State of the Crisis, 2003:
Ontario housing policies are de-housing Ontarians

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Ontario has lost 45,000 private rental units over the past eight years. The province has also lost 23,300 affordable social housing units, along with another 59,600 affordable social housing units that should have been built. Tenants face a growing affordability squeeze as rents in existing units have increased significantly since 1995 – as much as 30% or higher in some areas – at the same time that renter household incomes have been stagnant or declining.

It wasn't supposed to be this way.

No matter who's measuring, the need for affordable rental housing has been growing. Canada Mortgage and Housing Corporation, the federal government's housing agency, estimated in 1997 that Ontario needed 120,000 new rental units from 1996 to 2003 (about 16,000 per year from 1996 to 2001, and 20,000 per year since then). The mid-range scenario from the Ontario Ministry of Finance population projections puts the need at 18,400 new rental units annually – that's 147,200 homes from 1996 to 2003.

Since 1995, the Ontario government has had a set of housing policies that it promised would deliver tens of thousands of new rental units and, at the same time, provide rent subsidies to low and moderate-income renter households to help them cope with rising rents.

But, instead of plenty of new units, Ontario is sliding backwards. Despite a solemn "guarantee," the government has offered almost no help at all to low-income households facing rapidly rising rents. And it has cut shelter allowances to hundreds of thousands of the province's poorest households.

Tenants in Ontario's 1.4 million rental households live in the worst of all possible worlds. The supply of affordable rental units is declining and rents are increasing as the need for new affordable rental housing grows. Social housing waiting lists have grown from two years in 1995 to as much as ten years or more. Homelessness is up everywhere in the province.

Government housing policies are de-housing low-income, moderate and even middle-income renter households instead of giving them access to good quality, affordable homes.

Tory plan: Private salvation for renters

Ontario's Progressive Conservative Party government, elected in June of 1995, said it could deliver tens of thousands of desperately-needed new affordable rental units. In the *Common Sense Revolution*, the Tory pre-election manifesto, party leader and future Premier Mike Harris promised:

> "We will end the public housing boondoggle that profits only the large

property developers and return to a shelter subsidy program for all Ontarians who need help in affording a decent level of shelter. By spending money on people instead of bricks and mortar, we will be in a position to eliminate the two-year waiting list for affordable housing."

In 1995, the new government put its faith, and the rental housing needs of low, moderate and middle-income Ontarians, in the private market. Their radical experiment called for:

- An end to government subsidies for new co-op and non-profit housing. Social housing had been a key element of affordable housing policy federally and provincially since the late 1940s. The government hoped that by eliminating new not-for-profit housing, private developers would step in to create new affordable units.

- Major changes to rent regulation laws to allow rents to rise to their "natural level." Landlords were expected to use massive rent increases to pay for repairs and also fund new units. At the same time, the government hoped that the "discipline" of the marketplace would allow rents to moderate as new units came on stream.

- Elimination of the *Rental Housing Protection Act*, which had given municipalities modest powers to control the demolition or conversion of affordable rental housing.

- Shelter subsidies to low-income households to cushion them from big rent increases.

As Ontario's rental housing crisis grew steadily worse, and the private market failed to deliver new units, the government added a new element. It offered public subsidies directly to private developers to invest in new units.

Private lobbyists meet privately with Minister

On September 14, 1995, Ontario Minister of Municipal Affairs and Housing Al Leach met privately with representatives of six private sector lobby groups: Fair Rental Policy Organization, Greater Toronto Home Builders' Association, Metropolitan Toronto Apartment Builders' Association, Ontario Association of Architects, Ontario Home Builders' Association and the Urban Development Institute of Ontario. The lobbyists brought a long wish list, including:

- an end to rent controls;

- repeal of the *Rental Housing Protection Act*;

- substantial changes to the *Landlord and Tenant Act* to fast-track evictions through a politically-appointed tribunal;

- a legislated end to an attempt by the Ontario Human Rights Commission to prevent rental discrimination based on income; and,

- a radical overhaul of building regulations to cut costs for builders.

