

Increasing Housing Supply in Ontario

Submission from the Co-operative Housing Federation of Canada

January 25, 2019

The Co-operative Housing Federation of Canada (CHF Canada) welcomes the vision that was set out by the Minister of Municipal Affairs and Housing, The Honourable Steve Clark, at the announcement of the Reducing Red Tape and Accelerating Sales of Surplus Government Properties initiative. To make the vision “*We want people of all incomes to seek an affordable, stable home as a reality not just a dream*” come into being, the province must look at innovative solutions from across the entire housing spectrum.

Unfortunately, the *Increasing Housing Supply* consultation document does not focus on the needs of Ontarians desperate for quality affordable housing: “This consultation does not cover initiatives specifically related to community housing (e.g. social and supportive housing).”

The main solution presented in the consultation is based on the notion that, “creating more housing of the types and sizes people need, will help make home ownership and renting more affordable and give people more choice.” Over-inflated housing prices are caused by more than just supply and demand. Access to historically low interest rates, foreign investment, favourable mortgages rules and land speculation have all contributed to a housing market that has lost touch with the needs of Ontarians. While supply is important, it is not enough to address the current housing crisis.

Current estimates show that close to half of all Ontario’s renters spend 30% of their income on rent.¹ More than 185,000 households are on a municipal waiting list for subsidized housing. The demand for affordable housing for all Ontarians will continue to grow in the coming years.

We need to rethink the way we plan our communities. Ontario has largely relied on the private sector to develop housing. Since 1996, 1.3 million new condominium units and houses have been built in the province. Despite the increase in the demand for units below market rent, only 20,000 such units have been built in the last two decades.

Government policies that are focused on expanding supply, without catering to different income groups, ignore the reality that cities require strong mixed-income communities. Poor housing options make it difficult for businesses to attract people with the right talent. Toronto Mayor John Tory highlighted the

¹ Advocacy Centre for Tenants Ontario. *Where Will We Live Report* (2018) https://www.acto.ca/production/wp-content/uploads/2018/05/WhereWillWeLive_May2018_ACTO_Report.pdf

shortage of affordable and rental housing as one of the most serious disadvantages for Toronto in attracting Silicon Valley businesses.²

There are also societal costs if we ignore the housing needs of low and middle income families. The housing crisis is forcing many Ontario families from the communities where they live and work. This effect can deepen social inequality as people become increasingly divided by geography.³

The Province should look to other jurisdictions, such as British Columbia, Finland, the City of Calgary, and Vienna that have found innovative solutions to create housing across the entire spectrum of housing need.

It's time to look at housing as the solution, not the problem. Investing in housing is an opportunity to make life better for people all across the province.

Below are CHF Canada's responses to the five themes in the consultation document:

Question 1. Speed: It takes too long for development projects to be approved.

Ensure a streamlined development process for the co-op and non-profit housing providers.

CHF Canada supports a more streamlined funding and development process for the co-op and non-profit housing providers. Currently co-ops face a number of barriers to developing new affordable housing, including expensive testing and studies. These could be better streamlined to assist co-ops in building more affordable housing.

The government also needs to ensure that municipal and provincial departments have the financial resources to manage the approval process in a timely manner. For parts of the approval process directly controlled by the province such as the Ministry of Environment and the Ministry of Transportation, proper staffing would help improve approval timelines.

Prioritize and support affordable housing projects that provide long-term affordability.

The province also needs to support municipal affordable housing programs and ensure they prioritize and support projects that produce long-term affordable housing. The 2017 Auditor General's report found that non-profits could provide affordable rentals in a more cost-effective manner than private developers and build much-needed larger units, at a lower cost per unit.⁴ A 2016 Ministry of Housing study of past programs also found that once their contracts had expired, nine out of ten private developers converted their affordable buildings to condos, or increased rents to market rates.

² McGillvray, Kate. *Why Toronto might not land Amazon HQ2, according to the mayor.* (October 20, 2017) CBC News. <http://www.cbc.ca/news/canada/toronto/tory-amazon-bid-1.4364007>.

³ Robert Shiller. Professor of Economics, Yale University; Nobel Laureate. (July 25, 2017) <https://www.weforum.org/agenda/2017/07/the-inequality-were-not-talking-about-house-prices>

⁴ Office of the Auditor General of Ontario. *Annual Report 2017.* (December 6, 2017) <http://www.auditor.on.ca/en/content/annualreports/arbyyear/ar2017.html>.

Non-profits and co-ops, in contrast, offer affordable housing in perpetuity. The value of this should not be understated. In 2016, the difference between offering affordable rents and market rents in the City of Toronto in a standard 75-unit building was over \$200,000 per year, or over \$2,600 per household. The savings for Ontarians is only expected to grow over time.

