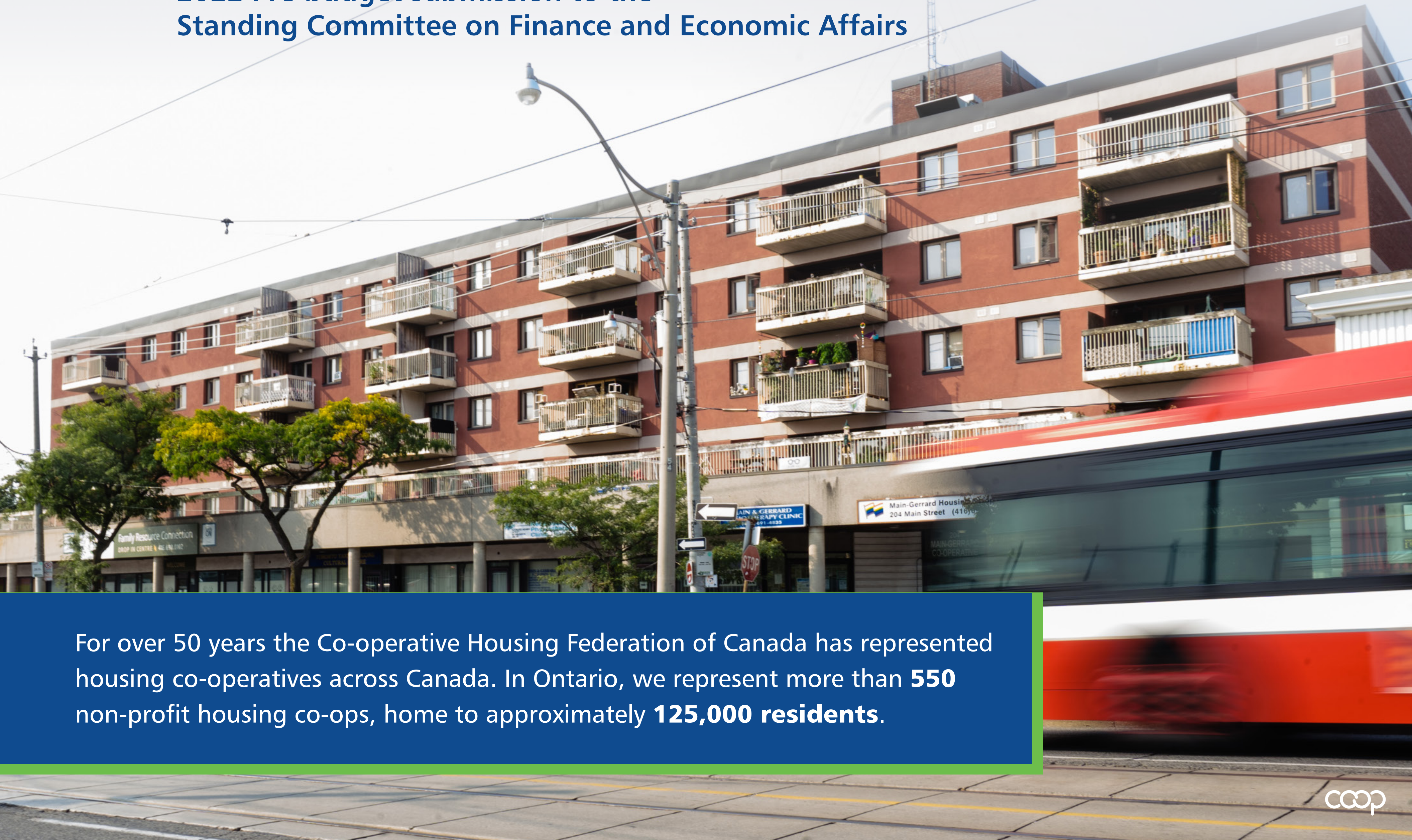
Co-operative Housing
Federation of Canada
ONTARIO REGION

