

Social and Affordable Housing

1.0 Summary

According to Statistics Canada, in 2016 there were 1.9 million low-income individuals in Ontario. Low-income individuals are defined as living in a household that takes home less than half of the median after-tax income of households of its size. When low-income Ontarians have to pay market-rate rents for their housing, they are often left with insufficient funds for essentials such as food. Some low-income households end up living in housing inadequate for their family's needs or in shelters.

Housing is considered affordable when shelter costs are no more than 30% of a household's total income before taxes. In response to this reality, a variety of government programs have been developed over many years aimed at helping low-income Ontarians attain housing within their means. These government programs form a complex and often-confusing patchwork approach to housing needs. Some programs fall within what historically has been referred to as "social housing"; some are termed "affordable housing"; and some fall under neither category. They are as follows:

- **"Social housing"**: Households receiving social housing benefits pay rent that is geared to income: they pay rent equal to 30% of their gross income. Between the 1940s and 1995, the construction of these housing units was

funded by the federal and provincial governments. In 2001, the Province transferred responsibility for the oversight and funding of social housing to the municipal level, setting up municipal "service manager" organizations. The *Housing Services Act* (Act) specifies how many households each municipal service manager must provide social housing for; these total almost 187,000 province-wide. Social housing units are operated by housing providers, which are not-for-profit organizations, co-ops, private landlords, or municipal corporations.

- **"Affordable housing"**: Since 2002, the federal and provincial governments have jointly funded initiatives aimed at increasing housing and housing supports intended for low-income households. Four programs are currently offered through federal-provincial funding:
 - grants for the construction of new rental units;
 - rent subsidies for low-income households;
 - renovation grants; and
 - down-payment assistance for home purchases by low-income households.
- **"Other pre-1996 housing"**: During the years that the social housing stock was built, the same housing providers also built about an additional 78,000 units that are not covered

by the almost 187,000 social housing subsidies in the *Housing Services Act*. Some of these units offer rents geared to income; others offer rents lower than market rates, but not geared to income.

Although there continues to be debate in this area, legal experts generally agree that, constitutionally, neither the federal government nor the provinces are legally required to provide affordable housing, nor are they prevented from doing so. This has enabled the Province to take action as it chooses, such as passing legislation regarding eligibility for social housing, while not assuming overall responsibility for developing and implementing a comprehensive approach to what many deem to be a growing housing crisis in Ontario. Although it is a common perception that municipalities are now responsible for housing, they are in fact only responsible for providing social housing to 186,717 households as defined in the Act. Applicants on their social housing wait lists, and other households needing below-market rentals are not legally the municipalities' responsibility to address.

The Province has assigned some of this responsibility to municipal service managers by requiring them to develop 10-year Housing and Homelessness Plans. However, the plans, for the most part, lack clear objectives and quantifiable targets and outcomes needed to successfully address housing needs. This is likely due to the fact that municipal service managers have no legal obligation to invest in housing programs (apart from the almost 187,000 social housing subsidies they are required to provide). In fact, about half of the municipal service managers that responded to our survey did not invest municipal dollars in housing, beyond social housing.

Consequently, our audit found that there is no provincial strategy to address the growing social housing wait lists (185,000 households waiting as of 2016), the needs of the growing number of low-income Ontarians (1.9 million in 2016), and the risk of losing almost one-third of the existing affordable rental units in the prov-

ince (about 83,000 of 285,000 units). Given the broader social and economic implications of so many Ontarians living in inadequate housing, it would be reasonable for the government to have a comprehensive strategy.

Some specific observations in this audit include:

- **Ontario has one of the largest social housing wait lists in the country—wait times are lengthy and growing even longer.** There are more people on wait lists for social housing than are currently receiving social housing benefits. As of December 2016, Ontario's wait list of 185,000 households, representing about 481,000 people, is 3.4% of its total population, the highest in the country. The number of households on Ontario's wait lists has increased by 36% in the last 13 years for which this information was available. Yet the Ministry of Housing (Ministry) has not investigated why so many people are waiting for social housing, or why the numbers are increasing (although at a declining rate), and it has not developed a strategy to address the growing wait lists. Applicants on the wait lists can only receive a social housing subsidy when vacancies are created. However, few vacancies are created—only about 5% of people on the wait lists are housed in a given year. Wait times at the nine municipal service managers we visited ranged from 1.8 years to over nine years for a social housing subsidy. In addition, the number of vacancies filled across the nine municipal service managers we visited fell by 18% from 2012 to 2016.
- **Ontario does not do enough to integrate its housing and employment supports to encourage and help social housing tenants move to a market-rate unit.** Other provinces, such as British Columbia and Saskatchewan, have better integration of housing and employment supports; tenants transition off social housing in about five to seven years, on average. In Ontario, however, housing and employment supports are not integrated.

As well, there is little incentive for social housing recipients to improve their incomes. We calculated that an individual working full-time at a minimum-wage job (earning about \$21,750) and paying market rent would have roughly the same disposable income after rent as someone living in social housing but not working full-time.

- **Applicants on social housing wait lists face affordability challenges.** Although the Ministry does not collect information on the difficulties faced by those on wait lists, a few municipal service managers have conducted surveys of applicants on their wait lists to try to gain a deeper understanding of their situations. For instance, about one-fourth of households surveyed waiting on one municipal service manager wait list paid about 40% of their income on rent (in excess of the 30% generally accepted as the standard for affordability). About 52% of households surveyed were rooming with family, friends or in other temporary housing arrangements with no security of tenure. About 22% of households surveyed on wait lists could not make rent and utility payments and owed arrears to their landlords or utility companies, and about 5% of the applicants surveyed were currently under eviction proceedings.
- **Housing is provided on a first-come first-served basis, not on assessed need.** In light of the fact that there so many people are on wait list, one might expect the Ministry to take particular interest in ensuring that those households with the greatest need receive housing when it becomes available. However, the Act does not require prioritization of people on wait lists according to their needs (apart from victims of abuse who receive priority). We noted that British Columbia, for example, assesses factors such as income level, current rent paid, and adequacy of current housing conditions when making housing decisions, whereas in Ontario, most applicants receive a subsidy based on when they joined the wait list. Of particular note:
 - Applicants on the wait lists have been found to own significant assets. At three municipal service managers' locations, we noted a total of about 900 eligible applicants on the wait lists owned at least one home.
 - Applicants already receiving rent subsidies under an affordable housing program can have a higher spot on the wait list than other applicants whose needs can be greater because they do not receive any financial assistance for rent.
 - Applicants who are not residing in Ontario also maintain a spot on the wait list, ahead of other Ontarians living in the province.
 - Some applicants, having waited years for a unit, have in fact refused adequate units offered in their preferred buildings. Such applicants continue to be ahead of others who have not received any unit yet. Refusal reasons cited at two municipal service managers that track this information include not wanting to move at that time, and not liking the building aesthetically.
- **Affordability challenges likely to increase when housing contracts expire over the next 15 years.** Contracts that obligate housing providers to offer affordable rents began to expire in 2007; about 50% will have expired by the end of 2020, and the last by 2033.
 - If housing providers do not renew their contracts with municipal service managers, up to 83,000 current below-market rentals could convert to market-rate rents. We gathered information from 16 responding municipal service managers through our survey and noted that 5,800 units have been converted to market-rate rentals (the Ministry does not have complete information on the number of units that have converted to market rents).

- At the discretion of the housing provider, rent geared-to-income benefits for some tenants (benefits not covered by the Act and separate from the almost 187,000 legislated social housing subsidies) can also be removed when contracts expire, leading to tenants paying full rent for their units. These subsidies can be quite large if households, such as senior households, have low incomes. We obtained information from 12 municipal service managers that responded to our survey that track this information, and found that a total of 124 out of 256 subsidies had been eliminated by housing providers in their areas. The Ministry does not track how many tenants pay rent geared to income not covered under the Act, nor does it gather details on whose subsidies have been removed.
- **Few affordable units built since 1996.** Despite an increase in demand for units with below-market rents, only 20,000 such units have been built in the last two decades. Governments have not made the building of affordable rental units a priority. Since 1996, 1.3 million new condominium units and houses have been built in the province, but only 61,000 market-rate rental units and the 20,000 affordable rentals have been added.
- **Not-for-profit development of rentals and houses is not being encouraged.** Partnerships with not-for-profit organizations are important. Between the 1960s and 1996, they built about 93% of Ontario's existing supply of below-market rentals. However, current housing programs do not promote development by not-for-profits. Funding stipulations and strict requirements make it challenging for municipal service managers to build partnerships with not-for-profit organizations:
 - We found that at eight of the nine municipal service managers we visited, only one-third of developers of affordable rentals were not-for-profits versus two-thirds private. Funding stipulations make it difficult for not-for-profits to qualify for grants to build affordable rentals. Not-for-profit development is beneficial because, in some areas of the province, private developers have not shown an interest in building affordable units; thus, development by not-for-profit organizations is perhaps the only way to build new units in these areas. Further, because it is not the objective of not-for-profits to earn a profit, they can provide affordability benefits in perpetuity (private developers are only required to provide affordability benefits for 20 years). For instance, a 2016 study completed by the Ministry found that, once their contract periods had expired, nine out of 10 private developers converted their affordable buildings to condominiums or increased rents to market rates.
 - In addition, we noted that almost all municipal service managers we visited that could partner with not-for-profits to build affordable houses were not doing so. These municipal service managers either decided to stop delivering the program or have started phasing it out because of strict funding stipulations (prescribed jointly by the Ministry and the federal government) that make it difficult to partner with not-for-profits without risking losing the funding and cancelling projects mid-way. Funding stipulations state that funding is provided only after a buyer signs a purchase agreement. However, the signing of this agreement does not correlate with when construction costs are actually incurred; therefore, not-for-profits can incur significant construction costs prior to this. This can sometimes lead to financial difficulties. For instance, in one area, half of the housing units a not-for-profit planned to build could not be built, and had to be cancelled, because the not-for-profit did not

receive the needed funding when it experienced financial difficulties well in advance of having a signed purchase agreement with the buyer.

- **Municipal Service managers are currently not providing social housing to all households they are required to by law.** Since 2004 (the first year this information is available), municipal service managers have been providing social housing, on average to 168,600 households instead of the 186,717 mandated by the *Housing Services Act*. The Ministry has taken limited action to assess why municipal service managers have been providing available social housing to, on average, around 18,120 fewer households annually than required, or to enforce compliance with the legislated standard. Our audit found that this is occurring for several reasons:
 - **Tenants who become ineligible for social housing can continue to reside in their units.** Ontario's *Residential Tenancies Act* prevents former social housing recipients, who are no longer eligible for social housing, from being requested to vacate. Therefore, fewer vacancies are available for current applicants. Thirty of the 38 municipal service managers that responded to our survey indicated that this prevents the municipal service manager from providing the legislated number of social housing subsidies.
 - **Thousands of units unused because of poor condition of repair.** Vacant units can only be offered to prospective tenants if they meet minimum health and safety standards. As of December 2016, there were about 6,300 vacant social housing units that are not being provided to tenants. This situation is only likely to worsen as the social housing stock, built several decades ago, ages.
 - **Housing providers have been found to fill vacancies with non-social-housing**

tenants. Municipal service managers that account for about two-thirds of the 187,000 social housing subsidies that must be provided according to the Act indicated to us that they could not provide the minimum number of social housing subsidies because housing providers were filling vacancies with non-social-housing tenants, despite their contractual obligations. The number of vacancies filled with non-social-housing tenants is unknown because the Ministry does not require municipal service managers to gather this information.

With regard to the two affordable housing programs, rent subsidies and renovation grants, our audit found that municipal service managers were generally using the funds as intended, and were providing the necessary supports to low-income individuals.

In addition, on a positive note, our audit found that, in September 2017, the Ministry implemented a new tool—the portable housing subsidy—that would help municipal service managers meet the legislated standard of providing social housing to the 186,717 households. Currently, about 10 in 11 households that municipal service managers are required to assist under the Act are receiving social housing. Prior to this change, social housing subsidies could only be provided at units dedicated for social housing; the portable nature of the new tool allows municipal service managers to meet the standard even if dedicated social housing units are unavailable for various reasons discussed earlier. (Dedicated units are owned by housing providers that are legislated to provide units to a social housing tenant or are secured through contracts with other housing providers.) We encourage the Ministry to work with municipal service managers in adopting the new tool, which is currently not mandatory, so the full standard of assisting 186,717 households can be met.

This report contains 15 recommendations, with 24 action items, to address our audit findings.

Overall Conclusion

Our audit concluded that the Ministry of Housing did not have effective systems and procedures to oversee and co-ordinate the delivery of social and affordable housing programs and services. It did not ensure that social housing was delivered in compliance with legislated requirements with respect to the minimum number of about 187,000 households that are required to be provided social housing benefits. It did not have a strategy that seeks alignment and encourages efforts of all government levels toward meeting its goal of ensuring that everyone in Ontario has an affordable and suitable home. The Ministry also did not measure and publicly report on the effectiveness of housing programs in Ontario.

OVERALL MINISTRY RESPONSE

The Ministry of Housing (Ministry) acknowledges the complexity of the affordable and social housing system in Ontario. The Ministry recognizes the need for improvements to move toward the government's vision that every person has an affordable, suitable, and adequate home to provide the foundation to secure employment, raise a family and build strong communities.

The Long-Term Affordable Housing Strategy Update, released in March 2016, outlined a number of commitments to continue progress toward this vision, and as outlined in this report, some progress has been made in recent months. However, more work remains to be done.

In particular, the government has committed to transforming and modernizing social housing in Ontario to be more efficient, people-centred and sustainable. Over the past eighteen months, the Ministry has worked with a group of sector stakeholders to begin the design of a modern framework. In early November, the Minister of Housing launched broader sector consultations on a draft framework for social housing.

In addition, the Ministry is currently involved in negotiations, along with other provinces and territories, with the federal government on a National Housing Strategy. The federal government has committed to further investment in social and affordable housing, including reinvestment of the federal government's declining funding for social housing. The Ministry looks forward to concluding these negotiations and leveraging federal investments to support a more effective, sustainable housing system. Through these initiatives, and other activities, the Ministry looks forward to working with the federal government, municipalities, and other sector partners to address the findings of this report.

2.0 Background

2.1 Overview of Housing Programs

According to Statistics Canada, in 2016 there were 1.9 million low-income individuals in Ontario. A low-income household is defined as one that takes home less than half of the median income, after taxes, of households of its size.

When low-income Ontarians have to pay market-rate rents for their housing, they are often left with insufficient funds for essentials such as food. Some low-income households end up living in housing inadequate for their family's needs or in shelters.

Experts, including academics, have concluded that having adequate and affordable housing reduces the stress associated with unaffordable and short-term housing arrangements. It also frees up income to purchase other goods and services essential for finding and maintaining employment, taking care of dependents, and generally maintaining a decent standard of living. Having adequate and affordable housing can also reduce demand for public services including homelessness shelters, emergency and non-emergency medical

services and justice sector services. For instance, the Ministry reported that the average cost of providing social housing to one household is about \$613 per month. In comparison, one shelter bed costs \$2,100 per month (more than three times more expensive), one long-term care bed costs an average of \$3,960 per month (more than six times more expensive), one correctional facility bed costs an average of \$4,300 per month (seven times more expensive), and one hospital bed costs an average of \$13,500 per month (22 times more expensive).

Widely accepted standards set by the Canada Mortgage and Housing Corporation (CMHC) define affordability, suitability and adequacy in housing as being met when housing costs are less than 30% of before-tax income; there are enough bedrooms in a unit to appropriately accommodate each family member; and the housing does not require major repairs. Thus, in order for low-income households to meet the affordability standard, they need access to rentals that are subsidized or have below-market rents. In response to this reality, a variety of government programs have been developed over many years aimed at helping low-income Ontarians attain housing within their means. Some programs fall within what historically has been referred to as “social housing”; some are termed “affordable housing”; and some fall under neither category.

In Ontario, there are currently about 285,000 rentals with below-market rents. The need for affordable housing in Ontario is greater than these 285,000 units, as evidenced by the large number of low-income households. The Province has joined with the federal government in funding programs to address housing needs. We discuss these programs in the following sections. An overview of all housing programs is presented in **Figure 1**.

2.1.1 “Social Housing” and Other Similar Units Have Been Offered since the 1940s

Of the 285,000 units with below-market rents, about 265,000 units were built before 1996 and are comprised of social housing and other pre-1996

housing. Total value of these units is approximately \$30 billion. The remaining 20,000 units, termed “post-2002” housing, were built through the “affordable housing” initiatives (discussed in **Section 2.1.2**).