The lobbyists insisted that no one else should be at the table. "The industry must have a prominent voice on these matters relative to other interested parties because *it is the building community that understands what* *will and will not work*," the lobbyists warned the minister (italics in their original document). Minister Leach, and subsequent ministers, agreed. Tenants, homeless people and not-for-profit housing developers and providers that had successfully developed hundreds of thousands of cost-effective, affordable social housing units have been largely excluded from talks about new housing policy over the past eight years.

The private interests wanted lots of changes, but they never actually promised that these changes would lead to a specific number of new units. All they said was that their plans would "encourage the development and construction of private rental housing in Ontario."

Minister Leach commissioned a study based on the lobbyists' demands. The report called *The Challenge of Encouraging Investment in New Rental Housing in Ontario* was released in November of 1995 and gave the government the go-ahead it needed to take action.

But even this detailed report hedged on whether the massive changes would actually create any new affordable units. It concluded that the changes "will encourage more building. How much? That is impossible to say. However, it seems likely that the regulatory changes alone will not be enough to stimulate substantial amounts of rental investment in Toronto, which presents the most serious problem for rental supply in Ontario." The report states:

> "New private rental projects will target the high end of the market. The economics of building rental housing dictate that the new product will have higher than average rents. This is the traditional market for new rental housing. Product at the high end of the market is beneficial to all segments since it attracts tenants from the existing lower-rent stock – thereby creating vacancies at more affordable rents."

In other words, the most that can be expected is some new high-rent units. And then, through the magic of the private market, perhaps some of those vacancies may trickle down to the hundreds of thousands of low and moderate-income renter households which need affordable homes.

Private sector makes donations

The Ontario government was quick to oblige the private lobbyists, and they, in turn, made substantial financial contributions to the Progressive Conservative Party and its candidates.

Five of the six groups at that key meeting with Minister Leach in October of 1995 (Fair Rental Policy Organization, Greater Toronto Homebuilders Association, Metropolitan Toronto Apartment Builders Association, Ontario Home Builders Association, Urban Development Institute Ontario) have donated a total of more than $60,000 to the governing Conservative party since 1995. Two-thirds of those donations have come since 1998, when the government implemented the most important changes (the repeal of the *Rental Housing Protection Act* and the gutting of rent regulation rules).

But these weren't the only private rental interests that have made substantial financial contributions. For instance, Greenwin Property Management calls itself as "one of Canada's largest property managers" and "Ontario's largest private manager of government-sponsored developments." It has given more than

$100,000 to the governing Tory party since 1995, almost half of that ($46,000) during 1999, a provincial election year.

Plenty of other private housing interests have also donated to the Conservative Party.

Minister gives his guarantee

Although neither the private lobbyists nor the province's own study said that the changes would actually create new affordable units, the Ontario government was determined to proceed. On October 11, 1995, Minister Leach rose in the Legislature to declare:

> "We've stated quite clearly that it's the intention of this government to get out of the non-profit housing business and get out of the co-op housing business. We believe we should put our support behind providing shelter allowances to people who need it and not throwing it into bricks and mortar."

One week later, Minister Leach again rose to state:

> "This government has made a commitment to get out of the non-profit housing business. . . This government lived up to and fulfilled that commitment. We also committed to introduce a shelter subsidy program to assist those members of our society who truly require help in their housing needs. I can guarantee you that we will live up to that question as well."

Faced with tough questioning from opposition politicians, Minister Leach said:

> "The minister and the ministry, as we speak, presently are developing the details of the program. It's going to be an extensive program, as I mentioned. We're going to ensure that it will provide benefits to tenants, benefits they don't have now, protection they don't have now. I'm very pleased to advise that we will be bringing forward a program for the shelter allowances perhaps very early in the new year, as quickly as the people in the ministry can get the facts together, and we can continue to do that. Again, what we're interested in is not bricks and mortar; we're interested in providing protection to the tenants of Ontario."

"Our number one goal is to put a system in place that will give builders an incentive to get out and build new stock," said Minister Leach in a newspaper interview in December of 1995. He predicted 20,000 new rental units in Toronto alone as a result of his government's policies. "And we have to make sure we put in a [rent regulation] system that provides tenants with the confidence that they won't be gouged by landlords."

