

# Affordable Housing in Perilous Times

Investing in our Future





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## Consultation

SHSC is pleased to present its latest discussion paper, *Affordable Housing in Perilous Times: Investing in our Future*. We invite you to read this consultation draft and provide your comments.

Most importantly, we need your input to help craft and develop recommendations on this paper. We've given you a running start below. What do you need? Who should do what? What would you like to see happen next? What is important to you?

This is your opportunity to tell us what you think matters most.

1. In order to ensure the effective functioning of the entire housing system, governments should ... ? and stakeholders should ... ?
2. In order to continue to ensure the quality of all rental housing stock, governments should ... ? and stakeholders should ... ?
3. In order to improve the accountability and functioning of housing programs, governments should ... ? and stakeholders should ... ?
4. In order to boost the supply of affordable housing and protect the existing housing stock, governments should ... ? and stakeholders should ... ?
5. In order to create green collar jobs and a new green collar industry, governments should ... ? and stakeholders should ... ?
6. In order to stimulate the development of a green industry in the residential construction sector, governments should ... ? and stakeholders should ... ?
7. Other recommendations ... ?

# Affordable Housing in Perilous Times: Investing in our Future

## 1. Affordable Housing: Social Need Meets Economic Imperative

In the past year, it has become obvious that Ontario will not escape collateral damage from the meltdown in housing and financial markets in the U.S. Ontario now faces substantially reduced rates of private spending in both the automotive sector and residential construction industries – two of the main economic generators of the provincial economy. Looming increases in unemployment levels have been met by calls for an economic stimulus to create jobs in the short-term. Affordable housing is positioned to meet this challenge by such tried-and-true means as new construction and retrofits of the existing stock.

Over the decade since the Ontario government devolved a number of social programs to the municipal level, municipalities and housing providers have learned what works, what doesn't, and what is needed to improve the lives of our citizens. This paper is concerned with affordable housing framework – how to build it, how to keep it. In particular, it focuses on how the federal investments in affordable housing can create jobs in the near-term, improve standards of living and contribute to long-term economic competitiveness.

For families with children, affordable housing provides a safe and secure home in which educational opportunities can be realized. For workers, affordable housing provides reasonable cost accommodation to support our economic competitiveness. For seniors, it can provide a living environment that respects their changing needs without changing their community. For persons with disabilities, it offers a supportive environment where services help them lead full and dignified lives. For

immigrants, it provides a stepping stone on their journey into self-sufficiency and citizenship. Affordable housing contributes to sustainable urban centres, where compact forms of development support efficient transit and public infrastructure investments. Affordable housing, like good education and health care, is an important part of a decent standard of living and the well-being of our communities.

With the decline in private market spending on housing, the economic argument for public investments in affordable housing is even stronger. The evidence is in - housing starts, sales of existing homes, and selling prices have fallen in all regions of Canada. New projects have been put on hold, labour laid off, and spending on construction supplies cancelled.

When housing starts decline, the demand for Ontario-manufactured goods, such as lumber, copper pipes and wires, windows, and other building components follow. Instead of constructing homes and paying taxes, our carpenters, plumbers, electricians and drywallers collect employment insurance benefits. Similarly, the demand for professional and financial services is eroded among architects, real estate agents, lawyers, and mortgage brokers. A decline in housing production hurts a wide range of business and labour sectors. The results ripple through the economy and can take years to remedy. Add to this the structural decline in the automotive sector and Ontario's economy is teetering on the brink of a deep recession.

Many countries, including Canada, are preparing economic stimulus packages to sustain their economy and create jobs. The *Economist* magazine recommends that energy efficiency should underpin any economic stimulus package, while the need for short-term impacts

requires “shovel-ready” projects<sup>1</sup>. Affordable housing meets both of the *Economist’s* criteria.

Energy retrofits in affordable housing improve economic competitiveness, as increased efficiency insulates the economy and low-income households from the inevitable return of higher energy prices. Energy conservation in new housing supply and the existing housing stock reduces green house gas emissions, prevents energy poverty, and creates green collar jobs. Because Ontario imports energy at international prices (except for electricity), energy conservation improves the provincial balance of trade. Inefficiencies in the planning system mean that developing new affordable supply will lag behind energy retrofits of the existing stock. Energy retrofits are “shovel-ready”; the new supply will follow.

Any recommendations of this paper should be in keeping with the Provincial-Municipal Fiscal and Service Review which calls for the federal government to fulfill its financial responsibility for affordable housing. The Province and its municipalities share the same vision for Ontario: “an economically strong and competitive Ontario that offers a high quality of life to all of its residents.”<sup>2</sup> Warm, dry, modestly-equipped, affordable housing is clearly part of that vision. Social need meets economic imperative.

### a. What is Affordable Housing?

Affordable housing refers to all housing, whether rental or ownership, private sector, non-profit or co-operative, which provides security of tenure and whose costs can be met by households at moderate or middle income levels. Affordable housing is not just about taking care of the disadvantaged – it’s about looking after all of

us who need choices in finding decent quality housing that we can afford.

Social or non-profit housing is a small but important part of affordable housing; its 270,000 units are about 20% of the rental stock and 5% of Ontario’s housing stock.<sup>3</sup> Almost 85,000 units are former public housing, most built to meet minimum building codes dating from a half-century ago. Virtually all of its residents are lower-income – mainly seniors, disabled persons, and single-parent families.

Affordable housing includes supportive housing, where persons with disabilities can access the support services or physical environment best suited to their needs. Despite their important roles in meeting short-term and crisis needs, emergency shelters and transitional housing are not considered to be affordable housing as they do not provide housing on a permanent basis.

This paper is concerned with the framework of spending decisions, regulatory requirements, and housing programs that shape the production of new affordable housing and protect the existing housing stock. It does not propose ways to help households afford housing, such as housing benefits, rent geared-to-income policies, shelter allowances, and property tax credits, as these important solutions are best examined through a review of income security programs.

### b. The Affordable Housing Framework

The Affordable Housing Framework refers to the range of spending policies, planning requirements, institutional practices, and regulations that affect housing throughout all stages of its useful life, from inception to demolition. The Framework has three

1. *The Economist*, p. 33, December 13th – 19th 2008.

2. Provincial-Municipal Fiscal and Service Delivery Review, <http://www.mah.gov.on.ca/Page181.aspx>

3. See Chart A, page 30, which situates affordable housing within the range of shelter options.

components: adequate funding levels, efficient planning for new supply and improvements to the existing stock.

The report documents that Ontario has taken a modest course of action throughout nearly its entire framework for affordable housing. Such modesty is unbecoming to a province with growing needs, to a housing stock ill-equipped for future energy costs, or for a construction industry facing significant decline. Other countries, particularly England, have mapped a strategy to realize a decent standard of housing. Ontario should be no less ambitious in spite of these uncertain times.

## 2. How Much Spending is Required?

Substantial changes in the housing market, including the shift in demand from ownership to rental, deteriorating conditions and out-dated standards in the social housing stock, and advances in energy conservation techniques, suggest that significant investments will help create the green collar jobs required to transform the energy profile of our housing stock.

In January 2008, the Federation of Canadian Municipalities (FCM) concluded that the \$3.35 billion in current annual spending on housing would meet housing and homelessness needs over the next 10 years. *“Overall, the targets can be achieved simply by the federal government committing to sustain federal spending at current (2007/08) levels and reinvesting ongoing savings in existing social housing subsidies as funding agreements expire and by provinces and territories matching these federal investments.”*<sup>4</sup>

One year later, economic conditions are far less rosy than when FCM wrote its report. The decline in the ownership market is pressuring rental housing. Higher-income households, chased out of the ownership market by tightening credit, potential decreased asset value and job losses, are turning to lower-cost rental housing. The Ontario rental vacancy rate fell to 2.7% in October 2008 from 3.3% a year earlier. Further tightening seems inevitable. Lower-income households, always at a market disadvantage, will face increased competition for the limited supply of affordable housing. The level of new supply and acquisition-rehabilitation should be higher than that anticipated by FCM.

It is also clearer that additional resources are required to ensure that the social housing stock provides warm, waterproof and reasonably-equipped accommodation. Energy poverty is a significant concern for low-income households, and the volatility of international energy prices offers few assurances. The City of Ottawa and the City of Toronto both face a \$300 million backlog in repairs of public housing. And that excludes energy conservation. Other centres across Ontario cannot be far behind. Less is known about conditions in the aging private rental stock, but the implication of dealing with an aging housing stock is that energy retrofits will become a priority as well.

Investing in the existing stock is a quicker hit than building new housing. While this report identifies ways in which the building of affordable housing can be made more efficient and speedier, new construction will always be slower due to the need to arrange financing, planning, zoning approvals, servicing, etc. During the lag time before spending for new housing supply kicks in, there is a tremendous

4. *Sustaining the Momentum: Recommendations for a National Action Plan on Housing and Homelessness*, January 2008, page 4, Federation of Canadian Municipalities, [www.fcm.ca](http://www.fcm.ca)

opportunity to improve conditions in the existing housing stock. The support for energy conservation will encourage green industries to strengthen their presence as suppliers of goods and services.

Any federal economic stimulus and on-going housing programs need to go beyond existing spending on housing in order to offset declines in construction levels, respond to growing demand for affordable housing, and to ensure that the existing stock provides a decent standard of living.

#### a. The Federal Government Must Fulfill Its Responsibilities

The federal government's role in housing, governed mainly by the *National Housing Act*, focuses on financial assistance, mortgage programs and monetary policy. It has signed international covenants that guarantee the right to adequate housing for its citizens. However, achieving that outcome requires partnerships with the provinces, territories and municipalities who control land use policies.

Canada was embarrassed in 2007 when Miloon Kothari, the UN-appointed expert on housing rights, characterized the state of homelessness and inadequate housing in Canada as a "national emergency". The UN observer recommended that the "Federal Government needs to commit stable and long-term funding and programmes to realize a comprehensive national housing strategy, and to co-ordinate actions among the provinces and territories, to meet Canada's housing rights obligations."<sup>5</sup>

In March 2008, the federal government responded that "the Government of Canada was committed to the *progressive realization*

(emphasis added) of the right to adequate housing, in accordance with its obligations under the International Covenant ..."<sup>6</sup> Through this public declaration, the federal government acknowledges its intent to meet housing needs; the question is how long will it take?

Until recently, the answer seemed to be "as long as it takes". In the fall of 2008, at the start of the federal election, Ottawa quietly announced almost \$2.0 billion over five years to sustain funding for the Affordable Housing Initiative (AHI), the housing renovation programs, including the Residential Rehabilitation Assistance Program (RRAP), and the Homelessness Partnering Strategy (HPS).