There Are Approximately 187,000 Units for Social Housing in Ontario

Households receiving social housing benefits pay rent that is geared to income: they pay rent equal to 30% of their gross income. For example, if a person living in a social housing unit earns \$2,000 per month, his or her rent would be \$600 a month. The *Housing Services Act, 2011* (Act), legislates that a total of 186,717 households are required to receive social housing benefits. This was the number of households to which the Province was providing social housing when it downloaded responsibility for social housing to the municipalities by the end of 2001.

Historically, social housing benefits could only be provided within a dedicated social housing unit. However, as of September 2017, the Act was amended to allow municipal service managers to provide social housing benefits as portable subsidies that can be applied toward market-rate rents in non-social-housing units. Our audit did not include a review of these portable subsidies as municipal service managers are currently in the initial stages of implementing the subsidy.

Up until the portable subsidies were introduced in September 2017, social housing was mostly considered to be housing that was built between the 1940s and 1995. These units were built through various federal, federal/provincial and provincial funding initiatives. Housing providers entered into contracts that required them to provide a total of nearly 187,000 units to social housing tenants in Ontario.

Prior to 2001, social housing was the responsibility of the federal and provincial governments; however, by the end of 2001, the oversight and funding responsibilities for social housing units had been transferred to municipal governments. When

Figure 1: Overview of Housing Programs in Ontario

Prepared by the Office of the Auditor General of Ontario

Housing Program	Main Benefits Received by Household	Number of Households that Can Receive These Benefits	Program Administration and Oversight	Source of Program Funding
Housing programs offered since the 1940s				
These were the only housing programs offered in Ontario prior to 2002. "Social housing" and "other pre-1996" housing comprise a total of 265,000 units. These programs are also further discussed in Section 2.1.1.				
Social housing	Households in social housing pay rent that is geared to income. They pay 30% of their gross income towards rent, or a minimum of \$85 per month. ¹	Under the <i>Housing Services Act</i> , municipal service managers are required to provide social housing subsidies to a minimum total of 186,717 households.	Municipal service managers oversee housing providers that operate the dedicated social-housing units to ensure geared-to-income rents are calculated correctly, and that housing providers are following best practices when managing their properties.	A total of \$1.35 billion was spent in 2016 by the municipal (70%) and federal (29%) governments.
Other pre-1996 housing	Households living in these rentals either pay rent geared to income, or pay rents that are below market rates, but not geared to income.	There are a total of about 78,000 units that offer these housing benefits to tenants.	Service managers oversee housing providers that operate the 59,000 units to ensure units are provided to eligible households and that providers are charging correct rents.	Operating costs for about 17,000 units (22%) are self-funded by the housing providers themselves. ² Operating costs for about 42,000 units (54%) are funded by a combination of municipal and federal funding (funding amounts are unknown).
Housing programs introduced in 2002 known as "Affordable Housing" ³				
Funded jointly through the provincial and federal governments, these programs (also discussed in Section 2.1.2) began to be offered in 2002, and have been continuously funded since then through the various funds described in Figure 4.				
Post-2002 rental units built through the Construction Grants program	Households living in these rentals pay rent that is at least 20% lower than market rates in their areas. Units include one- to four-bedroom apartments or townhouses.	There are a total of about 20,000 units built since 2002 that offer these housing benefits to tenants.	The federal government oversees housing providers that manage the approximately 19,000 remaining units.	Operating costs for the approximately 19,000 remaining units (24%) are funded by the federal government (funding amounts are unknown).
Post-2002 rental units built through the Construction Grants program	Households living in these rentals pay rent that is at least 20% lower than market rates in their areas. Units include one- to four-bedroom apartments or townhouses.	There are a total of about 20,000 units built since 2002 that offer these housing benefits to tenants.	Service managers oversee landlords who operate these rentals to ensure units are provided to low-income households.	Up-front construction grants, currently of up to \$150,000 per unit, were provided to developers when these units were first being constructed through joint federal/provincial funding.

Housing Program	Main Benefits Received by Household	Number of Households that Can Receive These Benefits	Program Administration and Oversight	Source of Program Funding
Rent subsidies	Rent subsidies are provided to low-income households. An average of about \$260 per month was provided to households (based on information we received from 36 survey respondents). Service managers can choose how much money to provide each household, and for how many years.	Total households helped under this program is unknown .	Service managers determine eligibility and are responsible for disbursing the monthly rent subsidies to households.	Subsidies are provided through joint federal/provincial funding.
Renovation grants	Low-income homeowners can receive grants to improve safety or accessibility in their homes, such as installing chair and bath lifts for seniors or persons with disabilities	Total households helped under this program is unknown .	Service managers determine eligibility and are responsible for disbursing the renovation grants to households.	Subsidies are provided through joint federal/provincial funding.
Down-payment assistance	Forgivable down-payment loans are provided to low-income renters to purchase a home. These loans are to be repaid if the purchased unit is subsequently sold. If the property is held for more than 20 years, the loan is forgiven. The average value of loans provided in 2016 was about \$17,000.	A total of about 6,700 households received down-payment assistance since 2002.	Service managers determine eligibility and are responsible for disbursing the loan to eligible households.	Down-payment assistance is provided through joint federal/provincial funding. Some municipalities may choose to provide additional grants to top up the federal/provincial funding.
20-year rent supplements provided since 2003				
Strong Communities Rent Supplements Program	Households under this program receive a rent supplement of an average of \$640 per month.	These rent supplements are provided to 6,500 households in Ontario.	Service managers determine eligibility and are responsible for disbursing the monthly supplements to households.	The provincial government provides about \$50 million annually for these rent supplements.

1. Historically, social-housing benefits could only be provided at the nearly 187,000 dedicated social-housing units. However, as of September 2017, the *Housing Services Act* was amended to allow service managers to choose to provide social-housing benefits as portable subsidies that can be applied to the rent of any rental unit, even those with market-rate rents.
2. Housing providers self-fund the operating costs for these units because, at the time of construction, they received up-front construction grants, which they are not required to repay. In return, they are required to provide below market-rate rentals to tenants for an agreed-upon number of years.
3. Across the province, service managers can choose whether they would like to deliver this program, and, if delivered, to how many households.

this took place, the Province designated “municipal service managers” to administer social housing at the municipal level; areas administered by municipal service managers are known as “service areas.” In southern Ontario, a municipal service manager can be an upper- or single-tier municipality, or a group of upper- and single-tier municipalities. In Northern Ontario, however, because municipalities have smaller populations and are spread over large geographic areas, the government grouped municipalities into 10 District Social Services Administration Boards that act as municipal service managers. **Figure 2** provides a brief history of the transfer of social housing to the municipal level.

The Act is the overarching legislation that prescribes certain program requirements for social housing. Municipal service managers are expected to follow these requirements while delivering and administering the social housing program. These requirements include:

1. **How many households should receive social housing benefits:** The Act prescribes the minimum number of households that should receive social housing benefits in each service area (with a total of 186,717 provincially.) See **Appendix 1** for each municipal service manager’s quota.

2. **How to determine eligibility:** An applicant who is a Canadian permanent resident 16 years of age or older is eligible if his or her income is less than the prescribed maximum annual household income. **Figure 3** presents income limits set out in the Act for determining eligibility for different social housing units based on bedroom-size. Municipal service managers are allowed to change these, and often do so, to respond to high or increasing rents. The Act includes no other eligibility criteria than income level. However, the Act does not preclude municipal service managers from adding asset limits as further eligibility criteria, which some have done. When a unit becomes available, an eligible household is matched to a unit type, such as a bachelor or one-bedroom unit, based on the number of people in the household. For example, a household with two parents and one child can be eligible for a two-bedroom unit if their household income is below \$42,300. Once eligible, applicants are placed on the social housing wait list for the service area they have applied in. The Act specifies, for the most part, that applicants on the wait list be housed on a first-come, first-served basis.

Figure 2: Timeline of the Devolution of Almost 187,000 Social Housing Subsidies

Prepared by the Office of the Auditor General of Ontario based on information obtained from the Ministry of Housing

Year	Description of Events
1940s–1995	<p>Construction of social housing units: The federal and provincial governments funded the construction of about 187,000 units that are required to be used for social housing. Some were built through joint federal-provincial funding, and others through only provincial funding.</p>
1996–2000	<p>Province negotiates with municipalities to transfer social housing: Prior to 2001, the Province and the federal government were responsible for providing social housing in Ontario. In 1996, the Province made a decision to download to the municipalities (service managers) its responsibility for providing social housing for the approximately 187,000 households now covered by the <i>Housing Services Act</i>. Between 1996 and 2000, the Province negotiated with the municipalities to devolve this responsibility, and in exchange, take over some of the costs related to education.</p>
2001	<p>Transfer of social housing to municipalities complete: Municipal service managers would now be responsible for providing approximately 187,000 social housing subsidies. The federal government would continue to provide, until 2033, some social housing funding to the municipalities; however, municipalities would be responsible for covering a majority of the costs relating to the approximate 187,000 subsidies. The Province would no longer fund social housing.</p>

Figure 3: Income Limits for Determining Eligibility for Social Housing

Prepared by the Office of the Auditor General of Ontario based on information obtained from the *Housing Services Act, 2011*

Unit Type	Maximum Household Income Limit* (\$)
Bachelor	29,200
1 bedroom	35,400
2 bedroom	42,300
3 bedroom	49,100
4 bedroom +	58,900

* Income limits vary across different service areas of the province. Amounts presented in this figure are averaged across the province.

- 3. How to calculate tenant income in order to determine rent payable:** The Act prescribes that tenants' rents be geared to their before-tax incomes. It also prescribes which types of income should be included and excluded when determining rent payable. For example, the Act requires that employment income be included but certain types of pension income excluded when calculating a tenant's income. The tenant then pays rent that is equal to 30% of his or her before-tax income.

As of December 2016, 185,000 applicants in Ontario were on a wait list to receive a social housing unit, according to the Ministry. At the nine municipal service managers we visited, we found wait times that ranged from an average of 1.8 to over nine years.

There Are Approximately 78,000 Additional Units for Low-Income Households

In addition to the nearly 187,000 social housing units, there are about another 78,000 units that were also built by the same housing providers that built the social housing units—these are referred to as “other pre-1996 housing,” and not social housing.

These units were also built through various federal, federal/provincial and provincial funding initiatives. At the time these units were built,

housing providers entered into contracts with the provincial or federal government that gave them the initial funding to provide various forms of subsidized housing—some are contractually required to offer rents geared to income (similar to social housing); others are contractually required to offer rents lower than market rates, but not geared to income.

Contracts Are Expiring for All Housing Providers

As mentioned, when social housing and other pre-1996 housing were built, housing providers entered into contracts to provide the subsidized housing. Contracts with some of the housing providers were subsequently cancelled, and the responsibilities of those housing providers' incorporated into legislation (currently under the *Housing Services Act, 2011*).

After the contracts expire, for those that continue to have existing contracts, housing providers are no longer required to provide the different forms of subsidized housing they currently provide. These contracts began to expire in 2007; the last contract will expire by 2033.

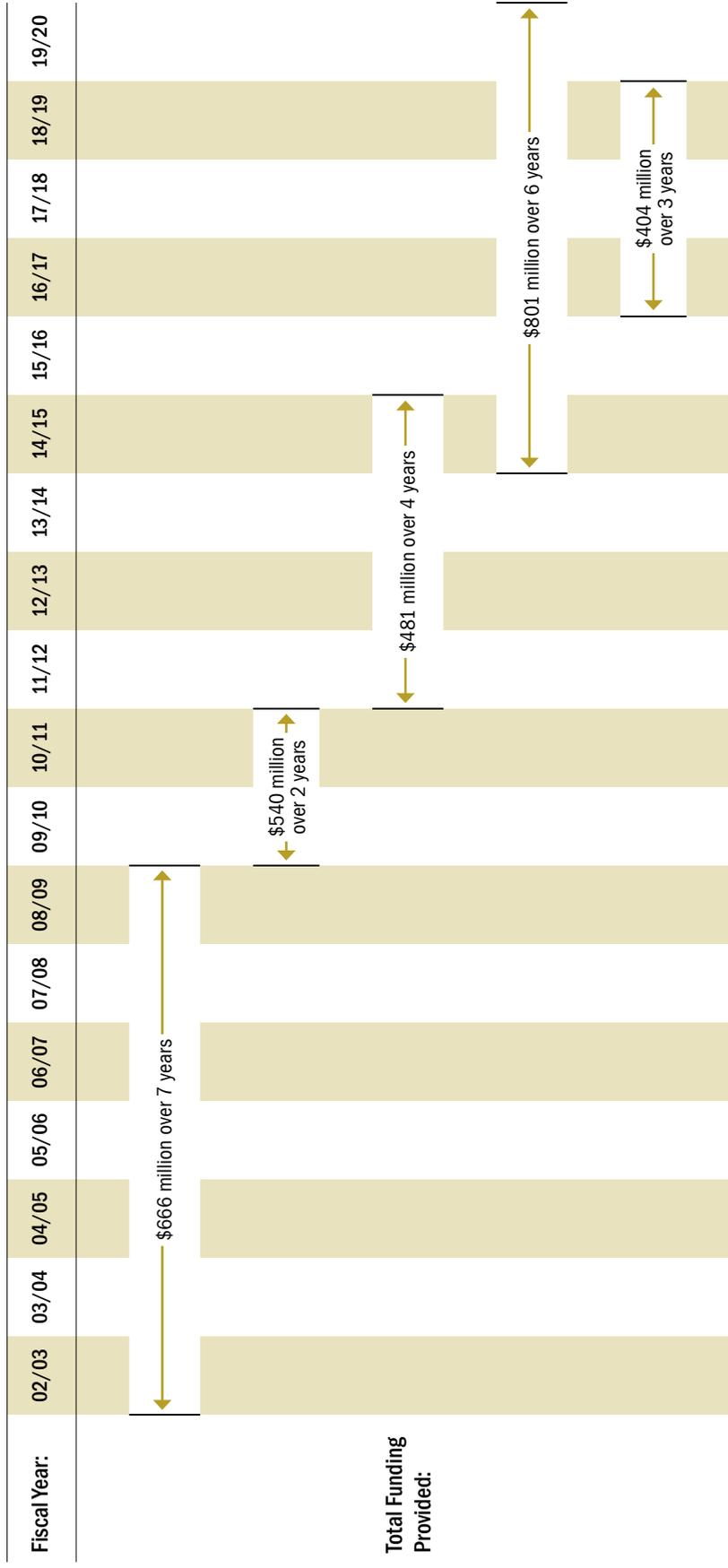
2.1.2 Housing Supports Offered since 2002 Known as “Affordable Housing”

In 2002, the federal and provincial governments began providing funds to municipal service managers to expand the housing stock and provide financial supports to low-income households. These initiatives are often referred to as “affordable housing” programs (distinct from “social housing”).

As **Figure 4** shows, the funding has been delivered through five funds over varying periods of time. Currently, funding is provided under two funds as shown in **Figure 4**: \$801 million provided over six years under the Investment in Affordable Housing-Extension, and \$404 million over three years provided under the Social Infrastructure Fund.

Figure 4: History of Funding Provided Jointly by the Federal and Provincial Governments for Affordable Housing Programs

Source of data: Ministry of Housing



Four programs are currently offered through these federal/provincial funds:

- construction grants for affordable rental units (which we refer to as “post-2002 housing”);
- rent subsidies;
- renovation grants; and
- down-payment assistance.

Details on each program, including an overview of housing benefits provided under each program, are presented in **Figure 1**.

Municipal Service Managers Choose Which Programs to Offer

It is up to each service manager to choose which of the four programs it wants to offer in its area, and can choose to continue, or discontinue, providing funding for any of the four programs. **Figure 5** shows how many municipal service managers offer each program.

Municipal Service Managers Can Set Income Thresholds below Prescribed Limits

Households that can apply to these programs are required to have incomes below a certain threshold. These income thresholds are established locally by each municipal service manager; consequently, they vary across the province. They can also vary from program to program within the same service

area. However, they are required to be below maximum thresholds prescribed jointly by the Ministry and the federal government (prescribed thresholds are set at 60% of the average household income in a given area). For example, **Figure 6** shows details on income limits established in two different areas of the province.