In April of 2000, there was a sign that the government realized that the private sector was not delivering any new affordable housing units despite generous concessions. Minister of Municipal Affairs and Housing Tony Clement told *The Toronto Star* the government had delivered and now it was time for private developers to start building. Clement said:

> "They are running out of excuses. I am now calling upon the industry to put their money where their mouth is. We've removed the impediments and we've got

to see activity in this sector. It's time to fish or cut bait."

Stephen Kaiser, President of the Urban Development Institute, dismissed the Minister's comments, saying: "he doesn't understand the industry and that's shocking."

Minister Clement and the rest of the Ontario government lapsed into an embarrassed silence and returned to the housing strategy they've had in place since 1995. New affordable housing must come from the private sector. Period.

Social housing losses: 82,900 units

In June of 1995, the Ontario government cancelled 17,000 units of co-op and non-profit housing that had previously been approved for development. About 20,000 units were on the chopping block, but housing advocates rallied to save 3,000.

Minister Leach also cancelled all funding for new co-op and non-profit development. Until those cuts, Ontario was funding about 7,450 new social housing units annually, according to *Where's Home?*, a comprehensive survey of rental housing in Ontario. The cumulative loss of these units, from 1996 to 2003, is 59,600 co-op and non-profit homes.

In addition, the province announced in 1995 that it would cut about 3,000 rent-geared-to-income units in social housing projects and in the following three years cut an estimated 3,300 rent supplement units in private rental housing.

Total social housing losses in Ontario since 1995: 82,900 homes (enough housing for 224,000 women, men and children).

The main reason for the big losses was the decision to cancel government-funded social housing programs and download the cost and administration of existing programs to cash-strapped municipalities. But the local property tax can barely support existing commitments, let along provide funding for much-needed new social housing.

Minister Leach denounced social housing as an expensive "boondoggle" through misleading and inflated claims. A number of Ontario-funded social housing projects were developed in the late 1980s and early 1990s when land and other development costs were high. During this time, several large private real estate companies collapsed under the burden of a crippling real estate market. However, co-op and non-profit housing providers continued to pay their mortgages, property taxes and other bills. And, as noted in the 1999-00 Ontario Public Accounts: "To date, there have been no claims for defaults on insured mortgage loans" by social housing providers.

As mortgage rates dropped in the 1990s, and financing costs decreased, the investment in social housing by previous governments proved to be a sensible and cost-effective decision, both for residents and for taxpayers.

Private rental losses: 44,780 units

Canada Mortgage and Housing Corporation's annual rental survey is considered the best indicator of the health of the rental housing market. In 1994 (the year before the Conservatives were elected), Ontario had 652,917 units in its "rental universe." By 2002, this universe had shrunk to 611,353, a loss of 41,564 units.

But CMHC's "universe" only counts conventional rental housing (buildings with three or more units). The 2001 Census from Statistics Canada reported that there were more units in the secondary market than in CMHC's conventional rental survey. The renters in this non-conventional market live in basement apartments, rented condominiums and accessory units. Many units are illegal and substandard under municipal or provincial regulations. Tenants often have no long-term security and few protections from predatory practices by landlords.

Ontario claims that the secondary market acts like a safety valve. As vacancy rates in the conventional market drop to dangerously low levels, desperate tenants can find relief in the secondary market. To test this theory, the Ontario Ministry of Municipal Affairs and Housing and CMHC commissioned The Starr Group, a private consultant. Its report, issued in 2000, confirmed that secondary rental units provide a home to a majority of renters – more than 70% in the Greater Toronto Area and 55% in Sudbury, for instance. But their major conclusion offered no relief to tenants:

> "Because of lack of expansion of these markets, vacancy rates for such forms of housing are quite low in most centres. Rents for most forms of secondary rental housing have been rising sharply in most areas, consistent with low vacancy rates in both secondary and conventional markets."

To add to the bad news, the secondary market is shrinking along with the conventional market. The 2001 Census reported 1,351,365 private rented units in Ontario. The 1996 Census put the total at 1,396,145.