This announcement was made prior to the federal economic stimulus. Subsequently we recognize that more federal spending is needed over the coming years in order to create green collar jobs in the housing construction industry, respond to increased demand for rental units and provide energy retrofits for increased efficiency.

Much more is needed to meet these challenges; in particular, more is needed for Ontario.

#### i. Ontario not getting its share?

The reality is that, even before the economic recession, housing need had grown most substantially in Ontario. Over the 1991 to 2001 period, Ontario accounted for almost 90% of the growth of Canadian households facing core housing need<sup>7</sup>. Over this period, of the 215,000 new core-need households in Canada, 192,000 were in Ontario. The number of needy Ontario households rose by almost 50% to just under 600,000 households.<sup>8</sup>

5. <http://www.unhchr.ch/hurricane/hurricane.nsf/0/90995D69CE8153C3C1257387004F40B5?opendocument>

6. <http://www.unhchr.ch/hurricane/hurricane.nsf/view01/47106C22D3FD8D2CC125740A00729C12?opendocument>

7. Core need is the measure of housing need developed by the federal government. In a nutshell, it measures the number of households who cannot afford adequate, appropriate shelter without spending more than 30% of their income.

8. [www.cmhc-schl.gc/en/corp/about/cahoobo07/data/data\\_013.cfm](http://www.cmhc-schl.gc/en/corp/about/cahoobo07/data/data_013.cfm)



One implication of this trend is that allocating federal affordable housing dollars on the basis of population discriminates against Ontario's households in need of housing help. Ontario has 38.5% of Canada's population, but 40.4% of Canada's core need, almost 5% larger. If Ontario's higher cost to develop housing were taken into account, as it was in the social housing programs a generation ago, Ontario's share would be even higher. Ontario, as an early adopter of federal public housing programs, also has a higher percent of older social housing stock in great need of renewal and retrofitting. The federal allocation formula needs to take into account the complexities of dealing with different regional economies, rather than a one-size-fits-all approach.

SHSC proposes that the federal stimulus package contain a substantial amount of funding to complete energy retrofits in the Ontario social housing sector in the first three years.<sup>9</sup> Another funding component should be allocated to create affordable housing in growth communities, to acquire and rehabilitate existing housing stock, and to develop supportive housing for persons with disabilities.

### **b. The Provincial Question: Whither Housing?**

Ontario's short-term fiscal situation is not pretty. The 2008 Fall Economic Statement predicts a \$500 million deficit this year and some economists believe it will get worse next year before it gets better. Some initiatives, such as the hiring of additional nurses or non-emergency repairs to schools, will be postponed. Ontario has yet to respond to the federal government's fall 2008 housing offer. Whether or not the federal offer will be enriched by the 2009 stimulus package

remains to be seen. Understandably, some might ask "whither housing?"

Historically, Ontario has joined in with the federal government on its housing programs, because it levers federal dollars into the provincial and local economies. Under the Canada-Ontario Affordable Housing Program Agreement, Ontario has committed at least \$301 million. The total investment of more than \$734 million includes funding from federal and municipal partners.<sup>10</sup> This is a substantial level of spending. Ontario's current fiscal situation may prevent it from matching federal dollars in the immediate future.

For governments, the timing of expenditures is often as important as the level. The federal government is looking at a stimulus package that will work quickly. But, Ontario may wish to postpone its participation in any proposed program until tax revenues turn the corner. There is a risk that putting off participation would reduce sector capacity. Municipalities are staffed up to deliver Affordable Housing. That momentum and expertise could disappear if there is nothing to deliver. Delays would spread out from there to affect the broader housing sector.

There is a way in which the senior levels of government could meet their separate agendas for timing of expenditures. Federal funds could initially flow to the faster energy retrofits in the existing stock while Ontario funds are back-ended to the slower, new construction component. The Province needs to announce its intent to come to terms with the federal government, so that municipal and sector capacity does not disappear. Governments need to provide certainty in uncertain times.

9. For example, \$10,000 per unit in retrofit costs for the oldest 84,000 public housing units would cost \$840 million.

10. <http://www.mah.gov.on.ca/Page126.aspx> (referenced November 11, 2008)

### c. Municipal Contributions Remain Critical

Many municipalities support the development of affordable housing through a variety of means, including: property taxes reduced to the lower single family rate; the waiving of development fees and charges; use of alternative development standards (smaller road widths and reduced parking requirements), and as-of-right zoning for secondary suites. Some have passed capital facilities bylaws which allow the municipality to offer financial incentives for new affordable development. All of these initiatives are at the discretion of the municipality.

Other municipalities have chosen not to encourage affordable housing. In some cases, the regional government has endorsed affordable housing but is undermined by the lack of action at the lower tier. One might ask why it is that low- and moderate-income households in such municipalities should be denied access to affordable housing? The Province should identify a minimum set of municipal contributions (e.g. reduced property taxes and development charges) for affordable housing that all municipalities must meet. Local governments should not have the power to opt out of meeting the affordable housing needs of their residents.

### 3. Provincial Planning for Affordable Housing Supply

Certainly, money is important to the affordable housing framework. The planning system is another key component for new supply. How effective are planning requirements in achieving new affordable housing? What changes should be considered to help the production of affordable housing be more efficient, quicker?

The provincial planning system is important to help ensure that federal funds are spent effectively and that municipalities have all the tools they need to realize the affordable housing we need.

In Ontario, municipalities carry out planning functions under the direction of provincial legislation. Provincial authority over the supply and existing stock of housing is expressed through three pieces of legislation.

- The *Places to Grow Act, 2005* clarifies provincial authority over regional and local governments to implement “an integrated and coordinated approach to making decisions about growth across all levels of government [which] will contribute to maximizing the value of public investments.”<sup>11</sup> The Growth Strategy for the Greater Golden Horseshoe region, prepared under the *Places to Grow Act*, identifies affordable housing as one component of a “complete community”.
- *The Planning Act*<sup>12</sup> identifies several provincial interests, including the orderly development of safe and healthy communities, and the adequate provision of a full range of housing. Under the 2005 Provincial Planning Statement, municipalities are required to set targets for affordable housing in their Official Plans.
- The *Building Code Act*<sup>13</sup> establishes minimum standards for fire safety, strength of the structure, energy conservation and accessibility. Building Code legislation impacts affordability by trading off capital and operating costs.

This chapter describes how Ontario’s planning system places high value on affordable housing; however other jurisdictions create more effective

11. From the preamble, *Places to Grow Act, 2005*, [http://www.e-laws.gov.on.ca/html/statutes/english/elaws\\_statutes\\_05p13\\_e.htm](http://www.e-laws.gov.on.ca/html/statutes/english/elaws_statutes_05p13_e.htm)

12. *The Planning Act*, [http://www.e-laws.gov.on.ca/html/statutes/english/elaws\\_statutes\\_90p13\\_e.htm](http://www.e-laws.gov.on.ca/html/statutes/english/elaws_statutes_90p13_e.htm)

13. *The Building Code Act*, [http://www.e-laws.gov.on.ca/html/statutes/english/elaws\\_statutes\\_92b23\\_e.htm](http://www.e-laws.gov.on.ca/html/statutes/english/elaws_statutes_92b23_e.htm)

mechanisms to realize its promise. In particular, inclusionary zoning results in additional supply of affordable housing, reducing the need for provincial spending.

### a. Growth Strategies and Affordable Housing

The Ontario Ministry of Energy and Infrastructure, so far, has completed the Growth Plan (GP) for the Greater Golden Horseshoe (GGH)<sup>14</sup>, and is developing a second for Northern Ontario. The GGH GP provides an overall framework for where and how growth will occur across a wide swath of land covering Peterborough to the northeast to Haldimand County in the southwest (and the Greater Toronto Area in the middle). The requirements of the GP reign supreme over regional and local Official Plans which must be amended, if inconsistent with the GP.

The GP co-ordinates population and employment forecasts to help municipalities plan for growth. It identifies 25 downtown locations as urban growth centres, acting as focal points for transit, transportation, community amenities, etc. It redirects growth to existing urban boundaries and away from agricultural lands.

The GP situates affordable housing as an important public service in the social infrastructure required to realize “complete communities”. Indeed, the GP recognizes that the need for affordable housing can be heightened by growth pressures and that funding needs to be planned in order to meet changing needs and conditions.<sup>15</sup>

Section 3.2.6 of the GP requires upper- and single-tier municipalities to “develop a housing strategy in consultation with lower-tier municipalities, the Minister of Municipal

Affairs and Housing and other appropriate stakeholders. The housing strategy will set out a plan, including policies for official plans, to meet the needs of all residents, including the need for affordable housing – both home ownership and rental housing. The housing strategy will include the planning and development of a range of housing types and densities to support the achievement of the intensification target and density targets.”

This approach makes sense as provincial investments in affordable housing are managed separately through the Ministry of Municipal Affairs and Housing under federal/provincial agreements with CMHC. Such a process would permit the allocation of affordable housing funds to mesh with the Growth Plan objectives for housing mix and intensification. The potential of this planning tool should not be limited to areas with a Growth Plan. Other parts of the province face pressures for new affordable housing and the Province needs to ensure that those needs are met.

It is difficult for municipalities to complete a housing strategy for affordable housing without knowing what level of funding they should expect from the senior levels of government. As will be seen in the next section, local governments can set soft targets for affordable housing, but lacking the planning powers to demand it or the funding to buy it, those targets come with no guarantee.

### b. Local Planning for Affordable Housing

Under the Planning Act, municipalities in Ontario are required to develop an Official Plan to direct land use and zoning and to adhere to the Provincial Planning Statement 2005 (PPS) which identifies affordable housing as a provincial interest.<sup>16</sup>

14. Greater Golden Horseshoe Growth Plan, [http://www.placestogrow.ca/index.php?option=com\\_content&task=view&id=9&Itemid=14](http://www.placestogrow.ca/index.php?option=com_content&task=view&id=9&Itemid=14)

15. Perhaps reflecting general population declines, the consultation paper for the Growth Plan for Northern Ontario does not refer to housing.

16. Provincial Planning Statement, <http://www.mah.gov.on.ca/Page1485.aspx>

Section 1.4 of the PPS requires municipalities to establish and implement minimum targets for the provision of affordable housing for low- to moderate-income households. In fact, in two-tier municipalities, the upper tier may increase the minimum targets of the lower-tier governments. The PPS also prescribes what is meant by affordable housing and low- and moderate-income households (see box below).