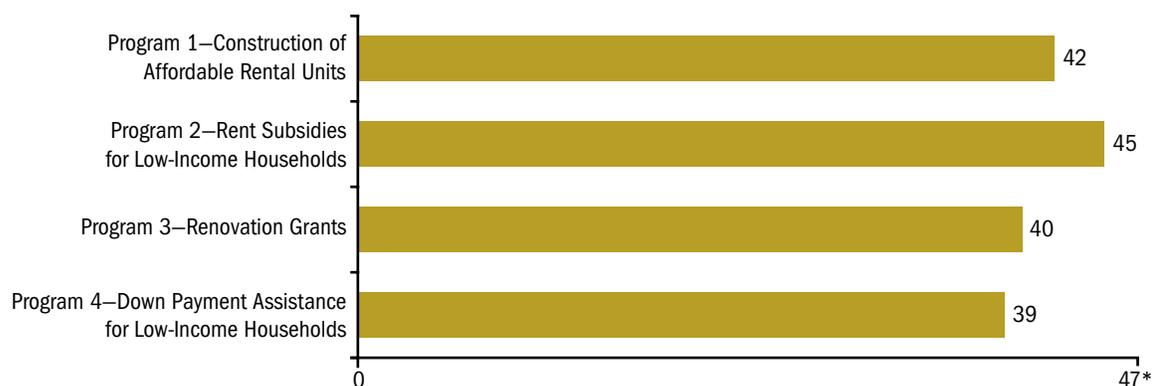
2.1.3 Other Housing Programs

In addition to social housing, other pre-1996 housing, and affordable housing programs, about 6,500 Ontarians are currently receiving monthly rent supplements under the Strong Communities Rent Supplement Program. These supplements began being offered in 2003, and will continue to be offered until 2023. (Additional details on this program are also found in **Figure 1**.)

In addition to these programs discussed here, municipal service managers can also deliver housing programs using their own municipal funds. About half of the municipal service managers we surveyed indicated that they provided housing programs in their areas using municipal dollars, while the other half indicated they have not. Municipally funded housing programs offered by municipal service managers are similar to the provincially and federally funded affordable housing programs such as rent subsidies and down-payment assistance.

Figure 5: Number of Municipal Service Managers That Offer the Various Affordable Housing Programs

Source of data: Ministry of Housing



* There is a total of 47 service managers in the province.

Figure 6: Income Limits* for Eligibility in Two Service Areas (\$)

Source of data: Information obtained from two service managers

Program Type	Income Limits in Municipality A	Income Limits in Municipality B
Program 1—Construction of Affordable Rental Units Income limits for tenants to qualify to move into affordable rentals	59,800	36,200
Program 2—Rent Subsidies for Low-Income Households Income limits for renters to qualify for rent subsidies	53,700	42,700
Program 3—Renovation Grants Income limits for households to qualify for receiving renovation grants	63,700	60,000
Program 4—Down Payment Assistance for Low-Income Households: Income limits for households to qualify for down-payment assistance	90,500	55,000

* For Programs 1, 2 and 3, income limits vary depending on the size of the unit, or the size of the household; therefore, average income limits are presented in this figure.

2.2 Funding for Housing Programs

Over the past five years, about \$1.5 billion, on average, has been spent each year on housing programs across all three levels of government. **Figure 7** provides an overview of funding over the past five years. Social housing is primarily funded by federal and municipal (service manager) dollars, whereas the four “affordable housing” programs are primarily funded equally by the Province and the federal government.

Social Housing Is Mainly Funded by the Federal and Municipal Governments

About \$1.35 billion has been spent annually over the past five years to support social housing in Ontario. This money is provided by the federal (29%) and municipal (service manager) governments (70%); the Province only contributes about 1% toward social housing costs, most of which relates to Indigenous social housing in Northern Ontario.

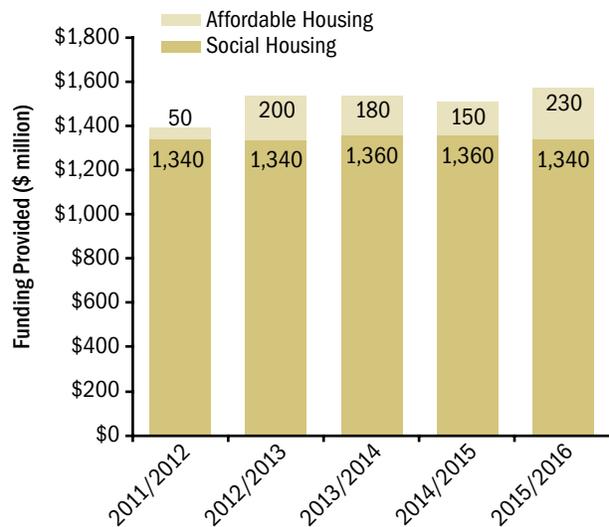
Funding for the Four Affordable Housing Programs Is Mainly Provided by the Federal and Provincial Governments

About \$125 million has been spent annually over the past five years by the federal and provincial governments to deliver the four “affordable housing” programs discussed earlier. The two governments generally contribute equally to these programs. (**Figure 8** shows the calculation used to determine each municipal service manager’s allocation.)

In addition, municipal service managers can also opt to add their own money to these initiatives. However, they are not required to do so—about half of the municipal service managers have opted to add their own money, whereas the other half have not. On average, municipal service managers have invested about an estimated \$38 million annually over the past four years for which this data was available. (This is based on amounts municipal service managers have reported to the Ministry; however, not all municipal service managers have reported this information as it is not a requirement.) **Figure 9** shows the approximate amounts disbursed under each of the four programs by municipal service managers.

Figure 7: Total Funding for Social and Affordable Housing, 2011/12–2015/16 (\$ million)

Source of data: Ministry of Housing



2.3 Roles and Responsibilities

All three levels of government are involved in some capacity in the delivery and oversight of housing programs. We discuss in the following sections the roles and responsibilities of each government, as well as the role of housing providers. **Figure 10** provides additional details on the roles and responsibilities of the parties involved in the delivery of housing programs in Ontario.

Housing Providers

Housing providers are landlords that manage and oversee three types of rental units—social housing, other pre-1996 housing, and post-2002 housing. These providers have legal ownership of their units and can be one of:

- a municipally owned housing provider, such as Peel Housing Corporation, or Toronto Community Housing Corporation;
- a not-for-profit or co-operative housing corporation, such as the Federation of Chinese Canadian Professionals Non-Profit Housing Corporation or Edenwood Seniors Village; or
- a private landlord.

There are about 1,200 not-for-profit and co-operative housing providers, and about 400 private landlords. The housing providers report to one of the 47 municipal service managers, whose responsibility is to deliver and administer housing programs in their areas.

Municipal Service Managers (Municipal Level)

As discussed earlier, 47 municipal service managers were created by the Province in 1998 when responsibility for social housing began to be transferred from the Province to the municipalities (the transfer was complete by 2001/02). Since 2001/02, municipal service managers' roles have evolved; today they are responsible for delivering and administering all housing programs, with the exception of Indigenous housing programs.

Ministry of Housing (Provincial Level)

The Ministry of Housing's (Ministry) goal, as stated in its Long-Term Affordable Housing Strategy, is to ensure that everyone in Ontario has an affordable and suitable home.

Prior to 2002, the provincial government was heavily involved in housing. It had funded (partially with the federal government, or completely through its own funding initiatives) the creation of many of the 265,000 units that comprise social housing and "other pre-1996" housing.

Since the transfer of social housing to municipal service managers in 2002, the Ministry no longer provides housing programs directly to Ontarians. Instead, it provides funding to municipal service managers through the affordable housing funds.

In 2010, the Ontario Government issued the Long-Term Affordable Housing Strategy (Strategy) which the Ministry is responsible for implementing. **Section 2.4** provides details on this Strategy and the Ministry's actions since 2010.

Figure 8: How a Service Manager's Allocation for Affordable Housing Programs Is Calculated

Source of data: Ministry of Housing

$$\text{Total Available Funding} \times \frac{\left(\begin{array}{c} \% \text{ of Ontario households living} \\ \text{in service area} \end{array} \right) + \left(\begin{array}{c} \% \text{ of Ontario's core-housing need}^* \\ \text{households living in service area} \end{array} \right)}{2}$$

* Ontarians are considered to be in core-housing need when they pay more than 30% of their gross income in rent.

Canada Mortgage and Housing Corporation (Federal Level)

The Canada Mortgage and Housing Corporation (CMHC) is a federal Crown corporation that reports to Parliament through the Minister of Families, Children and Social Development.

Prior to 1986, the federal government unilaterally funded the construction of many of the 265,000 units. Since then, it has not been directly involved in the construction of new units, or the delivery of housing programs in Ontario in general. Today, the CMHC provides funding for social housing, but has no other responsibilities related to social housing. It also provides funding for some of the “other pre-1996” housing units.

The CMHC takes the lead role in funding the four affordable housing programs (discussed in **Section 2.1.2**). The provincial government matches this funding dollar-for-dollar.

2.4 Recent Developments

In 2010, the government issued the Long-Term Affordable Housing Strategy (Strategy). Although termed “strategy,” the 2010 Strategy does not constitute an action plan—it essentially identifies several areas of improvement across four broad categories. The Ministry is tasked with developing and implementing an action plan to address the following four categories:

- ensuring that existing housing programs are aligned with people’s needs;
- strengthening partnerships with stakeholders;
- providing additional tools to municipal service managers in developing new housing

options and in retaining existing affordable housing; and

- clarifying roles and responsibilities of the provincial and municipal governments (service managers).

Six years later, in 2016, the Ministry published an update to this Strategy. The update detailed actions the Ministry will take to address areas of improvements in the four categories. For instance, the Ministry committed to make legislative changes to allow municipalities to direct private developers to build mixed-income housing and to eliminate extra charges that new home buyers have to pay when building secondary suites (such as basement apartments). The Ministry accomplished the legislative changes in 2016 and is currently working on developing regulations to implement the changes.

Below we also discuss other major actions that have been fully implemented since the 2016 update to the Strategy.

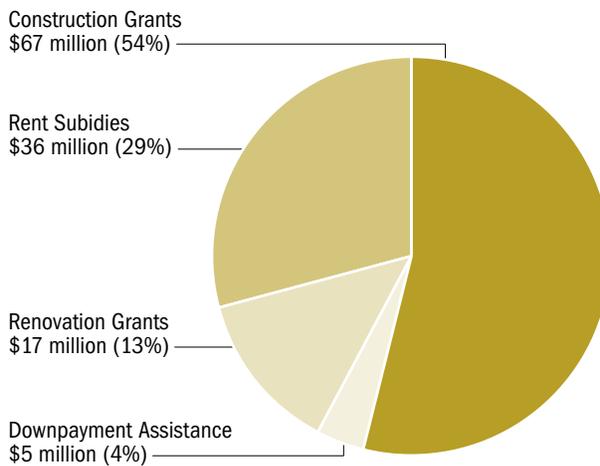
2012—The Housing Services Act Is Enacted

In 2012, the *Social Housing Reform Act, 2000* was repealed and the *Housing Services Act, 2011 (Act)* enacted. This new legislation supported better decision-making at the municipal service manager level and helped clarify and redefine roles and responsibilities. For example, the older Act required ministerial consent for many items, such as mortgage renewals of housing providers; under the new Act, these decisions can be made at the municipal service manager level.

The Act also required municipal service managers to develop a 10-year Local Housing and Homelessness Plan to address local housing and

Figure 9: Average Amount Spent Annually for Four Affordable Housing Programs, 2011/12–2015/16

Source of data: Ministry of Housing



Note: Totals presented in this figure do not include about an average of \$38 million in contributions made by municipalities. Breakdowns of municipal contributions amongst the four programs are not available.

homelessness needs. Municipal service managers are required to include in each of their plans an assessment of current and future housing needs in their areas; objectives and targets related to housing needs; and a description of how progress toward meeting the objectives and targets will be measured. The Act directs that municipal service managers review their plans at least every five years and adjust them as they consider necessary.

2016—Municipal Service Managers Are Now Required to Keep a Record of the Total Number of Homeless Persons in Their Area

Information on the number of homeless persons in Ontario can assist governments in developing better strategies to address local housing problems. Beginning in 2018, municipal service managers are required to record the number of homeless people in their area, with subsequent counts occurring every two years after that.

2016—Tenants Are Not to Be Requested to Vacate When They Stop Being Eligible for Social Housing

Since 2016, housing providers are not allowed to request former social housing tenants who are still residing in their buildings to vacate (unless they have committed social housing fraud). Prior to this, legislation was silent on whether a housing provider could request former social housing tenants residing in their buildings to vacate if the tenant ceased to be eligible for social housing.

2017—Implementation of Portable Subsidies for Social Housing

Previously, to meet the mandated requirement of providing social housing to 186,717 households, municipal service managers could only provide social housing benefits to the 186,717 households if the household was living in a dedicated social housing unit. Dedicated units are owned by housing providers who are legislated to provide units to a social housing tenant or are secured through contracts with other housing providers. In September 2017, the *Housing Services Act, 2011* was amended to allow municipal service managers to provide these subsidies to qualified households as a monthly, portable benefit, regardless of where they live. In other words, the subsidy can now be used toward paying rent in a market-rate rental unit.

3.0 Audit Objective and Scope

Our audit objective was to assess whether the Ministry of Housing (Ministry) has effective systems and procedures in place to oversee and co-ordinate, together with the federal government and municipalities:

- the delivery of social housing programs with due regard for economy and efficiency, and in compliance with prescribed requirements;

Figure 10: Roles and Responsibilities of the Parties Involved in the Delivery of Housing Programs in Ontario

Prepared by the Office of the Auditor General of Ontario

Role	Main Responsibilities
Housing Providers	<ul style="list-style-type: none"> • Collect rent from tenants; specifically for social-housing tenants: calculate a tenant's geared-to-income rent payable • Ensure that rental units are in adequate and suitable living condition, meeting all required health-and-safety standards • Manage the building and related facilities to ensure they are in good working order
Service Managers (Municipal Level)	<ul style="list-style-type: none"> • Oversee housing providers of social-housing units to ensure that they correctly calculate tenants' geared-to-income rent as per legislation, and ensure that they have adequate property-management practices • Oversee housing providers of "other pre-1996 housing" and "post-2002 housing" to ensure they provide rental units at below-market rents to eligible low-income households • Ensure that the minimum number of households in its service area that are required to received subsidized social housing, according to the <i>Housing Services Act, 2011</i>, do so (provincial total is 186,717 households receiving social-housing benefits) • Deliver the four affordable housing programs in accordance with joint federal/provincial program guidelines • Determine eligibility for social housing, and, for the most part, all four affordable housing programs; process applications for each program, and maintain social housing wait lists • Develop 10-year Housing and Homelessness Plans, which include an assessment of housing and homelessness needs in their areas and an action plan to address those needs
Ministry of Housing (Provincial Level)	<ul style="list-style-type: none"> • Develop regulations for the <i>Housing Services Act, 2011</i> (such as how geared-to-income rent is calculated) • Match federal contributions provided under the affordable housing funds, and establish high-level eligibility requirements and develop program guidelines for these programs • Co-ordinate the transfer of social housing funding from the federal government to municipal service managers • Provide assistance to certain municipally-owned housing corporations in addressing environmental remediation issues
Canada Mortgage and Housing Corporation (Federal Level)	<ul style="list-style-type: none"> • Maintain key policy and decision-making responsibilities for the four affordable housing programs, such as establishing funding stipulations, and guidelines on how the money can be used • Gather information on the number of Ontarians who live in core housing need (that is, their shelter costs account for more than 30% of their income). This information is used by the Ministry to calculate service managers' funding allocation for the four "affordable housing" programs. • Conduct vacancy and rent surveys twice a year and publish vacancy rates and average rents. This information is used by service managers to calculate the portable subsidies.

- a strategy that seeks alignment and encourages efforts of all government levels toward meeting the goal of ensuring that everyone in Ontario has an affordable and suitable home; and
- that program objectives are measured and reported to determine the effectiveness of the programs.

Our scope included social and affordable housing in Ontario. We did not examine supportive housing programs, such as housing and supports for adults with developmental disabilities, which are provided by the Ministry of Health and Long-term Care (last audited by our Office in 2016), the Ministry of Community and Social Services (last audited by our Office in 2014), and the Ministry of Children and Youth Services.

Before starting our work, we identified the audit criteria we would use to address our audit objective. These criteria were established based on a review of applicable legislation, policies and procedures, and internal and external studies. Senior management at the Ministry reviewed and agreed with the suitability of our audit objective and related criteria, as listed in **Appendix 2**. Our audit work was primarily conducted between December 2016 and July 2017. We obtained written representation from the Ministry that, effective November 15, 2017, it has provided us with all the information it was aware of that could significantly affect the findings or the conclusion of this report.

Our audit was conducted primarily at the Ministry and nine of the 47 municipal service managers across Ontario: Durham, Halton, Lanark County, London, Ottawa, Peel, Toronto, Wellington and York. We also sent a survey to all 47 municipal service managers asking 96 questions to gain a better understanding of how housing programs are delivered across the province and to corroborate some of the issues we identified in our visits to the nine municipal service managers. A total of 38 municipal service managers responded (81% response rate).

In conducting our work, we interviewed key personnel at the Ministry's head office, including staff involved in making social housing policy decisions and administering the four affordable housing programs.

We also met with and interviewed social housing staff at municipal service managers involved in managing wait lists, conducting application intake, performing investigations into tenant eligibility, overseeing housing providers, and assessing the impact of expiring contracts with housing providers. We examined related data and documentation, including reviews of housing providers' operations and investigations into tenant eligibility.