Total private rental losses in Ontario from 1996 to 2001: 44,780 units (enough housing for 121,000 women, men and children).

One major reason for the big loss: Ontario cancelled the *Rental Housing Protection Act* in 1998. This law allowed municipalities to regulate the demolition and conversion of private rental housing. With legislative controls gone, demolitions and conversions outpaced new construction. Previously affordable rental housing was lost, and homelessness increased.

Vacancy rates

Canada Mortgage and Housing Corporation released its latest annual rental market survey in November, 2002. The vacancy rate measures the number of vacant units in the conventional market. A rental vacancy rate above 3% is considered healthy, while rates below 3% are in the danger zone.

The latest CMHC numbers show a small increase in the rental vacancy rate in Ontario, and in about half the regions in the province. Provincial officials leaped on the new numbers as "proof" their rental policies were finally working. But the CMHC numbers tell a different story:

- The overall provincial vacancy rate is still in the danger zone at 2.7%. More than three-quarters of the province, including most of the biggest cities (Toronto, Ottawa, Hamilton, London), have vacancy rates below 3%.
- About half the regions saw rental vacancy rates drop in 2002 from 2001, a clear warning sign. And CMHC analysts say that the rates in other communities will likely fall in 2003.
- In a number of centres, such as Toronto (home to almost half the conventional

rental units in the province), vacancies were clustered at the upper end of the rent scale. The majority of tenants cannot afford these rents.

Higher vacancies are not translating into more moderate rents. The community with the highest rental vacancy rate in Ontario in 2002 – Kapuskasing – also had the biggest rent increase. Everywhere across the province, rents are increasing – usually faster than the rate of inflation – even though vacancy rates are easing in some areas. The one exception, Barrie, saw a decrease in average rents of less than one percent. Yet, Barrie has a very low rental vacancy rate.

Private market theorists argue that increasing rental vacancy rates will lead to lower rents as landlords "compete" for tenants. The real market in Ontario delivered the opposite.

There are reports that some landlords in Toronto are using incentives to attract tenants to high-rent units. But this doesn't help low, moderate or even middle-income renters. The benefits only go to wealthy renters.

Guarantee denied: No subsidies for tenants

A key promise in the *Common Sense Revolution*, and "guaranteed" by Minister Leach, was shelter subsidies for "all Ontarians who need help in affording a decent level of shelter." While the government quickly delivered on its promises to investors and developers, it failed on the one promise that it made to tenants. The province has never explained why it has shelved this oft-repeated promise.

One reason may be that shelter subsidies are very expensive. The subsidies cover the difference between the amount a low-income household can afford to pay (usually calculated at 30% of household income) and the actual rent. Since private rents usually increase every year, rent subsidies are guaranteed to cost more every year. The costs were compounded when the government eased rent regulation laws.

The province never released its own estimate of the cost of a comprehensive shelter subsidy program, but a plan that would help the 885,000 renter households with incomes less than $23,000 (the median renter household income in 1999) could cost as much as $361 million monthly (using the 2002 average rent of $836). That's more than $4.3 billion annually.

Rent subsidies have an inflationary impact on the overall rental market, according to research by New York University researcher Scott Susin published in the *Journal of Public Economics* in 2002. Says Susin:

> The main finding of this study is that the voucher program has already caused a large increase in the price of housing for the poor in the 90 metropolitan areas examined here. The most robust estimate presented here suggests that the voucher program has raised the rent paid by unsubsidized poor households in the average metropolitan area by 16 percent. . . . An upward sloping supply curve also has the familiar implication that vouchers are not simply a transfer to those who receive them, but also to landlords. Considered as a transfer program, the estimated 16 percent increase in rent implies that vouchers have caused an $8.2 billion increase in the total rent paid by low-income non-recipients, while only

providing a subsidy of $5.8 billion to recipients, resulting in a net loss of $2.4 billion to low-income households.

His conclusion: "construction subsidies may do more to improve the housing conditions of the poor than do demand side subsidies like vouchers."

Housing advocates, noting that most low-income households live in private rental housing, agree that rent supplements (a form of rent subsidy in which the landlord signs a contract and agrees to keep the rents affordable and to properly maintain the property) are a necessary part of an overall housing strategy.

