

Housing and the Ontario election 2007

Did you know:

- ⇒ Less than 2% of new homes built in Ontario are truly affordable...
- ⇒ Rising housing costs are squeezing a growing number of households...
- ⇒ Lower-income renters get funding and program cuts, and downloading...
- ⇒ While wealthier home owners get big tax cuts and other subsidies...
- ⇒ Provincial spending on affordable housing has been flat-lined since 2002...
- ⇒ Only one political party has offered specifics when it comes to housing...
- ⇒ The costs of solutions are far less than the costs of “doing nothing”...

Prepared by Michael Shapcott | [October 1, 2007](#)

This is an update of a primer released by the Wellesley Institute (first edition in early September, second edition on October 1) that provides election information. This EXTRA edition includes the latest specific housing commitments by the New Democratic Party.

Ontario's affordable housing crisis remains deep and persistent. More than 600,000 households (that's more than 1.5 million women, men and children) are in core housing need¹, and many more are directly affected by a shortage of homes and high housing prices. The affordable housing crisis affects the personal health of individual Ontarians, it disrupts communities and it is a drag on the economic health of the province. The costs of the affordable housing crisis are high, much higher than the costs of the solutions. This primer from the Wellesley Institute looks at affordable housing issues since the last provincial election in the fall of 2003.

Supply squeeze: Few new affordable homes, existing housing in poor shape

Ontario's population grew by more than 490,000 people from 2003 to 2007². Construction was started on about 250,000 new homes from January 2004 to July 2007³. However, only 5,800 of those were affordable and/or supportive⁴ - less than 2%. Most low and moderate-income Ontarians rent in the private market. The primary rental market grew by less than 3,000 units from 620,901 in 2004 to 623,805 in 2007^{5,6}. The vacancy rate increased slightly after 2003⁷, but has started to move back down. Many renters live in rented condominiums or secondary suites, where rents are typically higher than the primary market and vacancy rates lower⁸. There are an estimated 123,182 households on affordable housing waiting lists in Ontario⁹.

About one-in-three of the province's existing homes needs are in poor shape. More than one million houses are in need of minor repair, and more than 314,000 homes are in need of major repairs¹⁰. Some of those units are public housing projects developed by the government in the 1950s and 1960s and poorly maintained since then, but others are privately-owned rental and ownership housing that are below proper standards.

Affordability squeeze: Rising costs are outpacing Ontarians ability to pay

The cost of housing – rental and ownership – has been increasing since Ontario's last provincial election in 2003, even though household incomes for low, moderate and middle-income Ontarians have been stagnant or declined. Average private market rents rose by 4% from \$886

¹ Source: Canada Mortgage and Housing Corporation, 2001

² Source: Ontario Ministry of Finance, 2007

³ Source: Canada Mortgage and Housing Corporation, 2004 to 2007

⁴ Source: Ontario Ministry of Municipal Affairs and Housing, July 2007

⁵ Source: Canada Mortgage and Housing Corporation, 2004 and 2007

⁶ Demolition and conversion of existing rental stock meant that the overall increase in rental housing was less than the number of new homes added since 2003.

⁷ The primary vacancy rate has hovered between 3 and 4% - source: Canada Mortgage and Housing Corporation, 2004 to 2007

⁸ Source: Canada Mortgage and Housing Corporation, 2007

⁹ Source: Ontario Non-Profit Housing Association, 2007

¹⁰ Source: Canada Mortgage and Housing Corporation, 2001

to \$921 from 2003 to 2007¹¹. Yet renter household incomes are falling. Half of all tenant households in Ontario had an annual income of \$27,800 or less in 2004 – a drop of \$2,000 from 2003^{12,13}. More than 675,000 Ontario renter households (almost one-in-five households) can afford no more than \$695 – which leaves an affordability gap of at least \$200 monthly. Ontarians are covering the shortfall between income and rent by cutting back on basics (food, medicine, transportation, clothing). A record number of Ontario renter households faced eviction in 2006 because they couldn't afford the rent – a total of 66,746 households¹⁴. The year 2005 set the previous record. On an average working day, more than 260 Ontario households face eviction. Growing energy costs are the second-leading cause of evictions in Ontario¹⁵.

