

Social Housing

Follow-up on VFM Section 3.12, 2009 Annual Report

Background

Social housing is rental accommodation developed with government assistance for a range of low- and moderate-income households, including families with children, couples, singles, and seniors. It can be owned by governments, as in the case of public housing, or by non-profit or co-operative organizations. In Ontario, households in social housing that receive a subsidy to help pay rent typically pay a maximum rent equal to about 30% of their total pre-tax income.

Most social housing in Ontario was built between the mid-1960s and the mid-1990s by the Canada Mortgage and Housing Corporation (CMHC) and the provincial government. In December 2000, the province passed the *Social Housing Reform Act, 2000*, which required municipalities to assume responsibility for social-housing programs previously administered by the CMHC and the province. The province designated 47 regional Consolidated Municipal Service Managers (Service Managers) to administer social-housing programs at the local level. At the end of the 2010/11 fiscal year, there were about 260,000 units of social housing in Ontario, consisting of 100,000 public-housing units and 160,000 non-profit and co-operative units, essentially the same numbers as at the time of our *2009 Annual Report*.

Both from a value-for-money perspective and from the perspective of those who live there, it is critical that social housing be maintained in good condition. As well, sufficient and affordable social housing can also have a significant impact on the health and safety of those Ontarians who depend on subsidized housing for a place to call home. However, in our *2009 Annual Report* we reported that the Ministry of Municipal Affairs and Housing (Ministry) collected little information on how well the \$40 billion in social-housing stock was being maintained or whether there was an adequate supply to meet local needs. Our observations included:

- As of December 31, 2008, the number of households on waiting lists for social housing across the province totalled about 137,000. In many urban centres, the average wait time to secure accommodation was more than five years—and one municipality had reported a wait time of 21 years for all categories of tenants except seniors.
- The deteriorating condition of social-housing stock—particularly the public-housing portfolio, whose units were an average of 40 years old—had been a significant and growing concern for municipalities. In 2006, for instance, the Toronto Community Housing Corporation identified immediate capital-repair needs of \$300 million for its 60,000 public-housing units. However, the Ministry had no up-to-date and reliable information on the overall

condition of the social-housing stock on a province-wide basis.

- A large number of the federal government's funding agreements with housing providers would start to expire in 2015, with no guarantee that they would be renewed. Without continued funding, some existing social-housing projects would not be financially viable, even though Service Managers would still be required by law to maintain the prescribed minimum number of housing units. The Ministry had no firm plans to address concerns regarding this possible ending of federal funding.
- In partnership with the federal government, Ontario had in recent years provided Service Managers with some additional funding for new housing programs. There was a general lack of reporting on the success of these programs. For example, although one such program increased the supply of housing, the stipulated rent to be charged for more than half the units would not be considered affordable for households on, or eligible to be on, waiting lists. Better reporting and oversight was needed to ensure that these stimulus investments are spent cost-effectively and achieve the desired results.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

Status of Actions Taken on Recommendations

On the basis of information provided by the Ministry, we concluded that it had made some progress on all of our recommendations, with significant progress being made on Recommendation 1. The status of action taken on each of our 2009 recom-

mendations at the time of our follow-up was as follows.

PROVINCIAL STRATEGY ON SOCIAL HOUSING

Recommendation 1

To better define and fulfill the province's roles for ensuring sustainable, well-maintained social housing, the Ministry of Municipal Affairs and Housing should:

- *establish a comprehensive strategic plan that includes measurable goals and performance outcomes;*
- *work with municipalities to ensure a co-ordinated and integrated housing strategy within the province, and gather the information necessary to monitor progress on the strategy and on the goals and outcomes established; and*
- *consider requiring all Consolidated Municipal Service Managers to develop local strategic plans, and encourage the sharing of best practices in developing such plans.*

Status

In our *2009 Annual Report*, we found that despite the significant change in the responsibilities for delivery of social housing, there was no provincial strategy to ensure the continued provision of sufficient and well-maintained housing. We also found at the time that the Ministry's latest Results-based Plan, a document that all Ontario government ministries are required to submit to help ensure that their programs achieve the desired outcomes, lacked measurable outcomes for success.

The Ministry agreed with our recommendation and indicated in its response to our *2009 Annual Report* that it had then completed "over 13" public consultations with key stakeholders across the province to initiate the development of a comprehensive housing strategy and to develop social-housing performance measures that all municipalities would be required to report on annually.

The Ministry released its new Long-Term Affordable Housing Strategy (Strategy) in November 2010.

The Strategy included passing legislation that would support a community-centred approach with increased flexibility for adapting to the different needs of local communities and would simplify the rent-geared-to-income calculation process.

