

# **Focus Consulting Inc**

*Focus on what you **can** do,  
not what you cannot.*

May 11<sup>th</sup> 2009

Sean Gadon  
Director, Affordable Housing Office,  
City of Toronto  
Metro Hall, 55 John Street, 7th Floor  
Toronto ON M5V 3C6

**RE: Review of Housing Opportunities Toronto – Targets and Costs**

Dear Mr. Gadon:

I am pleased to provide a commentary of the City of Toronto ten-year affordable housing plan, known as Housing Opportunities Toronto (HOT).

Overall, the Toronto plan is aggressive but realistic. It effectively draws on a range of options with a focus on creating housing opportunities that, over time, can continue to assist a variety of households. This will include those experiencing short term problems as well those with chronic problems and need for long-term supports.

In addition to preserving and sustaining existing social housing, the Action Plan will help 168,000 households, compared to the current level of core need in Toronto of 216,000. The overall impact could be to reduce persistent housing need by at least one-half over the next decade

The targets established appear to be premised on sound logic and the estimated costs of delivering on these targets are reasonable.

Sincerely yours,



Steve Pomeroy  
President, Focus Consulting Inc.

## Review of Housing Opportunities Toronto – Targets and Costs

As part of the process to prepare this plan, the Affordable Housing Office requested an external review of the targets and estimated costs in HOT. As the primary consultant responsible for the preparation of the Federation of Canadian Municipalities (FCM) proposals for a national housing action plan (*Sustaining the Momentum: Recommendations for a National Action Plan on Housing and Homelessness. January 2008*) Focus Consulting Inc. (Steve Pomeroy) was requested to provide this service.

The Plan has been reviewed in the context of prevailing and anticipated housing issues in Toronto and nationally.

### **1. General observation on the identified themes of HOT**

The housing issue, particularly the problem of affordability, is complex with no single solution. It is comprised of two general sets of factors:

1. Household circumstances, most notably lack of income often due to less-skilled, less secure jobs at the lower end of the labour market; and
2. Market circumstances, most notably the inability or failure of “the market” to respond to weak or ineffective demand.

Providing assistance to help low income people pay for housing without spending an excessive portion of limited income can be effective in managing the issue of housing affordability. *But real solutions to the housing problem require efforts to increase the housing opportunities available to low income people. In short this means ensuring that there is a sufficient stock of housing that is moderately affordable and available to families and individuals with low incomes.* This in turn means efforts to preserve existing moderately affordable housing, whether publicly, community or privately owned, as well as expanding supply and opportunity.

The characteristics of the neighbourhood also impact well-being. Providing new or rehabilitated affordable housing in a neighbourhood that suffers from lack of public and commercial services, poor schools and victimization from criminal activities does little to improve opportunity and well-being. So attention to neighbourhood revitalization in parallel with improving housing is essential.

Homelessness is separate but integrally related to the issue of housing availability and affordability. Even more complex than the various housing issues assessed in HOT, homelessness has for some time been seen as a distinctly different set of challenges, related to mental health and substance abuse. Responses focused on treating these other issues prior to providing housing – focusing on making homeless persons “housing ready”. More recent research and successful practices have reversed this view and now emphasis a housing first approach. Treatments for mental illness and substance abuse have been found to be far more effective after individuals are stabilized in safe and supported housing.

The City of Toronto has set out a strategy that is comprehensive, embracing a range of approaches, but focused squarely on these core issues – creating and preserving opportunities and providing appropriate supports in safe revitalized neighbourhoods. Accordingly the plan is appropriately titled “Housing Opportunities Toronto”.

### **Comments on specific themes and targets**

The City has established 8 themes and, within these, 5 specific targets. These themes are very similar to, and consistent with, those articulated in the FCM Action Plan (Sustaining the Momentum, 2008).

The three thematic areas without specific targets are broader cross cutting priorities: working in partnership with all stakeholders and other orders of government; creating housing opportunities in all neighbourhoods; and revitalizing neighbourhoods, especially those identified as priority areas, currently under-serviced and experiencing higher levels of disadvantage. The outputs from specific numeric targets will contribute directly to the broader objective of neighbourhood revitalization.

#### **1. Help homeless and vulnerable people find and keep homes.**

Housing first approaches have been proven to be effective in magnifying the impact of supports and sustaining stability over the long term.

This target focuses on the contribution that safe and affordable housing can make in the lives of vulnerable people – including the elderly, those with mental illness and those experiencing homelessness. Toronto’s award winning Streets to Homes program has clearly demonstrated the benefit – both in terms of public expenditures and more importantly in improving the quality of life of former chronically homeless individuals. The target also fills an important gap – the lack of supports for vulnerable persons placed into social housing under priority placement from waiting lists; and home supports for seniors as a better alternative to institutional care.