Question 2. Mix: There are too many restrictions on what can be built to get the right mix of housing where it is needed.

Municipalities should have ample discretion to design strategies and by-laws that meet local needs. However, to increase the supply of “missing middle” housing, provincial direction may be needed to allow gentle densification in residential areas within existing urban boundaries that are currently zoned for single-family homes, especially in areas where services and supports already exist. Sound planning policy should include a commitment to intensification and putting new homes where services and support already exist.

On the greater question of mix, however, Ontario has largely relied on the private sector to develop housing. These developments often don’t include modest affordable housing units and the right mix of unit sizes to meet the community’s needs. To build affordable housing that meets the needs of all Ontarians requires partnerships between government, the private sector and the community housing sector.

CHF Canada recommends that the province creates an environment that supports the development of non-profit and co-op housing:

- **Take an “affordable housing first” approach to surplus government lands.** The government should focus on getting the maximum value out of these lands. This can be accomplished by viewing the land not as a one-time revenue generator but as an asset that can be leveraged for the public good. To do this, CHF Canada recommends that the sites appropriate for residential development be made available to the non-profit sector at below-market value, or that the provision of permanently affordable housing be a condition of the sale. This will offer the Province better value for money over the medium to long-term as the affordable housing is offered in perpetuity, than the one-time cash provided by sale at market value.
- **Support municipalities in developing inclusionary zoning by-laws.** Inclusionary zoning is a proven tool that can help municipalities experiencing significant housing development to ensure that some of this development is inclusive and contributes to the creation of affordable housing. On its own, inclusionary zoning will not fix the affordable housing shortage in Ontario; but if implemented properly it has the potential to be an important source of new affordable housing units, particularly in rapidly growing areas. Given the severe shortage of affordable rental housing in particular, it is imperative that the province and municipalities use all of the tools at their disposal to address this need.

Question 3. Cost: Development costs are too high because of high land prices and government-imposed fees and charges.

Partner with the co-op and non-profit housing providers to build affordable housing.

We are calling on the Government of Ontario to partner with CHF Canada and to help spur new co-op development in the province. Co-ops provide affordability in perpetuity. With no built-in profit margin, every dollar goes to keeping rents affordable for the long-term. Despite the many benefits, there has been little co-op housing developed in Ontario over the past 15 years. Only 4% of the housing developed under the current affordable housing programs have been co-ops.

This is a real loss to the province, not only because of the documented benefits of co-op housing, but also because there are a number of co-ops with land and other assets that could be leveraged to help build significant amounts of new affordable housing. A recent study by Evergreen of non-profit and co-op housing providers shows there is over \$400 million of land and other assets in the GTHA alone that could be leveraged to help build more affordable housing.⁵

One way the province could support the development of co-op and non-profit housing would be to create a revolving fund to support developers with upfront financing to help projects get off the ground.

Co-op and non-profit housing plays an important role in providing affordable housing for the people of Ontario. However, these organizations often face significant cost barriers to development. To encourage new development and unlock existing assets, the province should create a revolving fund that would provide loans to community housing developers for upfront development costs. This would help offset the cost of the initial planning process which can be a barrier to co-op and other smaller non-profit groups from pursuing development and leveraging their assets. This fund would be replenished as projects are developed and loans are paid back at the time of the mortgage.

Exempt co-op and non-profit housing providers from development charges and other government-imposed costs.

Community housing plays an important role in providing the kind of housing people want, need and can afford. However, when affordable housing is created, it is generally made affordable to people with low and moderate incomes through the use of government funding and subsidies. Charging developers of affordable housing fees like development charges is counter-productive and is essentially a claw-back of the public funding invested in building more affordable housing. These fees can have numerous negative impacts, including: developers produce less affordable housing for the same amount of public investment, projects are delayed, and in some case the project can be put in jeopardy.

CHF Canada recommends that co-op and non-profit housing providers be exempt from development charges. This will help to prevent provincial and federal affordable housing funding from being redirected to non-affordable housing related initiatives; it will also allow this funding to go further.

⁵ Evergreen. *Building new affordable housing through leveraging*. (March 2016) <https://www.evergreen.ca/our-impact/cityworks/publications/#housing>.

Several municipalities including the City of Toronto, through its Open Doors Program, have proven that removing development charges is an effective tool to promote the development of affordable housing.

Allocate revenues from the land transfer tax to build the long-term affordable housing that the private sector can't deliver.

Ontario has generated over \$8.2 billion in revenue from the Land Transfer Tax and, in 2017, began to generate new revenue from the Non-Resident Speculation Tax. These revenues are a symptom of a housing market that has lost touch with the realities of Ontarians. If they were redirected, even in part, to addressing the recommendations in this submission, it would go a long way to easing the pressure on the rental market and help level the playing field for low- and middle-income Ontarians.