Municipal planning staff often report to their municipal council on the extent to which targets are reached. However, there is no requirement for municipalities to inform the Province about target achievements. That raises an interesting question – how does the Province assess how well its planning policies work?

### Provincial Policy Statement (2005) Definitions

**Affordable Housing:** means

- a) in the case of ownership housing, the least expensive of:
  - 1. housing for which the purchase price results in annual accommodation costs which do not exceed 30 percent of gross annual household income for low- and moderate-income households; or
  - 2. housing for which the purchase price is at least 10 percent below the average purchase price of a resale unit in the regional market area;<sup>17</sup>
- b) in the case of rental housing, the least expensive of:
  - 1. a unit for which the rent does not exceed 30 percent of gross annual household income for low- and moderate- income households; or
  - 2. a unit for which the rent is at or below the average market rent of a unit in the regional market area.

**Low- and moderate- income households:** means

- a. in the case of ownership housing, households with incomes in the lowest 60 percent of the income distribution for the regional market area; or
- b. in the case of rental housing, households with incomes in the lowest 60 percent of the income distribution for renter households for the regional market area.

*s. 1.4 Provincial Planning Statement (2005)*

<sup>17</sup>. <http://www.mah.gov.on.ca/Page1485.aspx#6>

The answer is that they are working on it. The Ministry of Municipal Affairs and Housing is developing performance measures related to the housing provisions of the PPS. The intent is to use existing, credible data, such as the Land Transfer Tax and CMHC's vacancy rate survey in order to track additions to affordable housing. British Columbia goes one step further – its housing agency issues an annual report on a range of performance measures.<sup>18</sup> Ontario should do likewise.

### **i. Section 37 of the Planning Act**

The PPS does not allow municipalities to demand affordable housing as part of development or re-zoning applications. However, s.37 of the Planning Act permits municipalities to authorize increases in permitted height and/or density through the zoning bylaw in return for community benefits such as affordable housing, community centres, parks and child-care centres.

Toronto makes use of s.37 to realize developer contributions for affordable housing, but it is limited to development in larger sites and requires only that 20% of the additional units allowed by re-zoning be affordable housing. Other municipalities find s.37 less useful, as they may have fewer large sites and less demand for height and density. Consequently, some municipalities, such as Ottawa, advocate stronger powers to require an affordable housing component as part of the development process.

The City of Ottawa's Official Plan<sup>19</sup> advocates that the Province set minimum requirements, not targets, for affordable housing. Moreover, the Province should allow municipalities to accept cash-in-lieu of affordable housing at the

development application stage. As well the city should be permitted to charge a development fee for affordable housing or accept land dedications (valued for affordable housing purposes). In effect, Ottawa has requested a form of inclusionary zoning.

### **c. Inclusionary Zoning**

An Australian study<sup>20</sup> of international planning concluded that inclusionary zoning, combined with planning bonuses and incentives, can result in 10 to 15 percent of new development that meets affordability criteria. When matched with funding subsidies or incentives, much higher production levels are possible.

Inclusionary zoning requires a developer to construct a minimum percentage of new housing at a cost affordable for low- to medium-income households. Frequently, the developer may make cash-in-lieu payments, allowing for the construction of affordable housing to take place elsewhere.

Inclusionary zoning is seen by its proponents as vital both to increase the supply of affordable housing and to create income-mixed communities where stigmatization and concentration of lower income households is decreased. Compared to Ontario's s.37 discretionary provision, inclusionary zoning levels the playing field, as all developments must provide affordable housing. By building in affordable housing at the development approval stage, it reduces the surprise element that often feeds Not in My Back Yard-ism.

The development community, generally, resists inclusionary zoning as it is seen as yet another burden or tax on the cost of building housing. Residents of these new communities may resist

18. Annual report can be viewed at <http://www.bchousing.org/aboutus/publications>

19. [http://www.ottawa.ca/city\\_hall/ottawa2020/official\\_plan/vol\\_1/index\\_en.html](http://www.ottawa.ca/city_hall/ottawa2020/official_plan/vol_1/index_en.html)

20. Australian Housing and Urban Research Institute (AHURI), July 2008 [www.ahuri.edu.au](http://www.ahuri.edu.au)

affordable housing if they foresee lowered property values or parking problems associated with unexpected higher density development.

Despite this opposition, many countries use inclusionary zoning to increase the production of affordable housing. Ireland requires that no less than 20 percent of new development must be affordable. The new Labour government in Australia is considering a similar policy for its new housing policy framework. New Zealand permits municipalities to require inclusionary zoning in new development. In the United States, inclusionary zoning occurs largely at the local or regional level, and only occasionally at the state level (e.g. Massachusetts, New Jersey). Inclusionary zoning is such a fundamental aspect of Vancouver's planning process that developers know that, without addressing its requirements, no development proposal can proceed.<sup>21</sup>

Inclusionary zoning is a powerful means of realizing affordable housing that otherwise would require federal or provincial spending. The Province needs to require that municipalities establish minimum requirements for inclusionary zoning.

#### d. English Planning as a Model

Special attention is needed for the English planning system as it closely resembles the basis for planning in Ontario. England's *Planning and Compulsory Purchase Act 2004* reformed the planning system to provide a two-tier approach. A Regional Spatial Strategy details issues such as how many homes are required to meet the future needs of people in the region. As well, each local planning authority must prepare a Local Development Framework setting out how the local area may change over the next few years.<sup>22</sup>

England supplements its planning act with a

Planning Policy Statement that addresses specific concerns about affordable housing. In addition to minimum affordable housing targets, local plans need to provide "an assessment of the likely economic viability of land for housing within the area, taking account of risks to delivery and drawing on informed assessments of the likely levels of finance available for affordable housing, including public subsidy and the level of developer contribution that can reasonably be secured."<sup>23</sup> Cash-in-lieu payments are not encouraged as the national government has a strong preference for mixed communities.

In practice, regional planning authorities negotiate minimum levels of affordable housing with local authorities based on the allocation of national funding and an assessment of what private developers can provide through inclusionary zoning. This agreement is reflected in local plans as a means of securing greater buy-in by municipal governments.

This authority is used broadly by the municipal level. When Ken Livingstone was Mayor of the Greater London Authority, 50 percent of the new development was required to be affordable housing. His replacement, Boris Johnson, promised to replace this "rigid" planning requirement with annual housing targets for each individual borough, with a goal of producing 50,000 affordable housing units by 2011.<sup>24</sup>

The key lesson of the English model is that by providing municipalities with the right combination of senior-level government fiscal and regulatory mechanisms to realize affordable housing, local governments can meet their key housing role as full partners.

21. From an interview with a former City of Vancouver planning official.

22. Affordable Housing in England, August 2006 House of Commons, [www.parliament.uk/commons/lib/research/rp2006/rp06-041.pdf](http://www.parliament.uk/commons/lib/research/rp2006/rp06-041.pdf)

23. Planning Policy Statement 3: Housing, <http://www.communities.gov.uk/publications/planningandbuilding/pps3housing>

24. The tenure war continues. While Ken focused on affordable rental housing, Boris shifted the emphasis to affordable ownership.

Ontario needs to reformat its planning policies to be more in line with the English model. Under the *Places to Grow Act*, the Ministry of Municipal Affairs and Housing already can negotiate affordable housing strategies with regional and local governments. Four more elements are required to complete the set: predictable funding from new federal/provincial expenditures for housing, imposition of mandatory affordable housing targets by regional and local governments, requiring municipalities to use inclusionary zoning to help reach those targets, and municipal incentives such as lowered property tax rates and waived development fees and charges.

#### 4. Building for Long-term Affordability

Another component of the Affordable Housing Framework is the rules to construct new homes affordable now and in the future. The Ontario Building Code sets minimum standards for fire safety, strength of the structure, energy conservation and accessibility for all new buildings in the province. The Code establishes the construction practices that municipalities must accept in their inspections. But, as Mike Holmes (of HGTV's *Holmes on Homes*) repeatedly reminds us, "minimum standards are not necessarily the best standards".

##### a. Energy Conservation: When is Enough Enough?

Among the latest revisions to the Ontario Building Code were requirements for full basement insulation, greater use of clothes lines and higher energy standards for windows and furnaces. The Ministry projects a 35 percent gain in energy efficiency for new homes, creating a 7 or 8 year payback.<sup>25</sup> However,

Ontario's new energy codes are modest compared with the U.K. and elsewhere.

The U.K. has made the commitment that all new housing must be "zero-carbon" by 2016. The British estimate that "housing contributes nearly 30 per cent of Britain's total carbon emissions, pumping 41.7 million tons of carbon into the atmosphere each year. Treasury officials estimate that eight million tons of carbon emissions a year could be saved by 2050 if all new homes are zero-carbon rated by 2016."<sup>26</sup> Would Ontario's harsher climate prevent such ambitions due to more costly or involved retrofits or construction? Could increased costs and regulations be a barrier?

There are four main reasons why increased energy conservation standards are slow to arrive in Ontario. First, they increase building costs. Second, consumers don't demand it. Third, the industry trades lack the skills to deal with increased complexity. Fourth, the science is not yet in. Closer examination suggests that these are not insurmountable obstacles.

Builders pay the increased costs of energy conservation but consumers enjoy the on-going savings. It may be more a matter of consumer education than consumer preference. Consumers need to understand that the increase in building costs is more than outweighed by lowered operating costs and green house gas emissions. Ontario required mandatory energy ratings for domestic appliances for years before the Building Code required them for new homes. Mandatory energy performance ratings of homes, such as done in Ireland, would educate builders and consumers about that trade-off.

*The New York Times* recently reported that passive homes, requiring only one-twentieth

25. See the official projections at <http://www.mah.gov.on.ca/Page681.aspx>

26. *The Independent*, December 7, 2006; [www.independent.co.uk/environment/climate-change/greener-living-stamp-duty-to-be-waived-for-all-zero-carbon-emission-homes-427382.html](http://www.independent.co.uk/environment/climate-change/greener-living-stamp-duty-to-be-waived-for-all-zero-carbon-emission-homes-427382.html)

the energy of conventional homes, cost only 5 to 7 percent more to build. In Germany and other European countries, over 6000 “passive houses” have been built.<sup>27</sup> This level of market activity demonstrates “build it and they will come”. The field testing is also impressive, yielding energy savings that more than pay for increased costs and lowering green house gas emissions. England is so encouraged at the prospects, that zero-carbon homes get a discount on the land transfer tax.

Innovative home builders in Ontario are building at the “Net Zero Energy Home” standard, through which a house would replace any energy it used with energy it produced over the course of a year. *The Globe and Mail* recently reported about a house that requires no heating or cooling equipment due to tighter sealing and two and a half times the standard amount of insulation. For a 1,500 square foot home \$12,000 for extra insulation eliminated \$4,000 for a furnace and annual heating costs - a 3 year payback.<sup>28</sup> This is better than the stock market.