#### **2. Assist Individuals and Families to Afford Rents**

Affordability is the most pressing housing problem facing households, especially in Toronto’s high cost housing market.

Many individuals and families experience stress due to the size of their rent payment relative to income (paying well over the 30% norm and sometimes over 50% of income for shelter). Many live in adequate housing, they simply pay more than they can afford. This target will focus on those with high shelter cost burdens. The estimate of households helped is roughly half the number of renters in core housing need and close to the number estimated to be eligible for a proposed new housing benefit proposed by a coalition of poverty advocates and private landlords as part of the provincial Poverty Reduction Strategy. The cost estimate is premised on the level provided in an earlier housing allowance under the federal-provincial Affordable Housing Initiative (on average \$350/unit/month) and will help reduce rents for working poor households to close to 30% of income.

### **3. Preserve and Repair Rental Housing**

Toronto has a large existing stock of multi unit apartments – including those identified in the Mayor’s Tower Renewal Initiative – which contribute to the affordable stock.

Many apartments are aging and at risk and much of this older stock is relatively affordable. Affordable housing exists both in the form of social housing and private rental units. Often owners – both non-profit and private – do not have the cash or capacity to undertake necessary repairs to preserve this important stock. This theme appropriately targets this issue and is a cost effective way to extend the useful life of these assets while preserving affordability.

The current cost estimates for this target appear reasonable and reflect topping up existing, but under-funded, reserves in social housing. The target also seeks to assist 30,000 private apartments under various programs including the Mayors’ Tower Renewal Initiative, the Residential Rehabilitation Assistance Program (RRAP) and other smaller ongoing or emerging initiatives.

The impact of these investments might be leveraged further by combining with energy retrofit – which will also improve tenant affordability. Such additional leverage could either reduce total budget or extend the number of units assisted.

### **4. Create New Affordable Housing**

New supply is required to keep up with population and household growth, including growing demand for affordable housing.

The recent rise in construction costs has made it costly to build new affordable housing. Nonetheless some new development is an important complement to the rental assistance and preservation initiatives identified. The target of 1,000 units annually doubles the volume of new affordable construction in the City of Toronto over the past decade. This can provide important contributions to add new infill in revitalization areas as well as ensuring a portion of dwellings in new (re)development areas, such as the waterfront, are affordable. Also, this is an important element of counter-cyclical economic stimulus, taking advantage of some lower development costs while utilizing surplus construction-sector capacity during the downturn. The cost estimates appear realistic based on achieving “affordable rents” at 60%-80% of average market.

### **5. Help people buy and stay in homes**

Homeownership assistance completes the continuum of responses outlined in the Plan.

The majority of this target seeks to provide relief from property taxes for fixed and low income seniors and disabled owners. This can provide relief during the current recession (which is impacting seniors’ investment income) and also ease demand for higher cost alternatives such as care homes. It can also be used in conjunction with target one, supports for assisted living.

The separate target to assist low-moderate households into ownership is a small volume (200 per year) but may be effective in enabling some modest income households to transition out of social or private rental housing, freeing up units for other families. It may be a particularly useful instrument in facilitating ownership in revitalized mixed tenure neighbourhoods.

## **Overall Impacts**

While the targets establish a roadmap and framework for the action plan, they should not be considered static. As highlighted in the current economic downturn, both market conditions and need change over time. The City should retain some flexibility to adjust targets as circumstances and needs change. Accordingly, HOT anticipates periodic review of progress and refinements, as appropriate.

The range of options that will be pursued under HOT will assist an average of 26,000 households annually and a total of 258,000 over the 10 year timeframe in the Plan. This compares to the total of 216,000 households determined by CMHC to be in core need in Toronto in 2006 (which includes 154,000 renters).

Housing need is transitional and some households will always experience short-term problems. Accordingly, the plan does not explicitly target a reduction in need because this is a moving target (affected by population growth and migration, economic cycles and the availability of assistance). What the plan does instead is focus on increasing the opportunities available to households to meet their housing needs, and ensuring a range of options are available to respond to varying household types and problems.

Excluding preservation targets (of 90,000 existing social housing units) the plan will help a net 168,000 households, compared to the current level of core need in Toronto of 216,000. The overall impact could be to reduce persistent housing need by at least one-half over the next decade.

The HOT targets are aggressive but not unrealistic – if there is political will to make the type of strategic investment identified in the Plan. By comparison, the FCM *Sustaining the Momentum* report established an annual target of 87,000 households (net of social housing repair), including the goal of stemming the growth in new housing need and reducing the backlog by 25% over 10 years. The Toronto Plan, in which the targets equate to 17,000 households annually (net of social housing repair), will exceed this level per capita.

Given the resources needed in Toronto, it is important that the City of Toronto participate actively in advocating to the federal and provincial government to extend, increase and sustain funding on the various national and provincial programs that support key elements of Toronto's Affordable Housing Action Plan.