The Strategy also included a commitment to work with the Canada Revenue Agency to create an automated income-tax-based system for determining the income of social-housing applicants and tenants. The Ministry further informed us that the Strategy would be supported by a number of performance measures to track progress, including housing measures, affordability indicators, tenant satisfaction surveys, and Service Manager measures to track progress in meeting local needs.

Although draft social- and affordable-housing indicators had been developed for the Ministry's Municipal Performance Measure Program at the time of our follow-up, these measures were still being evaluated to ensure alignment with the new Strategy and to minimize duplication. The Ministry also acknowledged that several other measures were still under development, and that it would take some time working with Service Managers to complete this exercise.

The *Strong Communities through Affordable Housing Act, 2011* (Act) received Royal Assent in May 2011, and most components of the Act will come into force on January 1, 2012. The Ministry informed us that once the Act takes effect, local Service Managers will be required to develop local housing and homelessness plans that address local community priorities and better target housing resources to people in need. The Ministry also indicated that it had developed a new framework for how housing and homelessness plans should support local communities. A regulation under the Act requires that such plans be in place by January 1, 2014.

SUFFICIENT AND WELL-MAINTAINED SOCIAL HOUSING

Recommendation 2

To help provide sufficient social housing efficiently and make the most of available funding, the Ministry of Municipal Affairs and Housing should work with Consolidated Municipal Service Managers to:

- *establish more comprehensive reporting of information on social-housing portfolios and wait times so this can be taken into consideration in addressing the housing needs of individual municipalities;*
- *identify ways to better and more equitably address the issue of lengthy wait times in many municipalities; and*
- *better co-ordinate housing and other support services with other provincial and municipal stakeholders.*

Status

In our *2009 Annual Report*, we noted that since the devolution of housing responsibilities to the municipal level, ministry oversight activities had been minimal, and that the Ministry had little information on the often lengthy wait times for social housing, local vacancy rates, or details regarding the condition of the housing stock. We also noted that there were three provincial ministries that administer more than 20 housing and related programs, and that co-ordination among these programs was often lacking, resulting in a fragmented and often inefficient approach to meeting client needs.

The Ministry indicated in its response to our *2009 Annual Report* that it agreed with our recommendation and would consider it in the development of a new housing strategy. The Ministry also informed us that it would work with municipalities to identify other areas where additional and consistent information was available and could be of use to the Ministry. Furthermore, the Ministry advised us at the time that it would work to develop a consolidated housing service that better co-ordinated its housing and other support services with other provincial and municipal stakeholders.

During our follow-up, the Ministry informed us that once the *Strong Communities through Affordable Housing Act* takes effect, each Service Manager will be required to establish a tenant selection system. The Act provides flexibility for Service Managers to adopt alternatives to the currently predominant first-come, first-served approach. In February 2011, when the Ministry hosted a stakeholder session exploring alternative selection systems, some stakeholders suggested new information and reporting requirements to support such alternatives. The Ministry advised us that it is considering these stakeholder suggestions.

Recommendation 3

To ensure that the housing stock is safe and of acceptable quality and that it will achieve its expected service life, the Ministry of Municipal Affairs and Housing should work with Consolidated Municipal Service Managers to:

- carry out periodic building-condition assessments and ensure that such information is summarized on a province-wide basis; and
- develop an effective funding and financing strategy for raising the capital investment required to reduce the capital maintenance backlog and sustain proper maintenance of housing stock, including consideration of requirements that a capital reserve be established for public-housing stock.

The Ministry should also continue to work with the Social Housing Services Corporation to assess the cost/benefit of implementing modern energy-efficient measures, and facilitate adoption of such measures by housing providers.

Status

In our *2009 Annual Report*, we noted that the Ministry did not have up-to-date and reliable information on the condition of the province's social-housing stock or on the maintenance and asset management practices of its Service Managers. We further noted that the condition of the housing stock had deteriorated over the decade since the devolution of responsibilities to municipalities.

In its response to our *2009 Annual Report*, the Ministry indicated that it had helped establish an Asset Management Centre for Excellence in 2008 to provide support and expertise that social-housing providers could draw upon in maintaining their buildings. It also indicated that most social-housing providers could apply to Infrastructure Ontario for low-cost capital loans under the government's 2008 Poverty Reduction Strategy. With respect to implementing energy-efficient measures, the Ministry further informed us at the time that \$70 million was targeted for renewable-energy initiatives under a new federal-provincial \$704 million Social Housing Renovation and Retrofit Program.