People on welfare – among the poorest households in Ontario – not only didn't get the rent subsidies promised by the government, but they had the shelter allowance portion of their welfare cheque cut by almost 22% in 1995. Not one penny has been added since then, even though rents have increased an average of 26% from 1995 to 2002. Currently, there are 188,824 households receiving Ontario Works, which includes more than 389,000 women, men and children. More than 80% of them live in private rental housing.

In 1999, the Ontario government signed the Social Housing Transfer Agreement with the federal government. Under this deal, the province agreed to administer almost all federally-funded social housing units in the province (except for federally-funded co-ops, which won a political campaign to be excluded from the download). In return, the federal government agreed to give Ontario hundreds of millions of dollars annually, including surplus funds that became known as the "signing bonus."

The province announced on November 19, 1999, that it was using part of these surplus federal dollars to fund 10,000 new rent supplement units. At first, all the money was supposed to go to private rental units, but private landlords balked at the rent caps (which limited the rent that could be charged to avoid having the funds drained as rents rose thanks to lax rent regulation laws).

Those same rent supplement units, funded with the federal dollars, were re-announced by the province at least four more times (January 14, 2000; November 2, 2000; May 2, 2002; August 20, 2002) as the government tried to get landlords on board. There are still at least 1,000 to 2,000 units that haven't been allocated. These units are expected to be announced yet again in the Ontario budget in March, 2003.

If the 8,000 or so rent supplement units already allocated are set against the 6,300 rent subsidies that were cancelled, the overall increase is less than 2,000 rent subsidies – far short of the comprehensive program originally promised. Once the cuts in shelter allowances for welfare recipients are factored in, the government took away far more rent subsidies than it ever delivered.

More rent: Same old housing

By the year 2001, fully 60% of Ontario's rental housing stock was more than 30 years old. As housing ages, major systems begin to fail unless they are properly maintained. The oldest rental buildings – those built in 1945 or before – have the highest need for repairs. Overall, almost one-third of the province's rental housing needs either minor or major repairs. Housing advocates have warned for years that aging and crumbling private rental housing will become a costly issue, not just for tenants and landlords but also for governments and taxpayers.

The Ontario government hoped that landlords would voluntarily use at least part of the massive rent increases generated as rent regulation laws were relaxed in 1998 to repair private rental stock.

The 1996 Census found that 65% of Ontario's 1,396,145 rental units were in reasonable condition, needing only regular upkeep. Approximately 345,000 units (25% of overall units) required minor repairs and 147,000 (10% of overall units) needed major repairs. Five years later, the 2001 Census reported that 64% of Ontario's 1,351,360 rental units required only regular maintenance. Approximately 343,000 units (25%) needed minor repairs and 141,000 units (11%) required major repairs.

By 2001, Ontario was already three years into the new rent regime. Rents were rising to their "natural levels" in order to allow landlords to invest in new rental housing and fix up their existing stock. However, not only was there a loss in the number of rental units, but there was no change in the percentage of units that needed major or minor repairs.

Ontario cuts housing spending

Ontario led all the provinces and territories in the dollar amount of housing cuts in the late 1990s, according to a survey by Canada Mortgage and Housing Corporation in 2001. Ontario cut $303.8 million in housing spending between 1993-94 and 1999-00 – fully one-quarter of its overall housing budget.

The Expenditure Estimates from the Management Board, pick up the story from there. The Housing Market Program of the Ministry of Municipal Affairs and Housing funds social and market housing, including subsidies for existing social housing and administration of tenant protection. The annual spending numbers:

- 1999-00 – total spending of $1,147,389,240, minus a federal social housing transfer of $358 million, for net provincial housing spending of $789.4 million

- 2000-01 – total spending of $1,341,261,700, minus a federal social housing transfer of $466 million, for net provincial housing spending of $875.3 million

- 2001-02 – total spending of $1,273,948,400, minus a federal social housing transfer of $541 million, for net provincial housing spending of $733.0 million

- 2002-03 – total spending of $738,056,400, minus a federal social housing transfer of $524 million, for net provincial housing spending of $214.1 million

Since 1995, the government has cut $879.1 million from provincial housing programs.

