



Strengthen Ontario's Provincial Policy Statement as one tool to meet the province's housing needs

Submission by Wellesley Institute to PPS five-year review

The Wellesley Institute believes that a strengthened Provincial Policy Statement can be an important tool for communities across the province to ensure all Ontarians have access to a healthy and affordable home. We are pleased to offer these recommendations in response to the Ontario government's request for submissions as part of the five-year review of the PPS.

The Wellesley Institute is an independent research and policy institute dedicated to advancing urban health. Our own research and other national and international research confirms that a good home is vital to ensuring good health. This submission was prepared for the Wellesley Institute by independent consultants Brian Eng and Richard Drdla and we gratefully acknowledge their expertise and valuable contributions.

The Provincial Policy Statement and affordable housing

This submission was prepared to provide input into the review of the 2005 Provincial Policy Statement. It focuses on the affordable housing obligations of the statement, and particularly on how they should be improved to fulfill its stated goal – namely, “to provide for an appropriate range of housing types and densities required to meet the projected requirements of the current and future residents.” This submission is founded on two basic propositions:

1. An adequate provision of affordable housing is a fundamental and critical feature of any “strong, livable and healthy” community.
2. The Provincial Policy Statement (PPS) has a vital role in ensuring that the municipalities are fully engaged in providing for that housing.

PPS one element of a set of affordable housing tools

A significant number of Ontario households are experiencing housing insecurity and homelessness, and a strengthened Provincial Policy Statement is one element in a set of affordable housing tools that are required to end the crisis.

At the start of 2010, the Ontario Non-Profit Housing Association reported that 141,635 households were on affordable housing waiting lists across the province – an increase of 9.6% from the previous year. Canada Mortgage and Housing Corporation reported that 627,500 Ontario households were in core housing need in 2006, including one-in-three renter households. Precarious housing has a deep and persistent impact not only on the health and lives of those who directly experience it, but insecure housing also disrupts communities, as well as the economy.

To respond to deep and persistent housing insecurity, the Ontario government has more than 20 programs managed by three ministries, yet the Ontario Auditor General in his 2009 annual report raised concerns about effectiveness and co-ordination of housing programs and investments. The Ontario Ministry of Municipal Affairs and Housing spent \$651 million in affordable housing operating expenses in the year ended March 31, 2010 (down from \$692 million the previous year), and \$663 million in capital spending (up from \$93 million) – with \$798 million of total housing investments coming from the federal government (up from \$573 million).

After a six-month consultation in 2009 to create a long-term affordable housing strategy, the provincial housing ministry said that the plan “is anticipated for release in 2010.” The plan will be an important tool in meeting the housing needs of Ontarians. The Housing Network of Ontario has set out five key tests for success in the long-term housing plan. These are:

1. Bold targets and sustained funding to ensure an adequate supply of quality, affordable housing for Ontarians, supported by multi-year financial commitments.
2. A solid measuring stick that includes a solid foundation of accurate evidence about the scale of housing insecurity and homelessness and a clear way to measure progress.
3. Accountability to ensure the Long Term Affordable Housing Strategy is kept on track, and the plan remains accountable to the people it intends to serve.
4. Make housing truly affordable and accessible so that all Ontarians are able to access housing they can afford, and supports should be provided to ensure equitable thriving, inclusive communities.
5. Reform housing legislation to build stronger communities through the key legislation that governs municipal planning, social housing and the private rental market.

The proposals set out below to strengthen the PPS need to be part of a broad set of policies and funding from the Ontario government to tackle the range of housing issues across the province.

Planning context for the Provincial Policy Statement

Ontario has used PPSs since 1983 to express its authority over “matters relating to municipal planning that ... are of provincial interest.” These statements provide a binding planning

framework for all municipalities. All official plans, as well as associated land-use regulations and development decisions, “shall be consistent with” the policies set out in these statements.

The role of the policy statements became more important after the planning reforms in 1995. Until that time, the Province had reviewed and approved local municipal plans. The reforms curtailed that responsibility. As a consequence, the statements have become the primary vehicle for expressing provincial direction on key province-wide planning issues.

Affordable housing was addressed for the first time in the 1989 housing policy statement. Through this statement, Ontario’s major and growing municipalities were directed for the first time to plan for a full range of housing types.

This housing statement was prepared in response to the rapid growth in the late 1980s, especially in southern Ontario. During this period, the private development industry had focused on higher-priced single-detached dwellings and luxury condominiums, while ignoring much needed smaller and more affordable housing.