At the time of our follow-up, the Ministry informed us that its Asset Leveraging Working Group was still considering the feasibility and merit of a number of proposals for refinancing and renewing the province's deteriorating social-housing portfolio. In the meantime, the Ministry had allocated \$352 million in the 2009/10 fiscal year and another \$352 million in 2010/11 for renovation and retrofit work. It indicated that these funds, combined with a \$100-million allocation for capital investment in the 2008/09 fiscal year, were intended to have a significant impact on the capital-repair backlog for social housing. The Ministry also updated us on the status of the renewable-energy initiatives, indicating that almost \$73 million had been committed for installation of solar voltaic, geothermal, and solar thermal systems.

FEDERAL FUNDING OF SOCIAL HOUSING

Recommendation 4

To mitigate the possible impact of continuing decreases in federal funding on the supply of social housing, the Ministry of Municipal Affairs and Housing should:

- develop a plan for options, should negotiations with the federal government for continued funding for the social-housing portfolio be unsuccessful;

- *work with Consolidated Municipal Service Managers on alternatives to the current system of maintaining the required number of housing units with an aim to better match the supply of social housing to the demand in each municipality;*
- *review its current methodology to ensure funding allocations are fair and federal funds are spent on eligible housing programs; and*
- *provide a full and public accounting of how all federal funding provided for social housing was spent.*

Status

In our *2009 Annual Report*, we noted that federal government operating agreements with housing providers had begun expiring, with a large number of agreements set for expiry starting in 2015. The federal government at the time provided (and continues to provide) most of the funds for social housing, and has made no commitment to renew this funding as the agreements expired. We further noted that the Ministry had no contingency plan for addressing this issue, and that under the province's *Social Housing Reform Act, 2000*, Service Managers were required to maintain a prescribed minimum number of rent-geared-to-income units regardless of funding. Some Service Managers had also voiced concerns that both the number and composition of housing units they were responsible for had never properly reflected the demographics and housing demands in their local area, and that this disconnect had worsened over the past decade since the province had devolved social-housing responsibilities to municipalities. We also questioned whether the full amount of federal funds provided had actually been spent on social housing as required by the federal–provincial Social Housing Agreement.

In its response to our *2009 Annual Report*, the Ministry indicated that a number of municipal expenditures were being transferred to the provincial level that would free up an estimated \$1.5 billion annually that could be used to respond to social housing and other local priorities. The

Ministry also committed to working with Service Managers to clarify the level of discretion they have to change the composition of their social-housing units and indicated that it would review its current methodology for allocating federal funding. The Ministry further committed to considering how best to report on how federal funding under the Social Housing Agreement was spent.

At the time of our follow-up, the Ministry informed us that it had collaborated on a joint working group with its federal and municipal counterparts to assess the viability of Canada's existing housing stock. The working group's draft report, completed in fall 2010, highlighted concerns over the viability of the existing stock should the federal funding stop and provided a business case for the federal government's consideration of further investments in social housing. Meanwhile, the Ministry's new Strategy commits the province of Ontario to engaging other provinces, territories, and the federal government in creating a framework for long-term, flexible funding for affordable housing.

With respect to federal funding allocations, the Ministry informed us that it was currently reviewing its methodology for distributing these monies. This review is scheduled for completion in March 2012, at which time Social Housing Agreement funding for the 2012/13 through 2017/18 fiscal years is to be finalized and published in the Ontario Gazette.

FUTURE FUNDING INITIATIVES

Recommendation 5

To ensure that funding provided achieves the desired social-housing impact, the Ministry of Municipal Affairs and Housing should require that:

- *each new funding program is supported by a detailed business case; and*
- *adequate accountability mechanisms for reporting on the results achieved by Service Managers for the funds provided be put in place for all funding programs.*

In addition, the Ministry should make any necessary changes to ensure it has the resources and organizational capacity to properly monitor the effectiveness of funding it provides to Service Managers.

Status

In our *2009 Annual Report*, we found that although the province had begun to fund some new housing programs, none had been subject to a business-case analysis that detailed all the costs and benefits of the initiative. We also noted that there were virtually no accountability or reporting requirements for assessing the impact of the funding provided.

In its response to our *2009 Annual Report*, the Ministry indicated that it would review its current practice in developing business cases to identify and implement any necessary improvements. It also committed to reviewing the existing accountability mechanisms established for reporting on results by municipalities and to assessing its current resource requirements to enable it to monitor the effectiveness of funding provided to Service Managers.

At the time of our follow-up, the Ministry informed us that it had reviewed the provincial Performance Measurement Guide and Treasury Board submissions related to new funding initiatives, as well as program guidelines and agreements. As a result of this review, the Ministry advised us that sufficient mechanisms were in place that outline the accountability and performance measurement requirements for these programs.

The Ministry further informed us that best practices had been developed for program guidelines and performance measurement that support the recognition of the different sizes and capacities of the various Service Managers. Based on these best practices, guidelines for the rent supplement program were being revised. The Ministry also informed us that performance measures for the initiatives and programs under the new long-term Strategy were under development as well.