The construction technique is fairly simple – double stud walls to hold all the insulation<sup>29</sup>, and locate all wires and pipes on the warm side of the continuous vapour barrier. The most complicated aspect is the installation of an air-to-air heat exchanger, wherein incoming fresh air is warmed by the outgoing stale air. The builder of the Net Zero home also advised that the government could adapt this building method to social housing, to free low-income earners from utility bills. This builder estimated that for \$5,000 in additional lumber and insulation, a townhouse would no longer need a furnace.<sup>30</sup>

The net-zero standard may not be achievable in all parts of Ontario, however, it does

demonstrate that higher insulation and sealing requirements are feasible and economical, particularly for new construction.

One wonders why only low-income residents of social housing should benefit from such energy standards. Middle-income families want the same decent level of draft-free warmth and fuel conservation. Despite recent price drops, energy costs remain double what they were 10 years ago. When the international economy again picks up, energy prices could double back in a matter of months. Ontario’s exposure to international energy pricing offers no protection from these external forces; increased energy prices means more of Ontario’s economy drains outside its border. In addition, global warming continues its stealthy advance.

The key question is “Should public policy lead or follow consumer preferences when it comes to public policy objectives, such as energy conservation and global warming?” In transportation, the automobile manufacturers were told to increase average fleet efficiency, despite protests from the automotive sector that consumers were not demanding it. Now consumers want little else.

## **b. Energy Conservation = Economic Development & Affordability**

Higher energy standards offer significant benefits to the Ontario economy. They keep housing affordable, despite the price volatility of energy. Reducing the exposure of Ontario’s economy to international price fluctuations supports domestic economies at both the provincial and local levels. If Ontario develops the potential for the low-energy market in residential construction, it could herald the

27. <http://www.passiv.de/>

28. *Globe and Mail*, Oct. 20, 2008 page A12; Instead of a furnace, homes would use a heat exchanger to capture heat from people, lighting, stoves, clothes dryers and waste water, to mix with fresh air from outside; while heat conservation has an excellent payback, the argument for on-site generation of electricity is far less compelling – the builder spent \$42,000 on solar panels and a wind turbine to reduce electricity demand.

29. Mike Holmes prefers spray foam insulation instead of fiberglass or other types that allow vapour passage. See <http://www.holmesonhomes.com/information.php?id=1&pid=457>. There is no perfect solution – fiberglass doesn’t burn.

30. The need for a tight building seal is critical. Consequently, homes would need to be tested for air leaks before and after internal finishing.



beginning of a new industry, one that stimulates new demand for Ontario-made building products and materials.

The Province needs to develop ways to bridge the divide between net-zero home builders, the mainstream development industry, and government building code officials. The Building Code needs to incorporate the best of leading practices in energy conservation to prepare for the residential sector for future challenges. But the industry requires leadership to change its outlook.

## 5. Keeping Ahead with What We've Got

Housing policy too often has been concerned only with the building of new homes. But new supply is only the tip of the iceberg. We have already built 90 percent of the affordable housing stock that will be available 10 years from now. Maintaining the existing stock is far cheaper than replacing it with new construction. Advances in building products have created opportunities for improvements in performance and durability as well as health and safety.

It was not that long ago that lead paints, pipes and plumbing solder were in common use. While banned from new homes, they still exist in many older structures. Similarly, outdated "knob and tube" wiring, which lacks proper grounding capabilities, is prevalent in many homes built prior to the 1940s. Since that time, televisions, dishwashers, second fridges, etc. may place high loads on wiring ill-equipped to meet them. Energy conservation was less of a concern 40 years ago and many structures have inadequate insulation, thermal windows or proper sealing.

Warm, waterproof and reasonably-equipped

housing underpins the health and well-being of those who live in it. In addition to health effects, poor housing undermines a community's reputation as a good place to live. In turn, that may lead to de-investment, stagnation, and community breakdown. Given the importance of the stock to household and community health, many will be surprised at how little we know about the condition of the affordable housing stock.

### a. The Shape We're In: Condition of the Stock

It is sometimes said that Ontario has the finest quality housing stock in the world. In contrast to some U.S. cities, for example, Ontario does not have wide areas of blight, filled with abandoned homes or "red-lined" districts where financial institutions refuse to invest in homeowner loans or mortgages. Even among lower-income households, building condition is not seen as a large problem. CMHC, for example, estimates that almost 90% of core-need relates to affordability problems, not to adequacy or condition of the dwelling.<sup>31</sup>

CMHC bases this conclusion on the analysis of census data which asks occupants whether the dwelling is in need of major repairs<sup>32</sup>. CMHC uses this information to determine core need estimates, which in turn impact the level and distribution of affordable housing programs and RRAP funds. As well, some municipal Official Plans rely on this census information to judge the overall adequacy of their existing stock. Most municipal building inspections are also based on complaints by occupants.

The trouble with relying upon self-reports by occupants is that they tend to focus on obvious problems – broken windows or stairs,

31. CMHC, Canadian Housing Observer, 2008, *Recent Trends in Affordability and Core Housing Need*, <http://www.cmhc-schl.gc.ca/en/corp/nero/nere/2008/2008-11-13-0815.cfm>

32. CMHC also uses similar data from the Survey of Labour and Income Dynamics to track changes in core need between censuses.

inadequate heat or water, broken electrical plugs, etc. But most people don't have a good sense of structural loads, wiring codes, thermal breaks or insulation levels. None can see into the building structure itself. Occupants may not see that a pinhole plumbing leak has created severe mould. They may not understand how a "gerry-built" electrical connection is overheating, or that a heating vent is emptying into an un-insulated cavity wall. Residents, fearing possible eviction, may not report serious deficiencies even when they know about them.

Basing our measures of building condition solely on reports from occupants means overlooked health and safety problems, unnecessary green house gas emissions and, likely, misallocations of public funds. Without using building science to guide our measurements, it's turtles all the way down.<sup>33</sup>

Hidden problems are best detected through systematic and comprehensive building assessments. However, these building inspections are done in Ontario on a piecemeal basis, while elsewhere systematic surveys inform policy and program decisions.

Ontario's *Condominium Act* requires that existing condominium corporations complete an assessment of adequacy to pay for major repairs and replacement of the corporation's common elements and assets. Reserve funds must be fully funded by 2014. New condominiums must complete a study within one year of registration, and the fund must be fully funded by the end of the following fiscal year. Enforcement is weak however. Individual unit owners need to take a non-performing condo Board to court if it fails to ensure adequate reserve funds, an expensive proposition.

The Federation of Rental Housing Providers of Ontario (FRPO), representing private sector landlords, has established a Certified Rental Building program for its members. The program requires that a building undergo a professional building audit and meet high standards in order to qualify. Landlords benefit as they can use the certification in marketing their buildings to residents. This program is of particular value for larger or corporate landlords who have the economies of scale and financial resources to stay ahead of their problems. But it is not just the private sector that sees advantages to this approach. Peel Region has applied to have its social housing included in demonstration of the quality of its stock.

Unfortunately not all social housing can meet Peel's standards, particularly the old public housing now 50 to 60 years old. Some service managers and their housing providers have started building condition assessments in their portfolio. The early results of these audits show conditions far worse than estimated when the program was devolved a decade ago. On top of that, energy conservation standards are far below what modern building science can provide. The social housing sector has faced significant cost-restraints in the past decade and has not kept pace with current developments in energy knowledge. There is immense potential for available technologies to reduce energy requirements while increasing household warmth levels.

Other jurisdictions place a far greater emphasis on keeping tabs on the existing stock. The City of Los Angeles has established the Systematic Code Enforcement Program (SCEP)<sup>34</sup> which requires that all multi-family residential properties with two or more occupied units be inspected

33. Stephen Hawking's 1988 book *A Brief History of Time*, starts with an anecdote about a scientist who gave a public lecture on how the earth orbits around the sun and how the sun, in turn, orbits around the center of a vast collection of stars called our galaxy. "At the end of the lecture, a little old lady at the back of the room got up and said: "What you have told us is rubbish. The world is really a flat plate supported on the back of a giant tortoise." The scientist gave a superior smile before replying, "What is the tortoise standing on?" "You're very clever, young man, very clever," said the old lady. "But it's turtles all the way down!"

34. For more information about SCEP, go to <http://cris.lacity.org/cris/informationcenter/code/about.htm>

on a scheduled basis, currently every five years, or sooner, on a complaint basis. Properties are inspected for compliance with municipal and state codes and property owners are given up to 30 days to make the repair, depending on the severity of the violation. Similarly, Hong Kong uses a rating scheme to rank the condition of its many high-rises and exempts higher ranked buildings from mandatory annual inspections.<sup>35</sup>

In England, housing programs are based on a foundation of information gathered through interviews with residents and landlords, physical inspections and market assessments.<sup>36</sup> Each year a robust sample of 17,000 householders are interviewed to determine satisfaction with their housing, the level of adaptations required for disability, and demographic information. The physical survey entails property surveyors visually inspecting 8,000 of these homes annually, to determine the condition of structure and adequacy of heating equipment. A market value assessment is performed to compare property values if necessary work were completed. Periodic surveys of landlords complement this database to assess landlord experiences and attitudes. This data allows the government to study trends and patterns, assess impacts of government policies and allocate resources to government initiatives.

Over the long run, Ontario's strategy for improving the affordable housing stock needs better data in order to identify sub-sectors with the highest risk conditions. That way, governments can tailor their inspection and assistance programs on a worst-first basis. The federal and provincial governments need to pay for Building Condition Assessments of all social housing buildings, using the technical services of SHSC's Asset Management Centre.

But let's not lose the main point. Despite gaps in our understanding there is much that we do know about needed improvements. Social housing, for example, has many buildings constructed 50 years ago at far lower building standards. Cheaply constructed, under-insulated and often electrically-heated, they house the lowest income groups among the various segments of the housing market. They should be a key priority for the federal government's economic stimulus package. The age of the private rental stock suggests much room for improvement; however, governments are less exposed to its vulnerabilities and costs.

### b. Regulatory Sticks are a Sticky Wicket

There's a problem in the world of public regulations – a fear of using the existing tools at hand. Private regulation, on the other hand, is less timid.