While many upper-income tenant households were able to buy a home during the 1990s, the ownership market has grown less accessible since 2003. A standard condominium in Ontario cost \$226,925 in early 2007 – a big increase from 2003. To purchase that home, a household needs a down payment of \$57,000 and an annual income of \$54,900¹⁶. A smaller down payment is possible, but this increases the monthly carrying costs. The high cost of ownership has shut out the one-half of Ontario households with annual incomes below the qualifying mark. Even “no frills” condo plans at the very low-end-of-market only manage to bring the qualifying income down to the mid-\$30,000 range – which leaves out 40% of Ontario households.

Funding squeeze: Thin patchwork of housing dollars and programs

Ontario's private rental and ownership sectors are not able to meet the affordable housing needs of low, moderate and, increasingly, middle-income households. Private markets have never offered truly affordable housing in Ontario and there is no developed country in the world where private markets meet the housing needs of the entire population. The key problem is the gap between what households can afford to pay and what private markets need to charge to cover development and operating costs (plus their profit).

Here in Ontario, and elsewhere, governments have several policy options to create and maintain a good supply of affordable homes:

- capital subsidies (direct grants or tax subsidies paid either to non-profit or private developers to help build new homes)
- affordability subsidies (housing allowances or rent supplements paid to individual households or landlords to cover the gap between what a household can afford to pay, and what the landlord needs to charge to cover costs), and
- tenant protection (rent regulation, rental housing protection and tenant protection laws that moderate sharp increases, preserve the supply of existing affordable homes and provide security of tenure to renter households).

A comprehensive provincial housing strategy would also include:

¹¹ Source: Canada Mortgage and Housing Corporation, 2004 to 2007

¹² Source: Statistics Canada, 2006

¹³ Note: Income data is not yet available for the years following 2005.

¹⁴ Source: Ontario Landlord and Tenant Board, 2006

¹⁵ Source: Low Income Energy Network, 2006

¹⁶ Source: RBC Economics, September 2007

- supportive housing (for people with housing with special needs)
- repair and rehabilitation (a significant amount of housing is in need of repair), and
- emergency relief (to prevent evictions and provide support and services for the homeless).

An affordable housing strategy is a key part of a poverty reduction strategy that includes:

- better employment incomes, starting with an immediate rise in the minimum wage
- better income assistance for those who are unable to work, and
- specific initiatives for groups that bear the heaviest burden, including Aboriginal people, women and ethno-cultural groups.

Funding squeeze: Owners get massive subsidies as renters face cuts

Home owners have incomes that are, on average, at least double those of renter households and net worth that is many thousands of times higher than the net worth of tenants. While the greater need is among renters, the Government of Ontario – along with other governments – provides much more generous subsidies to owners than to renters. Starting in the 1990s, there have been massive cuts of hundreds of millions of dollars in affordable rental programs, plus an erosion of tenant protection laws, even as the amount of subsidies for owners has grown.

Most of the massive amount of owner subsidies is delivered via taxes. This makes it less visible politically, since more attention is paid to direct spending and not tax spending. However, a dollar spent on tax subsidies is the same as a dollar delivered through direct spending. Despite this, no level of government provides a full accounting of the billions of dollars that flow to home owners through various subsidies, including:

- tax-free capital gains on a principal residence (owners are allowed to pocket speculative increases in their property without paying taxes on this income)
- lower property taxes for owners (in Toronto, for instance, tenants pay a property tax rate three and one-half times higher than owners), and
- tax subsidies, waiver of fees and other financial incentives to encourage ownership, including first-time buyers.

All new provincial funding for affordable rental housing was cancelled in 1995, when the Government of Ontario also cancelled 17,000 units approved for development. Three years later, the province started to download the funding and administration of existing social housing programs (including federal social housing programs that were downloaded to the province starting in 1996). Ontario's *Social Housing Reform Act* created a common set of operating rules for affordable housing programs. A key goal of the legislation was to create new rules to manage social housing waiting lists, which were expected to increase along with the growing need for affordable housing.

Provincial spending on affordable housing dropped from almost \$1.4 billion annually in 2000 to about \$790 million in 2002, and it has been flat-lined since then¹⁷. Most of the money to support the modest amount of new affordable housing in Ontario (5,800 units since the last election) has come from the federal government, municipalities and property developers. Direct provincial funding represented a small amount of the overall dollars.

