

Affordable housing: A necessary piece of the foundation for building a healthier and more equitable Ontario

In this pre-budget policy brief, Wellesley Institute provides background on Ontario's affordable housing situation and raises points to consider when reviewing the 2012 budget.

THE CURRENT FISCAL LANDSCAPE FOR AFFORDABLE HOUSING IN ONTARIO

A good, affordable home is one of the most important determinants of health. Good housing is fundamental to individual and population health, as precarious housing and homelessness leads to a heavy burden of poor health and premature mortality.¹ Better housing leads to better health which, in turn, leads to reduced health care spending. In addition to the health and social benefits, government investments in housing generate jobs and are good for the economy. The federal government estimates that every \$1 invested in housing generates \$1.50 in economic multipliers, including jobs.² Investing in affordable housing is not only good for the precariously housed and homeless, but is also a smart economic investment.

Most of the dollars that Ontario allocates to affordable housing come from the federal government.

Since 1996, the federal government has been committed to a steady erosion of operating dollars for housing – and the downward trend will accelerate in the next few years. Operating dollars help to maintain housing that was built over the last few decades in a good state of repair. The federal government has sharply cut its funding for new affordable homes since announcing new spending in the 2009 'stimulus' budget. This past year, the main federal-provincial affordable housing initiative was practically eliminated (cut by 97%) and virtually all federal funding for new affordable homes will expire by 2014. The federal government gave \$448 million to Ontario for social housing in 2010, about 75% of the \$629 million the province invested in existing affordable housing.

Capital investments in housing fund the construction of new affordable homes. On the capital side, the federal government invested \$338 million to help fund new

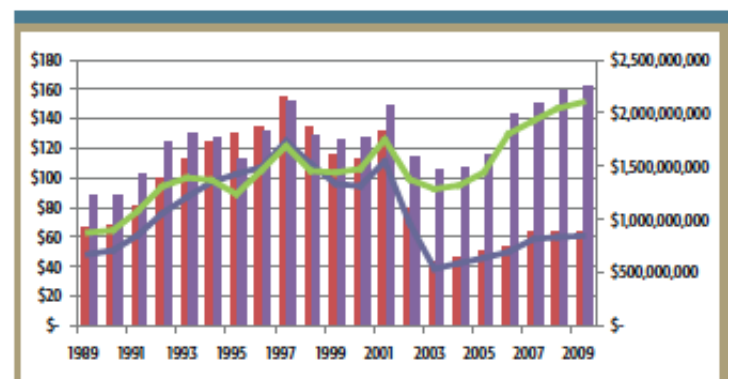
¹ For a summary of the links between housing and health, see Wellesley Institute, *Precarious Housing in Canada 2010*, Chapter 1. Available at <http://www.wellesleyinstitute.com/publication/new-report-precarious-housing-in-canada-2010/>

² Government of Canada, *Canada's Economic Action Plan – A Seventh Report to Canadians*. Available at <http://www.fin.gc.ca/pub/report-rapport/2011-7/ceap-paec-a-eng.asp>

affordable homes in 2010 – that's 47% of the overall Ontario investment of \$722 million in new housing investments that year.

About a decade ago, the Ontario government downloaded provincial affordable housing funding and programs to municipalities (which explains the sharp drop in provincial operating spending on housing after 2001 – see chart). Much of the provincially-developed affordable housing stock – including the former Ontario Housing Corporation buildings – was aging and in poor repair before the download. The Ontario government downloaded a capital repair liability to municipalities that was estimated at a billion dollars several years ago, and has grown since then. In 2008, the Ontario government announced \$200 million in capital repair funding for housing. Toronto Community Housing Corporation (TCHC) puts its capital shortfall at \$750 million – much of it due to provincial downloading. The board of TCHC has said that it needs to sell-off 675 buildings just to raise a small portion of the capital dollars required to bring the downloaded housing up to a good state of repair. Selling off a large amount of housing at a time when social housing wait lists are at an all-time record is a bad idea, and Toronto City Council is establishing a task force to chart a sustainable future for TCHC.

Ontario housing investment



Red bar: provincial housing investments per capita. Purple bar: combined provincial and municipal investments (right scale), Blue line: overall provincial dollars (not adjusted for inflation or population growth). Green line: combined provincial and municipal dollars (left scale).

Ontario has the worst housing investment record among the provinces. At \$64 per capita, Ontario invests half the provincial average and requires municipalities to make a bigger contribution to housing than any other province. Even with modest increases in recent years, provincial housing spending is still the lowest in two decades.

(Source: *Precarious Housing in Canada 2010*, p.83)

In the Wellesley Institute's 2011/12 pre-budget submission, we urged the Ontario government to double the Infrastructure Ontario affordable housing loan fund to \$1 billion. This fund allows housing developers to access cheap capital for housing development and repairs. The fund is capitalized through the sale of government bonds, not taxpayer dollars. We also urged the province to maintain Ontario investments in affordable housing at the 2009 level. The Ontario government chose, instead, to cut investments in affordable housing during 2011/2012. Capital spending on new affordable homes was cut by 84% (\$606 million) and operational spending on existing affordable housing was cut by 3% (\$18 million).³ Those cuts were made even before the provincial government warned of impending across-the-board spending cuts.

