

Update on City of Toronto's Refugee Response and Impact of New IHAP Directives

Issue:

This Briefing Note provides an update on the City of Toronto's refugee response, recent changes to the Interim Housing Assistance Program (IHAP), and intergovernmental considerations related to issues of refugee claimant arrivals in Toronto.

Background

- Since 2016, the City of Toronto has been responding to multiple waves of large-scale arrivals of refugees and refugee claimants, providing emergency shelter to tens of thousands over the years, while also ensuring the growing shelter needs of the local homeless population are met.
- These surges in refugee demand for local shelter beds create significant and unpredictable pressures for municipal service systems, which are not designed to respond to international migration but rather to support the local homeless population.
- Given the ongoing global instability and current trends, large-scale arrivals of refugee claimants are anticipated to continue to increase. In 2024, approximately 170,000 claims were made, with more than half in Ontario. Of the claims made in Ontario the majority were filed inland.
- Since September 2021, the number of refugee claimants accommodated by the City of Toronto has increased more than 11 times (1,125%) from 530 per night in 2021, to the height of 6,490 on August 20, 2024. As of March 9, 2025, the City is accommodating 4,597 refugee claimants. In addition, in 2024 on average 83% of refugee claimants in the shelter system have been there for longer than six months, while in 2022 this percentage point was 33%.
- Toronto's shelter system continues to be at full capacity with current demand exceeding availability each night. The demand from refugee claimants is driven by several factors, including insufficient affordable housing supply in Toronto, increased costs of living, inadequate wage and income supports, geopolitical instability, along with limited response coordination at the provincial and national level as well as limited options for refugee claimants to move elsewhere.
- The main source of funding for the City's refugee response has been the Interim Housing Assistance Program (IHAP), which facilitates reimbursement of 95% of the City's expenses.
- To date, a total federal funding of \$652.7M has been received by the City or recently committed: \$26M in 2018, \$45M in 2019, \$37.1M in 2020, \$19M in 2021, \$71.3M in 2022, \$192.4M in 2023 and \$261.9M in 2024.

Key MessagesRefugee Response

- In the last few years, newly arriving refugee claimants has been the fastest growing client group in the City's shelter system, outpacing the rest by far. This unprecedented, rapid growth has put tremendous strain on the shelter system forcing the City to prioritize urgent response measures to address growing demand.
- To respond to the developing crisis in 2023, the City established the Refugee Response Unit under Toronto Shelter & Support Services to lead the City's strategic and operational response to refugee claimants experiencing homelessness.
- Through the Refugee Response Unit, the City has stewarded a number of activities to date including:
 - Establishment of 257 additional spaces through emergency hotel programs, operated by the Canadian Red Cross (currently winding down)
 - Collaboration with the community sector, including reimbursement of over \$5M to Black-led churches and community organizations
 - Establishment of eight refugee houses and small refugee shelters in partnership with community agencies, with over 210 new spaces (three additional sites are in progress)
 - Facilitation of transfers of eligible refugee claimants to IRCC hotels (to date, 4,675 individuals have been transferred) in order to divert from the shelter system and protect access to spaces for increased local needs
 - Development of a dedicated refugee shelter system (in process); and
 - Advocacy and collaboration on intergovernmental efforts, including establishment of a regional reception centre in Peel
- In 2024, through engagement with refugee agencies, the City began transitioning from temporary emergency programs (i.e., emergency hotel programs operated by Red Cross) to more sustainable solutions. This includes the establishment of refugee houses, and small refugee shelters resourced to provide specialized services and support.
- Currently, the City's refugee-specific shelter programs consist of 33 programs operated by 13 contracted agencies. They are delivered at 20 locations and serve close to 3,000 clients. Diversion programs are also being utilized to connect refugee claimants to alternative housing solutions, before they enter the municipal shelter system. In 2024, approximately 1,600 claimants were diverted from the shelter system through this program model.
- In addition, intergovernmental efforts and advocacy continue to be a major area of focus, as well as engagements with refugee-serving and other community organizations, including those that have been established through the most recent surge in arrivals.

