7
AFFORDABLE HOUSING PROGRAM
HOUSING ALLOWANCE COMPONENT

The Community Services and Housing Committee recommends that:

1. **Recommendation No. 2 be amended by adding “and health and safety conditions.”**
2. **The Recommendations contained in the following report, February 28, 2006, from the Commissioner of Community Services, Housing and Health Services be adopted, as amended.**

1. RECOMMENDATIONS

It is recommended that:

1. The Region elect not to participate in the Housing Allowance component of the Canada-Ontario Affordable Housing Program unless the Province implements the program improvements noted in this report or allows for the conversion of the housing allowance allocation to the Region’s capital program allocation.

2. The Regional Chair write to the Minister of Municipal Affairs and Housing indicating York’s disappointment with the Housing Allowance Program, and requesting that the program funding be reallocated to other York Region affordable housing initiatives or the Program rules be amended so as to make the Program guidelines suitable for realistic application in York Region considering our current marketplace conditions.

3. The Regional Clerk forward this report to the Association of Municipalities of Ontario (AMO), Ontario Municipal Social Services Association (OMSSA), Service Managers Housing Network (SMHN), local MPs and MPPs.

2. PURPOSE

The purpose of this report is to advise Council of issues relating to the Housing Allowance component of the Affordable Housing Program (AHP) to seek Council authorization to decline participation in the Housing Allowance Program and to seek Council support to communicate York’s needs to the Minister of Municipal Affairs and Housing.

3. BACKGROUND

In May 2002, the Federal and Provincial governments signed an agreement to provide $245 million in federal funding for affordable housing development in Ontario over a four year period. Due to funding and program design limitations, the program was poorly subscribed.

In response to broad criticism and the lack of participation in the Program, the Federal and Provincial governments announced on April 29, 2005 that they had agreed to significant revisions. On August 31, 2005, the Province announced preliminary program details and unit and dollar allocations for Consolidated Municipal Service Managers (Service Managers). There were two main components of the Program, a Capital Program which would allow for the creation of new units, and a Housing Allowance Program which would provide rent assistance to eligible households. Preliminary details of both parts of the AHP were outlined to Regional Council in a report dated October 27, 2005. Council approved, in principle, the Region's participation in both components of the AHP subject to receipt and analysis of Program Guidelines.

Subsequently, Service Managers received Program Guidelines for the Housing Allowance Program and were informed that they had until March 15, 2006 to submit plans to the Province detailing the Program implementation plan.

The Province has not yet released complete administrative details of the Capital Program. Staff will report to Council for further direction on the Capital Program when these details are forthcoming.

4. ANALYSIS AND OPTIONS

4.1 Program Details

The Housing Allowance Program was introduced as "an exceptional, interim measure to enable Service Managers to respond immediately to the need for affordable housing in their communities." Unlike all previous rent supplement programs, the Housing Allowance does not base assistance on the percentage of the household's income required to pay the rent. Instead, the Program provides the Region with Service Manager funding for 110 eligible households to receive a rent reduction of $250 a month for a maximum of five years. The funding allocation for the Region is $330,000 per year, for a total of $1.65 million over five years.

The Program has several key components:

- Even if they are suitably housed, participants must move to a vacant unit.

- Service Managers are encouraged to target units to Ontario Works (OW) and Ontario Disability Support Program (ODSP) recipients. Ten percent of all units must be allocated to victims of domestic violence.
- Rents cannot exceed the applicable CMHC average market rents.
- Administration funds are limited to $15.60 per month for the first 50 units and $13.00 per month for all subsequent units (approximately $18,720 per year for York Region).
- Service Managers must develop exit strategies demonstrating that participants' housing needs will be met when assistance is eliminated at the end of year five.

4.2 Implications of Program Design for York Region

4.2.1 Impact on Program Participants

Regional staff conducted extensive research to assess program implementation options. For most applicants on the social housing waiting list, the housing allowance is not sufficient to reduce rents to an affordable level. The goal was to identify client groups that could afford to rent program units with the support of the $250 monthly housing allowance.

In order to ensure a reasonable exit strategy, suitable clients would also have to have a reasonable expectation of improving their financial circumstances over the five year period such that they could afford the full market rent by the time the assistance was withdrawn. A review of the existing caseload of approximately 4,500 Ontario Works participants identified 20 households who might be suitable for the program. A further review of childcare fee assistance recipients identified approximately 121 households who would benefit from assistance with rental costs. However, under the current provincially-mandated fee assistance criteria, any reduction in housing costs would reduce the fee assistance, effectively eliminating any program benefit for this client group.