Solving Ontario's affordable housing crisis

2022 Pre-budget submission to the Standing Committee on Finance and Economic Affairs

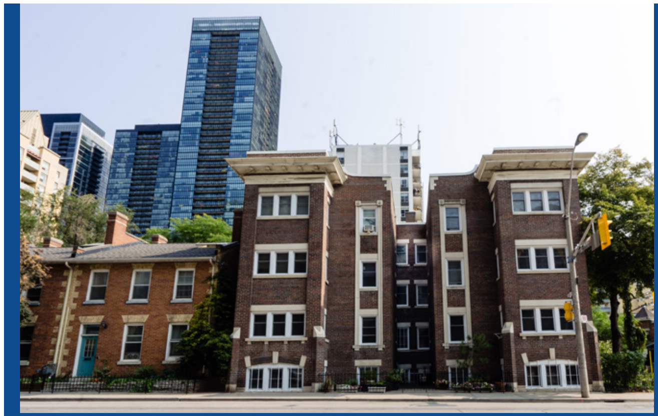


For over 50 years the Co-operative Housing Federation of Canada has represented housing co-operatives across Canada. In Ontario, we represent more than **550** non-profit housing co-ops, home to approximately **125,000 residents**.

Across the province, Ontarians are desperately looking for an affordable place to call home. The housing crisis is costly. A recent Toronto Board of Trade report found that the current housing crisis costs the GTA economy and employers, on average, between $5.88 billion to $7.98 billion per year.[1] In addition, in a normal year, the government could save well over a billion dollars from the health and justice systems if all Ontarians had access to an affordable place to call home.[2] During the pandemic, the province could have saved substantially more.[3]

In December 2021, the Royal Bank of Canada reported that their measure for housing affordability in Canada had reached its worst level in 31 years.[4] For Ontarians who rent, the current situation is even more bleak. CMHC's 2020 Rental Market Report found that the lowest income quintile of renter households in the GTA (the 20% of renter households with an annual household income of less than $25,000) can afford only 0.2% of the purpose-built rental units in the Toronto Census Metropolitan Area (CMA). For comparison, that rate is 15% in the Montreal CMA and 11% in the Calgary CMA.[5]

Polling conducted by Nanos this summer found that 1 in 3 Canadians who rent are worried about paying their housing costs next month. Renters were also over six times more likely to be worried about paying their housing costs next month than Canadians who own their own homes.



"I feel like I won the lottery on affordable housing in Toronto because I found a spot in a co-op. If I wasn't living in the co-op, I'm not sure how I'd be able to make a living."

Percentage of rental units that lowest income households can afford:

Toronto CMA: 0.2% Montreal CMA: **15%** Calgary CMA: **11%**

(CMA: Census Metropolitan Area)

1 Toronto Board of Trade and Woodgreen. *Housing a generation of workers 3: The cost of inaction*. 2021.

2 Ontario Non-Profit Housing Association and the Co-operative Housing Federation of Canada. An Affordable Housing Plan for Ontario. 2018.

3 According to the 2021 Ontario Auditor General Value-for-Money Audit of Homelessness, those living in shelters experienced some of the highest rates of infection of all populations in the province despite the province and municipalities spending hundreds of millions to try and keep them safe.

4 RBC Economics. Housing Trends and Affordability. December 2021.

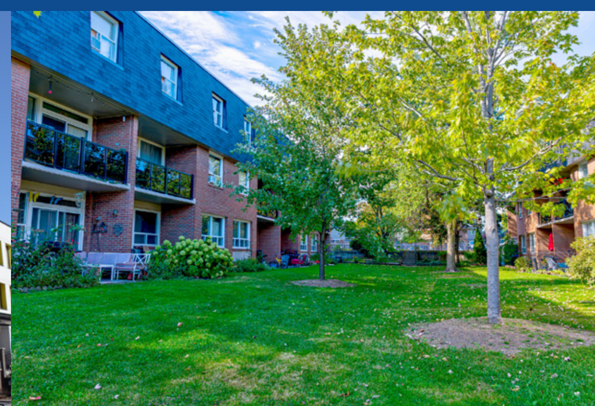
5 Canada Mortgage and Housing Corporation. 2020 Rental Market Report. January 28, 2021.

