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Fourteen cents a day won't build many homes

By Michael Shapcott, The Wellesley Institute

The Ontario government spends about 14 cents per person per day on affordable housing — less than half the amount spent in 2000 — even though the province's population and its housing needs continue to grow significantly.

The low level of spending means the government has been able to fund only a fraction of the new homes it promised in 2003. And those targets from 2003 were already modest, when set against the desperate province-wide need for affordable homes.

In 1998, the Ontario government started to download housing programs to municipalities (following the lead of the federal government, which launched its own housing download in 1996). Provincial governments in the 1990s cut hundreds of millions in funding and cancelled programs. Hundreds of millions in additional spending cuts have been made in recent years.

Affordable housing policy in Ontario has been reduced to a thin patchwork of federal, provincial, municipal, community and private sector

initiatives that are uncoordinated and frequently in conflict.

Consider supportive housing: The Ministry of Health and Long-term Care and the Ministry of Municipal Affairs and Housing both offer supportive housing programs, but neither ministry has a complete package of supply, affordability and services funding. The ministries prohibit housing providers from combining funding from the two ministries, even though this is necessary, trapping housing providers in the bureaucratic quagmire.

Despite the massive funding and program cuts, and the downloading, the provincial political spin remains formidable. In the year 2004, for instance, the Ontario government issued press releases promising a total of 22,620 new affordable homes. The province's audited financial statement for that year reported a total of 18 new homes were actually delivered.

This technical report looks at the latest indicators of housing need, along with the

housing spending and programs of the Ontario government.

AFFORDABLE HOUSING: A FUNDAMENTAL NECESSITY

About two-thirds of Ontario's 4.5 million households (about 12.7 million women, men and children) live in ownership housing. On average, owner household incomes are about double those of tenant households.

Most low, moderate and middle-income Ontarians live in rental homes (including social housing) and most of those are in privately-owned rental housing (the so-called "conventional" rental sector).

In 1991, there were 432,922 Ontario households in core housing need — forced to live in unaffordable, substandard or overcrowded homes, or sometimes all three. A decade later, that number had grown to almost 600,000 Ontario households (about 1.7 million women, men and children), according to Canada Mortgage and Housing Corporation. That's about 15% of all Ontarians. Other households may also have housing concerns, but those in core need are at the top of the priority list.

Renters make up two-thirds of Ontario households in core housing need — more than 398,000 renter households (or about one-in-three of all renters) are experiencing extreme housing insecurity. Slightly more than 200,000 owner households are in core housing need.

Among the groups who are facing the heaviest burden are seniors (103,200 senior households in core need, with more than half of all elderly women living alone in Ontario in core housing need), immigrants (162,300 households) and Aboriginals (11,800 households).

COUNTING THE COST: INDIVIDUALS, COMMUNITIES, GOVERNMENT

Ontario's massive and growing housing insecurity is costly for—

- **Individuals:** Epidemiological studies show the links between poor housing, poor health and premature death. In November, the Canadian Institute for Health Information issued its latest report on health in urban places that identifies the huge health toll from inadequate housing.
- **Communities and the economy:** Housing insecurity disrupts neighbourhoods and is a drag on economic competitiveness. Business organizations from TD Economics to the Toronto Board of Trade have identified new affordable homes as a key factor for economic health.
- **Government:** Homelessness and insecure housing increases health costs, and also leads to increased public spending on shelters, services, policing and jails. The cost of "doing nothing" is enormous and growing.

The affordable housing crisis has two important dimensions: Supply and affordability. Ontario must have enough buildings to make sure everyone has a place to call home — that's supply. And those homes need to cost no more than 30% of the renters' household income — that's affordability.

GROWING NEED, STAGNANT SUPPLY

On the supply side, the province's private rental universe is stagnant. Private rental units provide a home to most low and moderate-income, and many middle-income households. The tiny amount of new construction in recent years has been

largely outpaced by housing losses (conversion of rental to condominium or commercial, demolition, etc.).

The overall number of private rental units in Ontario dropped from 620,901 in 2004 to 619,555 in 2005 before rising slightly to 622,707 in 2006.

