



STAFF REPORT ACTION REQUIRED

Overview of Ontario's New Long-Term Affordable Housing Strategy and Housing Services Act: Implications for the City of Toronto

Date:	June 15, 2011
To:	Community Development and Recreation Committee
From:	General Manager, Shelter, Support and Housing Administration
Wards:	All
Reference Number:	

SUMMARY

The provincial government released its Long-Term Affordable Housing Strategy (LTAHS) in November 2010 and enacted a new *Housing Services Act* in May 2011 to replace the existing *Social Housing Reform Act* (SHRA). This is the first time in over a decade that the Province of Ontario has made significant changes to its housing strategy and legislation. The new *Housing Services Act* is a welcome replacement to the overly prescriptive *Social Housing Reform Act*.

The LTAHS provides recognition of the important role played by municipal Service Managers in long-term planning of the housing and homelessness service systems in Ontario. The Strategy also proposes a new approach for funding of housing and homelessness services that is intended to reduce administrative complexities and create greater local flexibility in identifying priorities and innovative solutions. In some areas, the new *Housing Services Act* is less prescriptive and gives Service Managers greater flexibility than the previous SHRA.

The new legislation will retain the mandated municipal funding model for social housing. The Province has committed in the Strategy to work with the municipal sector to secure commitments for long-term funding from the federal government, including maintaining and restoring declining federal funding for social housing.

There is no new provincial funding associated with the new Strategy and no provincial commitment to upload the cost of social housing.

While many of the details are yet to be determined, outstanding issues include the potential financial impact of proposed initiatives, such as streamlined RGI calculations and

consolidated funding, which may transfer financial risks and potentially increase cost pressures further for Toronto and other municipalities. The new Strategy and Act provide no certainty regarding future allocations of declining federal funding which is placing increasing pressure on municipal budgets. The Act retains some overly prescriptive requirements that limit Service Manager flexibility, such as the requirement for Ministerial consent for the transfer or sale of social housing properties.

While the Strategy and the new legislation provide a new framework for future investments in the housing system, with recognition of Toronto and other Service Managers as important partners in the delivery of housing and homeless services to the public, there is a need for ongoing federal and provincial investment in Ontario's housing system.

Without new funding for rent supplements or housing allowances and no change to the existing Special Priority Policy for victims of domestic violence, there will be little improvement in the long waiting times for access to social housing. In failing to address critical funding issues, the new Strategy does not address the real financial pressures placed on Service Managers. Without commitments for adequate and sustained funding, the Strategy will not improve the sustainability of the social housing system or resolve the housing affordability problems facing many of Toronto's residents.

RECOMMENDATIONS

The General Manager, Shelter, Support and Housing Administration, recommends that:

1. City Council request the Province to make a commitment that any initiatives under its new Long-Term Affordable Housing Strategy and *Housing Services Act* will not increase financial pressures or transfer any additional financial risk to municipalities; and
2. the General Manager, Shelter, Support and Housing Administration, report back to Community Development and Recreation Committee on the implications and any required policy changes after the new regulations under the *Housing Services Act* have been released by the Province.

Financial Impact

The recommendations in this report have no direct financial impact.

Equity Impact

Housing and homeless services respond to the needs of vulnerable people in the City of Toronto.

DECISION HISTORY

At its meeting on June 14 and 15, 2011 City Council requested that "the General Manager of Shelter, Support and Housing Administration to report to the June 29, 2011 Community Development and Recreation Committee on the status of the Province of Ontario Long-Term Affordable Housing Strategy and the *Housing Services Act*."

The *Housing Opportunities Toronto Affordable Housing Action Plan 2010-2020* was adopted by Council at its meeting of August 5 and 6, 2009. The HOT plan requests that the provincial government implement a fully funded long-term affordable housing plan consistent with the City's 10 year Action Plan.

<http://www.toronto.ca/legdocs/mmis/2009/cc/decisions/2009-08-05-cc38-dd.htm>

In November 2007, Council approved the report "Tied in Knots: Unlocking the Potential of Social Housing Communities" which outlined a strategy to address the long-term viability of social housing communities.

<http://www.toronto.ca/legdocs/mmis/2007/cd/bgrd/backgroundfile-8980.pdf>

ISSUE BACKGROUND

Province-wide consultations on the Long-Term Affordable Housing Strategy were held in 2009. The *Housing Opportunities Toronto Affordable Housing Action Plan*, approved by Council in August 2009, was submitted to the provincial government as the City of Toronto's submission to the consultations.

During the past two years City of Toronto staff were also invited to participate in working groups providing input to the Province on the development of their Strategy and draft legislation.