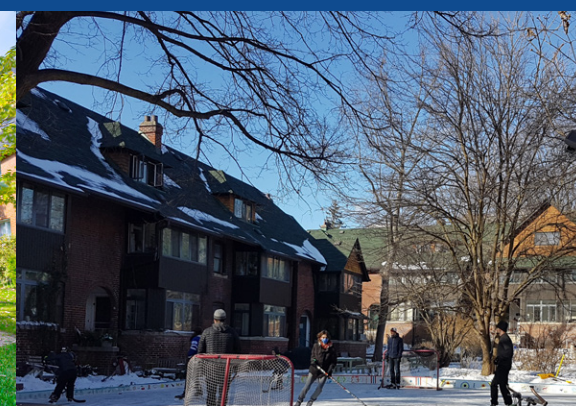
The current state of the housing market requires real and decisive action in order for people and local economies to thrive.

For low- and moderate-income Ontarians most negatively impacted by the housing crisis, housing co-ops are an important part of the solution. **Co-ops offer an alternative to renting or buying for young families, seniors, new immigrants and others caught in our housing crisis**. They offer members a chance to live affordably, have control over their housing and be part of an active community. As mixed-income communities, the inclusive design of the co-operative housing model brings people together from diverse social, economic and cultural backgrounds. The same Toronto Board of Trade report that calculated the cost of the housing crisis on the GTA economy also included an interview with a member of a housing co-op who "feels like she won the lottery on affordable housing in Toronto because she found spot in a co-op. If she wasn't living in the co-op, she's 'not sure how I'd be able to [make a living].'"[6]

CHF Canada wants to work with the Government of Ontario to protect and increase the supply of co-operative housing to help meet the needs of low- and moderate-income Ontarians. To set Ontario on the path of solving the affordable housing crisis, we recommend:

1. **FIX the funding formula for existing community housing**
2. **INCREASE the supply of community housing, including co-ops**





6 Toronto Board of Trade and Woodgreen. Housing a generation of workers 3: The cost of inaction. 2021.

1

FIX the funding formula for co-ops

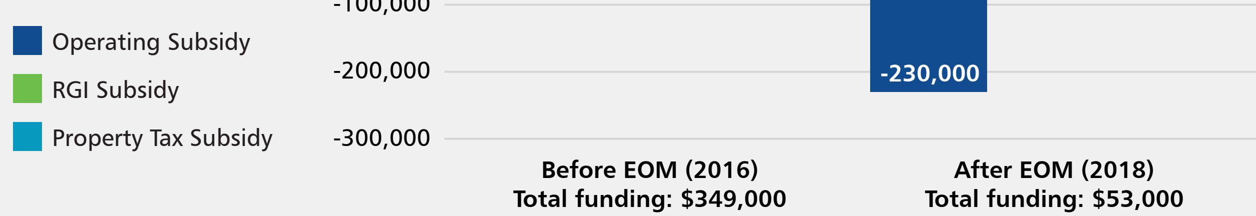
Over 260 *Housing Services Act* (HSA) co-ops and many more non-profits are near the end of their mortgage. This would seem like a good thing. But an outdated funding formula means this could put these co-ops—and the low- and moderate-income residents who live there—in a worse position.

The current funding formula prescribed in provincial regulation means that without mortgage costs, a co-op may fall into a "negative operating subsidy" position and lose crucial municipal assistance that covers the cost of offering rental assistance to low-income households and in many cases the co-op's property tax subsidy as well. In many co-ops, the negative operating subsidy will remove all of the funding the co-op receives to provide low-income households rental assistance. In these co-ops, approximately 75% of households are housed from the municipal social housing waitlist and receive rental assistance.

Without the funding to cover the cost of rental assistance, the co-op will not have enough money to keep their building in good working order, putting the entire community at risk. As mortgages mature, so do the buildings. While it was possible to fund basic maintenance and repairs under the current formula, these buildings are now over 30 years old and require costly renovations and renewal to remain in operation.