The land-use planning process was also seen to be very much part of the problem. It was criticized at the time particularly for widely employing development regulations that too often impeded the provision of the less expensive forms of housing.

Current provisions of the Provincial Policy Statement

Under the current *PPS*, the fundamental obligation of municipalities toward affordable housing is an extension of their wider housing obligation. This obligation is “to provide for an appropriate range of housing types and densities” needed for their existing and projected housing needs.

To meet this housing obligation, the municipalities are directed to do essentially the following:

- maintain a reasonable supply of appropriately serviced and zoned lands for housing; and
- use development standards that minimize costs and facilitate compact development.

As part of this obligation, they are also directed specifically to provide for housing “affordable to low and moderate income households.” To that end, they are expected to set and implement minimum targets, either on their own or in conjunction with their upper-tier regional authority.

Housing affordable to low and moderate income households is defined using two different standards – one based on household income and the other on housing price or rent. Each standard sets a somewhat different level of affordability.

It is important to note that there are no other responsibilities or tools specific to the provision of the housing for low and moderate income households.

Principal purpose of the Provincial Policy Statement

The principal purpose of the PPS housing policies has remained the same through its past several iterations. (The 1996 version provides the only exception; it removed all references to affordable and low-and-moderate-income housing.)

This principal purpose has been to increase the diversity and supply of housing available on the private market, particularly at the lower end of the market.

The purpose has never been to provide for affordable housing under any strict definition of that term. Put another way, it has never been to extend the range of housing affordability below that already being provided by the private market.

The PPSs have not recognized the significant affordability gap that has occurred between market housing and social housing. There are many households that can no longer afford new market housing, but are not eligible for government assistance. The number of households falling into this gap has increased considerably in recent years, as market prices have risen dramatically in many communities while median incomes have stagnated.

This distinction is important as it helps to explain why the *PPSs* have never been effective in addressing affordable housing. The municipalities have not been held responsible for, nor made capable of, causing the production of housing that is truly more affordable. At best, they can, through good planning, only provide the opportunity for private developers to build less expensive forms of market housing, when (or if) they are ever willing to do so.

Relevant lessons from the US experience

Ontario is not the only major jurisdiction that has attempted to confront the shortage of affordable housing by engaging municipal governments more fully in its production. The states of California, New Jersey, Massachusetts and Illinois, and regional authorities for greater Portland and the Twin Cities, have all in different ways developed affordable housing mandates that oblige their constituent municipalities to provide for affordable housing. Their experience provides relevant precedents and important lessons that can be used in Ontario.

The overriding lesson from this experience is that municipalities, through their own resources and powers, are capable of supporting the production of affordable housing. The supports are typically not sufficient to provide the deep subsidy to reach low-income households needing social housing. But they are able to provide a shallow subsidy sufficient to help moderate-income households being left out of the private housing market by rapidly rising prices.

The other main lesson is that most municipalities are unlikely to accede to providing for affordable housing, except when faced with an effective affordable housing mandate, and particularly one that includes these provisions:

- the municipalities are obliged to cause the development of affordable housing in a substantive way that goes beyond merely planning for it;
- the municipalities are given clear and demanding affordable housing targets;
- affordable housing is rigorously defined in a way that provides the housing at a price or rent below that currently being made available by the private market;
- the municipalities are given a range of suitable tools that are adequate to meet their affordable housing targets;
- municipalities are held accountable for meeting their affordable housing targets;
- municipalities have timely and appropriate data for setting income and price thresholds for the affordable housing relevant to their particular market areas;
- municipalities are able to protect the affordability of the housing – including affordable ownership housing – for an enduring period of time.

An effective affordable housing mandate also can be constructed here in Ontario. It starts with making key changes to the *PPS*, but also involves making supportive changes to the other parts of the planning system as well. The following recommendations address all of these changes.

Recommended revisions to the Provincial Policy Statement

The *PPS* must be significantly strengthened in order to make it into an effective affordable housing mandate. Revisions particularly are needed to these four critical provisions:

1. The statement must establish a clear obligation for all municipal jurisdictions to use all of their available powers and resources in an affirmative and pro-active way in providing for affordable housing.

The current obligation of the municipalities to provide for affordable housing has no substantial consequence. They are only expected to provide an opportunity for affordable housing by planning appropriately for affordable housing. That obligation falls well short of requiring the municipalities to provide assistance or incentives of their own that will support the development of affordable housing.