We obtained social housing wait lists from three municipal service managers (which comprise over half of the total number of applicants on wait lists province-wide) to analyze attributes of applicants on the wait list.

We met with and interviewed municipal service manager staff involved in delivering the affordable housing programs. This includes staff involved in providing construction grants for affordable rental units, delivering the down-payment assistance program, and providing rental support payments to individuals. We also examined related data and documentation, including information on households that received down-payment assistance.

We contacted other jurisdictions in Canada and internationally to research how housing programs are delivered there. Within Canada, we contacted British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador. Internationally, we contacted housing departments in Denmark, England and Sweden.

4.0 Detailed Audit Observations

Ontario has a shortage of affordable housing, and the gap between the number of low-income households needing affordable accommodation and the number of homes available is steadily widening. Although the federal, provincial and municipal governments all play a role in the provision of social and affordable housing in Ontario, none take ownership of ensuring that everyone in Ontario has an affordable and suitable home.

While the Ministry is taking certain measures to make the current system more easily accessible and efficient, it does not have a comprehensive strategy to ensure value for money is achieved, including metrics and measurable outcomes, to address the province-wide issue with available resources.

The Ministry measures and reports limited information on the effectiveness of housing programs. Currently, the Ministry reports on the number of social housing subsidies provided, and selected information on how the affordable housing funds are being used (the number of new affordable

rentals constructed and/or funded, and the number of down-payment loans provided). However, throughout this report, we discuss the need for the Ministry and municipal service managers to gather and collect additional information to better measure the effectiveness of housing programs to ensure that value for money is achieved and province-wide issues can be addressed with available resources. The recommendations related to these observations are presented in the respective sections throughout the report.

4.1 Need for Social Housing Growing While Vacancies Decreasing

Our audit found that there is no provincial strategy to address the growing social housing wait lists (185,000 households waiting as of 2016) and the needs of the growing number of low-income Ontarians (1.9 million in 2016). Given the broader social and economic implications of so many Ontarians living in inadequate housing, it would be reasonable for the government to have a comprehensive strategy.

Although there continues to be debate in this area, legal experts generally agree that, constitutionally, neither the federal government nor the provinces are legally required to provide affordable housing, nor are they prevented from doing so. Although it is a common perception that municipalities are now responsible for housing, municipal service managers are in fact only responsible for providing social housing to 186,717 households as defined in the *Housing Services Act*. Applicants on their social housing wait lists, and other households needing below-market rentals, are not legally the municipalities' responsibility to address.

The Province has attempted to assign some of this responsibility to municipal service managers by requiring them to develop 10-year Housing and Homelessness Plans. However, the plans, for the most part, lack the clear objectives and quantifiable targets and outcomes needed to successfully

address housing needs. This is likely due to the fact that municipal service managers have no legal obligation to invest in housing programs—apart from the almost 187,000 social housing subsidies they are required to provide.

In the following sections, we illustrate the increasing need for housing programs, and the challenges faced by those who do not receive the needed supports.

4.1.1 Rent Increases Have Outpaced Incomes, Contributing to Affordability Challenges for Ontarians

Rents in Ontario have steadily increased by an average of 2.3% every year for the past 10 years, to an average of \$1,090 in 2016 (according to the Canada Mortgage and Housing Corporation). Rents in the Greater Toronto Area have risen even more—to an average of \$1,230. However, average incomes in Ontario increased by only about 0.4% annually between 2000 and 2013 (according to Statistics Canada). This contributes to some Ontarians experiencing housing affordability challenges as their incomes have not kept up with the increasing cost of rent.

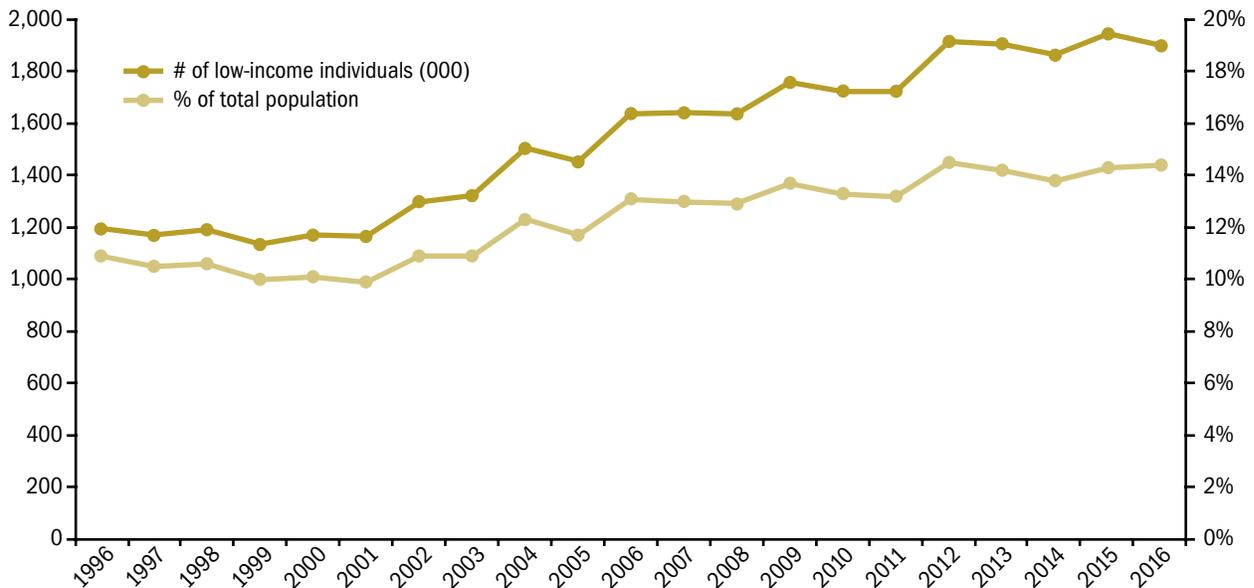
In addition, since 1996, vacancy rates in Ontario have been at, or below, the national average of 3% (as reported by the CMHC). In some areas of the province, the rate was as low as 1% in 2016. For instance, one municipal service manager we visited noted vacancy rates for affordable rentals were low in its area, and this enables landlords to charge market rents that can be unaffordable for low-income households.

Thus, due to insufficient rental housing available to low-income households, housing options can be scarce for them.

According to Statistics Canada, there were 1.9 million low-income individuals in Ontario in 2016. **Figure 11** shows the increase in the number of low-income individuals since 1996. Given the increase in rents and in the number of low-income individuals, there is the strong possibility

Figure 11: Number of Low-Income Individuals* (000), and as Percentage of Total Ontario Population, 1996–2016

Source of data: Statistics Canada



* Low-income individuals live in households that take home less than half of the median after-tax income for households of their size.

that many low-income individuals pay for rent that is unaffordable. When there were 1.9 million low-income individuals in Ontario in 2016, Statistics Canada reported that about 1.3 million individuals (70%)—paid for shelter costs that were unaffordable.

In addition, between 2007/08 and 2016/17, there was a 13% increase in the number of people who receive social assistance—further illustrating an increase in the number of low-income Ontarians.

4.1.2 Ontario's Social Housing Wait List Is One of the Largest in Canada

As of 2016, there were about 171,000 households (about 445,000 individuals) living in social housing units in Ontario. An additional 185,000 eligible households (about 481,000 individuals) were on wait lists for social housing units. Thus, about 3.4% of Ontario households are on municipal service managers' social housing wait lists. This is the largest social housing wait list when compared with other provinces. In other provinces, an average of

1.1% of households are on their social housing wait lists. **Figure 12** shows a comparison of wait lists in Ontario and other provinces as a percentage of total households.

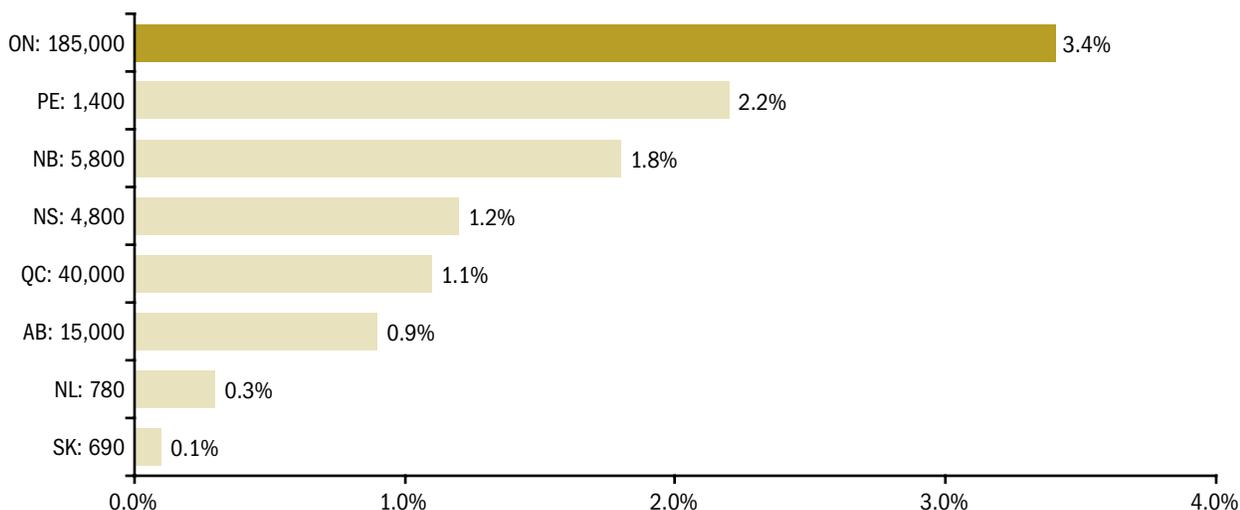
4.1.3 Social Housing Wait Lists in Ontario Increased by 36% in Past 13 Years

The number of applicants on wait lists for social housing in Ontario has, for the most part, steadily increased since the Ministry first started tracking this information in 2004. In 2004, there were 136,000 households on wait lists, compared with the 185,000 households waiting today. This is a total increase of about 36%. **Figure 13** shows the changes in the number of households on wait lists between 2004 and 2016. The increase experienced in the Greater Toronto and Hamilton Area was even greater—41%. This area accounts for about 71% of the total 185,000 households.

For the most part, the wait lists are equally comprised of three demographic groups: singles and couples (30%), families with dependants (33%),

Figure 12: Ontario's Wait List as a Percentage of Total Households Compared with Other Provinces*

Prepared by the Office of the Auditor General of Ontario based on information obtained from the Ministry of Housing and other provinces.



* British Columbia and Manitoba do not gather and track a consolidated wait list for social housing.

and seniors (37%). **Appendix 3** provides details of the composition of the wait list across the different service areas in the province.

Generally, the increases can be attributed to the increase in the number of low-income Ontarians (as discussed in **Section 4.1.1**) However, exact data on what has caused these significant increases—for example, whether they are a result of rising immigration to the urban centres and the rise in housing prices—has not been collected by the Ministry. Analysis of such information would assist in understanding the changing social housing needs.

4.1.4 Applicants on Social Housing Wait Lists Face Affordability Challenges

Although the Ministry does not collect information on the difficulties faced by those on wait lists, a few municipal service managers have conducted surveys of applicants on their wait lists to try to gain a deeper understanding of their situations. We obtained the results of three such surveys and noted that applicants are facing financial difficulties and affordability challenges.

In one area where about 6,000 individuals were on the wait list, the municipal service manager

noted that single adults who received social assistance did not have enough income to afford market rents and frequently used emergency shelters. (Data on the frequency of emergency-shelter use by applicants was not available.) In addition, we noted:

- About one-fourth of households on its wait list paid about 40% of their income on rent. This is in excess of the 30% generally accepted as the standard for affordability.
- About 52% of households on its wait list were provisionally accommodated. This means that they roomed with family, friends or in other temporary housing arrangements with no security of tenure.
- About 22% of households on its wait list could not make rent and utility payments and owed arrears to their landlords or utility companies. About 5% of the applicants were currently under eviction proceedings.

In another area of the province, where about 480 individuals were on the wait list, the municipal service manager also surveyed the households on the wait list and noted that 17% of 163 survey respondents owed arrears, such as for rent or utilities.

Figure 13: Number of Households on Social Housing Wait Lists (2004–2016)

Source of data: Ministry of Housing

Year	Wait List	Increase/ (Decrease)	% Increase/ (Decrease)
2004	136,114		
2005	140,722	4,608	3.3
2006	139,677	(1,045)	(0.7)
2007	137,309	(2,368)	(1.7)
2008	136,954	(355)	(0.3)
2009	154,095	17,141	11.1
2010	163,386	9,291	5.7
2011	169,717	6,331	3.7
2012	174,642	4,925	2.8
2013	180,405	5,763	3.2
2014	181,429	1,024	0.6
2015	184,457	3,028	1.6
2016	185,179	722	0.4

In addition, one municipal service manager tracked that there were about 105 individuals who were homeless (12% of its wait list), and another 60 individuals lived in temporary housing with family and friends (7% of its wait list).

4.1.5 Social Housing Vacancies Have Fallen; Newer Applicants Will Experience Longer Wait Times

Wait times for applicants are long; **Figure 14** shows the average wait times we calculated from information obtained from the nine municipal service managers where we conducted field visits. Long wait times are a result of a limited number of vacancies being created annually. Applicants on the wait list can only receive a social housing subsidy if one of the existing 171,000 tenants leave or become ineligible and their housing subsidy can be provided to a new tenant.

However, few vacancies usually become available. The number of vacancies filled across the nine municipal service managers we visited fell by 18%—from 8,900 in 2012 to 7,300 in 2016—which

Figure 14: Wait Times* by Unit Type at Nine Service Managers

Source of data: Information obtained from nine service managers

Unit Type	Avg. Wait Time (Years)	Longest Wait Time (Years)
Bachelor	3.94	6.75
1 bedroom	5.26	11.50
2 bedroom	4.84	10.50
3 bedroom	5.53	11.35
4 bedroom +	7.29	16.42

* Wait times presented in this figure exclude those experienced by priority applicants who are victims of family violence, who account for about 5% of the wait list. Priority applicants' shorter wait times are not reflective of the time it takes for 95% of the other applicants to obtain social housing.

was about 5% of the total applicants on their wait lists. As a result, as **Figure 15** shows, wait times have continued to increase over the past five years in seven out of the nine municipal service managers we visited. This means newer social housing applicants will experience longer wait times than those experienced historically.

Although wait-time information and the number of vacancies filled each year are available at each municipal service manager, we noted that the Ministry does not obtain, track or analyze this information. Such central analysis would assist it in making informed policy decisions to potentially address the trend toward fewer vacancies being available for applicants. For example, collecting data could show whether the number of vacancies is dropping because units are in poor condition, or whether housing providers are not providing social housing units to social housing tenants. Such situations would require follow-up and remedies.

RECOMMENDATION 1

In order for housing programs to be designed and delivered based on actual needs in communities, we recommend that the Ministry of Housing:

- co-ordinate with municipal service managers to periodically gather and analyze information on social housing vacancy rates, wait lists, and the living conditions of individuals waiting to receive social housing, and other relevant data, and
- refine and design housing programs based on the needs identified.

MINISTRY RESPONSE

The Ministry accepts this recommendation. The Ministry has relied extensively on core housing need data collected by the federal government to inform the design and delivery of housing programs. However, the Ministry recognizes the need for better and additional data to support the management of the housing system.

As part of implementation of the 2015 Data Strategy, the Ministry is working with service managers through a province-wide Data Forum to identify strategies to collect and manage more useful and meaningful data on housing and homelessness to support both the Province and service managers in the delivery of housing programs. Through the work of the Data Forum, the Ministry has begun the development of a household survey to collect outcome-based data to better understand whether housing and homelessness programs are meeting the needs of Ontario households. The Ministry will incorporate the recommendation in this work.

4.2 Housing Provided to Applicants on a First-Come First-Served Basis, Not on Assessed Need

In light of the fact that there are 185,000 households currently on wait lists for social housing, and only 5% of current units becoming available each year, it would be reasonable for the Ministry to take particular interest in ensuring that those households with the greatest need receive priority when units become available. The Act mandates

Figure 15: Change in Wait Times¹ at Nine Service Managers between 2012 and 2016

Prepared by the Office of the Auditor General of Ontario based on information obtained from nine service managers

Service Manager	Avg. Wait Time in 2012 (Years)	Avg. Wait Time in 2016 (Years)	Increase/ (Decrease) in Wait Times (%)
A	4.0	5.9	48
B	7.0 ²	9.4	34
C	1.6	2.1	31
D	2.6	3.3	27
E	4.4	5.0	14
F	5.7	6.3	11
G	3.5	3.7	6
H	2.2	1.8	(18)
I	8.3	6.5	(22)

1. Wait times presented in this figure exclude those experienced by priority applicants who account for about 5% of the wait list. Priority applicants' shorter wait times are not reflective of the time it takes for 95% of the other applicants to obtain social housing.
2. Service manager B was unable to provide 2012 wait times, so 2014 wait times for service manager B are presented instead.

that individuals experiencing domestic abuse must receive first priority. Beyond that, municipal service managers are not required to provide available subsidies based on needs. Rather, the Act requires that housing decisions be made according to when applicants were placed on the wait list.