Fixing the funding formula by protecting municipal funding for rental assistance does not have an impact on the province's budget or increase the current affordable housing costs for municipalities. But failing to update the funding formula in provincial regulation, or otherwise protect co-op and non-profit housing providers, could create the need

Example: Municipal funding for an HSA Co-op before and after the mortgage is paid off ($)



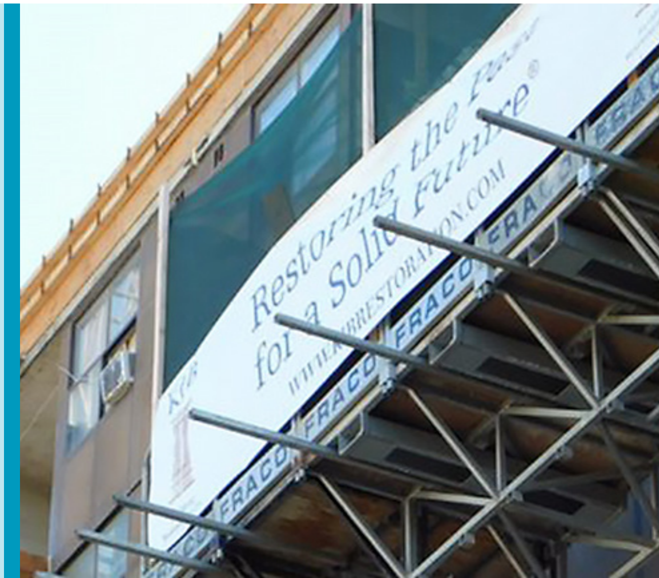
21,000 co-op homes in Ontario are at risk because of the end of mortgage issue.

for hundreds of millions more in provincial capital grants for this housing in years to come. It will also unnecessarily put at risk tens of thousands of affordable co-op and non-profit homes.

The end of mortgage should present a unique opportunity for Ontario to address long-standing and well-documented capital repair deficits, without government assistance.

For example, federal housing co-ops in Ontario are also reaching the end of their mortgages. The National Housing Strategy, however, continues funding for rental assistance for low-income households for any co-op that has reached end of mortgage. This has allowed CHF Canada and other groups to assist over 50 federal housing co-ops in Ontario accessing over $200 million for capital repairs from the private sector. This private sector investment has secured this housing for future generations while maintaining affordability. We believe this model should be followed by the Government of Ontario in addressing the end of mortgage for HSA co-ops.

CHF Canada and other groups have assisted over 50 federal housing co-ops in Ontario access over $200 million for capital repairs from the private sector.



The Government of Ontario has recognized that the existing funding formula doesn’t reflect the changing circumstances of co-op housing providers as they pay off their mortgages. A public consultation is underway on a new Service Agreement Regulation that could protect municipally delivered rental assistance for co-ops and non-profits across the province.

CHF Canada is asking the province to ensure that this regulation fixes the funding formula for co-ops at the end of mortgage by ensuring ongoing funding for property taxes and rental assistance for households in the co-op that need it. This certainty will give co-ops the ability to seek private sector lending in order to undertake needed capital repairs. With 47 different service managers across the province and over 600 co-ops and non-profits affected, clear rules and a level playing field need to be established so that this housing is protected.

CHF Canada is asking the province to ensure the funding for rental assistance and property taxes is protected in the Service Agreement regulation.

2

INCREASE the supply of community housing

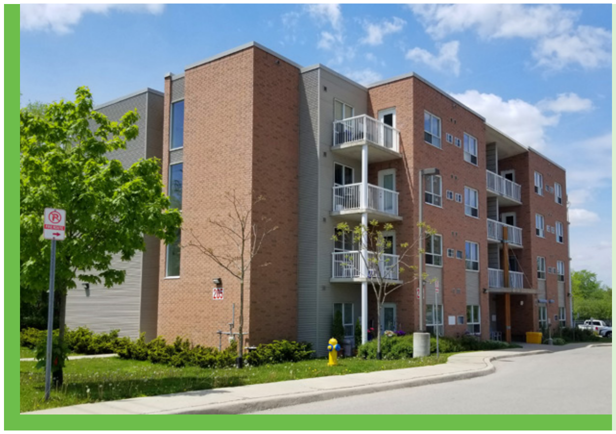
As Ontarians continue to cope with the economic ramifications of COVID-19, housing is a key part of the solution. Safe, secure, affordable housing is essential for health and well-being.