The *PPS* must make clear that municipalities do have a responsibility to effect the development of affordable housing through the full use of their own powers and resources. They cannot solely rely upon private market, or provincial and federal funding, to achieve it.

At the same time, as noted below, the powers and resources available to municipalities to provide for affordable housing also must be expanded so that they have the capability to meet this more demanding obligation.

2. The statement must define affordable housing effectively as “below-market housing” – that is, housing that is provided at a price or rent substantially below that available for the equivalent new housing in each community.

Under the PPS, the municipalities are directed essentially to provide for housing affordable at the “low-end-of-market.” This is housing that can be built by the private sector, while still earning a reasonable profit without any public incentives and assistance. This housing does not extend the price range of housing; it just expands the amount of less expensive housing available.

The more demanding “below-market” standard is directed at producing new ownership and rental housing at an affordability level not currently available, and in doing so, providing for a range of housing needs that now goes unrecognized and unmet.

3. The statement must set fair, measurable and demanding affordable housing targets for each municipal jurisdiction.

The municipalities are now able to set their own affordable housing targets without any provincial guidelines or rules. At best, this creates an arbitrary and inconsistent patchwork of targets. At worst, it leaves ample opportunity for the municipalities to trim their obligations.

The targets must be set in a way that clearly holds all municipalities to a common performance standard. The targets must ensure that all municipalities are providing for a fair share of affordable housing. As much as possible, they also must be founded upon the local needs for affordable housing as well as the local capabilities for providing it. All of this will not be readily achieved.

If the municipalities are allowed to continue setting their own targets, then their determinations must be subject to clear and consistent rules. Alternatively, the province should consider setting targets or quotas as currently done by the major jurisdictions in the US.

4. The statement must establish systems for monitoring the performance of the municipalities in providing for affordable housing, and holding them accountable for meeting their targets.

Municipalities at the current time are not held accountable for providing for affordable housing. There is no monitoring if the targets are met, nor if the housing remains affordable for any sustained period of time.

At the very least, the municipalities must be required to report on a regular basis on their efforts to produce and protect affordable housing. In time, it might be necessary to consider ways of enforcing the provisions of the PPS when a municipality persists in not meeting its obligations.

Recommended changes outside the Provincial Policy Statement

In addition to the changes to the PPS, associated changes are critically needed to other parts of the planning system, in order to support the strengthened role of the PPS. Those needed changes include the following three important provisions:

A. The municipalities must be provided with the authority to use locally-based tools to provide effectively for affordable housing.

The tools currently available to municipalities are not adequate to provide for affordable housing. They are limited essentially to providing subsidies derived from property taxes, and offering municipal lands at a low or no cost. Neither can be used in a sustained way.

The municipalities must be given other new tools commensurate with the expanded and more demanding obligation to provide for affordable housing.

The most effective of these new tools is inclusionary housing. It is important because it enables municipalities to leverage incentives coming out of development regulation and approval processes to cause production of affordable housing without depending upon financial subsidies.

There are also other tools that deserve consideration. These include the use of development charges specific to affordable housing, tax increment financing, housing trust funds, community land trusts, and funding derived from other locally-based taxes.

B. The municipalities must be provided with the authority to control the affordability and occupancy of affordable ownership units whenever resold over an enduring period of time.

Municipalities in Ontario currently do not have the legal means to ensure that affordable ownership housing remains “permanently” affordable. At best, they can use second mortgages to recover their financial stake in the housing when sold onto (and then lost to) the private market. Or, they can use a “right of purchase” to re-acquire the affordable housing whenever sold, and then resell the housing at affordable price.

They need the authority similar to that available to local governments in British Columbia. Under provincial legislation there, local governments are able to use positive covenants registered on title that ensure that the affordability of the housing is passed onto each subsequent buyer without the direct involvement of the local government.

C. The municipalities must be supplied with the income data needed to establish the locally-specific income ceilings for determining eligibility for affordable housing, not only when sold initially, but also upon resale.

The income data now available to the municipalities is inadequate for a number of reasons. It is not timely nor renewed on annual basis, specific to each municipality or market area, and differentiated by different household sizes and/or types.

The province is better able to provide – or organize the provision of – the data needed by every municipality, than have each municipality wrestle with generating its own. It would be far much more efficient. It would also be fundamental to setting a consistent performance standard for all municipalities, and for establishing effective monitoring procedures of the outcomes.

All of which is respectfully submitted,

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