Private sector: More demands, no affordable units

As the province-wide housing crisis and homelessness disaster has grown worse in recent years, provincial officials once again moved behind closed doors with private sector interests to come up with a plan.

The Housing Supply Working Group has 23 members appointed by the province, and it meets in private. Eight members are from the Fair Rental Policy Organization, three from the Greater Toronto Home Builders' Association, two from the Ontario Home Builders' Association and three from the Urban Development Institute. Sixteen of 23 members of the working group are from the same organizations that met secretly with Minister Leach in 1995, so it's no surprise that they have the same demands: More subsidies and tax cuts for private interests. And they are still not making any specific commitments to actually build new affordable homes.

The Housing Supply Working Group issued its second report, called *Creating a Positive Climate for Rental Housing Development Through Tax and Mortgage Insurance Reforms*, in November of 2002. The lobbyists have lost none of their zeal for changes that favour private rental interests. They are also anxious not to lose anything that they have won over the past eight years. And the working group insists that the small amount of new federal funding for affordable housing shouldn't only be spent on affordable units. They say that even expensive condominiums should get public subsidies. They say:

> "The Working Group's view is that the ability to convert rental units to ownership is an important feature of the current regulatory environment and should be maintained. We welcome the response to our earlier recommendations regarding PST offset grants. Providing such grants to units in the new Affordable Housing Program is a good step, however, we also would continue to urge the government to provide sufficient funding so that the grant can be made available to *all* new rental units. As well, we continue to believe that the rebate should apply to purpose-built rental units that are condominium registered, that consideration should be given to eliminating the PST on mortgage insurance for home owners and that similar consideration be given to extending the offset grant to building materials used in the construction of affordable ownership homes."

The faith in private markets to solve the province's affordable housing crisis is undiminished despite eight years of failure. Just like in 1995, the latest working group won't promise to actually build any new affordable housing in exchange for the rich benefits that they are seeking. Low-income tenants desperate for new affordable supply will have to continue to be patient and wait for vacancies to trickle down. The final paragraph of the latest report says:

> "Currently, builders appear to be interested again in entering the market, especially at the luxury end, which offers higher income streams and potentially higher rates of return. As mentioned earlier, high-end rental production may help to create market liquidity and new opportunities for loosening the pressure on available stock. New high-end rental attracts higher income tenants, thereby freeing up some existing lower priced stock for tenants. However, an ongoing objective of governments must be to encourage developers to build for mid-

range rental markets – and this has been a recurring theme in Working Group discussions. We believe the implementation of the measures reviewed in this report will be a major step to achieving this goal."

Private programs: Big spending, little regulation

The federal and Ontario governments have tried a number of private sector housing programs since the late 1940s. The pattern is clear. The big expensive programs produced expensive private rental units, but have been unable to deliver affordable rental housing. Private sector programs are the least regulated housing programs, produce the fewest benefits to low-income households and have almost no accountability to taxpayers.

A brief history:

Limited Dividend Program (1946 to 1975) created 101,300 units that were, initially, moderately priced. But, over time, rents were allowed to rise beyond those affordable to low-income tenant households.

Multiple Unit Residential Building – MURB (1974 to 1981) created 195,000 units at an estimated cost to taxpayers of $2.4 billion. There were no rent restrictions, so rents tended to be at the upper end of the market.

Assisted Rental Program (1975) created 122,650 private rental units at a cost of $300 million. The federal government provided grants or loans to private landlords with no restrictions or requirements on rents. An early study showed that in Toronto, average ARP rents were 32% higher than average market rents.

Canada Rental Supply Plan (1981) cost taxpayers $258.5 million (including the subsequent Canada/Ontario Rental Supply Program). Under this program, one-third of the units were supposed to be set aside for low-income households. Of the 24,667 units funded across Canada, only 1,526 (6.2%) were affordable. For CORSP, 2,675 units were funded, but only 474 units (18%) were affordable.