Question 4. Rent: It is too hard to be a landlord in Ontario, and tenants need to be protected.

Instead of changing rules in the *Residential Tenancies Act* (RTA), the government should ensure the current process is working properly. In 2014, the *Co-operative Corporations Act* (CCA) was amended to allow housing co-ops to use the Landlord Tenant Board (LTB). The co-op housing sector had lobbied for and welcomed these changes. The new system was supposed to result in less legal costs and timely results for both the co-op and the household in question. However, due to a shortage of LTB adjudicators, some co-ops have been frustrated by the lack of timely results. The government should ensure the LTB is properly staffed so the process can work as intended.

CHF Canada, however, would warn against large scale changes to the balance of the RTA, particularly given the current shortage of affordable housing supply and the tight rental market. Low vacancy markets can create a situation where bad landlords take advantage of tenants and tenants are vulnerable to being stuck in housing where their rights are violated. In these markets, landlords have an incentive to find reasons to evict tenants since they can raise the rents whenever a unit turns over. Given the extremely tight rental market in most of the province, amendments to the RTA are not going to meaningfully increase Ontario's housing supply. Instead the province should focus on increasing the rental and affordable housing stock by partnering with the co-op and non-profit housing sector.

To make it easier to be a landlord, the province should focus on funding for programs to improve the condition of rental housing in exchange for long-term affordability, and ensuring tenants get the supports they need (including financial, mental health and/or other supports) to sustain successful tenancies.

Question 5. Innovation: Other concerns, opportunities and innovations to increase housing supply.

Promote co-op development

More attention must be paid to creating innovative forms of affordable housing from across the spectrum, including co-op housing. For over 50 years, co-ops have created mixed-income communities

where all Ontarians can afford a place to call home. What makes the co-op model unique is that it sits halfway between renting and homeownership. As well, it gives its members a voice in creating the environment in which they live, resulting in better-maintained buildings, reduced social isolation and better job outcomes.

As mentioned earlier, only 4% of the housing developed under the current affordable housing programs has been co-ops. To solve the current housing system the government must effectively work with both the private sector and non-profit housing providers. Only through strong partnerships can we create the environment for the development of affordable housing.

In other provinces such as British Columbia, new models of building and sustaining affordable housing are emerging such as the Community Land Trust. This model brings together a variety of proponents from affordable homeownership, co-op and non-profit housing providers. Through these partnerships the co-op and non-profit sectors can:

- Cater to a wide spectrum of housing need, from market-rate rental to affordable ownership to supportive housing
- Develop larger housing projects on a portfolio basis
- Create a pipeline for projects, rather than one-offs
- Benefit from economies of scale to reduce development costs
- Remove land from the speculative market
- Reinvest profit into the growth engine to build more affordable housing or deepen affordability over time without the reliance on government subsidies

Since 2013, the Community Land Trust in BC has brought over 500 units of housing online primarily in Vancouver, with 1,000 more in the pipeline. The land trust operates on a new self-sustaining funding model for affordable housing by cross-subsidizing rental housing across multiple sites on a portfolio basis. Market-rate level rents set at 80-90% of market rate or \$2,050 to \$2,750 per month, subsidize units that can have rents as low as \$375 without ongoing government investment.

To make the most of these coalitions, particularly in hot housing markets, surplus land should be available to non-profit operators at below market value based on the importance of the long-term asset of affordable housing, while still providing the province the relief of the long-term operating costs of the land. Given the cost of land in areas like the City of Toronto, the only potential to reach deeper levels of affordability is if all or part of the cost of the land is offset.

This approach is just one way for the government to remove properties from the speculative land market and to allow the non-profit sector to develop affordable housing for low- and middle-income families that they will be able to afford for the long-term.

Conclusion

To solve the current housing crisis the government must effectively work with both the private sector and co-op and non-profit housing providers. Only through strong partnerships can we hope to find lasting solutions for housing for all Ontarians.

While the problem may seem daunting, working together we can create solutions. 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.

About CHF Canada

The Co-op Housing Federation of Canada (CHF Canada) is the voice of housing co-ops and the organizations that represent them. Our members include more than 550 non-profit housing co-operatives, home to some 125,000 people, in communities all across Ontario.

CHF Canada is a non-profit co-operative organization that sets out a strategic plan to meet the needs of housing co-ops, including education, advocacy and member services such as insurance, asset management and refinancing. We provide these services so our members can continue to provide safe and affordable homes for Canadian families for generations to come.

Contact

Simone Swail, Manager, Government Relations, CHF Canada Tel: 416.366.1711 ext. 223 | sswail@chfcanda.coop

Scott Parry, Co-ordinator, Government Relations, CHF Canada Tel: 416.366.1711 ext. 801 | sparry@chfcanda.coop