London
CANADA

BRIEFING NOTE

Housing

December 19, 2011

1. Long-Term strategies

Issue:

Municipal governments have proven themselves ready and willing to fund, deliver and manage locally appropriate strategies and programs, but lack the fiscal capacity to respond effectively to the issues of homelessness and housing affordability. The objective is to secure new long term government investment to harness and maximize the impact of existing assets and new investment. Over a sustained period this would reduce homelessness, improve housing affordability and restore a well functioning housing system with healthy dynamic neighbourhoods.

Key Messages:

- Long term federal investment in housing is necessary to maximize existing resources

Background:

In January 2008, the Federation of Canadian Municipalities (FCM) released a national action plan "Sustaining the Momentum: Recommendations for a National Action Plan on Housing and Homelessness". This action plan report advocated for a long-term funding framework together with a comprehensive national strategy focusing on eliminating chronic homelessness and significantly reducing the housing need problem that confronts one in every six Canadian households.

2. Market Incentives

Issue:

Cities and communities across the country are feeling the strain of low vacancy rates and historically high rents.

Key Messages:

- The City of London supports the FCM proposals to help preserve existing affordable rental housing and increase the supply of our rental stock.

Background:

Low vacancy rates and high rents are a result of decades of low levels of purpose built rental supply, erosion and loss of the more affordable rental stock, and persisting affordability issues exacerbated by high energy and utility costs – often paid by tenants.

In March 2011, the Federation of Canadian Municipalities (FCM) adopted a proposal to highlight three targeted economic incentives to help preserve existing affordable rental housing and increase the supply of our overall rental stock with a view to sustaining a healthy housing sector, stimulating the construction industry and producing an array of positive outcomes for tenants, landlords, governments and the environment. The three possible options proposed for discussion are:

1. Rental Housing Protection Tax Credit
2. Eco-Energy Rental Housing Tax Credit
3. Building Canada Rental Development Direct Lending Program

3. <u>Expiry of federal programs and subsidies</u>

Issue:

Over the next decade, annual federal spending on existing social housing is scheduled to decline by almost $500 million nationally against 1995/1996 base levels (much of which will be matched by provincial declines).

From 2007 to 2012, federal funding to the City of London for existing social housing programs will have been reduced by $379,754. By 2035, this reduction of subsidies to the City of London will be over $8.7M. Federal funding to existing social housing programs will expire as local agreements expire.

Key Messages:

- These planned expenditure reductions should be reinvested to preserve existing stock, to attack the backlog of need and to ensure that housing need does not increase further as the population and number of households grows.

- The commitment and renewal of expenditures levels at the federal level must be maintained in order to preserve and modernize social housing assets in order to serve future generations of households in need, it being noted:

➢ that the existing social housing stock is an extremely valuable asset;
➢ that the enormous public investment in social housing should be protected and preserved;
➢ that federal funding has not been committed beyond the current social housing debentures and mortgages;
➢ that the average reduction in on-going subsidies to existing social housing at the national level will be $100M from 2008 to 2012 compared to 1995/1996 and $265M from 2013 to 2017; and that
➢ there is a growing concern about the on-going viability of the social housing stock; and municipal funding and legal risks are increasing in Ontario.

Background:

Over the years, the gradual reduction in federal non-profit housing program subsidies has also reduced the ability of social housing providers to offer rent-geared-to-income subsidies to tenants. The reduction in annual federal funding will also affect former provincial non-profit, co-operative, and public housing programs. Under the Ontario *Social Housing Reform Act 2000* and its successor legislation *the Housing Services Act 2011,* the City of London is legislated to provide 5,939 rent-geared-to-income units.

Federal block funding is not indexed to inflation. Funding is being reduced while costs go up. In Ontario, the difference in costs must be borne by municipal property taxes. An analysis of government spending patterns over the past two decades reveals the critical role that federal spending has in leveraging and sustaining investment from other orders of government.

The federal government has long held the view that each social housing project should be self supporting once its mortgage is retired; however local experience indicates that this is not true. With the expiry of social housing agreements and the discontinuation of federal funding, several questions must be investigated and answered:

1. Will there be sufficient revenue to provide rent subsidies?
2. Will there be sufficient revenue to maintain the housing and to do capital repairs?
3. Will savings to government be re-invested in the existing stock or in new affordable housing or will it be spent elsewhere?

As existing social housing operating agreements expire, there will be reduced expenditures from the federal government. As an alternative, these savings would provide opportunity for the federal government to reinvest in social housing in order to preserve rent-geared-to-income levels, to ensure adequate replacement capital and /or to create new affordable housing projects.

Federal non-profit housing providers turn to municipalities, as Service Managers under the *Social Housing Reform Act* (SHRA), for support and assistance now; they will continue to do so even more when their federal funding ends. This will create a significant financial risk for Service Managers.