Ontario Rental Construction Loans program (Ontario, 1981) cost taxpayers $75 million for 15-year interest free loans to private landlords with no restrictions on rents. Landlords were supposed to offer up to 20% of units to local housing authorities for RGI. Of the total of 14,540 units produced, with only 1,029 (7.3%) were affordable.

Convert-to-rent (Ontario, 1983), produced 11,900 units with a range of rents, all well above market rents and not affordable to low-income households.

Renterprise (Ontario, 1985) cost a modest $15.4 million and had the goal of building 5,000 new private rental units. Target market rents were established and many developers withdrew in favour of condominiums. Only 2,176 units were built.

A 1997 study funded by Canada Mortgage and Housing Corporation compared the long-term costs and benefits of private sector and social housing projects. It found that the cost of subsidizing co-op and non-profit projects was far less than subsidizing private investors, developers and landlords. The study reported that in year 25 alone, social housing projects cost taxpayers $800,000 less than the private projects:

> "In all ten comparisons, the non-profit break-even rents started out higher than private rents but then rose more slowly than market rents. In nine of the ten

> cases, the non-profit rents crossed below market between the fourth and eighteenth year of operation. Assessing the resulting subsidy costs for comparable households (based on the use of a consistent 30 percent RGI scale), the study found that, over the past two decades, the non-profit vehicle has been the most effective vehicle in nine of the ten cases. On average, over time it is less expensive to subsidize households in non-profit projects. For example, in year 25 the estimated average subsidy of a non-profit unit compared to the estimated subsidy for a market unit is some $20,000 a year less. . . Since the ten projects have a total of some 400 units, the total savings in year 25 for these projects alone would be some $800,000. . . Non-profit projects can be more cost effective than subsidizing the construction of comparable market units and renting units from a private landlord."

Ontario's not-so-affordable housing program

In November of 2001, Ontario joined with every other province and territory in signing the Affordable Housing Framework Agreement with the federal government. This deal states: "In light of declining vacancy rates and low production of rental housing, federal, provincial and territorial governments believe there is an urgent requirement for short-term measures to increase the availability of affordable housing across Canada," adding: "This initiative needs to create affordable housing for low to moderate income households."

The provinces and territories were supposed to design and deliver the programs. Each province and territory was required to negotiate a bilateral deal with the federal government spelling out the details of the new Affordable Housing Program in their jurisdiction. The federal government committed $680 million over five years. The provinces and territories agreed to match this money, with a big loophole:

> "Provinces and Territories will be required to match Federal contributions overall. Provincial and territorial contributions may be capital or non-capital in nature, and may be in cash or in kind. These contributions may be made by the Province or Territory or by a third party."

Ontario signed a bilateral housing deal with the federal government in May, 2002, taking maximum advantage of the loopholes. While the federal government will spend $245 million over five years to Ontario, the province is only promising $20 million. More than $180 million of the so-called provincial share will come from municipalities.

Ontario downloaded most of the cost to municipalities and also gave them the responsibility for administering it. However, the province kept control of key details. Heavy-handed actions by Ontario, even though it is only paying a tiny share of overall costs, angered a number of municipalities and delayed the roll-out of the plan.

The province finally announced details in December, 2002, but it still has to negotiate separate agreements with every municipality that wants to get the federal cash. In March of 2003, seventeen months after Ontario signed the framework agreement, not one unit of new affordable housing has been built. And no units are expected for months to come.

In addition to delays and almost no provincial funding, Ontario has written the rules to ensure that little of the new housing will be affordable for low and moderate-income households – the ones who were supposed to benefit. Ontario has defined affordable as units "priced at or below average market housing rents." Average market rents are much higher than the amount that most households can afford to pay.

The province's 295,000 poorest households (800,000 women, men and children) have incomes of $11,201 or less, according to Statistics Canada. They can only afford rents of up to $280 per month. The next 295,000 poorest renter households are only slightly better off. They have annual incomes of $17,000 or less and can afford rents of up to $424. The CMHC average rent for Ontario was $836 in 2002 – that's three times higher than the amount that the poorest renter households can actually afford, and almost double the amount that moderate-income renter households can afford.