Municipalities can establish local priorities, but not all do so, and as a result local priorities vary significantly across the province. For example, households at risk of eviction are prioritized in only two of the 47 areas in the province; in other areas, these households receive no priority.

We noted that other provinces—British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Prince Edward Island, and Newfoundland and Labrador—prioritize applicants based on assessed need, and not solely on when the applicant applied. For example, British Columbia assesses factors such as income level, current rent paid, and adequacy of current housing conditions when determining priorities. Saskatchewan uses a points-based system where affordability and adequacy of current living conditions are assessed;

the applicant with the greatest need gets housed first. Such needs-based assessment processes allow applicants to be prioritized based on multiple factors of needs—something that Ontario’s system is unable to do.

Although the Ministry does not require them to do so, some municipal service managers gather information from applicants about matters other than their income level. In the sections below, we discuss the following categories of information some municipal service managers gather that help them to better understand applicant needs:

- *Assets*: what do the applicants own? (**Section 4.2.1**)
- *Financial stability*: are the applicants already receiving rent subsidies? (**Section 4.2.2**)
- *Residency*: are applicants currently living in other provinces or countries actually in need of social housing in Ontario? (**Section 4.2.3**)
- *Not considering, or declining, possible units*: what are the applicants’ specific needs if applicants only consider units in a few buildings, or reject an offered unit? (**Section 4.2.4**)

4.2.1 Hundreds of Applicants on Wait Lists Own Assets of \$500,000 or More

The Act allows municipal service managers to consider an applicant’s assets when determining eligibility for social housing. However, not all municipal service managers gather this information and consider it when determining eligibility.

We obtained information from three municipal service managers we visited that gathered self-declared information on the value of assets owned by applicants on their wait lists. We found that, at these three municipal service managers, a total of about 900 applicants on their wait lists owned at least one home. The needs of these applicants are likely lower than those who do not own a home.

In addition, we noted that 30 of the 42 municipal service managers we visited or that responded to our survey had not established any asset limits for eligibility. Thus, applicants in these areas can

own a home or other significant assets and still be eligible for social housing. For instance, in one such service area, 65 applicants declared assets valued at \$1 million or more, and another 709 applicants declared assets valued between \$500,000 and \$999,000 (see **Figure 16**). The needs of these applicants are likely lower than those who do not own such significant assets.

The remaining 12 of the 42 municipal service managers had established such limits. **Figure 17** shows details on the asset limits set by these 12 municipal service managers. Because these limits are set by each of the 12 municipal service managers and not by the Ministry for the whole province, there can be significant differences from one municipal service manager to another. For instance, as **Figure 17** shows, an applicant who has more than \$20,000 in assets would not qualify for social housing in Service Area A whereas an applicant owning as much as \$100,000 would still qualify in Service Area J.

4.2.2 Some Applicants on the Wait Lists Are Already Receiving Rent Subsidies

Households on social housing wait lists that are already receiving some form of rental assistance, such as a monthly housing allowance, can take precedence over other households whose financial

Figure 16: Details on the Value of Assets Owned by Applicants on the Wait List of One Municipal Service Manager

Source of data: Information obtained from one service manager.

Value of Assets Owned	# of People on the Wait List
\$1 million and more	65
Between \$500,000 and \$999,000	709
Between \$100,000 and \$499,000	1,395
Between \$20,000 and \$99,999	829
Between \$1 and \$20,000	2,826
No asset	8,187
Total	14,011

Figure 17: Limits on the Value of Assets That Can Be Owned in 42* Areas of the Province

Source of data: Information obtained from 42 service managers

Service Manager	Maximum Value of Assets that Can Be Owned in Order to Qualify for Social Housing (\$)
1. A	20,000
2. B	30,000
3. C	50,000
4. D	50,000
5. E	single applicants: 50,000 couples and families: 75,000
6. F	single applicants: 50,000 couples and families: 75,000
7. G	single applicants: 50,000 couples and families: 75,000
8. H	75,000
9. I	100,000
10. J	100,000
11. K	100,000
12. L	single applicants: 100,000 couples and families: 200,000
Service Managers 13 to 42	No asset limits established

* We were able to obtain information on asset limits for 42 areas in the province through our field visits and survey respondents. Information on asset limits for the remaining five areas was unavailable because the Ministry of Housing does not track this information.

circumstances are more insecure simply because they were placed on the list sooner.

We obtained information from three municipal service managers on how many households on their wait lists were already receiving rental assistance and found that, in total, 8,700 households, or 8% of their combined wait lists of 107,000, were already receiving rental assistance (about 6%, 16%, and 19% of each individual wait list). Although the needs of the remaining 92% of households not receiving any rental assistance can be higher, they may actually be lower on the wait list, and be housed later, simply because of their application date.

4.2.3 Individuals Living in Other Provinces or Countries Are on Ontario Social Housing Wait Lists

About 60% (22 out of 37) of the municipal service managers that responded to our survey question on this issue indicated there were individuals on their wait lists who currently lived and/or worked in other provinces. As long as applicants have a legal status in Canada—that is, temporary, permanent or citizenship status—they can apply and remain on social housing wait lists in Ontario. There is no eligibility requirement to be currently living in Ontario to apply to receive social housing. Two municipal service managers were able to provide us information on about 420 applicants who were on their wait lists and who lived and/or worked in other provinces.

In addition, about 16% (six out of 37) of municipal service managers that responded to our survey question also indicated that there were individuals on their wait lists who currently live and/or work internationally. Again, as long as applicants have a legal status in Canada, they can apply and remain on wait lists regardless of what country they live in. Municipal service managers were unable to determine for us the exact number of such cases.

The Ministry does not require municipal service managers to gather and track information on the total number of applicants living and/or working outside of Ontario; therefore, this information is not available.

4.2.4 Some Applicants on Wait Lists Turn Down Units in Their Preferred Buildings, or Choose Few Buildings They Are Willing to Move Into

Applicants on a wait list can indicate which buildings they would like to move into. A unit is only offered if it is located in the building of the applicant's choice, in adequate physical condition, and has enough bedrooms to appropriately accommodate all family members. Applicants are

allowed to refuse up to three offers of suitable vacant units. After the third refusal, the applicant can be removed from the wait list and would need to reapply. However, until then, they continue to maintain their chronological spot on the wait list.

The Ministry does not require that municipal service managers gather information on why a household was only willing to move into a small number of possible buildings, or why it declined an adequate unit in a building it had indicated would be acceptable. Although there are many valid reasons this could occur—such as personal circumstances making it an inopportune time for the family to move—it is also possible that this could suggest that the household’s need is not great enough to warrant it being at the top of the wait list. Without gathering and evaluating this additional information, municipal service managers and the Ministry cannot be sure that limited housing is being provided to those who need it.

Reasons for Refusal Indicate Some Applicants Do Not Have Great Need for Housing

We analyzed statistics on units being declined at 28 municipal service managers and found that 12,300 applicants, representing 8% of the total applicants on these municipal service managers’ wait lists, had made one refusal. An additional 3,700 applicants, or 2% of the total, had made two refusals.

Two municipal service managers we visited surveyed applicants who had made such refusals and found that the majority of them cited one or more of these reasons: the applicants did not want to move at that time; they did not like the building aesthetically; they did not like the area; or they found the unit offered was too small for their preference. Such refusal reasons indicate that these households might not have been in great need of housing. However, they maintain a higher spot than others who have not yet received offers for a unit.

One municipal service manager also tracked the average number of years an applicant was on the

wait list before declining a unit. It found that, on average, applicants who turned down an offered unit had waited six years before receiving that offer, and applicants who turned down two units had waited on average 8.4 years. Despite waiting for several years for these units, these applicants made refusals for personal reasons, and nevertheless continue to maintain a higher spot than those who had not yet been offered a unit.

Currently, the Act does not allow municipal service managers to consider refusals made, and the reasons for such refusals, when allocating available units.

Some Applicants Knowingly Accept Longer Wait Times by Selecting Few Buildings to Move Into

Applicants on wait lists can indicate which buildings they would like to move into; some have selected a small fraction of the total number of buildings available in their area. Given the limited availability of units, the fewer the buildings selected, the longer an applicant would knowingly have to wait for a unit.

For example, in one service area, about one-third of the applicants on its wait list have selected five or fewer buildings to move into. In comparison, the remaining two-thirds of applicants had selected an average of 24 buildings to move into. Similarly in another service area, about one-third of the applicants on its wait list have selected ten or fewer buildings to move into. In comparison, the remaining two-thirds of applicants had selected an average of 45 buildings to move into.

Although the Ministry does not require municipal service managers to track such building selection information, we noted that 10 out of the 38 survey respondents tracked such information as they felt it indicated an applicant’s level of need. However, the Act does not allow municipal service managers to consider the number of buildings selected when allocating available units, and has not provided any direction or guidance on how to analyze building selections.

Collecting and analyzing applicants' rationale for why a household was only willing to move into a small number of buildings would help municipal service managers assess whether the choices were limited because the applicant did not have a great need for social housing, or because of other specific needs. Such needs include applicants staying within a school catchment area; staying within a specific community where cultural supports are available; staying close to family, friends, or child-care services; staying near medical services, particularly for seniors; or staying close to their work to avoid long and costly commutes.

RECOMMENDATION 2

To better ensure that limited resources are used to help households with the highest needs, we recommend that the Ministry of Housing work with municipal service managers on developing a new needs-based eligibility and prioritization process that incorporates relevant information, such as assets owned by applicants, when deciding who should receive social housing subsidies.

MINISTRY RESPONSE

The Ministry accepts this recommendation. The Ministry recognizes that current wait list systems do not always best reflect who is in greatest housing need and do not always work optimally to match people with housing needs to the most appropriate form of assistance. The Ministry has committed to a more co-ordinated, effective access system as part of the update to the Long-Term Affordable Housing Strategy.

The Ministry will incorporate this recommendation into its continued work on access system improvements. This will include developing options for a needs-based eligibility and prioritization process to better match subsidies to households with the greatest need, and considering whether a more consistent province-wide approach to asset limits should be established.

4.3 Ontario Is Not Effective in Transitioning Tenants Off Social Housing

Unlike some other provinces, including British Columbia and Saskatchewan, where social housing recipients tend to transition out of social housing within five to seven years, social housing recipients in Ontario tend to stay in social housing for long periods of time.

In Ontario, there is little incentive for social housing recipients to earn more income and thereby lose their housing subsidy: a social housing recipient not working full-time has disposable income roughly equivalent to a non-social housing recipient working full-time earning minimum wage.

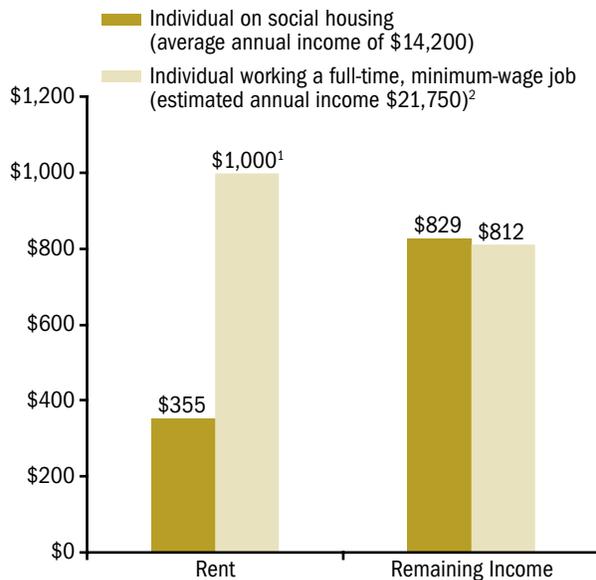
4.3.1 Social Housing Recipients Have Little Incentive to Earn More Income to Transition Off Social Housing

Two-thirds of all social housing tenants are families, couples or single adults who are non-seniors. Based on 2016 income information provided by the Ministry, we calculated that they had an average income of about \$14,200 (comprising either social assistance income or employment income). We compared the disposable income these households have, after paying for social-housing rent, to those working full-time at minimum wage and not on social housing.

Figure 18 shows that the average social housing recipient, who is not working full-time, enjoys the same, if not more, disposable income after rent as the typical individual who works full-time at minimum wage but does not receive social housing. The average social housing recipient earned about \$630 less per month than the typical individual working full-time at minimum wage, yet the social housing recipient still had about \$17 more disposable income per month after rent. As a result, there is little incentive for some social housing recipients to strive to earn more income.

Figure 18: Income Comparison of a Social Housing Recipient vs. an Individual Working a Full-Time, Minimum-Wage Job

Prepared by the Office of the Auditor General of Ontario based on information obtained from the Ministry of Housing



1. The rent paid by an individual working a full-time, minimum-wage job is estimated to be at least the average market rent for a one-bedroom apartment, which is \$1,000 a month.
2. Minimum wage of \$21,750 annually is calculated based on a 37.5-hr work week for 50 weeks at a rate of \$11.60 an hour.

Although our audit did find that there are social housing tenants who strive to earn more income and move out of social housing, we noted that this might not be the norm given that only 5% of social housing units are vacated each year.

4.3.2 Other Provinces Have Initiatives to Transition Tenants Off Social Housing

Even though Ontario has an employment supports system, we noted that there is a lack of co-ordination between the provincial employment support program, known as Ontario Works, and the municipal service managers delivering social housing. In particular, we noted that there are no targeted programs for social housing recipients—non-senior households (couples or single adults) who are able to work—to potentially improve their incomes, move to market units, and create vacancies for

other individuals in need. The Ministry informed us that municipal service managers may provide such programs; however, through our survey and field visits, we noted that many municipal service managers did not provide such programs as they are not legally obligated to do so. As a result, we also noted that the Ministry does not have information on the number of tenants who successfully transition off social housing.

In comparison, we noted that other provinces have better integration of social housing and employment supports, which likely contributes to why they are effective in transitioning tenants out of social housing.

British Columbia provides educational assistance to social housing tenants who wish to upgrade their skills. In addition, in certain areas of the province, it also offers employment opportunities to youth living in social housing so they can build their resume and develop the skills needed for work. Further, in certain areas of the province, it provides tenants direct access to their own adviser, who assists in developing an integrated plan of setting financial goals, establishing budgets and savings targets, increasing employment opportunities, and continuing education.

Similarly, Manitoba has dedicated Tenant Services Co-ordinators who assist tenants with accessing education and training information to upgrade their skills, and provide financial counselling to improve tenants' financial literacy. Manitoba also partners with local health authorities to provide educational sessions on a variety of life skills and health topics aimed at equipping tenants with the skills and information needed to gradually transition off social housing. In addition, students living in social housing who wish to pursue higher education can apply for educational assistance grants (about nine such grants are provided annually).

Saskatchewan offers rent discounts to adults who choose to attend school to upgrade or continue their education. Ontario also offers rent discounts to students pursuing higher education; however, these incentives are not offered to all students.

Adults upgrading their education as mature students are not offered rent discounts that are offered to students who have recently graduated high school. In Ontario, students who pursue higher education within five years after graduating high school, do not have to pay geared-to-income rent. However students who pursue continuing education, after being out of school for at least five years, are required to pay geared-to-income rent on income they earn while in school. This creates a disincentive for mature adults to pursue higher education because in order to pay for tuition, which can be expensive for them, they would have to earn more income or take on debt. A rent discount would help alleviate some of this financial hardship.

RECOMMENDATION 3

To support social housing recipients in transitioning out of social housing, we recommend that the Ministry of Housing co-ordinate with municipal service managers, the Ministry of Community and Social Services, and the Ministry of Advanced Education and Skills Development to:

- develop and implement a process that provides dedicated supports, such as employment or educational supports, to those social housing tenants who are able to enter the workforce or upgrade their education; and
- track and report on metrics that assess the effectiveness of this transition process.

MINISTRY RESPONSE

The Ministry accepts this recommendation. It is consistent with the direction in social housing modernization to enhance opportunities for increased social and economic inclusion for social housing tenants. And it will build on the work some service managers are currently engaged in with local service delivery partners to encourage and support social housing residents to access education and employment opportunities.

4.4 Affordability Challenges Likely to Occur When Housing Contracts and Rent Supplements Expire over the Next Decade

We noted that the Ministry has not taken an active role in addressing the consequences of the impending expiration of contracts with housing providers. In the following sections, we discuss how some of these expirations have already taken place and have led to affordability challenges for low-income households—issues that the Ministry does not track and analyze, nor co-ordinate with the municipal service managers to address.