The Ontario Building Code, for example, establishes a higher set of standards for new buildings, and another set for existing. Despite section 34 (2) of the Building Code Act, which allows the Province to "make regulations to establish standards that existing buildings must meet *even though no construction is proposed*" (emphasis added), in practice retrofit demands have been mainly restricted to fire safety measures. For example, rental units in multiple-family dwellings were required to install self-closing doors to interior hallways under both the Building Code and the Fire Code. The Fire Code also requires all residences to install fire alarms, whether undergoing substantial renovation or not. Enforcement, unfortunately, is often done after the fact (i.e. after a fire). The days of the Fire Department checking out the batteries in our fire detectors and basements

35. Personal interview with Augustine Chow, General Manager, Hong Kong Housing Society, April 28, 2008; the Society is hoping to access preferred financing and insurance rates for top-rated structures.

36. [http://www.communities.gov.uk/housing/housingresearch/housingsurveys/englishhousingsurvey/introehs/](http://www.communities.gov.uk/housing/housingresearch/housingsurveys/englishhousingurvey/introehs/)

for inflammable materials seems another distant boomer memory.

In addition, most Ontario municipalities have developed property standards under the authority of the Building Code to deal with the safety and general repair of both the exterior and interior of buildings and structures. Generally, inspections of existing housing are complaint-driven, requiring a tenant or a neighbour to contact the municipal buildings department with a specific concern about inadequate maintenance or illegal construction. But let's be realistic – not every tenant is equipped or prepared to take on their landlord who may be in a position to evict them.

Where inspectors find a deficiency, building owners are given a reasonable period of time in which to make repairs. In rare cases, the municipality may authorize repairs and add the cost to the property tax. Because the work orders are directed to the building owner, the process can be side-stepped by the sale of the building to a new owner, requiring the process to start over again.

Some municipalities are not convinced that this is the best way of handling things. Toronto and Hamilton have been considering landlord licensing as a means of improving property conditions in the existing rental stock. Toronto recently decided against licensing fees in favour of increased scrutiny of residential structures considered to be higher risk. Over the next 12 months, building inspectors will examine on 176 buildings, including 35 social housing projects, focusing on common heating, electrical and hot water systems, and garages and balconies. A key feature is to charge property owners for the municipal inspection costs. If, after a second inspection, work orders haven't been complied with, the

landlords will be charged \$60 an hour for the inspector's time. If landlords refuse to pay the fee, the amounts will be charged to property taxes.

The ability to charge for staff time in remediating building deficiencies may be a small step, but it does provide another "stick", short of doing the repairs themselves, to pressure building owners to meet minimum maintenance requirements.

Most recently, the Province has given itself powers to impose higher energy standards as part of its initiative to conserve electricity. The *Residential Tenancies Act* can set out energy conservation standards for appliances, rental units and the building itself as part of the process of installing smart meters<sup>37</sup>. Two years after proclamation, however, the regulations for energy conservation remain unpublished.

The central problem with a regulatory approach is the impact on owners and occupants. Building owners may lack the business acumen or financial backing to undertake the necessary improvements. Large-scale or structural repairs may require emptying the building or increases to rents beyond the affordable range. Low-income residents are ill-equipped to pay either escalating energy costs or higher rents for energy conservation.

This is a particular problem for social housing, where the great majority of residents have poverty-level incomes. Without improving the energy efficiency of these units, some low-income residents may face energy poverty, forced to make unpalatable choices between paying for rent, utilities or food. In other instances, the social housing providers will pay the larger bills which in turn are passed on to the municipality as an operating loss. Using only a regulatory approach to energy costs

37. Smart meters allow for time-of-day pricing for electricity and improved monitoring of consumption by the household.

increases the complexity of managing the stock for housing providers and service managers.

The private sector seems less conflicted about demanding retrofits to meet current standards. Insurance companies, for example, may demand that old “knob and tube” electrical wiring be replaced with modern circuitry and outlets in order for the insurance policy to remain in effect. Of course, insurance companies don’t face the electorate on a regular basis. The timidity of the public regulatory environment to require improvements suggests that a “sticks only” approach won’t do the job.

### c. Incentives Need to Work Together

Marketing experts know that incentive programs, although expensive, are the most effective means of getting consumers to try their new brand. The Province of Ontario has its own incentive to encourage electricity conservation – avoiding just one new nuclear power plant reduces borrowing demands by billions of dollars. So it makes sense for the Province to offer incentives, as it will share in some of the rewards. Similarly, the federal government should use its economic stimulus package to reduce energy use and green house gas emissions. Lacking any regulatory powers (or sticks), the federal government can only offer incentive programs through tax measures and subsidy arrangements. How can these programs work better together?

The Ontario Power Authority funds the Energy Efficiency Assistance Program for Houses.<sup>38</sup> This pilot program, delivered by community groups, helps Ontarians on limited-incomes reduce their electricity bills by improving the efficiency of their homes. It is restricted to owners or renters of single family homes (including semi-attached, rows

and mobile homes) who pay their own hydro. The program offers one-stop shopping through the bundling of services such as assessment of priorities for energy savings, free upgrade of basic items such as lighting and shower heads, identification of cost-effective upgrade measures (sealing, appliances, insulation), and the engagement and supervision of contractors. It excludes multi-unit buildings where most of the affordable rental stock is located.

In recognition of the need to protect Ontario’s lowest-income households, the Province has provided service managers with \$100 million to do critical repairs in the social housing stock. It also made \$500 million available through Infrastructure Ontario loans.<sup>39</sup> These loans, offered at rates better than that available through most municipalities, can be used for any capital projects, including:

- Construction or renovation of facilities
- Energy efficiency projects (windows, doors, lighting, appliances etc.)
- Water, hydro, HVAC and communications systems
- Accessibility improvements

SHSC, through its subsidiary Green Light On a Better Environment (GLOBE), provides advice to housing providers and service managers on energy conservation. It works with governments, utility companies and other vendors to develop conservation incentive programs for the social housing sector. For example, GLOBE, working with Toronto Hydro, replaced old, incandescent light bulbs in 12,827 social housing units across Toronto, with 57,362 energy efficient compact fluorescent bulbs (CFLs). The program is expected to reduce electricity demand by 2.766 MW – equivalent to taking close to 2,000 homes off the grid. It builds on the

38. Green Communities Canada website, <http://www.gca.ca/indexcms/index.php?energyapfh>

39. <http://www.infrastructureontario.ca/en/loan/housing/index.asp>

success of a similar initiative in 2007 when Toronto Hydro, SHSC and GLOBE trained social housing residents and providers and replaced 20,782 incandescent bulbs with compact fluorescent bulbs.

The program is also an opportunity for Toronto Hydro, SHSC and GLOBE to take a proactive approach to educating and engaging residents and staff in activities that help to develop a culture of conservation. With funding from Toronto Hydro, GLOBE worked with Seneca College to deliver a peer-led resident education and engagement program called, "The Community Champion Program".

Through this experience, SHSC has helped increase awareness of the need for energy conservation. SHSC continues to work with utility companies on a variety of programs; however it concludes that the absence of a single window for accessing the various programs impedes wider take-up.

The OPA program is of obvious benefit to owners and renters in single family homes. But it needs to be extended to multiple unit buildings. In particular, the Ministry of Energy and Infrastructure needs to direct the OPA to work closely with SHSC to deliver the program to social housing providers throughout the Province.

SHSC also received \$1 million in provincial funding in 2008 to establish the Asset Management Centre of Excellence (AMC). The AMC coordinates efforts within the sector to set standards and develop a framework to better manage capital assets. The AMC also coordinates sector efforts on standardizing capital planning and capital spending approaches with the development of templates, tools, and guidelines.

An early lesson from AMC is that a more aggressive approach will be required to realize substantial energy retrofits. Energy retrofits are more intrusive than replacing appliances and lighting as they often require renovation to upgrade insulation, windows, and create tighter sealing. Overcoming the resistance by housing providers (and residents) to the dislocation required for large energy savings remains a significant challenge.

One means of doing so is to provide better information about current energy use and the potential savings of improved energy standards. The Province is considering requiring mandatory disclosure of residential energy costs. The Ontario Legislature has given first reading (approval in principle) to Bill 101, *Home Energy Rating Act 2008*, a private members Bill, which would require that "no person shall sell or lease a building ... unless a Home Energy Rating Report for the building is provided to the prospective owner or tenant."<sup>40</sup> The proposed legislation would cover all detached, semi-detached and low-rise multiple unit buildings by 2012.

With this initiative, Ontario would catch up to Ireland, where homes require a Building Energy Rating certificate (BER). This is effectively an energy label, similar to those found on electrical appliances such as washing machines. A person wishing to sell or rent a house is required to provide prospective buyers or residents with this information. This will allow potential buyers to take energy performance and energy costs into account when considering what property to purchase or rent. It would provide mortgage lenders with better information to assess risk as well. Mandatory information requirements for energy efficiency are a simple way of using competitive mechanisms to create market pressure for energy conservation.

40. [http://www.ontla.on.ca/web/bills/bills\\_detail.do?locale=en&BillID=2059](http://www.ontla.on.ca/web/bills/bills_detail.do?locale=en&BillID=2059)

The federal government's energy incentive contribution to the existing stock is found through two distinct programs offered by a federal department and a separate crown agency. The federal energy conservation program<sup>41</sup> provides financial assistance for new energy conservation retrofits in detached, semi-detached, row and low-rise multiple unit dwellings, including rental and ownership. Natural Resources Canada has contracted with organizations across Canada to make residential energy assessment services widely available.

CMHC's Residential Rental Rehabilitation Assistance Program (R-RRAP) addresses general maintenance levels by providing fully forgivable loans for up to 100 percent of the cost of necessary repairs to meet health and safety standards. Loan amounts range from \$24,000 per unit in Southern Ontario to \$36,000 in the far North. Landlords must enter into an agreement that places a ceiling on the rents chargeable after the repairs are completed and limits rent increases during the term of the agreement. New residents must be low-income.<sup>42</sup>

It is a good question why these programs operate separately when repairs and retrofits are best done simultaneously. For example, the replacement of a roof could be paired with increased insulation and tighter sealing. Replacing electrical heat while upgrading windows is another instance. This suggests that an energy retrofit program have the flexibility to include building repairs and energy conservation measures under one roof.

### **i. High Rise Buildings: Known Unknowns**

The reason why high rise buildings are excluded from most of these incentive programs is that they are far more complicated structures in

which to control air leakage. However, sealing a high rise is helpful for both fire safety and energy conservation.

High rise buildings are very porous, due to greater common spaces, underground parking, elevator shafts, multi-stage heating and ventilation equipment, higher wind shear, etc. The "stack effect" in high rises means that as warmer air moves to the top, it is replaced by cold air drawn into the low pressure zone at the bottom levels. While this has obvious implications for heating the structure, it also impacts fire safety. Concrete buildings may not burn, but the combustion gases of flammable furnishings can follow the same stack effect and endanger others many floors above an actual fire. It is far easier to insulate a high rise than to seal its multifold leaks.