New construction of private rental housing started to slump in the early 1970s (before rent regulation was introduced in Ontario), but the effects were not fully felt for the first two decades as the people of Ontario benefited from robust federal and provincial social housing programs.

There has been little new social housing since federal and provincial governments cancelled funding and downloaded housing programs in the 1990s. The supply crisis has started to bite deeply over the last decade.

New private rental construction started to rebound after the year 2000, but rental starts by 2005 were still only slightly more than half the level of 1990. And most new units had rents higher than the average market rents — which makes them unaffordable for low, moderate and middle-income households.

Rental vacancy rates are one measure of available supply, reported annually by Canada Mortgage and Housing Corporation. The 2006 rental vacancy rate for Ontario is a painfully low 3.4% — down for the second-year running from 2004, when the rate edged slightly over 4%.

The number of vacant units dropped in five of Ontario's 10 largest municipalities, and flat-lined in two others.

Many tenants are in the secondary rental market, which includes rented condominiums, secondary suites and accessory units and other properties. There is very little reliable data on the secondary rental market, but figures from CMHC show that the number of rented condominium units is dropping sharply. The vacancy rate in rented condominiums is much lower than the private rental market.

Indicative of the supply shortage are the long lists for affordable housing in municipalities across Ontario. The Ontario Non-Profit Housing Association reports that there are 122,426 households on social housing waiting lists.

Looking ahead, the “reference scenario” from the Ontario Ministry of Finance forecasts that the province's population will grow by 3.9 million over the next 25 years. The province will need about 18,000 new rental homes annually to meet that projected growth — in addition to the new homes that are required to take up the current need.

Since most of the new growth is expected to come from immigration, and since most immigrants arrive in Canada poorer than resident Canadians and remain poorer for longer, most of those new homes will have to be subsidized.

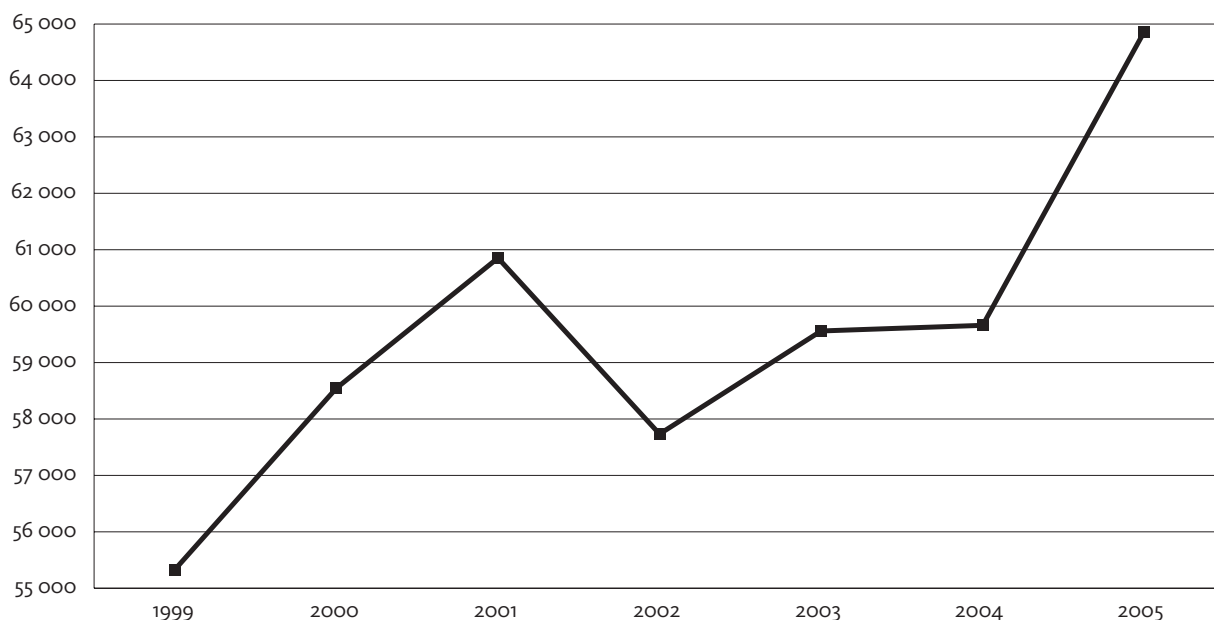
RISING RENTS, DWINDLING TENANT INCOMES

On the affordability side, rents have risen faster than the rate of inflation over the past 15 years, while tenant household incomes have shrunk, which has forced low, moderate and middle-income households into a rent-income squeeze. Growing energy costs are adding to the burden.