The province has decided that one key factor in selecting eligible projects is the level of subsidy required per unit: The smaller the subsidy, the greater the chance of receiving a grant. Spreading a small amount of money over a large number of units is a smart political ploy for a government that wants to boast about a large number of units being funded. But a tiny subsidy per unit means that the rents per unit will be higher, and less affordable, than if the per-unit subsidy was more reasonable. Once again, the province is telling low and moderate-income renter households to wait as the latest set of public subsidies are directed to higher-rent units.

The National Housing and Homelessness Network and others welcomed the Affordable Housing Framework Agreement as a first step towards a fully-funded national housing strategy. The 2003 federal budget added another $320 million over five years to the Affordable Housing Program, another welcome step at the national level.

The Ontario share of the new 2003 federal money could be as much as $115 million over the next five years, but only if Ontario produces matching funds. And, like the $245 million assigned to Ontario under the original framework agreement, the new money won't reach the households that need the help the most unless the province changes the rules that it announced in December of 2001.

Many national groups are calling for the federal government to commit $2 billion annually for new social housing as part of a national project called the One Percent Solution. In the last two years, the federal government has upped its commitment to an average of $200 million annually – ten percent of the way towards this goal.

But Ontario, which consistently cuts its housing spending and refuses to even match the new federal dollars, is falling farther behind.

OAB plan for new housing

The Ontario government's housing policies have almost eliminated the province's affordable housing programs in the hope that the private market would step in and fund new affordable housing. Not only has Ontario lost tens of thousands of rental units, but rising rents and stagnant renter household incomes have meant that the rental housing crisis has grown worse in the past eight years.

Private interests have not charged to the rescue, even as they cashed in on the many lucrative changes they demanded from the provincial government. Of course, the lobbyists never actually said that they would build any new affordable units. And private investors, developers and landlords still won't promise to build a single new truly affordable unit even as they ask for more generous subsidies from government.

There is a real alternative: A substantial public investment in new affordable social housing based on a administratively-efficient and fully-accountable program of capital grants coupled with rent supplements for low and moderate-income households in both existing and newly-built units.

This investment plan, along with a return to effective tenant protection laws (real rent regulation and strong laws to protect existing rental housing from demolition and conversion), would reverse the trend of the past eight years and start to ease the province-wide housing crisis and homelessness disaster.

The Ontario Alternative Budget for 2003 has a housing plan that would generate 15,000 new social housing units annually, plus rent supplements for 40,000 low and moderate-income renter households annually.

The cost of these initiatives:

- $630 million annually for 12,600 new provincially-funded affordable units,

- $72 million annually for 2,400 new units as Ontario's share of the federal-provincial Affordable Housing Program, and

- $196 million annually for 40,000 new rent supplement units.

Over five years, this sustained investment will generate 75,000 new affordable rental units and rent supplements for 200,000 low and moderate-income households.

The full Ontario Alternative Budget, to be released in late March of 2003, will have details of the housing plan within the context of a fiscally responsible provincial budget.

Notes on data sources:

Where's Home? is available on the Housing Again Web site at www.housingagain.web.net. Follow the links from the main page. Click on Resources to access an extensive on-line library of housing research.

Information on financial contributions to political parties is available from Elections Ontario. Click on www.electionsontario.on.ca and follow the links to election finances.

Canada Mortgage and Housing Corporation's annual rental market survey is on their Web site at www.chmc-schl.gc.ca. Go to Newsroom. The survey is released in November annually. CMHC also has extensive housing data for sale.

Statistics Canada data, including the 1996 and 2001 Censuses, is available on their Web site at www.statcan.ca. The home page has a direct link to Census data.

Information on provincial government finances is published in the Public Accounts, posted at http://www.gov.on.ca/FIN/english/engpaccts.htm. Spending is reported in the provincial Expenditure Estimates from the Management Board at http://www.gov.on.ca/MBS/english/mbs/estimates/index.html.

Previous technical reports on housing in Ontario are available on the Canadian Centre for Policy Alternatives Web site at www.policyalternatives.ca. Click on Provincial Offices, then CCPA – Ontario. Then click on Research & Publications.

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