In Toronto, city staff admit they don't know the size of the problem with poorly maintained high rise buildings. The executive director of municipal licensing and standards was quoted as saying "if we think intuitively that 90 per cent of buildings are in reasonably good shape, that still leaves over 600 buildings we need to address fairly quickly."<sup>43</sup>

In a nutshell, high rises are a tough nut to crack. But the fruit inside is very sweet.<sup>44</sup>

Toronto's pilot high rise retrofit project is a promising start. Borrowing from similar retrofit programs in London, Berlin, Amsterdam and Moscow, the Toronto Tower Initiative will re-clad 1960s high rises with insulated panels to reduce both energy consumption and green house gas emissions. The promise of this initiative is enormous – a building can meet higher energy conservation targets, improve the comfort for its occupants, and be completed economically and

41. <http://oee.nrcan.gc.ca/residential/personal/retrofit-homes/grants-residential.cfm>

42. [http://www.cmhc-schl.gc.ca/en/co/prfinas/prfinas\\_008.cfm](http://www.cmhc-schl.gc.ca/en/co/prfinas/prfinas_008.cfm)

43. *City Plans Buildings Standards Blitz*, Toronto Star, November 3, 2008, <http://www.thestar.com/news/gta/article/529585>

44. For more information, go to: <http://era.on.ca/blogs/towerrenewal/>

without requiring the mass evacuation of those still living in the structure.

There are two major questions: will the payback period be short enough to meet the 3- to 5-year expectations of building owners; and, will it provide greater defense against the stack effect? The implication is that modernizing and improving the high rise stock will lag behind similar efforts in smaller buildings. A stimulus package aimed at repairing and improving our affordable housing should initially focus on the low rise stock. Luckily, there is plenty of it.

#### **d. Meshing Incentives and Regulations for the Existing Stock**

One may need a GPS to navigate the array of regulatory requirements, incentives and pilot programs offered by the federal, provincial and municipal governments, utility companies and non-profit groups. This patchwork cloak of separate programs, agendas, funding priorities, eligibility criteria, and sub-sectors of housing demonstrates the need for one-window access for building owners. Once again, we turn to England as an example of how a coordinated program might work. Rehabilitation and energy conservation programs need to be better integrated, and backed up by regulations that require upgraded standards.

##### **i. The U.K. Decent Homes Standard**

The Decent Homes Standard establishes minimum maintenance and energy conservation standards which apply to all social housing no matter when first built. It can demand improvements to meet a level of energy conservation far beyond original construction. For example, in a noisy environment, the landlord may need to install thermal pane

windows. It also upgrades energy standards, requiring electrically-heated houses to have four times the insulation of homes with gas or oil heat.<sup>45</sup> By 2010, the national government expects that 3.6 million homes will meet the Decent Homes Standard; in effect, all social housing units will have been improved to meet the new requirements.

With this action plan for the social housing sector underway, the U.K. government is now considering the private rental stock. It recently received a report recommending initiatives to help improve conditions in the private rental stock which included a "light touch" licensing system for landlords. In short, by integrating rehabilitation and energy into one program, England is leading the way to improved building conditions for millions of its lower income households.

Also, England, Denmark, Germany, Austria and elsewhere are retrofitting existing housing at the "passive housing" standards. In many cases, housing energy bills have been reduced by 85 to 90 percent of the original cost. These retrofits have been used in a great variety of housing, from 1900s row housing and 1950s low rise apartments to 1970s stacked town homes. One lesson is that reducing energy costs to the 10 to 15% range might be economical, but meeting the stringent energy codes used for new construction is not.<sup>46</sup>

Still, a sustained level of funding with priorities based on evidence, backed up with higher regulatory standards, is the best means to improve housing conditions and energy conservation.

45. <http://www.communities.gov.uk/documents/housing/pdf/138355.pdf>

46. There are too many internet resources on "passive homes" to list here, however <http://www.passiv.de/> is a good start. Explore at your leisure.



## e. A Road Map to Improve the Affordable Housing Stock

Ontario is obviously a much different place than England. Here, the private rental sector is much larger and the social housing sector much smaller. High rises are a more significant component in urban centres. The climate in the North is much harsher. None of these prevent Ontario from achieving its own Decent Homes Standards.

A comprehensive strategy is required to overcome the challenges of an energy retrofit program. Significant upfront costs, split incentives between landlords and residents, and the often limited capacity and time available for project management are serious obstacles. The existing stock requires a customer-focused approach, offering one window to accessing various programs. Low-income communities need protection from rent increases and a share of energy savings. Retrofit services need to be bundled to avoid barriers to small landlords in managing a complicated process. Financial mechanisms are required to match energy savings with loan repayments.

Restrictions to mortgages and under-funded capital budgets in social housing need to be eliminated. Building capacity in the retrofit sector requires training and certification and funding to create green collar jobs, many of which could be filled by residents in the affordable housing stock. Universal energy ratings can be combined with assistance programs at point of sale or unit turnover to lever larger scale improvements. With those conditions in place, the Province would be able to increase regulatory standards for energy conservation in the existing stock.

There are compelling reasons to start an energy retrofit program in social housing, rather than the private sector rental. Social housing is occupied by low-income households who can face neither the energy poverty resulting from rising bills nor the costs of a renovation. Second, social housing is a relatively small component of the affordable housing stock, so a tighter focus is possible. Third, the current knowledge about the state of the social housing stock is more advanced than for the private sector. Additional time is required to develop basic data of private sector housing conditions. Finally, all levels of government have a stake in social housing: the federal government who first created it; the Province whose electrical system lights and heats it; and municipalities, who must pay for its operating costs.

The needs of the much larger private rental stock cannot be ignored for long. Its aging housing stock also needs energy retrofits. It houses a large number of lower-income families who face energy poverty. However, policy makers need to have a better database of actual conditions in order to develop a strategy for this segment. There may be resistance from some building owners who do not wish to make additional investments in their buildings. An acquisition/rehabilitation component in affordable housing programs should offer these owners an alternative to meeting higher energy codes.

## 6. End of Life: Demolition and Conversion

Much of what we have seen in the Ontario Affordable Housing Framework is modest in character, that is, other jurisdictions have stronger incentives and regulatory powers to realize the supply and maintenance of affordable housing. The plausible exception

to this story is the demolition and conversion of residential rental properties. But even here, the discretionary nature of legislative provisions hampers full municipal implementation.

Section 99 of *The Municipal Act* and s.111 of *The City of Toronto Act* contain similar wording allowing Ontario municipalities to control the conversion of rental properties with 6 or more units to condominium, equity co-operatives or non-residential uses, such as offices (even if zoning bylaws permit). As the municipal authority to control these activities is not from the *Planning Act*, there are no appeal rights to the Ontario Municipal Board.

There appears to be a variety of views in how much discretion a municipality has to specify these powers. One municipal staff informant saw great flexibility – that it could be used to prohibit demolitions but allow conversions. Municipal policy could set higher minimum size (e.g. 25 units), or focus only on affordable, family-sized units. In contrast, another municipal informant received legal advice that the city has no choice but to establish a conversion and demolition policy. This confusion may explain why few municipalities have passed by-laws controlling demolitions and conversions of rental stock. The City of Toronto has enacted the full ranges of powers available to it. Conversions are permitted only for high-end or luxury rental units. Demolition is allowed, but landlords generally are required to replace lost rental units with an equivalent number, in the same price range, with residents having the right of first refusal. Hamilton and Ottawa also control conversions from rental use and are considering demolition controls.

The *Residential Tenancies Act* also provides some guidance to how residents are treated when their homes require extensive repairs, renovations or

demolition. Not only must residents be provided with 120 days notice of eviction, they must also receive three months rent as well as rights of first refusal when the unit is returned to the market either as rental or condominium.

Ontario has provided strong, but discretionary, powers for municipalities to control the demolition or conversion of affordable rental housing stock. Municipalities, for the most part, have not made full use of those measures. The Province, given its risk exposure to supply expensive new units to replace the lost ones, should strengthen demolition and conversion controls by requiring municipalities to implement full policies at the local and regional level, in light of trends in the affordable housing market.

## 7. Special Issues in the Affordable Housing Framework

Several components of the Framework require more specialized attention. The social housing stock faces significant threats to its sustainability, both its physical viability and its continued affordability. Supportive housing is a key resource for persons with disabilities and offers a significant social cost-benefit. Community land trusts offer permanent affordability for some types of housing. Lastly, the role of shared equity ownership programs needs to mesh with emerging housing market conditions.

### a. Social Housing: Thanks for the Memories?

When the Province downloaded social housing to municipalities a decade ago, it provided studies which stated that the public housing was in good condition and that the newer non-profit housing needed small increases in capital reserves to face future needs.<sup>47</sup> Subsequent municipal experiences in managing this \$40

47. See *Capital Ideas: How to Extend the Health and Safety of Social Housing*, and *The Social Housing Pyramid: Getting to the Top by Starting with the Basics*, both available at <http://www.shscorp.ca/>

billion public asset suggest that this glossy view was not matched by the reality.

Some service managers and housing providers, in cooperation with MMAH and CMHC, have been carrying out Building Condition Assessments on their portfolios to develop a consensus view on the level of needed repairs and the current resources available. Earlier this year, the Toronto Community Housing Corporation estimated its deficit in capital repairs to be \$300 million over the next decade.<sup>48</sup> In October, 2008, Ottawa Community Housing released the results of its Building Condition Assessments which estimated that \$332 million was required over the next five years to deal with deferred and on-going maintenance.<sup>49</sup> Hamilton and Windsor may not be far behind.

Not all housing providers have followed through, citing the significant impact of such studies on their limited budgets. As noted earlier, the senior levels of government need to fund Building Condition Assessments throughout social housing. Moreover, the Province should require that these building studies be updated every three years in order to assess progress. That way, the impact of public spending can be subject to a form of public audit.

In March 2008, as part of Ontario's Poverty Reduction Strategy, the Province announced \$100 million in one-time funding for municipalities to fix up approximately 4,000 affordable rental units. This was the first time in recent years that the Ministry acknowledged financial responsibility for the condition of the social housing stock. Unfortunately, the lack of a requirement that municipalities actually use the funding for housing improvements meant

that non-housing priorities were funded. The Province needs to earmark all future housing contributions to ensure that the funds are spent where intended.