From 1992 to 2004, median renter household incomes (after tax, in 2004 constant dollars) shrank from \$31,500 to \$27,800, according to Statistics Canada. During that same time, average market rents rose from \$672 to \$883 (for a typical, two-bedroom apartment). The rent jumped by 31% while the money to pay the rent fell by 12%.

Rent increases have consistently outpaced inflation — and the average rent in Ontario is now \$866. To afford that rent, a renter household needs an annual income of almost \$35,000. More than half Ontario's renter households have annual incomes under that amount.

CHART 1 Ontario tenant households facing eviction 1999 to 2005



SOURCE Ontario Rental Housing Tribunal

Some have argued that private market forces help to regulate supply and affordability in Ontario’s rental market, but the numbers over the past 15 years don’t bear that out. According to market boosters, shrinking supply should lead to higher rents, which should spur new construction. This, in turn, should lead to an easing of vacancy rates and a moderation in rents.

However, rents in Ontario have consistently increased each year, even as vacancy rates dropped, then increased, then dropped again. The private market is not offering a “safety valve” to deliver new homes or affordable rents in Ontario.

The income-rent squeeze has forced more households into line-ups at food banks, caused more families to double or triple-up in small apartments to cover the cost of rent, and led to a big increase in evictions.

In 2005, an all-time record of 64,864 tenant households faced eviction in Ontario because they couldn’t pay their rent — an average of 260 households every working day.

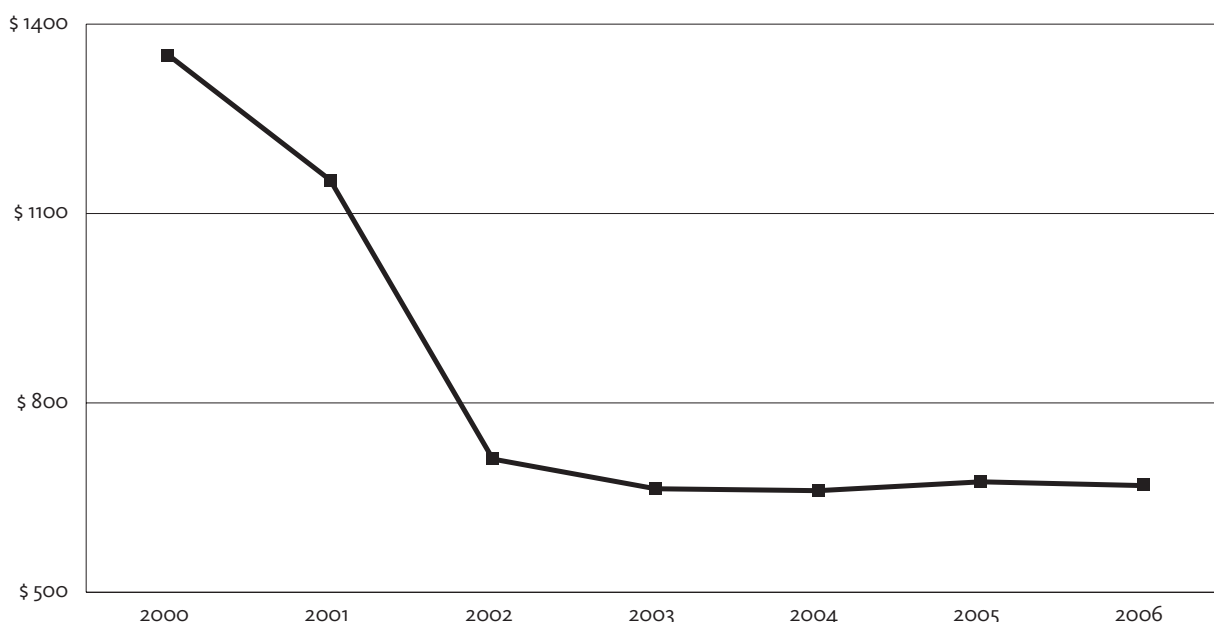
ONTARIO HOUSING SPENDING IS DROPPING SHARPLY