On November 29, 2010, the provincial government released its Long-Term Affordable Housing Strategy. Bill 140 (The Strong Communities Through Affordable Housing Act) has been passed and received Royal Assent on May 4, 2011. The Bill enacts the new *Housing Services Act* and repeals the *Social Housing Reform Act* (SHRA), as well as making minor changes to the Planning Act and Residential Tenancies Act.

COMMENTS

This is the first time in over a decade that the Province of Ontario has made significant changes to its housing strategy and legislation. There are four specific areas which have potential policy and financial implications for the City, as follows:

1. A new approach for funding housing and homeless services, increased flexibility to meet local needs, and recognition of the important role of Service Managers
2. No new provincial funding to upload social housing costs or address Service Managers' increasing cost pressures

3. No new funding to help residents improve housing affordability or reduce waiting times for social housing
4. Some prescriptive requirements remain, including Ministerial consent for the transfer of properties

Details on the four specific areas follow:

1. **A new approach for funding housing and homeless services, increased flexibility to meet local needs, and recognition of the important role of Service Managers**

Proposed new approach for consolidated funding for housing and homelessness services

The provincial Long-Term Affordable Housing Strategy moves forward on the recommendation from the Provincial-Municipal Fiscal and Service Delivery Review to consolidate funding for housing and homelessness programs into one funding stream. This initiative is intended to reduce administrative complexities for service managers and partner agencies and create greater local flexibility in identifying priorities and innovative solutions. The first phase will involve five homelessness service programs, including the Consolidated Homelessness Prevention Fund, Emergency Energy Fund, Emergency Hostels, Domiciliary Hostels and Rent Bank funding. Consolidation was not addressed in Bill 140, and will be introduced through a separate process.

Increased flexibility for Municipal Service Managers in some areas

The new *Housing Services Act* is a welcome replacement to the overly prescriptive *Social Housing Reform Act*. While much of the detail will be determined in the regulations which have not yet been released, in general, the new *Housing Services Act* is less prescriptive and gives Municipal Service Managers more flexibility to meet local needs. This includes reducing some requirements for Ministerial Consents, for things such as easements and refinancing mortgages, so that municipalities can make locally relevant decisions and streamline administration. The Strategy also proposes changes to the requirements for maintaining a centralized waiting list system for social housing units that will allow greater flexibility to introduce innovative solutions that may improve customer service and applicants' ability to make informed housing choices.

Municipal housing and homelessness plans required

Service Managers will be required to have 10 year plans for housing and homelessness which identify local needs and priorities, identify solutions, and set targets and objectives to meet these needs. This demonstrates provincial recognition of the importance of long term local planning for housing and homelessness services and the important role played by municipal service managers. In August 2009, City Council adopted Toronto's ten year plan for housing and homelessness, *Housing Opportunities Toronto*.

2. **No new provincial funding to upload social housing costs or address Service Managers' increasing cost pressures**

No commitment to upload social housing costs

The City government is currently the primary funder of social housing in Toronto, paying \$238 million (44%) of the total \$541.8 million cost of subsidies and administration (2011 Operating Budget figures), while the Province pays 21%, including the Ontario Municipal Partnership Fund contribution of 16%. The federal government currently contributes 30%. The Strategy contains no commitment to the upload of social housing costs, which Council has requested on numerous occasions.

Declining federal funding

A significant portion of the City's social housing funding (30% or \$162.5 million) comes from the federal government by way of the Social Housing Agreement between the federal and provincial government. The provincial government determines how to distribute it to Municipal Service Managers. Federal funding for social housing will decline over time and reduce to zero by 2030. While the City is still required by the Province to maintain its legislated "service level standard" for rent geared-to-income units, the Strategy does not include funds to replace the declining federal funding. Currently, the City's tax base is the only source of revenue for these lost funds which must be replaced. The Province has committed in the Strategy to work with the municipal sector to secure commitments for long-term funding from the federal government, including maintaining and restoring declining federal funding for social housing.

There is also a lack of transparency in how the allocation of federal funds is determined by the Province. Although municipalities will be required to create 10 year housing plans, there is no requirement for the Minister to provide information on the amount of federal funding that can be expected over the next ten years. The *Housing Services Act* retains the Minister's obligation to publish a notice setting out the federal funding allocated to each Service Manager. However, no timeframes are specified as to how far in advance this must be done. This significantly limits the City's ability to forecast future costs and plan accordingly.

Cost of rent geared to income subsidies

The Strategy proposes a new method to streamline the calculation of RGI subsidies by moving to a more automatic calculation process based on income tax returns from the Ministry of Revenue. This has the potential to reduce the complexity of the income assessment and review process for tenants and reduce administrative burden for housing providers. It will also eliminate the need for mid-year reviews in most circumstances and allow tenants to keep increased income to address other household needs and encourage employment opportunities, rather than having it clawed back immediately.