In addition, up to \$500 million in lower-interest loans was made available to municipalities through Ontario Infrastructure Projects Corporation (OIPC). This, too, represents an acknowledgement of the role affordable housing plays in the social infrastructure of our communities. As a third component, SHSC was given \$1 million to establish the Asset Management Centre to develop standardized approaches to building assessments and establish best practices to sustain the social housing stock.

These initiatives are a positive change from earlier positions that stated flatly that the Province was out of the housing business. SHSC and others have called on the federal and provincial governments to do their share in meeting the capital needs of the social housing stock. While sustained funding is necessary, increasing the sector's access to capital will also help. Allowing non-profit providers to re-finance for major capital work reduces pressures for public subsidies. Other financial tools are available. To address the need for more flexible financing, the Province should create a social housing Capital Financing Facility to attract and flow sufficient funds to repair, replace and/or regenerate Ontario's social housing stock.

Investing in energy conservation yields operating savings which can be used to repay other future capital repairs. However, the provincial and federal governments need to permit greater mortgage flexibility to permit equity take-outs or lengthen the amortization period. Partnerships

48. [http://www.torontohousing.ca/key\\_initiatives/strong\\_foundations\\_strong\\_futures/2008\\_ontario\\_pre\\_budget\\_submission](http://www.torontohousing.ca/key_initiatives/strong_foundations_strong_futures/2008_ontario_pre_budget_submission)

49. [http://www.och.ca/site/index.php?option=com\\_frontpage&Itemid=1](http://www.och.ca/site/index.php?option=com_frontpage&Itemid=1)

with utility companies can reduce the impact of energy initiatives upon capital budgets. The social housing sector is home to some of the lowest income households in the affordable housing stock. Their needs should not be forgotten in the federal government's economic stimulus program.

## **b. Supportive Housing Remedies Market Failure**

Supportive Housing is the combination of affordable housing with support services appropriate to helping the individual maximize independent living in the community. People come from a great variety of backgrounds, including the sensory impaired, developmentally-handicapped, psychiatric consumer/survivors, ex-offenders, substance abusers, chronically-homeless, etc. What they have in common is the ability to live in greater dignity in the community, if the right kinds of supports are available. Lacking those supports may mean a quick return to homelessness.

It is a truism among providers of supportive housing that it is far cheaper to house and support someone than to leave them to the mean streets. For example, someone suffering from an undiagnosed serious mental illness may cause distress and abuse to family and friends. Should that abuse go public, communities suffer when they experience acts of violence. Municipalities share that cost through greater use of emergency services, such as policing and ambulances. The provincial health care system pays through greater use of emergency rooms and preventable admissions. In the worst case scenario, the federal government pays through extended stays at federal prisons. The federal government recognized that investing in programs that aim to reduce homelessness

creates a positive payback<sup>50</sup>. British Columbia and Vancouver are so convinced of the value of supportive housing that their affordable housing program is little else but supportive housing.<sup>51</sup>

A good question is "if supportive housing is such a good thing, why isn't there more of it?" The answer is "follow the money".

We seem to tolerate more the broadly distributed losses caused by ignoring the problem, than we do the concentrated costs of providing solutions. At the very least, the market is unable to realize the savings when supportive housing is available. A community organizer could organize an advocacy campaign for more supportive housing with families and friends, shelter workers, police and hospital staff. It would be an impressive effort. In the end, it gets down to the provincial government, specifically the Minister of Health and Long Term Care and the Minister of Community and Social Services, to champion investments that provide benefits across wide sections of our communities and institutions. In short, supportive housing is a public good in our social infrastructure.

## **c. Community Land Trusts**

Land trusts are agreements whereby the trustee agrees to hold ownership of a piece of real property for the benefit of another, the beneficiary. Land trusts are used by corporations and investment groups to compile large tracts of land, and by individuals to keep their real estate ownership off public records. A community land trust is where a non-profit organization owns title to the land for use to meet its social objectives of providing affordable rental or ownership housing.<sup>52</sup>

In growing communities, community land trusts can control housing costs by locking in land

50. *The Cost of Responding to Homelessness in Four Cities*, HRSDC, 2005. It is noteworthy that googling "cost benefit of supportive housing" results in almost 2 million references.

51. Conversation with a former planner from the City of Vancouver.

52. *The Community Land Trust Model*, Institute for Community Economics, [www.iceclt.org/clt/cltmodel.html](http://www.iceclt.org/clt/cltmodel.html)

values at historical lower values. Rental and ownership properties built on the land owned by the trust often receive long-term (e.g. 99 year) leases and may be subject to controls over the rents charged or resale prices. By stabilizing the land cost, total housing costs are reduced, ensuring affordability to future residents.

In communities seeking to attract and retain specific workers, a land trust can permit employers to restrict ownership/rental opportunities to employees. For example, a new hospital in a growth area with insufficient affordable housing could develop housing for its nursing and support staff.

In declining communities, community land trusts help the community respond to problems caused by disinvestment and absentee ownership. By acquiring the property, the property can be maintained at community standards while providing accommodation for low- to moderate-income households.

The Vernon and District Community Land Trust in British Columbia, for example, acquires land so that it is always available for low-income households. It acquires land and leases the property to non-profit and community groups who will develop and manage the housing development.<sup>53</sup>

The great strength of a community land trust is that it insulates rental and ownership costs from the volatility of land values. The land trust permits permanent housing affordability for those fortunate enough to acquire land leases.

This strength is also its weakness. As the land is rented at low rents over the long term, the land value is depressed, compared to the market, and cannot generate equity to lever acquisition or development of new sites. This may explain

why community land trusts have not become more broadly used by the non-profit sector.

#### d. Shared Equity Ownership

Shared equity ownership means that the homebuyer is helped in the initial purchase by a silent partner who steps in with a grant or a second mortgage, in exchange for a share of the increased value when the house is sold. The buyer must meet normal lending criteria. For example, principal, interest, taxes and heat can account for no more than 32% of gross income. However, the grant or loan has the effect of lowering the cost of affording that house.

Shared equity ownership plans have been in wide use throughout the world. They work best in stable or increasing markets. They work less well in declining markets where the prospect of lost equity reduces enthusiasm. Hong Kong has suspended all sales of its affordable condominium units as a result of a significant drop in real estate values.

An underlying issue is the extent to which the Options For Homes model creates affordability. True, the initial buyer realizes some benefit but subsequent buyers pay market value. As the projects are modest in character, lacking many amenities such as exercise rooms, pools, etc., the market values it accordingly. But there is no guarantee that units will remain in the affordable end. However, Home Ownership Alternatives, the financing end, grows its asset base for investment in new developments.

Municipalities in all regions of the Province have been allocated funds to provide interest-free 2nd mortgages to purchasers of modest new or resale housing in their communities. The purchaser must use the home as a principal

53. <http://www.communitylandtrust.ca/>

residence and cannot rent it out. If the home is sold within 20 years, the 2nd mortgage, plus a share of the equity growth, is paid to the municipality. If there is a decline in value, repayment of the down payment assistance can be waived. After 20 years, the loan is forgiven provided there has been no default.

The Maximum House Price reflects the average value of real estate transactions in the previous quarter and service managers may set limits below that level. Maximum House Prices range from just over \$90,000 in the Rainy River DSSAB to just under \$565,000 in Halton Region. The City of Toronto, with a Maximum Housing Price over \$410,000, has announced a target of helping 10,000 first-time homeowners over the next 10 years.

The ripples from the credit meltdown in the U.S. are lapping Ontario's housing market. GE Capital has left the Canadian mortgage market to attend to problems at home. Lehman Brothers, which was to finance some of the Regent Park private sector component, no longer exists, leaving developers scrambling. CMHC has bought billions of dollars of mortgages to free banks to lend to other sectors. The uncertainties in the ownership market suggest a cautious approach to this segment. Moreover, increasing pressure on the rental stock suggests it gets the major emphasis.

## CONCLUSION

Housing is complicated. At the centre of a wide spectrum of economic, environmental and social forces, it is rarely considered in its entirety. This paper is one of the few attempts to do so. It is concerned with the framework of spending decisions, regulatory requirements, and housing

programs which shape the production of new affordable housing and which protect the existing housing stock, both private and social. It does not propose ways to help households afford housing, such as housing benefits, rent geared-to-income policies, shelter allowances, and property tax credits, as these important solutions are best examined through a review of income security programs. During the interval over which this paper was written, the U.S. financial crisis became a world economic recession. This paper envisions ways in which affordable housing can reduce recessionary impacts, decrease energy use and realize the full potential of our planning system.

***Affordable housing, like good education and health care, is an important part of a decent standard of living*** and the well-being of our communities. For families with children, safe and secure homes provide the stability to make the most of educational opportunities. For new workers, affordable housing reduces pressure on labour costs and improves economic competitiveness. For seniors, it can provide a living environment that respects their changing needs without changing their community. Supportive housing reduces social costs by providing protective environments where the most vulnerable can lead fuller and more dignified lives. For immigrants, it provides a stepping stone towards self-sufficiency and citizenship. Its compact size and higher density supports the creation of urban infrastructure.

***Realizing higher levels of new affordable housing more quickly and at a lower cost***, requires Ontario to reformat its planning policies to be more in line with other Canadian and international experience. Four further elements are required:

- predictable funding from new federal/provincial expenditures for housing,
- imposition of mandatory affordable housing targets by regional and local governments,
- a requirement that municipalities use inclusionary zoning to help reach those targets, and
- municipal incentives such as lowered property tax rates and waived development fees and charges.

***Retaining the affordability of the existing housing stock*** is a primary objective for all levels of government. A key way to keep what we have is to ensure that energy conservation standards are at the highest optimum level. The Europeans are leading the way in developing new energy-efficient homes and retrofitting existing housing to use a fraction of former energy levels.

***Ontario needs to advance the education of consumers, the building industry, and lenders about low-energy homes*** through charettes, pilot projects, and mandatory energy ratings. The potential for developing a green residential construction/ rehabilitation sector is substantial, both within the Ontario market and through sales of building products and materials elsewhere.

***Retrofitting strategies should start with the social housing stock*** since that is where low-income consumers face the greatest energy poverty and governments share the greatest risk. Assessments of Ontario's social housing show poorer than predicted conditions of social housing. Systematic data on conditions in the affordable private rental stock is almost completely lacking. In order that policies and programs are based on science, additional research needs to be developed. High rise buildings in both social and private rental housing are a particular challenge.

***Achieving higher energy standards in the housing stock requires both regulatory "sticks" and incentive "carrots"***. While regulations can force the building owner or landlord to make needed improvements or face penalties, by themselves, they do little to help the building owner pay for the improvements or to protect occupants from high rent increases. Rehabilitation and energy conservation incentive programs at the federal and provincial level need to work together effectively, in order that a decent homes standard is affordable to all.

