

## BRIEFING NOTE

### FINANCE AND ADMINISTRATIVE SERVICES MEETING WITH MPPs

#### Social and Affordable Housing

March 2, 2012

#### Issue:

Provincial Long Term Affordable Housing Strategy (LTAHS) and new *Housing Services Act, 2011* (HSA)

The City of London gratefully acknowledges the Province's recent announcement regarding the Investment in Affordable Housing for Ontario (IAH) program, in particular the details of the notional allocation to assist us with our planning for IAH. Being aware of the funding we have to work with is paramount in the successful delivery of our IAH programs. It is evident that the Ministry acknowledges the new relationship between the Province and Service Managers.

Although we recognize the Province's right to set the overall vision and provincial interests for housing in Ontario and to set the legislative and policy framework, the language in some of the policy directions in the Ontario Housing Policy Statement appears to shift former provincial and federal responsibilities to the municipal level without reference to the continued role of these levels of government, including funding.

Also, there are several issues that do not appear to be included in the LTAHS/HSA but are still required to be addressed: issues with respect to the expiry of federal operating agreements, social housing rent and utility scales, etc.

#### Background:

##### **ONTARIO HOUSING POLICY STATEMENT**

The Province's goal of ending homelessness is consistent with the London Community Housing Strategy. However, Policy Direction 2.2 states that Service Managers will ensure that housing and homelessness plans will include "the provision of supports prior to and after obtaining housing". This statement puts provincially-funded responsibility directly onto municipalities. The Service Manager does not provide or control the funding to the agencies providing these support services.

Policy Directions 3.2 requires the Service Manager plan to preserve "existing social housing capacity" "so that affordable options that exist today will continue to be available in the future". Policy Direction 7.2 requires the plans to "improve the energy efficiency of existing and future publicly funded housing stock".

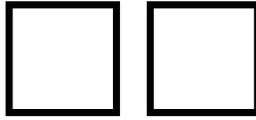
A commitment from the federal and provincial governments is required to make this possible (see Expiry of Federal spending on Existing Social Housing Agreements below for recommended action).

#### Recommended Action:

The funding from various provincial ministries such as Ministry of Health & Long Term Care, Ministry of Community & Social Services and others to local social/health support agencies (e.g. mental health, addictions, VAW, etc.) must be made conditional upon these agencies providing the required supports to individuals and families prior to and after obtaining housing. The City of London will work closely with our Service Manager colleagues to seek clarification of the language and intent of the Ontario Housing Policy Statement.

#### **SHELTER ALLOWANCE & RENT/UTILITY SCALES:**

Social Housing tenants on Ontario Works (OW) and Ontario Disability Support Program (ODSP) have their rent-geared-to-income (RGI) determined by using a rent scale (by



household size) established by the Province, which cannot be adjusted locally. These rent scales have not changed *since 1993*. Approximately 58% of tenants in Social Housing, including public housing, non-profit and co-operative housing providers, are on OW and ODSP.

OW / ODSP tenant households in the private sector receive a maximum shelter allowance which is considerably higher than the Social Housing rent scales and is 80% provincially and 20% municipally funded. This discrepancy has resulted in a negative revenue growth for Social Housing Providers and in particular those Housing Providers who are at 100% RGI units.

**Recommended Action:**

Social Housing RGI rents should be changed to the maximum shelter allowance used in the private sector rather than the legislated rent scales. This will reduce the subsidy required from the local property tax base and move the funding from 100% municipal to an 80/20 cost share (decreasing until full upload by 2018 of social assistance benefits from the municipal property tax base) which is more reasonable for an income redistribution program.

**EXPIRY OF FEDERAL SPENDING ON EXISTING SOCIAL HOUSING AGREEMENTS:**

1. 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 housing provider agreements expire.

**Recommended Action:**

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.

2. 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*, 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. 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.

**Recommended Action:**

With the expiry of social housing agreements and the discontinuation of federal funding, several questions must be investigated and answered:

- Will there be sufficient revenue to provide rent subsidies?
- Will there be sufficient revenue to maintain the housing and to do capital repairs?
- Will savings to government be re-invested in the existing stock or in new affordable housing or will it be spent elsewhere?
- Will the Federal and Provincial governments permit income integration within public housing to the extent deemed desirable by the municipal Service Manager?

**THE EFFECT OF HST ON THE SOCIAL HOUSING PROGRAM**

The Province has recognized that non-profit and co-operative housing providers have no opportunity to pass on their tax costs due to the nature of the services they provide (rents and housing charges are exempt from sales tax). Accordingly the government is planning a system of rebates that would offset the tax increases these organizations will face.



While every social housing provider is different, there is good reason to conclude that most providers will be no worse off under harmonization, and may even see a reduction in costs<sup>1</sup>. A provider with an operating budget that contains a very high percentage of costs that formerly were not taxable, but which will become subject to provincial tax, may be negatively affected.

As long as the Canada Revenue Agency (CRA) agrees that social housing providers meet the qualifying criteria for rebates, providers will not be negatively affected by the new HST system.

**Recommended Action:**

It is very important that the Province makes sure that the CRA allows all not-for-profit housing providers to qualify for rebates.

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<sup>1</sup> *Introduction of the HST in Ontario and the implications for non-profit and co-op housing providers; A report prepared for the Ontario Non-profit Housing Association and the Co-operative Housing Federation of Canada by Connelly Consulting January 2010*

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