demand between 2006 and 2016 will be between 12,000 and 14,000 units per year. Although the current government promised in 1993 a housing program to create 20,000 affordable units annually, only 5,000 units are actually occupied and another 6,000 are under development in

2008. In its pre-budget submission to Ontario's Standing Committee on Finance and Economic Affairs in early 2008, the CHFC stated that "[a] supply program of 8,000 new [affordable] units per year would be a reasonable target to set and achieve" (Yetman and Cooper, 2008). As well as building new affordable housing stock, increasing the number of units designated for "Rent Geared-to-Income" (RGI) within existing housing co-operatives could be part of the solution. The Community Social Planning Council of Toronto and the Co-operative Housing Federation of Toronto are currently researching how many RGI units could be created in existing housing co-ops "without putting a single shovel in the ground" (Wilson, July 2008).

- **Housing allowance programs.** There is a serious debate in the housing community about the role of housing allowance or rent subsidy programs for use in new affordable units and in existing private market rental stock (Shapcott, 2008b; Spence, 2008). There is a concern that rent subsidy programs transfer public money to private landlords and have an inflationary impact on rent structures. Still, there is a case to be made for a housing allowance at least in the short- to intermediate-term until more affordable housing stock is created. Notably, social assistance in Ontario has always included a shelter allowance component, which went primarily to private landlords, although the shelter benefit has fallen far behind market rents since 1995. Newer thinking on rent support refers to European jurisdictions where housing allowances are a key part of income support, not just for social assistance recipients but also for working

poor people on an income-tested basis (Pomeroy and Evans, 2008). A coalition of housing and community organizations has developed a soon to be released housing allowance proposal not tied to social assistance as part of the solution to the affordability crisis for application in conjunction with affordable housing construction.<sup>3</sup>

- **Inclusionary zoning.** The success of the American experience with inclusionary zoning is causing more study for its potential adaptation to Canadian communities. Essentially, inclusionary zoning is a regulatory provision for private market housing developments that requires the developer to set aside a certain number of affordable housing units in any new development (ranging usually between 10% and 20% of units constructed). The developer gets some benefits in terms of density bonuses or relief of development charges. More than 400 American cities across 15 states have adopted inclusive planning and zoning. Inclusionary zoning has assisted low and modest income people at 60% and 80% of median household income to become homeowners in mixed income communities. Inclusionary zoning also allows municipalities to build pools of housing funds collected from private developers who make contributions in lieu of meeting the inclusionary zoning requirements.<sup>4</sup> These funds are available

<sup>3</sup> The coalition is made up of the Federation of Rental Housing Providers of Ontario, the Ontario Non-Profit Housing Association, the Greater Toronto Apartment Association, the Daily Bread Food Bank, the Metcalf Charitable Foundation, and the Atkinson Charitable Foundation.

<sup>4</sup> In the City of Boston this fund is called "linkage" money and a public housing investment pool of \$92 million has

for additional subsidized rental housing development for even lower income families. The Wellesley Institute recently brought American experts to Toronto for a day long seminar on inclusionary zoning and to discuss its possible application in Canada. The provincial government would need to act to give Ontario municipalities the necessary authority to introduce inclusionary zoning. Based on the American experience, Toronto could build an estimated 500 to 1,000 units of affordable rental stock annually, if the City of Toronto had the power to implement inclusive planning and zoning (Wellesley Institute, 2008a).

- **Repair of existing affordable stock.** There are 250,000 social housing units in Ontario, about 100,000 (40%) are managed by municipalities and the remainder by non-profit providers. Much of the existing social housing stock is between 30 and 60 years old. Since social housing was downloaded to the local level in the 1990s without an adequate transfer of resources, the shortfall in the maintenance and repair of this capital stock has accumulated to \$1.5 billion according to the Ontario Non-Profit Housing Association (ONPHA) (Lawson and Kerur, 2008). ONPHA has proposed that the Ontario Government set up a loan facility for the social housing sector in order to restore a state of good repair to existing social housing stock across the province. The Government should also adequately fund capital repairs and operating costs for the 6,000 supportive housing units that it administers directly.

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been created from these private developer contributions in lieu of meeting the on-site inclusionary zoning requirements.