***The Province can help municipalities manage their housing responsibilities*** by providing annual report cards tracking the changes in the supply of and demand for affordable housing. That way, municipalities can determine the conversion and demolition and other policies that best suit their local conditions.

***Significant investments will help create the green collar jobs*** that will transform the energy profile of our housing stock. Province-wide, we are experiencing substantial changes in the social and affordable housing market, including deteriorating conditions and out-dated standards, and advances in energy conservation techniques. Declining interest in ownership housing increases the pressures on the existing rental stock.

***Affordable housing has always promised important social benefits. Now, with a recession deepening in Ontario, it can also create the green collar industry and jobs we need by reducing energy requirements in our affordable housing. Now is the time to make investments in affordable housing that will pay off in the long-term prosperity of Ontario. The recommendations we develop can help guide us through these perilous times.***

**Table 1: Population, Household and Core Need Household Distribution, Provinces & Territories**

|                 | Population (2006) |             | Households (2006) |               | Core Need Households (2001) |             |
|-----------------|-------------------|-------------|-------------------|---------------|-----------------------------|-------------|
|                 | #                 | %           | #                 | %             | #                           | %           |
| Canada          | 31,612,897        | 100         | 13,576,855        | 100           | 1,485,300                   | 100         |
| NFLD & Labrador | 505,469           | 1.6         | 235,958           | 1.7           | 26,600                      | 1.8         |
| PEI             | 135,851           | 0.4         | 62,753            | 0.5           | 6,200                       | 0.4         |
| NS              | 913,462           | 2.9         | 425,681           | 3.1           | 51,600                      | 3.5         |
| NB              | 729,997           | 2.3         | 331,619           | 2.4           | 30,000                      | 2.0         |
| Quebec          | 7,546,131         | 23.9        | 3,452,300         | 25.4          | 352,400                     | 23.7        |
| <b>Ontario</b>  | <b>12,160,282</b> | <b>38.5</b> | <b>4,972,869</b>  | <b>36.6</b>   | <b>599,700</b>              | <b>40.4</b> |
| Manitoba        | 1,148,401         | 3.6         | 491,724           | 3.6           | 45,500                      | 3.1         |
| Sask.           | 968,157           | 3.1         | 438,621           | 3.2           | 37,200                      | 2.5         |
| Alberta         | 3,290,350         | 10.4        | 1,335,745         | 9.8           | 106,300                     | 7.2         |
| B.C.            | 4,113,487         | 13.0        | 1,788,474         | 13.2          | 223,700                     | 15.0        |
| Yukon           | 30,372            | 0.1         | 15,296            | 0.1           | 1,600                       | 0.1         |
| NWT             | 64,464            | 0.1         | 16,774            | 0.1           | 2,100                       | 0.1         |
| Nunavut         | 29,474            | 0.1         | 9,041             | Less than 0.1 | 2,700                       | 0.2         |

Sources: Population and households, 2006 Census of Canada  
 Core Need Households, Canadian Housing Observer,  
[http://www.cmhc-schl.gc.ca/en/corp/about/cahoob07/data/data\\_013.cfm](http://www.cmhc-schl.gc.ca/en/corp/about/cahoob07/data/data_013.cfm)



## Chart A: Affordable Housing within the Spectrum of Shelter Options

| Type of Housing                             | Description  | Affordable examples  | Market Examples   | Issues   |
|---|--|--|---|--|
| Temporary or non-permanent accommodation    |  |  |   |  |
| Emergency Shelters                          | Short-term stays; users lack permanent accommodation | Municipal or charitable providers  | Insurance policies often provide hotels/motels for short-term emergencies | On an annual basis, the most costly of housing options   |
| Transitional Housing                        | Longer term stays; conditional on services           | Halfway houses; group homes  | Private clinics offering residential settings                             | Term limited, based on therapeutic needs   |
| Permanent Housing (with Security of Tenure) |  |  |   |  |
| Supportive Housing                          | Housing and care/support services provided           | Special needs e.g. designed for mental, emotional, or physical issues                      | Retirement homes, some long-term care homes                               | Cost is less than alternatives (Shelters, hospitals, jail) however shortages remain despite cost advantages                        |
| Non-profit housing                          | Below market rents, often geared-to-income           | Public housing, cooperatives, community-sponsored (Service clubs, faith groups, charities) | Many non-profit projects offer market rent units                          | Issues include social mix, work incentives, and condition of stock; demand for affordable housing is growing faster than the stock |
| Private rental housing                      | Rents set to market                                  | Some AHP projects are privately-owned  | 50% of private rental is affordable                                       | Owners and residents lack time and money to improve stock to meet current standards  |
| Ownership                                   | Freehold (i.e. land ownership) condominiums          | Habitat for Humanity, Options for Homes  | Re-sale homes, new subdivisions, infill                                   | Most affordable in low demand markets; possible signs of declining prices in high demand markets                                   |

## Chart B: Affordable Housing within the Spectrum of Shelter Options

|   |  |
|---|--|
| <b>DECISIONS ABOUT SPENDING LEVELS</b>              |  |
| Federal/Provincial Spending                         | federal/provincial/territorial agreements on affordable housing programs lever national funds to create economic and social benefits                             |
| <b>PLANNING FOR AFFORDABLE HOUSING</b>              |  |
| Growth Plan   | Ministry of Energy & Infrastructure identifies urban growth centres for infrastructure planning and public investments; requires planning for affordable housing |
| Official Plan                                       | Municipality designates broad land uses; creates value in moving to "higher" use, e.g. agricultural to residential or low-density residential to higher density  |
| Provincial Policy Statement (PPS)                   | PPS, issued under the Planning Act, requires municipalities to set targets for affordable housing and defines terms  |
| Building Codes                                      | Sets minimum standards for fire safety, energy conservation and accessibility; generally only new construction must meet new code                                |
| Building permit                                     | Municipal building inspectors review building plans to ensure building & zoning codes are met  |
| <b>CONSTRUCTION PHASE</b>                           |  |
| Construction inspection                             | Periodic inspections by municipal building official to ensure construction matches building plans  |
| Tarion warranty (Ontario New Home Warranty Program) | Protects against loss of deposit, unauthorized substitutions, delayed closings or delayed occupancies without proper notice                                      |
| <b>OCCUPANCY PHASE</b>                              |  |
| Initial occupancy                                   | Municipality issues occupancy permit   |
| Building and Fire Code updates                      | Imposing new standards on existing stock generally limited to fire safety (e.g. automatic closing doors, fire alarms)  |
| Property standards                                  | Municipal inspection for infractions largely complaint driven  |

|   |  |
|---|--|
| Landlord/tenant                                 | Provincial legislation (Residential Tenancies Act) may reduce rent for infractions of property standards                               |
| Energy conservation and rehabilitation programs | Variety of programs offering differing incentives and eligibility requirements; federal programs delivered through separate agencies   |
| Private regulation                              | Insurers can demand conditions before insuring (e.g. remove knob and tube wiring)  |
| <b>END OF USEFUL LIFETIME</b>                   |  |
| Residential Tenancies Act                       | Provides extended eviction period, first right of refusal, and compensation in cases of repairs, renovations, conversion or demolition |
| Municipal Act; City of Toronto Act              | Enables municipalities to prohibit demolition or conversion of affordable housing and to require replacement of lost stock             |

## Chart C: A Framework in Search of a Strategy

| Framework Component              | Level of Support for Affordable Housing   |   | Implications  |
|----------------------------------|---|---|---|
|                                  | Ontario   | Other Examples  |   |
| Federal/provincial expenditures  | Receives periodic or inadequate infusions of federal funding  | Adequate and predictable funding, e.g. Ireland, United Kingdom  | Federal government needs to fully commit to "gradual realization" of adequate housing; Province needs fair share to meet greater need and higher costs.   |
| Provincial Planning - new supply | <p>Planning Act neither requires nor suggests minimum targets</p> <p>s.37 of Planning Act used to lever affordable housing; City of Ottawa has requested stronger powers.</p> <p>Provincial Growth Plans can coordinate affordable housing with regional and local governments.</p> | <p>Minimum targets required in U.K., Ireland, others.</p> <p>Inclusionary zoning has been used in England, Ireland, some U.S. states, Montreal, Vancouver</p> <p>Regional targets and program spending for AH negotiated with local authorities (England)</p> | <p>Ontario data to assess effectiveness of affordable housing policies also lacking.</p> <p>Inclusionary zoning faces resistance from development interests.</p> <p>Provincial/regional/local planning for affordable housing hampered by uncertain funding</p> |
| Building Code - new housing      | Periodic and incremental updates increase energy standards for new buildings (Ontario)  | In U.K. new homes to become "zero-rated" energy users by 2016. In Europe, 6000 "passive homes" meet highest energy codes.   | High energy standards improve affordability, comfort and GHG emissions; capital costs frequently paid for by operating savings. Industry and consumer resistance to be overcome with education and information.   |

continued ->

| Framework Component          | Level of Support for Affordable Housing   |  | Implications  |
|------------------------------|---|--|---|
|                              | Ontario   | Other Examples   |   |
| Improving the existing stock | <p>Weak empirical data to inform policy and program choices.</p> <p>Separate programs for building rehabilitation and energy conservation</p> <p>Building Code retrofits limited to fire safety, not energy.</p> <p>Complaint driven inspections and enforcement in most municipalities</p> | <p>England carries out annual surveys of physical conditions, occupants and landlords.</p> <p>Social housing upgraded to meet Decent Homes Standard (England)</p> <p>High energy standards applied to existing stock throughout Europe</p> <p>In Hong Kong, higher rated buildings inspected less frequently</p> | <p>90% of affordable housing a decade from now has already been built. Social housing stock a prime candidate for stimulus spending – renovation activity can be ramped up quickly.</p> <p>Myriad of programs, including separate federal energy and rehabilitation complicate feasibility of improvements.</p> <p>Evaluation of RRAP program needs to address data about conditions and improve fit with energy conservation.</p> <p>FRPO’s certification program helpful, but limited to larger landlords</p> |
| Demolition and conversion    | <p>Toronto has enacted strong conversion and demolition policies. Hamilton and Ottawa have conversion policies and are considering demolition.</p>  | <p>Many U.S. municipalities have “no net loss” provisions to protect threatened stock</p>  | <p>Ontario municipalities receive inconsistent information about applicability of provincial legislation – clarification needed.</p> <p>Province needs to monitor condition and availability of affordable stock in light of population needs.</p>  |



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