While the housing crisis is now experienced in almost every corner of the province, not all Ontarians are experiencing it equally. The housing crisis is driving inequality as existing owners and their families benefit from rapidly increasing prices, while new Canadians, renter households, younger Canadians and those who face systemic inequality fall farther and farther behind.

Ontario needs new housing supply across the entire housing spectrum, including housing for low and middle income Ontarians, which increasingly means more mixed-income community housing options, including co-ops. CHF Canada supports the government's efforts to increase market housing supply in order to improve affordability. However, without an increase in community housing (co-op and non-profit housing), those most negatively impacted by the current housing crisis may be the last to benefit from new supply, if they ever benefit at all.

The province cannot depend on a trickle down effect to improve the housing situation for the lowest income Ontarians. This is because, across the country, and particularly in hot housing markets like Toronto, **we are seeing an erosion of naturally occurring, relatively affordable, market rental housing**.

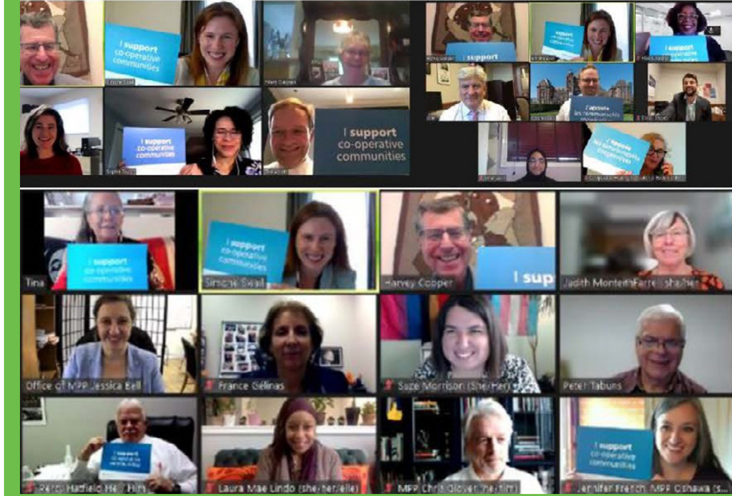
In past decades, market rental housing became less expensive over time, becoming a relatively affordable option for many families. This is no longer happening as demand pressures increase. Between 2011 and 2016, the number of private rental units affordable to households earning less than $30,000 per year (rents below $750) declined by 322,600 units nationwide—so that for every new affordable unit created by the National Housing Strategy, 15 existing relatively affordable market rental units were lost.[7] This trend is particularly acute in hot housing markets like the GTA, where old apartment buildings, rooming houses and other forms of naturally occurring affordable housing are being converted into more expensive housing options.



Safe, secure, affordable housing is essential for health and well-being

7 Focus Consulting. Why Canada needs a non-market rental acquisition strategy. May 2020.

2 continued



The government could significantly reduce the cost of developing new affordable housing and generate a long-term public asset

To increase community housing options, as well as the availability of naturally occurring relatively affordable market housing, province should:

a. **Partner with co-ops and non-profits to help them acquire (purchase) naturally occurring affordable housing from the private market** so that these already relatively affordable homes can be protected from speculation and remain permanently affordable.

b. **Invest in building 69,000 units of new affordable co-op and non-profit housing units over the next ten years**. Ontario has a growing population across all income levels. Based on a 2018 analysis, the province needs approximately 29,000 affordable rental homes to catch up on the backlog of affordable housing supply, plus an additional 4,000 affordable rental homes per year to accommodate the number of renter households entering Ontario's housing market expected to fall below multiple core housing need standards.[8]

c. **Prioritize provincial land for the development of new community housing, including co-ops**. The provincial government and its subsidiaries have significant real estate assets in every region of Ontario, often in ideal transit-connected areas with the potential to add significant density. These assets should be better leveraged to increase the supply of housing that is least likely to be produced by the private market—co-ops and non-profits. By leveraging land assets, air rights and partnering with existing non-profit and co-operative housing providers, the government could significantly reduce the cost of developing new affordable housing and generate a long-term public asset.