We also note that the Ministry has not taken an active role in addressing and ensuring that rent supplements it currently funds continue to be provided for some low-income households when their supplements expire.

Housing Providers May Need to Increase Rents When Contracts Expire to Have Sufficient Funds for Their Expenses

Prior to discussing the affordability challenges that can be faced by low-income households when contracts expire in the sections below, it is important to understand the deteriorating condition of many housing providers' finances.

Even if they do not want to do so, housing providers may have no choice but to eliminate rent-geared-to-income subsidies or convert units to market-rate rentals (which will lead to affordability challenges for low-income households) because of their deteriorating financial health. In 2012, the Housing Services Corporation (an organization whose mandate is to provide support services to housing providers) conducted and published a study on the financial viability of housing providers and found that 318 (69%) out of 464 providers they assessed were likely not financially viable; that is, they would not have sufficient finances to operate if they continued to offer these subsidies and below-market rents after their contracts expired.

As social housing buildings age, the need for repairs and renovations increases, putting greater pressure on the housing providers to eliminate rent-geared-to-income subsidies or convert units to market-rate rentals to cover costs.

4.4.1 Risk of 83,000 Existing Units Being Converted to Market Rents Is Not Being Monitored and Addressed

In addition to the issue of there not currently being sufficient social housing units in the province (as evidenced by the existing wait lists), there is the possibility that housing providers for about 83,000 units will convert affordable rental units to market-rate rental units at turnover—that is, when an existing tenant moves out and a new tenant moves in.

The Ministry does not have complete information on the number of units that have converted to market rents so far. We were able to gather this information from 16 municipal service managers that responded to the relevant question in our survey, and noted that 5,800 units in these service

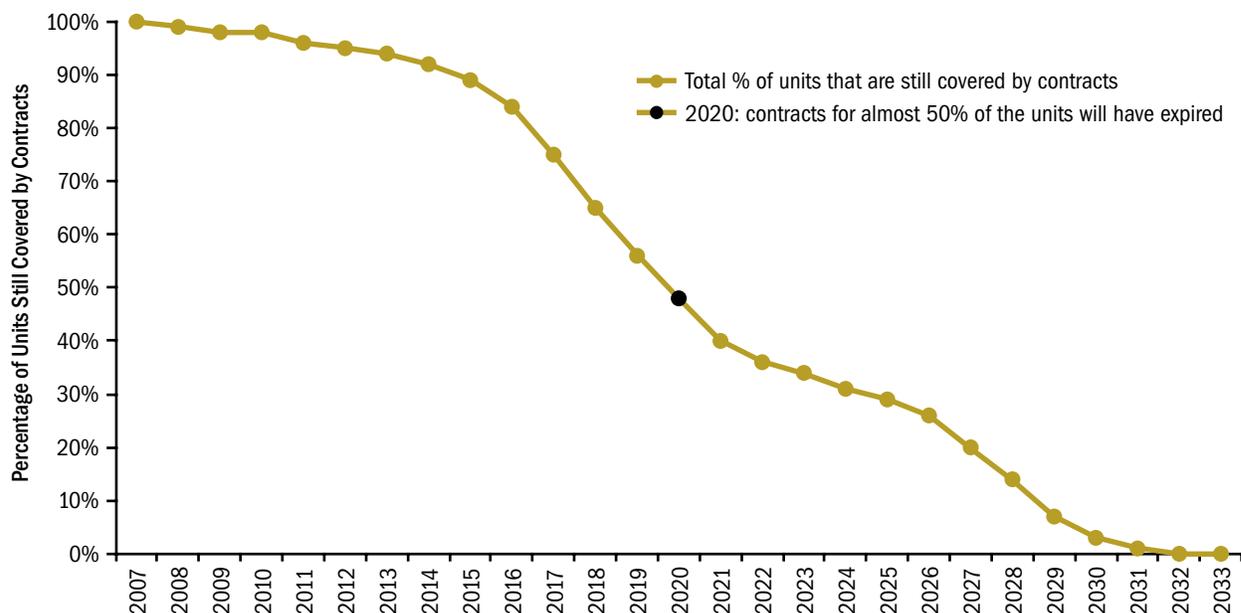
areas have already been converted to market-rate rentals (the total number of units with expired contracts was not available in these areas).

Province-wide, 50% of the contracts with housing providers will have expired by 2020, and the remainder by 2033 at the latest. **Figure 19** shows when contracts for the 83,000 units will expire. Of these 83,000 units:

- **31,000 units are social housing units that are not mandated by the Act to provide social housing when contracts expire.** The remainder of the social housing units (156,000 of the nearly 187,000) are mandated by the Act to continue providing social housing, regardless of any contract expiration.
- **52,000 units are “other pre-1996” units that are not mandated to provide subsidized rentals when contracts expire.** The remainder of the “other pre-1996” units (26,000 of the approximately 78,000 discussed in **Section 2.1.1**) are mandated by the Act to continue providing the subsidized rentals, regardless of any contract expiration.

Figure 19: Percentage of the 83,000 Units that Are Covered by Unexpired Contracts

Source of data: Prepared by the Office of the Auditor General of Ontario based on information obtained from the Ministry of Housing



Note: Information on the actual number of units covered by contracts each year is not available.

These 83,000 units currently account for almost one-third of the 285,000 affordable rentals across the province. Conversion of these units to market rents would result in even fewer housing options available for low-income Ontarians. In 2016, there were about 1.9 million low-income individuals in Ontario (discussed in **Section 4.1.1**), or about 748,000 households. Housing options for these households can be even more scarce if these affordable rentals are not available for them.

Ministry Is Not Addressing Impact of Potentially Losing 83,000 Affordable Units

The Ministry has done little to assess the potential long-term effects of the possible loss of these 83,000 units. To date, the Ministry has employed an unco-ordinated, patchwork approach to addressing the potential loss of these units.

Beginning in 2009, (two years after contracts had already begun expiring), the Ministry began providing funding to municipal service managers for housing providers' repair and rehabilitation projects (funding from 2009 to 2018 will total \$1 billion). Municipal service managers could choose to use this money to fund projects at the 83,000 units, but they were not required to do so—they could use the funds for other housing providers' projects that were also in need of repair. The Ministry does not know how much of this funding has been used for other projects, nor does it know how many contracts have been renewed through the use of this funding.

We also noted that the Ministry had attempted to gather some high-level data on the number of units that have been converted to market-rate rents; however, that data was incomplete and was not detailed enough to determine the actual number of units that have already been converted to market-rate rents and those that are expected to be converted to market-rate rents at contract expiration. This information would be useful to determine the impact on the supply of affordable units because of contract expirations.

4.4.2 Risk of Rents Increasing for Some Tenants Currently Paying Affordable Rents Is Not Being Monitored and Addressed

Some of the tenants living in the 52,000 “other pre-1996” units (discussed in **Section 4.4.1**) receive rent geared-to-income benefits (benefits not covered by the Act and separate from the almost 187,000 households mandated by the Act). At the discretion of the housing provider, however, these benefits can be removed when contracts expire, leading to tenants paying full rent for their units.

The Ministry does not know how many tenants pay rent geared to income in these units because it does not collect this information.

At contract expiration, some housing providers have already removed these subsidies. In our survey, we asked municipal service managers how many such rental subsidies have been lost following the expiry of contracts to date. For the 12 of the 38 municipal service managers that responded to our survey that track this information, we noted that contracts for 256 subsidies had expired. Upon expiration, housing providers continued to provide subsidies for about half of the units covered by the expired contracts, but eliminated the other half of their rental subsidies (124 of 256). With respect to the units that continue to have a rental subsidy, the housing providers could eliminate the subsidies at their discretion in the future because they are no longer contractually obligated to maintain them.

Since many of the households living in these homes experience affordability challenges, even a small increase in rent could result in financial challenges. This situation is likely to be exacerbated in the next 15 years unless action is taken to address these challenges. For example, we noted that three housing providers whose contracts expired eliminated 81 subsidies to tenants (separate and in addition to the 124 subsidies above). All 81 households experienced rent increases, which they could not afford. In this instance, the municipal service manager intervened and provided each household a housing allowance of \$250 per month.

However, even this amount might not be adequate to keep the household from financial distress. One municipal service manager provided us with a typical example: a senior household living in its area in a rent-geared-to-income unit and earning \$15,560 annually paid monthly rent of \$389 for a unit that could otherwise be rented for \$962 per month (the difference of \$573 is the subsidy being provided by the housing provider). Once the contract between the municipal service manager and the housing provider expires, if the housing provider eliminates the subsidy, the household would need to pay \$962 per month. Even if the municipal service manager steps in with a \$250 subsidy, the household would still be required to pay an additional \$323 per month (\$3,876 annually) increase. This would constitute a significant hardship for the senior household.

We noted that not all municipal service managers are tracking what housing providers are doing when contracts expire, nor are they all taking action to help tenants deal with such unexpected rent increases—there is no legal obligation for municipal service managers to do so. The Ministry also is not tracking this information.

Ministry Is Not Tracking and Addressing Impact on Tenant Affordability

The Ministry has done little to track and address the financial hardships faced by tenants as a result of the removal of subsidies by housing providers.

In 2016 (nine years after contracts had already begun expiring), the Ministry provided municipal service managers with funding that could be used to provide financial assistance to low-income tenants who were impacted by the removal of subsidies. However, municipal service managers were not required to provide assistance exclusively to tenants whose subsidies had been removed; they could also provide assistance to other low-income households. Since there is no legal obligation for municipal service managers to track how many such households there are and to assist them, it is

uncertain whether all tenants who lost their subsidies have been helped. The Ministry also does not track this information.

RECOMMENDATION 4

To proactively assess the impact of housing providers' contract expirations on low-income tenants, we recommend that the Ministry of Housing work with municipal service managers to:

- identify the impact of contract expirations on the overall supply of affordable housing stock; and
- put in place options considered necessary to address the financial impact on low-income tenants of contracts expiring.

MINISTRY RESPONSE

The Ministry accepts this recommendation. The Ministry has begun this analysis at a provincial level to support negotiations with the federal government concerning the National Housing Strategy (NHS) and the federal government's stated intention to reinvest its social housing savings.

The Ministry will continue this work with service managers as it completes the NHS negotiations and undertakes consultations on social housing modernization. One of the key objectives of social housing modernization is to minimize disruptions arising from social housing operating agreements and/or mortgages expiring, with associated federal subsidies expiring and to maintain the sustainability of social housing providers and the households assisted.

4.4.3 Ministry Has Not Confirmed Future Funding Levels for \$50 Million in Annual Rent-Subsidy Funding about to Expire in 2023

In 2003, the Ministry began providing an average of \$640 per month rent supplement to 6,500

households for a period of 20 years under the Strong Communities Rent Supplement Program (a program separate from social housing). These supplements are to expire in about six years, by 2023; however, the Ministry has not informed municipal service managers whether it will renew this funding.

We contacted three large municipal service managers that account for about 2,650 of the 6,500 subsidies, and noted that about half of the recipients are either individuals with disabilities or people who are now seniors. These are households for which a move could cause undue hardship, such as for seniors and those with mental health issues. Therefore, these supplements contribute significantly to the households' safety and stability. About \$50 million is provided annually through this program.

However, municipal service managers we visited were not aware of the Ministry's long-term intentions with regard to continuing funding these rent supplements; almost all have neither planned nor budgeted for any potential \$50 million shortfall. The municipal service managers are not legally obligated to provide these 6,500 rent subsidies should the Ministry stop its funding. Therefore, it is important for the Ministry to co-ordinate with the municipal service managers to determine what actions might be taken to support these particularly vulnerable households beyond 2023.

RECOMMENDATION 5

To provide clarity to municipal service managers and current recipients of the Strong Communities Rent Supplement Program, we recommend that the Ministry of Housing clearly communicate to municipal service managers its intentions about the future funding responsibilities of this program, and work with the municipal service managers to address the potential future needs of households currently funded.

MINISTRY RESPONSE

The Ministry accepts this recommendation. The Ministry recognizes the importance of the Strong Communities Rent Supplement Program in assisting approximately 6,500 households annually to achieve greater housing stability, and therefore the importance of planning around transitions for these households to other forms of assistance if the program is discontinued in 2023. The Ministry fully intends to explore options in the appropriate government budget cycle.

4.5 Few Affordable Rental Units Built Since 1996

In Ontario, prior to 1996, all three levels of government funded the construction of the approximately 265,000 affordable rentals that still exist today (discussed in **Section 2.1.1**). This includes social housing units and "other pre-1996" housing. There was virtually no construction of affordable housing between 1996 and 2002. Since then, only about 20,000 units have been constructed, despite the fact that there are nearly nine times as many households on social housing wait lists.

Thus, Ontario's supply of 285,000 affordable units falls short of the demand as evidenced by the growing wait lists and increasing number of low-income individuals in Ontario. We compared Ontario's supply of affordable units with those of Denmark and England. We found that Ontario's affordable stock, as a percentage of its total population, was about 2%; in comparison, Denmark and England had at least about 11% and 8% of affordable stock as a percentage of their total populations.

In Ontario, few affordable units have been built in the last 20 years. Since 1996, only 20,000 new affordable rentals have been built. In comparison, about 61,000 market-rate rental units and 1.3 million new condominium units and houses have been added in that same period.

Currently, there are two main programs available to municipal service managers to increase the supply of affordable housing options that the Ministry and the federal government fund jointly: construction grants provided to developers to build affordable rentals, and down-payment assistance provided to low-income home purchasers. **Figure 20** provides details on the average funding provided per unit under the two programs. In the following sections, we discuss our observations related to these two programs.

4.5.1 Development by Not-for-Profits Is Not Being Encouraged

Not-for-Profits Need More Support to Build New Affordable Rentals

Not-for-profit organizations generally have more difficulty than private developers qualifying for construction grants because they do not have the required technical and financial resources to submit construction-ready projects without receiving additional supports (private developers do not face this challenge). For a project to be construction-ready, there are many phases that need to be completed, such as conducting site assessments, preparing construction drawings, estimating costs, securing financing, and obtaining municipal zoning approvals. These steps can take between two months to over two years depending on the size and scope of the project, and can be expensive to conduct.

We noted that, in 2016, the Ministry acknowledged that it was an issue that not-for-profits

needed more support in applying for construction funding. However, it has not taken any steps to provide not-for-profits with the required supports.

Based on our review of files at nine municipal service managers, we found that in eight of the nine areas, only one-third of developers were not-for-profits versus two-thirds private (a small portion of development was done directly by the municipal service managers themselves). At only one municipal service manager we visited did we note that a large proportion of development was done by not-for-profits that were successful in qualifying for construction grants. The municipal service manager explained that the not-for-profit sector in the area was generally well equipped because the municipal service manager provided support throughout the process, not-for-profits in that area shared resources, and the area was known for successfully raising funds through large donations and fundraising events.

Benefits of Not-for-Profits Constructing New Rentals

Having not-for-profits construct new rentals is beneficial for two reasons. First, not-for-profits' objectives are to contribute to the community—by either not earning profits and gains, or re-investing profits and gains to build new units. The affordability benefits they provide can continue in perpetuity. In contrast, private developers are required to provide units at affordable rents only for a minimum of 20 years; after that, they are free to charge market

Figure 20: Per Unit Funding under Two Affordable Housing Programs

Source of data: Information obtained from eight service managers.

Program Type	Average Per Unit Funding Provided by Service Managers Visited (\$)	Maximum Funding Allowable Under Program Requirements (\$)
A. Construction grant: Financial incentives are provided to developers to construct units with below-market rents.	102,000	150,000
B. Down-payment assistance: Financial assistance is provided to low-income households to assist them in purchasing an affordable home.	21,000	50,000

rents for these units. For instance, a 2016 study of social housing providers completed by the Ministry found that, once their contract periods had expired, nine out of 10 private developers converted their affordable buildings to condominiums or increased rents to market rates. (Although these providers had originally developed social housing rather than the affordable rentals discussed in this section, it is fair to assume that private developers of affordable rentals might act in a similar fashion.)

Second, not-for-profits can provide the affordable rentals in a more cost-effective manner than private developers because they do not have an incentive to mark up prices to make a profit. We noted proposals submitted by not-for-profits and private developers varied significantly in cost because private developers were likely looking to maximize returns on their investment. For example, in one case, the not-for-profit proposed building affordable town homes and apartments at a cost of \$189,000 per unit. In comparison, two private developers proposed building only apartments (and not the more expensive town homes) at over \$242,000 per unit.

Furthermore, in less-populated areas, private developers have shown little to no interest in building new units, so not-for-profit development may be the only way to build new units. We contacted 14 municipal service managers across the province that had not provided construction grants in their areas. We found that, in nine, the municipal service managers did not provide such construction grants because private developers, which can easily qualify for the grants, had not shown interest in their areas, whereas not-for-profits, which can be interested, do not have the required supports to qualify for the funding.