¹⁷ Source: Ontario Ministry of Finance, 200 to 2007

A growing number of municipalities, housing providers and business organizations are calling on the provincial government to take two critical steps:

- upload housing costs that were downloaded to municipalities starting in 1998, and
- increase direct provincial spending on affordable housing.

The Ontario Alternative Budget is a fiscally and socially responsible financial plan that calls for \$1.9 billion in new housing funding: \$600 million to upload housing back to the provincial level where it belongs; \$220 million for 45,000 rent supplements, \$830 million for capital grants for 8,300 new truly affordable homes; and \$260 million for a social housing rehabilitation fund¹⁸.

Political parties: Only one party offers specifics when it comes to housing

At the start of the election campaign, Ontario's three major political parties were very short on specifics. None of the parties offered details on the four key elements:

- targets for affordable housing initiatives
- funding to support those initiatives
- legislation for more effective tenant protection and rent regulation, and
- programs to make the new housing happen.

However, in the final two weeks of the campaign, the New Democratic Party of Ontario released a specific set of commitments. They have proposed to fund 7,000 new affordable homes annually (including 1,500 co-op units, 750 supportive housing units and 500 seniors' units); 10,000 new rent supplements; strengthening rent controls to end "vacancy decontrol" in the current law (which allows a landlord to set any rent they want on a vacant unit); a licensing scheme for landlords; a plan to provide "fairness" for condo owners¹⁹. New Democrats support a comprehensive poverty reduction strategy, including a plan to raise Ontario's minimum wage to \$10 immediately (which would help to close the housing affordability gap). The party has also promised to upload social service costs downloaded to municipalities starting in 1998.

The Liberal Party of Ontario has said it will: "create a long-term strategy for affordable housing. We will ensure this strategy contains a mix of non-profit and co-operative housing, and takes advantage of creative financial options" and "join with financial institutions to create a new program to help low-income Ontarians build equity and save for a home..."²⁰ The McGuinty Liberals promised in 2003 that they would fund 26,600 new affordable and supportive homes, but they have managed to achieve only about 20% of their target. They have promised a partial upload of social service costs. The Liberal plan doesn't have specific targets or funding.

The Progressive Conservative Party of Ontario is equally vague in its election manifesto. It proposes to "grow the supply of co-operative housing" and "house the homeless" without offering any specifics on targets, dollars, legislation or programs. The Conservatives have promised \$1 billion over ten years in subsidies to social housing providers to "cover the full cost of borrowing" to pay for necessary repairs. No more details have been announced. The

¹⁸ Source: Ontario Alternative Budget, Canadian Centre for Policy Alternatives, 2007

¹⁹ Source: NDP Campaign 2007: Decent and affordable housing, 2007

²⁰ Source: Moving Forward Together, Liberal Party 2007 election manifesto

Conservatives have also said that they will allow municipalities to convert subsidies paid for shelter beds into subsidies for permanent housing. They have promised to consider an upload of social service costs once a provincial-municipal review is completed.

Questions for candidates: Ontario election 2007

What targets will you set to increase the supply of affordable housing in Ontario?

Will you upload the cost of housing from municipalities back to the provincial level?

What specific funding, legislation and programs will you introduce to:

- provide new affordable homes
- repair existing run-down housing
- close the affordability gap through rent supplements, housing allowances, etc., and
- provide new supportive housing?

On-line resources:

Elections Ontario has information on registering to vote in the provincial election, along with specific information for people who are homeless and others with special needs:

⇒ <http://www.electionsontario.on.ca/>

Ontario voters will be asked to consider a new way of voting during a referendum. Details are at:

⇒ http://www.yourbigdecision.ca/en_ca/default.aspx

The Ontario Non-Profit Housing Association election web site is at:

⇒ <http://www.onpha.on.ca/election2007/>

Housing co-operatives have an election web site at:

⇒ <http://www.coophousing.com/newpages/Election2007.htm>

Toronto Community Housing Company has election information at:

⇒ <http://www.socialplanningtoronto.org/TCHC%20Voter%20Ed/index.html>

The Ontario Alternative Budget, a project of the Canadian Centre for Policy Alternatives, is at:

⇒ <http://www.policyalternatives.ca/index.cfm?act=main&call=1a9268d9>

Campaign 2000, the community-based initiative to end child and family poverty in Ontario, has detailed information, including an election flyer, at:

⇒ <http://www.campaign2000.ca/on/index.html>

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