The inability to use funding to assist tenants in their current housing is a major impediment to program implementation. Arguably, if a tenant is struggling in their current unit, limited assistance still improves their situation and at the end of the five years, the tenant is no worse off for having participated in the Program. However, the current program requires them to move to a new, likely more expensive unit. The participant is responsible to absorb all moving costs and at the end of the Program may be at greater risk of losing their home than they were before entering the Program.

The Housing Allowance allocated to the Region is insufficient to make rental housing truly affordable for most of the 5,500 households on the social housing waiting list. The restrictive program requirements make providing even limited assistance to struggling households impractical.

4.2.2 Availability of Rental Units

The Housing Allowance Program presumes that there are rental vacancy issues across the Province. Not only does the Region have the lowest proportion of its housing stock represented by rental units, it also has one of the lowest rental vacancy rates (1.6% compared to 3.7% for the Toronto Census metropolitan area) in the Province.

As a trial, the Program was advertised through a landlord association to 240 private landlords in the Region. Only six landlords requested further information and none subsequently expressed interest in participating in the Program.

Furthermore, the CMHC average rents for the Region do not adequately reflect local market conditions. The limited rental stock available in the Region typically exceeds the CMHC average rents and is therefore excluded from the program.

The Housing Allowance Program is not suitable for tight rental markets. The rental housing supply limitations in the Region effectively prohibit participation in the Program.

4.2.3 Costs to Region

The Housing Allowance Program is labour intensive. In addition to the initial work of creating and implementing the Program, the Provincial Guidelines require the Region to conduct annual income reviews of all participating households. Significant resources would be required to implement and manage this short-term program. The annual maximum administration expense allowance of $18,720 in no way reflects the real cost of delivering this provincial program.

4.3 Communication with the Province

In light of the Region's lack of rental stock and the implementation barriers entrenched in the Housing Allowance Program, the Commissioner of Community Services and Housing wrote the Assistant Deputy Minister of Housing on December 16, 2005 (see *Attachment 1*) requesting that the Province consider allowing the Region to convert the $1.65 million Housing Allowance funding allocation to additional Capital Program funding, or alternately to allow the allocation to be used to enhance the existing Strong Communities Rent Supplement program.

A response was received from the Province (see *Attachment 1*), that effectively reiterates the Program requirements and provides no workable alternative to allow the Region to take advantage of this funding.

At this time, it may be useful to elevate the Region's concerns and with that in mind, this report recommends that the Regional Chair write to the Ministry of Municipal Affairs and Housing to express our concerns.

4.4 Options to Improve the Housing Allowance Program

There are several key steps the Province could take to significantly improve the Program:

- Increase the per unit monthly allowance from the current $250 to the $500 - $600 required to reduce CMHC average rents to affordable levels for those earning minimum wage or in receipt of social assistance.
- Extend guaranteed funding beyond the current five year period to better reflect long term housing affordability needs.
- Allow the Region to assist people in their current rental units rather than requiring that the tenant move to a vacant unit.
- Provide program administration funding that reflects the real cost of delivering the Program.

These improvements would significantly increase the potential to assist households in need of assistance. However, the program delivery challenges related to the limited supply of rental housing in the Region would remain. As an alternative, the Province could allow the Region to convert the housing allowance allocation to the capital component of the affordable housing program to support the development of more affordable rental units.

5. FINANCIAL IMPLICATIONS

By declining the Housing Allowance Program, the Region may forgo $1.65 million in Provincial funding. However, in so doing, the Region will also avoid the administrative costs of implementing a program that all analysis suggests will fail in our marketplace..

6. LOCAL MUNICIPAL IMPACT

Many households in all municipalities of the Region struggle with housing affordability. The unsuitability of the Housing Allowance Program for York Region presents a lost opportunity to assist those households.

7. CONCLUSION

The barriers inherent in the Housing Allowance Program are such that the Program cannot reasonably be implemented in the Region. The Province has been asked to convert the funding to a capital allocation that would enable the Region to increase the supply of affordable rental housing. However, this request has not been successful. The probable loss of $1.65 million in provincial housing funding is highly regrettable, especially when viewed in light of the 5,500 households waiting for affordable housing in the Region.

The Senior Management Group has reviewed this report.

(The attachment referred to in this report was circulated with the March 8, 2006 Committee Agenda.)