Rule Changes Needed if There Is the Desire to Promote Not-for-Profit Partnerships to Build New Houses

The Province and federal government provide down-payment assistance to help existing low-

income renters purchase homes under one of the four affordable housing programs. The intent of this program is to move people into a permanent home so that the family can have stable housing. Providing down-payment assistance results in a cost-effective, economical approach to increasing the supply of affordable homes: on a per-unit basis, this approach costs governments about one-fifth of what it costs to provide construction grants for new rental units (as shown in **Figure 20**).

In areas where home prices have risen and are expensive, low-income families cannot afford mortgage payments for existing expensive homes that are being sold in their areas. Therefore, municipal service managers try to collaborate with not-for-profits, such as Habitat for Humanity, to construct new homes at a reduced cost to the buyer. Not-for-profits can build new homes at a reduced cost because they do not charge a mark-up for profit, and they also reduce labour costs by using volunteer builders.

However, we found that three out of the four municipal service managers we visited that could benefit from these not-for-profit partnerships (because of rising home prices in their areas) were no longer providing this program or have started phasing it out. Their rationale was that the development of these partnerships was limited by various program restrictions:

- **Loans cannot be used to alleviate not-for-profits' potential financial difficulties during construction.** In one municipal service manager we visited, half of the housing units a not-for-profit planned to build could not be built because when the not-for-profit experienced financial difficulties during construction, funding stipulations prevented it from receiving government loans. Loans for this program can only be provided when a low-income household signs a purchase agreement. Therefore, if financial difficulties arise prior to that (as it did for the earlier not-for-profit), not-for-profits generally would not have other sources of cash to continue

construction. In comparison, under other affordable housing programs (such as the construction-grants and the renovation-grants programs), we noted that grants can be provided at multiple phases of the construction project, before an occupant has been found. This would ultimately alleviate financial difficulties that the not-for-profit developer faces during construction.

- **Loan funding is lost if houses are sold in a different year than planned.** The Ministry has a tight “use it or lose it” spending requirement—to receive a down-payment loan, a low-income household must sign an agreement to purchase the home in the year for which this funding was originally approved; otherwise, the loan is forfeited. However, it is difficult to ensure that such agreements can be signed within that planned year—a lot is dependent on other factors, such as zoning and construction delays, and the ability of interested low-income households to obtain sufficient financing. Thus municipal service managers risk losing funding if agreements are not signed within the planned year.

In order to avoid the risk of losing the funding, almost all municipal service managers that would benefit from building new houses through not-for-profit partnerships have decided to stop delivering this program or have started phasing it out.

In addition, we noted that when funding stipulations, such as the ones discussed above, do not exist, service managers can, in fact, successfully partner with not-for-profits to build affordable homes. For example, one municipal service manager who delivered a similar program, through its own municipal funds (and not the joint provincial-and-federal program), successfully constructed 49 affordable homes over the past five years. It did not have the above funding stipulations under its municipal program. In its program, funding is provided when major construction milestones are met—thus funding correlates to when construction costs are incurred by the not-for-profit.

In contrast, the joint provincial-and-federal program provides funding only after a buyer has signed a purchase agreement—an event which does not correlate to when construction costs are incurred. This funding stipulation has prevented municipal service managers from partnering with not-for-profits to build affordable homes.

RECOMMENDATION 6

To encourage the not-for-profit sector to contribute toward increasing the supply of affordable housing, we recommend that the Ministry of Housing:

- co-ordinate with municipal service managers the sharing of best practices in encouraging and supporting the not-for-profit development of affordable rental units; and
- work together with the federal government to implement rule changes to allow the construction of affordable home-ownership units through grants, similar to the ones provided for the construction of affordable rentals, where funding is provided when construction milestones are met.

MINISTRY RESPONSE

The Ministry accepts this recommendation. The not-for-profit sector is an important contributor to meeting housing needs. The Ministry is very interested in working with service managers and sector organizations, such as the Ontario Non-Profit Housing Association, the Co-operative Housing Federation and the Housing Services Corporation, to build on their existing work in this area.

The federal government has signalled in its most recent budget its intention to pursue a replacement program to the current Investment in Affordable Housing Program, which expires in 2018/19. The Ministry is interested in working with the federal government to explore how new construction investment can be maximized within the not-for-profit sector, and to explore

the most appropriate means of facilitating affordable home ownership.

4.5.2 Affordable Rentals Not Being Built in Less-Populated Areas Due to Inflexible Funding-Allocation Model

The formula used to allocate funding to municipal service managers to construct new affordable housing units appears appropriate, yet it makes it difficult for smaller communities, which receive much smaller allocations from the Ministry, to build new affordable multi-unit developments. (Figure 8 shows how funding allocations are calculated.)

For instance, one municipal service manager received annual allocations of about \$160,000 to \$400,000 for the past several years (to spend across all four affordable housing programs). Its allocations were comparatively low because only 0.3% of Ontario's population lived in that area, and only 0.24% of Ontario's population who had a core-housing need lived in that area. With the limited funding it received, this municipal service manager could construct only one or two units in any given year (the maximum grant amount is \$150,000).

Developers have no incentives to construct so few units because of the start-up costs to get such a project going. Costs to have staff and equipment on-site would be too high for such small construction projects to be economically viable. We noted that this municipal service manager has three vacant lots ready for construction, but annual allocations of \$280,000 on average have prevented this municipal service manager from constructing new units. Another municipal service manager facing similar challenges identified that if it spent its entire allocation to build new rental units, it would not have funding left over to offer other types of housing supports, such as renovation grants for low-income homeowners.

In order to address this issue, the Ministry informed us that it co-ordinates the “swapping” of annual allocations between two service managers. Swapping is where a service manager with smaller

annual allocations can trade, or *give up*, its allocation in a given year (or a portion thereof), in order to re-trade, or *take back*, that same amount during the year it plans to undertake the construction project. This allows service managers with smaller allocations to increase their allocations and attempt to deliver such projects. However, this process is dependent on finding a service manager who is willing participate in the swap and willing to change the timing of its planned spending.

As a result, nine of the 14 municipal service managers that did not provide grants for new rental construction cited the above reason for not taking part in this program. Instead, they spent funding they received to deliver any of the other three affordable housing programs (rent subsidies, down-payment assistance or renovation grants).

RECOMMENDATION 7

To better ensure that municipal service managers that receive small amounts of annual funding due to their size, are able to invest in projects that exceed their annual allocations, we recommend that the Ministry of Housing gather information on planned projects from these municipal service managers, prior to allocating funds, and work with them to allocate funding in a way that will better meet their needs.

MINISTRY RESPONSE

The Ministry accepts this recommendation. Currently, as outlined in the report, the Ministry facilitates “swapping” of annual funding allocations among service managers to enable smaller service managers to pool their multi-year funding into a single year. The Ministry will explore other options to help address local needs. The negotiation of a longer-term Investment in Affordable Housing Program successor agreement with the federal government would assist in this kind of planning.

4.5.3 Grant Limit of \$150,000 per Unit Prevents the Construction of Affordable Rentals in Some Areas of the Province

The construction grant program allows municipal service managers to provide grants of up to \$150,000 per unit. This grant amount is generally insufficient to attract developers to construct units in northern areas of the province, or to construct three- or four-bedroom units across the province.

We contacted five municipal service managers in Northern Ontario that had not provided grants for building affordable rentals. Four of the five explained that they did not provide grants because a \$150,000 grant is insufficient to attract developers to Northern Ontario where construction costs are high. One municipal service manager estimated that construction costs in its area can be up to 33% higher than in southern Ontario. Another municipal service manager indicated that in its area, for remote communities where materials need to be shipped long distances, construction costs can be about 230% higher than in southern Ontario.

If the grant is not large enough to cover a significant portion of the developers' expenses, the developer will incur a loss. This can discourage developers from constructing affordable units in Northern Ontario.

In addition, a total of 18 survey respondents across the province indicated that there is a need to construct three- and four-bedroom rental units in their areas. For example, in one area of province, about one-fifth of the wait list have to wait about nine years for these large units. However, 13 of the 18 survey respondents (72%) indicated that a \$150,000 grant is insufficient to attract developers to construct these larger units that have high construction costs.

4.5.4 Observations on the Two Remaining Affordable Housing Programs

In **Section 4.5** thus far, we discuss our observations with regard to two of the four affordable housing programs—construction of new affordable rentals

through the \$150,000 grants, and the construction of new affordable homes through the down-payment assistance program.

In our audit, we also reviewed the delivery of the two other affordable housing programs: rent subsidies and renovation grants. We noted that municipal service managers were generally using the funds for these programs as intended, and were providing the necessary supports to low-income individuals.

RECOMMENDATION 8

To enable construction grants to be used to address unmet housing needs, we recommend that the Ministry of Housing work together with the federal government to gather and evaluate information on actual construction costs for larger units across the province, and for all units in northern communities, and consider revising maximum grant amounts.

MINISTRY RESPONSE

The Ministry accepts this recommendation. The Ministry recognizes in particular the importance of affordable family-sized units that are often not provided by the private sector. The Ministry will consider this aspect of program design in any new program opportunities and will consider updating grant amounts to reflect changing costs.

4.6 Municipal Service Managers Not Providing the Minimum Number of Social Housing Units Required by Law—and Ministry Takes No Enforcement Action

Although the *Housing Services Act* mandates that municipal service managers must provide social housing to a minimum of 186,717 households across the province, municipal service managers have not been doing so. Since 2004 (the first year this information is available), they have provided

social housing on average to 168,600 households per year. **Figure 21** shows the actual number of households assisted compared with the required standard for each year since 2004.

The Ministry has taken limited action to assess why municipal service managers have been providing social housing to, on average, around 18,120 fewer households annually than required, or to enforce compliance with the legislated standard.

In the sections that follow, we discuss the challenges municipal service managers face that have prevented them from providing social housing to all of the 186,717 households.

RECOMMENDATION 9

To help municipal service managers meet the legislated standard set out in the *Housing Services Act, 2011* of providing social housing to a minimum of 186,717 households, we recommend that the Ministry of Housing:

- track and report on the number of subsidies each municipal service manager provides compared to the legislated standard; and

- follow up with municipal service managers when the standard is not met to develop an action plan and remedial steps to attain the standard.

MINISTRY RESPONSE

The Ministry accepts this recommendation. Service managers annually report on the number of rent-geared-to-income and accessible units in their service area through the Service Manager Annual Information Return. Service managers are also asked by the Ministry to provide a rationale when there is a notable difference between the actual number of units in any given year and the legislated standards.

One measure that the Ministry has already put into place to assist service managers to meet their Service Levels Standard is allowing more flexibility around what qualifies. As outlined in this report, as of September 1, 2017, portable housing benefits that meet legislated requirements can count towards meeting the legislated standard.

Figure 21: Minimum Social Housing Subsidies Required under the *Housing Services Act* vs. Actual Provided

Source of data: Ministry of Housing

Year	# of Subsidies		Subsidies <i>Not</i> Provided	
	Service Managers Are Required to Provide	Actual # of Subsidies Provided	#	%
2004	186,717	146,933	39,784	21
2005	186,717	165,976	20,741	11
2006	186,717	168,233	18,484	10
2007	186,717	167,798	18,919	10
2008	186,717	160,740	25,977	14
2009	186,717	171,632	15,085	8
2010	186,717	171,284	15,433	8
2011	186,717	172,702	14,015	8
2012	186,717	174,632	12,085	6
2013	186,717	173,184	13,533	7
2014	186,717	173,634	13,083	7
2015	186,717	174,241	12,476	7
2016	186,717	170,805	15,912	9
Average	186,717	168,600	18,117	10

The Ministry also recognizes that further work is required. A greater understanding of the challenges that service managers face in meeting the current standard will be important in social housing modernization.

4.6.1 Tenants Who Become Ineligible for Social Housing Continue to Reside in Their Units

One reason municipal service managers cite for being unable to provide social housing to all required households is that the *Residential Tenancies Act* prevents them from requesting that tenants who are no longer eligible for social housing vacate their units (the subsidy is stopped, but the unit is not available for a new tenant). While it is important to ensure stable housing for vulnerable tenants, there are consequences, such as lack of unit availability, from providing social housing units indefinitely to all tenants.

Tenants become ineligible for social housing when their income is higher than the maximum income allowed. For instance, when a tenant's annual income is \$1,000 higher than the maximum allowable income, the tenant must start to pay normal rents in that building and the municipal service manager will stop subsidizing the rent. However, the tenant is not required to vacate the unit. Thus, municipal service managers have historically only been able to provide social housing to applicants when a tenant voluntarily moves out of a dedicated social housing unit and a vacancy is created. (The newly implemented portable subsidy, in September 2017, can potentially assist in addressing these challenges. Our observations relating to the portable subsidies are presented in **Section 4.7.**)

As part of our survey of municipal service managers, we asked whether this prevents them from providing the legislated number of social housing subsidies. Thirty of the 38 municipal service managers that responded to this question said yes. However, the Ministry does not know how many ineligible tenants are continuing to occupy social housing units.

Other Provinces Able to Vacate Tenants Who Become Ineligible

Legislation in four Canadian provinces—British Columbia, Alberta, Saskatchewan and Manitoba—all specifically allow their housing departments to request ineligible tenants to vacate. This is so that the province can house applicants who are waiting for social housing units.

Three of these provinces enforce this either on a case-by-case basis or unilaterally across the board. One province informed us that it plans to begin enforcing the right to vacate ineligible tenants in areas where demand for social housing is high.

RECOMMENDATION 10

To allow social housing vacancies to be created when existing tenants become ineligible, and do not vacate, we recommend that the Ministry of Housing perform a jurisdictional analysis to assess and determine how best to increase vacancies in such instances, and consider implementing those best practices in Ontario.

MINISTRY RESPONSE

The Ministry accepts this recommendation. There are various ways to help service managers meet the legislated standards. This is why the Ministry has introduced a portable housing benefit option outlined in this report, as well as pursuing other ways of increasing the supply of housing that service managers can access for households on the waiting list.

Ontario's approach to delivering social housing is firmly rooted in the recognized best practice of mixing incomes within neighbourhoods and in specific buildings, where possible. This is particularly evident in not-for-profit and cooperative social housing buildings, which were originally designed as mixed income. Recent legislative changes to Ontario's *Housing Services Act* also clarified that municipally-owned housing can be mixed income and that achieving

market rent in a public housing unit is not a ground for eviction.

The Ministry will undertake a jurisdictional scan of best practices to augment current activities.

Municipal Service Managers Do Not Take Sufficient Action to Ensure Tenants Who Misrepresented Eligibility Information Are Being Vacated, When Appropriate

Not All Municipal Service Managers Conduct Tenant Eligibility Investigations

Although the *Housing Services Act* provides for municipal service managers to have eligibility review officers who investigate allegations of tenants withholding or misrepresenting information, municipal service managers do not always opt to have them. Eighteen of the 38 survey respondents indicated that they did not have eligibility review officers (20 municipal service managers indicated they did). These 18 municipal service managers did not have a process to investigate allegations and determine whether tenants were withholding information that could result in them being ineligible.

These investigations are an important part of ensuring that the Act is administered appropriately, and that social housing subsidies are provided to tenants who actually qualify for assistance.

Municipal Service Managers that Conduct Tenant Eligibility Investigations Do Not Conduct Sufficient Follow-up

Municipal service managers can legally, under the Act, request tenants to vacate units when service managers discover that tenants withheld or misrepresented information to receive subsidies they were not entitled to. However, we found that municipal service managers often do not request that housing providers ask such tenants to leave, or, if they do bring the situation to the housing providers' attention, they do not follow up to see what action the housing provider has taken. Housing providers often have little incentive to take action.

For example, 42% of the 59 investigations conducted by one municipal service manager in 2016 found that tenants had withheld or misrepresented information (such as underreported income, or sublet the unit to friends or family), and were found ineligible for social housing. In each of these cases, the municipal service manager was not aware whether the tenants had vacated, nor whether they had been requested to vacate by the housing provider.

RECOMMENDATION 11

To better ensure that social housing subsidies are provided only to eligible tenants, we recommend that the Ministry of Housing:

- require all municipal service managers to conduct eligibility review investigations; and
- require that municipal service managers develop and implement policies and procedures that are consistent across the province for requesting ineligible tenants who misrepresent eligibility information to vacate.

MINISTRY RESPONSE

The Ministry accepts this recommendation. The Ministry recognizes that it is important to address situations where tenants misrepresent information in order to receive social housing rent-gear-to-income assistance. Under the existing legislative framework, such day-to-day administration of social housing in Ontario is the responsibility of service managers. However, the Ministry recognizes that change is needed in this area. The Ministry will work with service managers to determine what changes are needed to better ensure that social housing subsidies are provided only to eligible tenants.