- **Additional Protections and Programs.** The Ontario Government could also take legislative and regulatory action to provide greater protection to tenants, such as tightening up loopholes in tenant protection legislation that enable landlords to raise rents beyond the official “guideline”. As well, Advocacy groups such as the Low Income Energy Network (LIEN) are promoting programs that support low income people from rising utility costs (see [www.lowincomeenergy.ca](http://www.lowincomeenergy.ca)).
- **Ensure emergency short-term housing.** Housing takes a long-time to develop. In the meantime, the crisis of homelessness in our larger cities in particular is not abating. Therefore, there must be continuing provisions of short-term shelter relief to be phased out over time only as long-term solutions take effect. There are examples of supplementary programs that help reduce the demand on emergency shelter needs. For example, programs like Toronto’s Streets to Homes programs invest in outreach workers and home supports to help people on the street secure stable housing outside the shelter system. Since 2005, the Streets to Homes program has had a 90% success rate in finding homes for 1,750 people formerly living on the streets (Girard, 2008). Some level of emergency short-term housing should remain available in all cities on a contingency basis even when public investment in housing and housing-related income supports are well established.

### **Targets, Timelines and Success Measures**

An essential part of any poverty reduction strategy for Ontario will be tracking and measuring success or failure over time. Agreeing on ways to measure broad targets

such as tracking progress toward a 25% reduction of people living in poverty is proving to be a challenge. Income measures such as the Low Income Cut-Off (LICO) and the Low Income Measure (LIM), Market Basket Measures and material Deprivation Indices are all being advocated individually or in some combination as necessary parts of a poverty reduction plan.

The Social Planning Network of Ontario is promoting the importance of establishing an income measure (LIM or LICO) as a leading “benchmark” indicator and supplementing that with a set of additional structural indicators in the specific policy areas promoted in The Policy Framework for a Poverty Reduction Strategy in Ontario ([www.povertywatchontario.ca](http://www.povertywatchontario.ca)).

One of the additional structural indicators should measure how the affordable housing provisions of a poverty reduction plan contribute to reducing poverty in Ontario. Caution is needed with respect to measures such as reduced social housing waiting lists or a decreasing number of shelter beds. These approaches could just hide what actually happens to people with respect to their housing just as tracking the success of welfare “reforms” in the 1990s masked the effect of stricter eligibility requirements, which did contribute to lowering social assistance caseloads but also increased food bank usage and levels of homelessness.

Reducing the number of families in “core housing need” is one possible structural indicator.<sup>5</sup> The FCM is promoting a national

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<sup>5</sup> Core housing need is defined as the expenditure of more than 30% of household income on rent. Severe core housing need is the expenditure of 50% or more of household income on rent. Two additional considerations factor into core housing need: the lack of

target of reducing the number of families in core housing need by 50% over 10 years. A further goal could be reducing the number of households in severe core housing need by an achievable amount over the same period of time.

The Cooperative Housing Federation of Canada sets a target for Ontario of 8,000 new affordable units, 4,000 covered by rent supplements for new units plus some rent supplement provision for existing rental units (Yetman and Cooper, 2008).

Broader indicators could also be considered. The severe drop in Ontario’s proportion of affordable units for all new rental construction from 11% in 1990 to 1% in 2008 could suggest setting the benchmark performance measure for this figure at 15% annually within the next three to four year period.

Finer measures are also possible that actually speak to the impact of the affordability and adequacy crises in housing in the lives of low and modest income Ontarians and that may resonate more clearly with the public. For example, the relationship between increasing affordable housing and the reduction of the number of children living in shelters could be tracked and reported publicly.

### **Conclusion**

In its recent report of a consultation on human rights and rental housing, the Ontario Human Rights Commission states:

*“A key theme in this consultation was the link between poverty, [Human Rights] Code grounds such as disability or race, and*

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suitability of the rental unit to household requirements plus rental accommodation that is not in a good state of repair.

homelessness. Consultees spoke about how the rates of public assistance and minimum wage have not kept pace with average rents across the province. As a result, a substantial group of Code-protected people with low incomes due to social assistance, minimum wage rates or part-time work are vulnerable to being underhoused or excluded from the rental market. Measures must be put in place to make sure that low-income Ontarians are able to afford average rents, food and other basic necessities." (OHRC, 2008)

As a signatory to international conventions, Canada has acknowledged that decent, stable and secure housing must be recognized as a right. As the OHRC has shown, there is a huge gap between the right and the reality on housing in Ontario. This is why a poverty reduction strategy and plan for Ontario must include a strong affordable housing component.

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## Poverty Watch Ontario

To monitor and inform on cross-Ontario activity on the poverty reduction agenda

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