THE DRUMMOND REPORT'S RECOMMENDATIONS FOR INCREASED HOUSING INVESTMENTS

The recently released Drummond Report⁴ on provincial spending takes up both dimensions of housing investments – urging increased investment in new affordable homes and urgent attention to aging existing housing stock.⁵ At page 443, the Drummond Report notes:

“Much of Ontario's social housing was constructed over 30 years ago, resulting in a need to invest in repair and rehabilitation work. At the same time, Ontario's population continues to grow and to age, which requires specialized affordable housing. In July 2011, the province signed a three-year bilateral agreement with the federal government for investment in affordable housing. The agreement will provide \$480.6 million, cost-shared 50/50 between the federal and provincial governments, to fund the creation or repair of about 6,000 affordable housing units. There is currently no federal funding commitment beyond the end of the current agreement. The absence of an agreement with the federal government for affordable housing would impact both capital programs (repair and construction) as well as operating programs (rental supplements).”

On pages 443 and 444, the Drummond Report surveys municipal infrastructure issues, including social and affordable housing:

“About 40 per cent of public infrastructure in Ontario is owned by the province's 444 municipalities. Assets include roads and bridges, water and wastewater infrastructure, transit systems, affordable/social housing, solid waste facilities, public buildings, Conservation Authority infrastructure, and land. Since the 1950s, municipalities' share of public infrastructure has grown significantly.”

³ Ontario housing capital and operating investments from Ontario Ministry of Finance, Expenditure Estimates, various years. Available at <http://www.fin.gov.on.ca/en/budget/estimates/>

⁴ The Wellesley Institute's rapid response to Drummond is here: <http://www.wellesleyinstitute.com/news/drummond-report/>

⁵ The full report of the Drummond commission is available at: <http://www.fin.gov.on.ca/en/reformcommission/>

“Municipalities are responsible for maintaining their infrastructure — a responsibility clearly defined through policies that govern municipalities. The province also has an ongoing obligation to help ensure the safety and sustainability of municipal infrastructure. The province accomplishes this through a variety of policy instruments (e.g., standards and inspections) as well as funding programs that support municipal infrastructure priorities. Despite these efforts, there are continual calls on senior governments to ensure adequate investment in municipal infrastructure.”

“While policies have rightly focused on specific issues (such as drinking water safety), there is a need for a more comprehensive plan that points the province, municipalities and the federal government in the same direction as efforts are made to address the ongoing challenge of underinvestment in the sector. While probably part of the solution, this challenge cannot be resolved through funding alone. More fundamental reforms are needed for the sector to be on a sustainable footing.”

To address this situation, the Drummond Report makes the following recommendation:

“Recommendation 19-14: Ontario should negotiate with the federal government to commit to a housing framework for Canada that includes adequate, stable, long-term federal funding and encourages its housing partners and stakeholders, including municipal governments, to work with the federal government to secure this commitment.”

The Drummond Report zeroes in on a key housing issue in Ontario - aging housing that is falling into a poor state of repair. Municipalities don't have the tax base to support the hundreds of millions of dollars required, so Drummond calls on the federal and provincial governments to negotiate a new, long-term housing deal that would provide funding both for much-needed new affordable homes and also for repairs of existing, sub-standard housing. The federal government promised in June of 2009 that it would work more closely with the provinces and territories to meet the housing needs of Canadians. The Drummond recommendation provides an important reminder that this collaboration is long overdue.

CONCLUSION: HOW THE PROVINCE CAN IMPROVE HOUSING AFFORDABILITY: BUDGETARY & NON-BUDGETARY MEASURES

In completing work on Ontario's 2012/13 budget, the provincial finance minister should take up the Drummond recommendations that the provincial and federal governments negotiate a long-term affordable housing plan with adequate funding; and that the province en-

sure that municipalities have access to a range of funding programs and policies to properly maintain housing infrastructure.

Ontarians cannot afford to wait months or years for negotiations towards a comprehensive federal-provincial territorial housing deal to be completed, however.

While the Drummond Report makes the important recommendation that Ontario needs to take leadership in getting the federal government and the other provinces and territories back to the table, the province also needs to make specific investments in affordable housing in the upcoming provincial budget. These include:

- doubling the allocation for affordable housing in the Infrastructure Ontario affordable housing loan fund to \$1 billion, to be financed by the sale of government bonds
- reversing the cuts in both operating and capital dollars for affordable housing in the past year, and restoring the approximately \$600 million that is required to build new homes, repair run-down housing and support housing-related services.

In addition to much-needed financial investments, there are important steps that Ontario can take that won't cost the treasury a penny. These include:

- Amend the Planning Act to allow municipalities to develop mandatory inclusionary housing plans, similar to initiatives in hundreds of US cities where a fixed percentage of affordable homes is required in every new development.⁶ Each municipality would be responsible for setting its own inclusionary housing rules, but the province needs to give municipalities the legal right to create inclusionary housing plans through an amendment to the Planning Act.
- Protecting the province's existing stock of social housing from sell-off. Under provincial legislation, the Ontario government must give its approval for the sale by municipalities of designated affordable homes. Affordable housing wait lists are growing in most parts of the province. The Ontario government has a vital role to play in preserving the existing supply.

⁶ For more information, see the Wellesley Institute's Inclusionary Housing Canada at <http://www.inclusionaryhousing.ca/>.

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The Wellesley Institute engages in research, policy and community mobilization to advance population health.

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