4.6.2 Thousands of Units Unused Because of Poor Condition of Repair

Vacant units can be offered to prospective tenants only if the units meet minimum health-and-safety

standards, such as being free of mould, pests and bugs. As well, buildings are also required to meet standards such as availability of hot water and heat and having a roof that does not leak. Many social housing buildings in the province were built decades ago, and are in need of rehabilitation and renewal.

In 2016, there were about 6,300 vacant social housing units that were not accessible to tenants. The Ministry does not collect information on the reasons for the individual vacancies, but it has acknowledged that a key reason is because physical units are in poor condition.

Survey respondents from five out of the 38 municipal service managers that responded indicated that they could not provide social housing to the required minimum number of households because vacant units were not in suitable condition. These five municipal service managers make up about half of the almost 187,000 households that must receive social housing under the Act.

For instance, a publicly available 2015 survey of social housing tenants in the City of Toronto found that 37% indicated there were pests or bugs in their buildings, 26% that walls or ceilings were deteriorating, and 23% that heating conditions were poor. One of Toronto's biggest housing providers, Toronto Community Housing Corporation, has publicly identified that it has over \$2.6 billion in repair backlogs and that, without significant capital investment, about 46,000 units will be in poor and critical condition by 2023. It anticipates shutting down about 7,500 of these units because they will not meet minimum living standards.

We also noted that, in 2010, the Ministry identified housing providers' capacity as being an issue that prevents them from following proper property-management practices. It noted that housing providers often lacked sufficient experienced staff. It was only in spring 2016 that the Ministry established a working group and began discussions with stakeholders; to date, however, there have been no changes implemented.

Many Housing Providers Lack Adequate Asset-Management Plans, Leading to Deteriorating Building Conditions

To ensure their buildings and units are kept in good condition, housing providers are required to implement adequate asset-management plans and have sufficient reserves so that when vacancies are created, the units are provided in a suitable condition to rent to prospective tenants. Municipal service managers perform periodic operational reviews of housing providers to ensure housing providers, among other things, implement asset-management plans and have sufficient capital reserves.

At the nine municipal service managers we visited and at which we examined operational reviews, about half of the 81 housing providers we sampled did not have adequate asset-management plans or did not follow them, and in some cases they had depleted their capital reserves.

In order for a building to be adequately maintained as it ages, it is important that housing providers establish and update asset-management plans. For example, the exterior of a building may require seasonal maintenance and repair, while the windows may need replacing every eight to 20 years. These plans also ensure that all routine maintenance activities are scheduled, conducted and documented, and that the housing provider can monitor whether staff or contractors are completing the work as required.

Municipal service managers' reviews indicated that housing providers often did not maintain, update or implement such asset-management plans. As a result, these housing providers would not be able to adequately address deterioration of their buildings, nor anticipate when repairs to building components are required.

One municipal service manager informed us that the failure of a housing provider to implement an asset-management plan for heating systems resulted in numerous heating interruptions for 71 households over the course of two winters, including one heating interruption that lasted a consecutive 48 hours.

Some Housing Providers Have Depleted Capital Reserves Leading to Insufficient Finances for Major Repairs

In seven municipal service managers we visited that had evaluated whether housing providers had adequate capital reserves, we noted that about 30% of 60 housing providers we sampled had depleted capital reserves during the year that municipal service managers reviewed their operations.

A capital reserve is a specific account maintained by a housing provider to ensure that sufficient funds are available for future capital needs and repairs. For example, when a roof reaches the end of its expected life, the provider should be able to pay for the new roof out of the capital reserve fund, rather than out of the current year's operating budget.

The Act requires that housing providers make annual contributions to their capital reserves; however, municipal service managers indicated that housing providers often had depleted capital reserves because they had not consistently contributed every year, or contributed less than what they are required to contribute.

For example, a housing provider in one area was required to have \$881,000 in its capital reserve, but had not apportioned \$300,000 into its reserve; therefore, the reserve was short by one-third. As a result, the housing provider would likely not be in a position to pay for significant capital repairs when necessary.

RECOMMENDATION 12

To help ensure that vacant units are in adequate condition to be occupied, and to ensure the long-term sustainability of buildings, we recommend that the Ministry of Housing work with municipal service managers and the federal government to develop a strategy to address outstanding repairs and maintenance on social housing stock.

MINISTRY RESPONSE

The Ministry accepts this recommendation. Strategies and investments to secure the ongoing sustainability of social housing stock is a key aspect of Ontario's negotiations with the federal government regarding the National Housing Strategy investments.

New investments would build on previous Ministry funding through the Social Housing Asset Management Program to promote the use of up-to-date asset management practices in the municipal, non-profit and co-operative sectors. Current funding from the Province's Climate Change Action Plan is being put towards greenhouse gas reduction retrofits in social housing apartment buildings.

RECOMMENDATION 13

To encourage housing providers to make sound property-management and social housing administration decisions, we recommend that the Ministry of Housing:

- develop standards and accreditation ratings for housing providers for public reporting;
- require municipal service managers to evaluate providers' operations to determine an appropriate rating for each provider;
- gather and report on the results periodically; and
- provide training, resources and supports to housing providers to address the challenges they currently face.

MINISTRY RESPONSE

The Ministry accepts this recommendation. As part of social housing modernization, the Ministry will be consulting on standards for housing providers, as well as ways to measure and report on how standards are being met. Another area of focus is supporting capacity building for providers.

4.6.3 Housing Providers Have Been Found to Fill Vacancies with Non-Social-Housing Tenants

Housing providers are not required to provide 100% of their units to social housing tenants. According to their individual contracts, each provider is required to meet a certain target—for example, that 75% of its units be provided to social housing tenants while the remaining 25% could be offered to anyone else. These targets were mostly determined several decades ago when these buildings were first constructed.

Of the 38 municipal service managers that responded to our survey question on this topic, 11 indicated that they could not provide social housing to the required minimum number of households because providers were filling vacancies with non-social-housing tenants. These 11 municipal service managers make up about two-thirds of the almost 187,000 households that must receive social housing under the Act.

Our file review at municipal service managers we visited found:

- In one area, 29 of the 39 (74%) housing providers did not meet their social housing targets. One provider was supposed to provide 50 social housing units, but provided only 30.
- Similarly, 29 of the 34 (85%) housing providers in another area also did not meet their social housing targets.

Although, according to their contracts, the housing providers are legally required to meet their targets and provide the required number of units to social housing tenants, municipal service managers do not take action when housing providers do not do this. In many cases, they would lack the resources to take legal action against their housing providers even if they were inclined to do so.

The Ministry does not know how many units reserved for social housing were occupied by non-social-housing tenants.

Providers Avoid Social Housing Tenants Because of Complex Administration Requirements

Municipal service managers that responded to our survey indicated that one of the reasons why housing providers do not take applicants from social housing wait lists is that calculating tenant incomes is overly complicated. Tenants' rent payable is equal to 30% of their before-tax income, which is calculated based on rules and regulations prescribed under the Act. There are over 60 types of income that are specifically excluded from determining a tenant's income. For example, interest earned in a bank account for a balance of less than \$5,000 is excluded from income, whereas interest earned on balances higher than \$5,000 is included.

In addition, there are certain calculation requirements that result in inequitable rents for similar tenants. For example, the income of a full-time college or university student is excluded when calculating household income. However, if an individual returns to full-time post-secondary schooling after being out of full-time schooling for five years, their income is included when calculating household income.

Since 2010, the Ministry has acknowledged the complexities in calculating tenant's incomes. However, it was only in 2017 that it established a working group with a goal of addressing the complexities and simplifying rent calculations. At the time of our audit, however, the Ministry had not made any decisions on simplifying the rent calculations.

Complex Calculation Rules Contribute to Errors Made by Housing Providers

The Ministry has acknowledged that income-calculation rules can be confusing and difficult for providers to administer. One municipal service manager informed us that housing providers often make errors because of the complex rules in the Act for calculating and documenting tenants' incomes. Housing providers' staff who administer these calculations may not necessarily have

adequate financial background to administer all the rules correctly.

In municipal service managers' reviews of housing providers where they ensure providers are correctly calculating tenants' incomes and charging the correct rent payable, we noted that providers made frequent errors in calculating a tenant's income that resulted in the wrong rent being paid. For example, in six out of the 10 housing providers' reviews at one municipal service manager, we noted that housing providers made errors in calculating tenant incomes and had charged incorrect rents. Another municipal service manager reviewed one housing provider's rent calculations for a five-year period and found that, in total, the provider had overcharged some tenants by \$20,000, and undercharged other tenants by \$110,000, resulting in a net loss of \$90,000.

Given that housing providers' staff find it difficult to work with the complex rules used in calculating income, it is not surprising that many tenants are also confused by these rules. Municipal service managers informed us that the complexities in the rules regarding declaring income create challenges for tenants being able to achieve compliance. This is especially true for those who face additional barriers such as lack of proficiency in English, or mental disabilities.

RECOMMENDATION 14

To better ensure that tenants' rents are calculated correctly and to reduce the administrative burden of calculating tenant rents, we recommend that the Ministry of Housing work with municipal service managers to simplify the rent-gear-to-income calculation in the *Housing Services Act*.

MINISTRY RESPONSE

The Ministry accepts this recommendation. As part of the update to the Long-Term Affordable Housing Strategy, the Ministry committed to working with service managers, housing

providers, and other ministries to simplify the calculation of rent-gear-to-income (RGI) and harmonize the definition of income so it is consistent with other income-tested programs.

Following priority work on the Portable Housing Benefit Framework, the Ministry has initiated a working group on RGI simplification that will provide recommendations to government.

4.7 Ministry Implements New Portable Subsidy in Attempt to Address Issue of Municipal Service Managers Not Meeting the Legislated Standard for Social Housing Subsidies

As discussed in **Section 2.4**, in September 2017, the Ministry began allowing municipal service managers to provide *portable* social housing subsidies. Under the portable subsidy, social housing tenants are allowed to use their subsidy to pay rent for any unit they choose to live in, not just for units that have been specifically dedicated as social housing units. The municipal service manager provides the portable subsidy directly to the household, and the household uses that subsidy to pay rent to the landlord.

The portable housing subsidy, if used by municipal service managers, is a great tool to ensure that the standard of 186,717 subsidies required under the Act can be met going forward—the portable nature of the subsidy resolves the problems (identified in **Section 4.6**) that historically prevented municipal service managers from meeting this standard.

However, the availability of a tool does not ensure that municipal service managers will *use* the tool. We noted that the Ministry has acknowledged the risk that municipal service managers may be reluctant to implement and use the new tool to attempt to meet the unmet legislated standard. Since the Ministry does not enforce that the municipal service managers meet the legislated standard,

and the use of the new tool is not mandatory, there still exists a risk that the standard may continue not to be met.

RECOMMENDATION 15

To help ensure that municipal service managers meet the legislative standard of providing social housing to a minimum number of 186,717 households, as set out in the *Housing Services Act*, we recommend that the Ministry of Housing encourage the use of the new portable subsidies in service areas where the standard is not being met.

MINISTRY RESPONSE

The Ministry accepts this recommendation and will continue to encourage the service managers to use the new Portable Housing Benefit Framework to assist in meeting their service level standards. In addition, the Ministry will work with early adopters and develop an evaluation framework to assess the delivery and outcomes of the Portable Housing Benefit Framework.

Appendix 1: Minimum Number of Social Housing Subsidies That Municipal Service Managers Are Required to Provide as per the *Housing Services Act, 2011*

Source of data: *Housing Services Act, 2011*

Service Area	Minimum # of Subsidies	Service Area	Minimum # of Subsidies
Algoma*	464	Nipissing*	1,522
Brantford	1,645	Norfolk	656
Bruce	601	Northumberland	677
Chatham-Kent	1,365	Ottawa	16,502
Cochrane*	1,959	Oxford	1,020
Cornwall	1,843	Parry Sound*	278
Dufferin	456	Peel	8,424
Durham	4,446	Peterborough	1,569
Grey	1,210	Prescott and Russell	682
Halton	2,953	Rainy River*	438
Hamilton	9,257	Renfrew	1,275
Hastings	1,980	Sault Ste. Marie*	1,869
Huron	529	Simcoe	2,801
Kawartha Lakes	871	St. Thomas	946
Kenora*	867	Stratford	993
Kingston	2,003	Sudbury	3,603
Lambton	1,075	Thunder Bay*	3,601
Lanark	771	Timiskaming*	589
Leeds and Grenville	987	Toronto	73,346
Lennox and Addington	497	Waterloo	5,882
London	5,939	Wellington	2,342
Manitoulin-Sudbury*	323	Windsor	5,726
Muskoka	476	York	3,988
Niagara	5,471	Provincial Total	186,717

* In Northern Ontario, each municipality is not a service manager; the Province established District Social Service Administration Boards that act as service managers for multiple municipalities.

Appendix 2: Audit Criteria

Prepared by the Office of the Auditor General of Ontario

1. Roles and responsibilities are clearly defined and accountability requirements are established between the Ministry of Housing and Service Manager Organizations to ensure that housing programs are delivered equitably, effectively, economically, and in accordance with legislative, contractual and program requirements.
2. Need for housing programs is monitored and resources allocated and planned for accordingly so that the provincial government's aim of ensuring eligible Ontarians have an affordable home is being met.
3. Funding allocations are co-ordinated with the Canada Mortgage and Housing Corporation based on established needs, commensurate with the value of housing programs to be provided by Service Manager Organizations, and evaluated on a timely basis.
4. Performance measures and targets are established, monitored and compared against actual results to ensure that the intended outcomes with respect to housing programs are achieved and that corrective actions are taken on a timely basis when issues are identified.
5. Accurate, timely and complete financial and operational information is regularly collected on housing programs to assess their performance, effectiveness and efficiency and results are publicly reported.

Appendix 3: Demographic Composition of the Wait Lists across Municipal Service Areas, As at December 2016

Source of data: Ministry of Housing

Service Area	Single Adults and Couples		Families with Dependants		Seniors		Total
	#	%	#	%	#	%	#
Algoma*	59	23	83	32	118	45	260
Brantford	399	30	405	30	542	40	1,346
Bruce	69	19	128	35	168	46	365
Chatham-Kent	126	28	198	43	134	29	458
Cochrane*	528	33	628	39	444	28	1,600
Cornwall	175	24	271	37	280	39	726
Dufferin	109	21	233	45	176	34	518
Durham	2,525	42	1,583	26	1,966	32	6,074
Grey	143	23	146	23	345	54	634
Halton	1,266	38	1,161	35	894	27	3,321
Hamilton	2,646	44	800	13	2,508	42	5,954
Hastings	428	29	278	19	787	53	1,493
Huron	65	24	44	16	162	60	271
Kawartha Lakes	261	22	468	39	472	39	1,201
Kenora*	240	33	119	17	362	50	721
Kingston	252	23	160	14	703	63	1,115
Lambton	59	20	66	23	167	57	292
Lanark	108	23	101	22	255	55	464
Leeds and Grenville	54	15	115	33	184	52	353
Lennox and Addington	82	19	81	19	268	62	431
London	956	34	102	4	1,762	62	2,820
Manitoulin-Sudbury*	109	22	166	33	221	45	496
Muskoka	126	18	140	20	444	63	710
Niagara	1,053	24	1,868	42	1,522	34	4,443
Nipissing*	159	20	205	25	446	55	810
Norfolk	63	21	87	29	145	49	295
Northumberland	97	20	154	32	229	48	480
Ottawa	3,421	34	2,263	23	4,368	43	10,052
Oxford	405	27	272	18	823	55	1,500
Parry Sound*	106	26	68	17	232	57	406
Peel	6,150	47	3,484	27	3,324	26	12,958
Peterborough	235	16	635	42	646	43	1,516
Prescott & Russell	237	28	402	48	193	23	832
Rainy River*	47	48	20	21	30	31	97
Renfrew	310	31	234	23	452	45	996
Sault Ste. Marie*	258	20	295	23	752	58	1,305

Service Area	Single Adults and Couples		Families with Dependents		Seniors		Total
	#	%	#	%	#	%	#
Simcoe	698	22	1,354	43	1,123	35	3,175
St. Thomas	141	35	62	15	200	50	403
Stratford	53	23	30	13	144	63	227
Sudbury	209	14	473	32	794	54	1,476
Thunder Bay*	174	20	119	14	558	66	851
Timiskaming*	60	24	158	63	31	12	249
Toronto	25,513	28	31,171	35	33,211	37	89,895
Waterloo	1,068	39	726	27	917	34	2,711
Wellington	497	33	399	27	601	40	1,497
Windsor	1,173	35	862	26	1,315	39	3,350
York	3,402	24	7,756	55	2,874	20	14,032
Provincial Total	56,314		60,573		68,292		185,179
Provincial Average		30		33		37	

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