In 1992, the Rae government announced plans for 20,000 new affordable homes in Ontario. Things have gone downhill since then. Almost immediately after making the commitment, the Rae government decided to “go slow” on the allocation of the new homes so that, by 1995, only about 3,000 of the homes were built or substantially completed.

The remaining 17,000 homes — approved for development — were cancelled by the Harris government in 1995. By fiscal 2000, the Harris government had cut more than \$300 million from provincial housing spending.

Provincial spending on housing has plummeted by more than 50% since the year 2000, falling from almost \$1.4 billion in 2000 to \$669 million in 2006, according to the annual Estimates, published by the Ontario Ministry of Finance.

CHART 2 Ontario housing spending 2000 to 2006 (in 000s)



SOURCE Ontario Ministry of Finance Estimates, 2000 to 2006

The sharp drop in provincial housing spending is even more dramatic when set against the increase in population. Provincial housing spending has dropped from \$116 per capita in the year 2000 and is currently stalled at about \$53 per capita in 2006—or about 14 cents per day per person.

FRACTION OF PROMISED HOMES HAVE BEEN BUILT

During the 2003 provincial election, the McGuinty Liberals promised to fund 26,640 new supportive and affordable homes to help meet the province’s supply needs. They also promised to fund 35,000 rent supplements (a housing subsidy for low-income households) to meet affordability needs.

According to provincial officials, 2,122 of those units have been built as of October 2006, and another 2,161 are under construction. And

6,670 rent supplements have been delivered as of September, 2006. Three years after the promises were made, the McGuinty government has delivered a small fraction of the units promised.

HOUSING BEING HELD POLITICAL HOSTAGE

Almost \$400 million in federal housing dollars are being held political hostage by the Ontario government as it argues with the federal government about fiscal issues.

The federal Parliament authorized \$1.6 billion in new housing spending in June of 2005. About a year later, the newly elected Harper government allocated \$1.4 billion of those dollars to three housing trust funds (one for the provinces, a second for the territories and a third for off-reserve Aboriginal housing).

Finally, in November of 2006, the federal government finally created the actual funds and

allocated \$312.3 million for affordable housing and \$80.2 million for off-reserve Aboriginal housing for Ontario. But the funding is stalled because Ontario officials won't accept the federal housing dollars until broader fiscal negotiations are completed.

Poorly-housed Ontarians are being held hostage as federal and provincial politicians squabble.

SOLUTION: RAMP UP HOUSING SPENDING, PROGRAMS

Funding and program cuts, and downloading, have led to growing homelessness and housing insecurity in Ontario.

A comprehensive provincial housing strategy needs to start with uploading of the costs of social housing back to the provincial level, while administration remains with municipalities. A range of groups, from housing advocates to business organizations, have noted that the municipal property tax is not a fair base for social programs, including housing.

Restoring housing funding to the provincial level will ensure an equitable funding base, while retaining housing administration at the local level will ensure that the programs will most effectively meet local needs.

A comprehensive housing strategy has three components:

- capital subsidies to get the buildings built, or to renovate existing substandard homes,
- rent supplements to make sure that the homes are truly affordable to low and moderate-income households, and
- support services to meet the special physical or mental health needs of a small, but significant, part of the population.

An effective housing policy also requires a complementary incomes program, including increases to the minimum wage and provincial income assistance rates to make sure that low- and moderate-income households have enough money to meet their needs, including housing.

The Ontario Alternative Budget, a project of the Ontario office of the Canadian Centre for Policy Alternatives, sets out a practical and fully-costed financial agenda for Ontario, including estimates for new housing spending. The OAB for 2007 will be available on CCPA web site at www.policyalternatives.ca when it is released in March.

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