Changes to the Interim Housing Assistance Program (IHAP)

- In December 2024, Immigration, Refugees, and Citizenship Canada (IRCC) released the new IHAP Directives for 2025-2027, prioritizing sustainable and cost-effective approaches to addressing the housing needs of refugee claimants, not reliant on federal funding.
- The changes to the IHAP funding requirements gradually shift financial responsibility to municipalities over a period of two years, creating an unsustainable burden for the City, despite the federal government having the overall authority over immigration.
- This is demonstrated by the considerable changes to the cost-sharing proportions. As per the new terms, activities that meet the criteria of “sustainable and cost effective” will be covered up to 95% in 2025/2026 and 75% in 2026/2027 (for example, permanent reception centres, purchase and operation of new shelters for refugee claimants). All other approved activities will be covered up to 75% in 2025/2026 and 50% in 2026/2027 (for example, hotel operations, support for claimants in the general emergency shelter system).
- The changes to the cost-share model penalize municipalities such as Toronto, that had no other choice than to establish emergency programs that can be put in place on short notice, which are typically not cost-effective. At the same time, the reduced federal participation in cost-sharing and the requirement to demonstrate availability of other funding sources will discourage more municipalities to apply. This will limit opportunities for claimants to move to other locations, while also reducing options to build a coordinated national response.
- IHAP funding is available until March 31, 2027. The reality is without continued federal support, the scale of operations in Toronto will not be sustainable, exacerbating the current crisis in the city and undermining the City’s fiscal resilience.
- The new directives specify that IHAP funding can be provided only for services to refugee clients who have already filed a refugee claim. Most refugee claims in Ontario are filed inland, and not at ports of entry. With inland claims, there is a gap between the time a client arrives and the time they formally become a refugee claimant. This means that the City will not be able to recoup funding for emergency shelter provided to clients as they are waiting for their claim to be accepted for further processing.
- The total amount of IHAP funding available for all of Canada is \$400 million for 2025/2026 and \$367 million for 2026/27. Based on Toronto’s 2024 expenditures, this is insufficient to adequately cover the cost of the ongoing national response and the transition to more affordable and efficient models in Toronto and elsewhere.
- The City of Toronto submitted an application for IHAP funding to IRCC in early February, requesting that 95% of the total projected expenses are covered in both years. The application emphasized that it is based on the current demand, which can be reduced through federal action. It also points to the critical role of the ongoing stable federal funding and national-level coordination.

Staff Recommendations

All newcomers, including refugee claimants, bring significant value to the City. Historically, the City has invested significant resources to support refugee claimants and facilitate their settlement and long-term success. However, in recent years the scale of arrivals has been unsustainable for a City to manage on its own.

In order for the City to be able to continue to adequately meet the persistently high demand for shelter space from refugee claimants, a long-term, adequate, stable and sustainable financial support from the Government of Canada is essential. Without federal leadership and the appropriate federal funding commitments, changes to the IHAP program will exacerbate the shelter pressures in Toronto, undermining the City's fiscal resilience while making services and programming levels unsustainable. This will have a lasting impact not only on the shelter system and its clients, but communities as a whole.

- **The new cost-sharing distribution of IHAP funding should be reverted.**
 - The new cost-sharing model reduced the federal contribution, increasing the municipal one, and introduced a classification where activities identified as not cost-effective and sustainable are funded at a lower level. This penalizes municipalities such as Toronto, that had no other choice than to establish emergency programs that can be put in place on short notice, which are typically not cost-effective.
 - The reduced federal participation and the requirement to demonstrate availability of other funding sources will discourage municipalities currently not involved from applying. This will limit opportunities for claimants to move to other locations, while also reducing options to build a national system-level response.
- **The narrow federal definition of the term “asylum claimant” as eligible for IHAP-funded services should be expanded** to include those who have initiated a refugee claim and haven't completed it yet, and those who arrived to Canada with the intention to make a refugee claim and are preparing to make it. The federal definition puts a significant burden on the receiving municipalities, as for inland claims it often takes a month or two before someone is formally a refugee claimant. Currently most claims are made inland.
- **A dedicated, portable and time-limited housing benefit should be established specific to refugee claimants, with enhanced levels in locations where claimants typically don't settle.** Currently, there are significant inconsistencies in eligibility and how the benefits are applied across municipalities. This is often prompting refugee claimants to seek shelter in municipalities where they are eligible to receive them, and stay longer there in order to meet the eligibility criteria. Enhancing benefits in certain locations will likely support better distribution and coordination.
- **A coordinated national system for responding to arrivals of refugee claimants** should be established, with reception capacity across the country. A long-term, sustainable commitment from the federal government is necessary to advance such a system and create efficiencies, while promoting the benefits of these arrivals to communities across Canada.

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