However, while the details of what the new income calculation process will look like are still to be determined through regulation, these changes may increase the amount of subsidy that the City is required to pay. Adequate time and resources should be provided by the Province to ensure the new rules are fair to both tenants and Service Managers and that the transition to the new system is implemented effectively. Any new system should not result in increased financial costs to the Service Managers.

Thus far, there is also no indication that the rent scales for OW and ODSP recipients in subsidized housing will be changed. Social assistance recipients who live in social housing currently receive a smaller shelter benefit than those living in the private market. This saves money for the Province through reduced Ontario Works costs and costs the City tax base through increased rent subsidy amounts.

Approximately 30 % of social housing households receive social assistance and pay rent based on the schedule set by the Province. Council has previously requested that the Province harmonize social assistance subsidies between the private market and social housing for an estimated annual saving to the City of approximately \$81 million.

Potential increased cost pressures and transfer of funding risks

The Strategy contains some initiatives that could introduce additional cost pressures. For example, the process of consolidating funding could transfer funding risks to the City. Currently, per diem funding for emergency hostels has the ability to expand and contract in response to sudden increases in demand (for example, as a result of changes to immigration policies and geopolitical circumstances related to refugees). While detailed plans for the consolidation have yet to be announced, this flexibility should not be lost by moving to a fixed funding envelope.

The new *Housing Services Act* also sets out a variety of prescribed requirements and accountability for targets and outcomes that the Service Manager is required to report on. Any new reporting requirements should be accompanied by a corresponding increase in resources to administer these new requirements to ensure they do not place additional financial pressures on municipalities.

3. No new funding to help residents improve housing affordability or reduce waiting times for social housing

No new funding to help residents with housing affordability

Housing Opportunities Toronto requested that the provincial government assist low-income residents through sustainable increased funding for rent supplements, housing allowances, and/or other shelter benefits, to help with rental affordability for the more than 78,000 households on the social housing waiting list. The Strategy acknowledges that the creation of a housing benefit was mentioned frequently in consultations; however there will be no new funding for a housing benefit at this time. At its most recent meeting on June 14, 2011 City

Council requested the Province of Ontario to provide long-term and sustainable funding for a permanent housing allowance program in the City of Toronto.

The provincial Special Priority Policy continues to increase waiting times for many on the waiting list

The province remains committed to its Special Priority Policy that gives victims of domestic violence priority on the social housing waiting list.

This program is intended to assist in the permanent separation of an abused household member from the abuser with whom they are living or from whom they have recently separated. However, there are a number of challenges in administering this program. Overall, the number of Special Priority applicants continues to grow and a large portion of all vacancies in the social housing stock is being filled by Special Priority applicants. In 2004, there were 617 Special Priority applicants housed (representing 11% of all applicants housed). By the end of 2010, Special Priority applicants housed had increased to 1,182 (representing 32% of all applicants housed). This means that it takes longer for those who are not in a Special Priority category to be placed in rent geared-to-income housing.

Housing providers are experiencing significant challenges in managing this influx of applicants who are in need of support. More households are just out of crisis and often require more support to ensure a successful tenancy. Housing providers do not provide or have access to the level of supports this client group needs.

Council has previously requested that the Minister of Municipal Affairs and Housing and Minister of Community and Social Services reconsider the use of the social housing portfolio as a policy instrument for victims of domestic violence and instead fund a long term, ongoing rent supplement program with supports exclusively for victims of domestic violence.

4. Some prescriptive requirements remain, including Ministerial consent for the transfer of properties

While the new *Housing Services Act* is a welcome replacement of the overly prescriptive *Social Housing Reform Act*, some of the provisions of the new Act do not reflect the principles of local flexibility. Service Managers will continue to be overly regulated without recognizing their role as the primary funder. For example, although Ministerial consents for some actions are no longer required, which will allow greater flexibility and Service Manager decision-making authority, transfer or sale of property still requires the consent of the Minister.

As well, the provisions in the Act related to management of housing providers are overly prescriptive. The City should have the discretion to engage in a clearly defined course of action to assist a housing provider to correct problems early on and build organizational capacity to prevent recurrences. Earlier intervention and problem solving is likely to be less expensive for all involved and will help protect the interests of tenants.

Next Steps

Staff will continue to engage the Ministry of Municipal Affairs and Housing on the implementation of the Long-Term Affordable Housing Strategy and the *Housing Services Act*. The General Manager, Shelter, Support and Housing Administration will report back to Community Development and Recreation Committee on the implications and any required policy changes after the new regulations under the *Housing Services Act* have been released by the Province.

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