d. **Partner with existing co-ops and non-profits to build more affordable housing on land owned both by the co-ops and non-profits, either by infill or redevelopment**. Many existing co-ops and non-profits were built in transit connected areas, where it would be next to impossible to build new affordable housing today. A 2016 study by Evergreen found existing federal co-ops and non-profits had $400M in land assets that could be better leveraged to provide affordable housing, but the barriers to new development are high and come with significant risk for community organizations.[9] Helping these proven organizations to add density would be a win-win-win for the province, community and housing providers.

e. Ensure the Planning Act, Provincial Policy Statement, 2020, and other related legislation and plans enable and encourage municipalities to increase their supply of affordable housing in a timely manner. For example, the **province should expand its inclusionary zoning policy to ensure more municipalities are able, and are encouraged, to use it**, especially in smaller communities that are not near a major transit station but are experiencing significant growth and pressure in the housing market.

---

8 Ontario Non-Profit Housing Association and the Co-operative Housing Federation of Canada. An Affordable Housing Plan for Ontario. 2018.

9 Evergreen. Building new affordable housing through leveraging in the Greater Toronto-Hamilton Area. 2016.

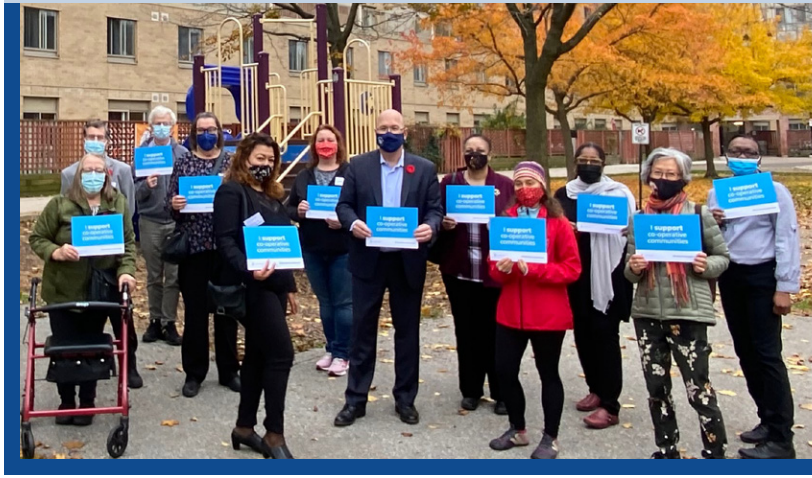
Conclusion

When people have the housing they need, they have better health, education and employment outcomes.

In addition to the social and health benefits of doing so, an investment in new supply of affordable housing would help set Ontario on the path of economic recovery.

Affordable housing is a long-term public asset that drives productivity and economic growth, promotes economic mobility, and provides greater household stability. Studies show that every dollar invested in affordable housing construction generates $1.52 in GDP and every unit built generates between two and two and a half new jobs.[10] Affordable housing also dramatically reduces spending on social services. As Ontario's Community Housing Renewal Strategy notes, "when people have the housing they need, they have better health, education and employment outcomes."

Ontarians are facing the worst housing market in a generation. The housing crisis in Ontario is a large and complex problem, but investment in new affordable housing supply and partnering with existing co-operative and non-profit housing providers is a key part of the solution.



The Honorable Steve Clark, touring Mimico Co-operative Homes.

The co-op sector can and wants to build more now, however, an essential first step is protecting the existing affordable housing communities impacted by the HSA end of mortgage issue. These homes were developed over decades with massive provincial and federal investment on a scale that has not been replicated in over 30 years. Ensuring they are financially sustainable now and into the future, and partnering with these proven community housing providers for growth, is the best affordable housing strategy the Province can have.

The co-op housing sector is ready to work with the Province, to follow through on these recommendations, and to help ensure that every Ontarian has a decent, affordable place to call home.

Contact

Simone Swail
Manager, Government Relations
CHF Canada
416-605-4432
sswail@chfcanada.coop

chfcanada.coop @chfcanada

10 Zon, N., Molson, M. and Oschinksi, M. *Building Blocks: The Case for Federal Investment in Social and Affordable Housing in Ontario* (Toronto: Mowat Centre). 2014.