

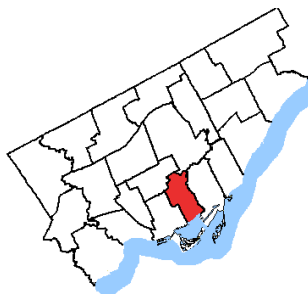
Economic Improvement: Social Housing Financing, Investments, and Incentives in the Province of Ontario

*Submitted by the Toronto Centre Young Liberals (TCYL) and the
Ryerson Young Liberals (RYL)*

OYL Toronto Policy Parliament

May 13, 2006

University of Toronto at Scarborough
Toronto, Ontario



**TORONTO CENTRE
YOUNG LIBERALS**

Background Research

A critical way to improve the economic situation for individuals and the long-term fiscal health of our municipalities and the province is through changing how investments are made in social housing. The funding for social housing can ensure that individuals can benefit from living in safe and secure residences, which will allow them to contribute to society and ensure that they are receiving effective assistance from governments. Governments can benefit from investments made in social housing field by reducing health care costs through reducing the probability families will go homeless, reducing emergency sheltering costs, and savings in operating costs by revitalizing existing public and social housing communities.

This policy has three broad economic improvement goals. The specific areas of improvements would come from the savings, reinvestment, and long-term stability of costs through changing the strategies for funding social housing. There are three ways this can be achieved: (1) reduce the financial burden on municipalities by 'uploading' the costs of social housing to the province, (2) improving efficiency in existing social housing through investments, and (3) improving the incentives offered by municipalities for developers and non-profit agencies to construct social housing.

Effects of Downloading on Municipalities

The Mike Harris government decided starting in 1995 to download provincially funded services to the municipalities as part of their efforts to reorganize the structure of the provincial and municipal governments. The Harris government assured municipalities and citizens of the province that the downloaded services would be "revenue neutral". In other words, the province would be taking some services from the municipalities while downloading other services to them without any additional costs. Since the downloading process began, the costs of the downloaded services have risen steadily and, in many cases, sharply¹. The results from this process show that downloading has not been revenue neutral for municipalities in Ontario.

The Association of Municipalities of Ontario has calculated that municipalities are paying \$879.7 million per year of social housing costs which was previously paid for by the province². This is a cost that municipalities are finding extremely difficult to fund through property taxes alone. Social housing, along with potentially other downloaded services, should be funded by the province since they are redistribution programs³. In particular, the property tax base is an inappropriate one on which to rely for any significant subsidies for affordable housing⁴. An article in the Journal of Canadian Studies in 2004 on the subject of municipal governance in Toronto found research showed that "downloading responsibility for social housing to local government...will not work given Toronto's limited powers of taxation and revenue generation."⁵ Toronto is experiencing annual budget deficits of \$500 million (2006), while other municipalities in Ontario have increased property taxes by anywhere from 5 to 7%.

Revitalization of Existing Social Housing Communities

Certain social housing communities have reached the point where major investments and resources are required. Although minor work could be done on these communities, there are some that need to be completely demolished and rebuilt. There would be a number of economic benefits for these types of projects to take place. In particular, operating costs can be reduced through the use of energy-efficient technologies. However, in order for these types of revitalizing projects to take place, the province must take back the funding for social housing in order to have the necessary equity and capital to invest in these communities.

An excellent example of how a revitalization plan for social housing can bring economic benefits to individuals, municipalities, and the province, is the Regent Park Revitalization Plan. This is a \$1 billion, 10-year project that will completely transform Regent Park through the construction of new units, the introduction of market-based housing into the community, and the building of its own energy system which will reduce operating costs in the future⁶.

Increasing Incentives to Developers and Non-Profit Agencies to Construct Public and Social Housing

Currently, there are several ways that municipalities can encourage developers and non-profit agencies to construct social and affordable housing. Some of these measures included: Property tax exemptions, loans (at favourable rates) or grants, or giving, selling, or leasing land (at less than market value).⁷

However, more can be done on the local level in the way of incentives to attract investment. For example, Tax Increment Financing (TIF) could be used to encourage development of affordable housing units. TIF allows municipalities to dedicate future property tax gains to funds that support specific programs or projects.⁸ For example, a TIF Commission could be established by forgoing property tax increases associated with property improvements for up to 23 years. This could be an additional tool for municipalities that could be encouraged by the province for more social and affordable housing to be built.

POLICY MOTION: IMPROVING SOCIAL HOUSING FINANCING IN THE PROVINCE OF ONTARIO

WHEREAS downloading has placed significant pressures on municipalities in Ontario to fund social housing programs;

WHEREAS property taxes, which are the most inequitable form of taxes, have increased substantially in municipalities in Ontario as they try to meet the demands placed by the province downloading services;

WHEREAS the province uses property taxes to fund social services, public housing and health-care programs more than other provinces (38% for Ontario compared to 3.7% for the rest of Canada);

WHEREAS the province should build on the success of the Regent Park Revitalization Plan to improve the economic conditions and quality of living of residents in other social housing unit communities;

WHEREAS the municipalities should have an active role in using the planning and tax tools available to encourage developers and non-profit agencies to construct affordable housing and rent-geared to income units;

BE IT RESOLVED THAT the OYL urge the Government of Ontario to take full responsibility for the costs of social housing from municipalities at incremental amounts over the next four years;

BE IT FURTHER RESOLVED THAT the OYL request the Government of Ontario have the Ministry of Municipal Affairs and Housing to develop a plan to revitalize social housing communities across the province in order to improve living standards from residents, encourage economic development, and reduce operating costs of these communities through energy efficiencies;

BE IT FURTHER RESOLVED THAT the OYL propose the Government of Ontario have the Ministry of Municipal Affairs and Housing encourage municipalities through future Provincial Policy Statement (PPS) develop a more generous range of incentives available for developers or non-profit agencies to construct affordable housing and social housing units; and,

BE IT FURTHER RESOLVED THAT the OYL encourage the Federal Government to provide substantial amounts of grants for five years to the provinces which can be used to develop specific projects in high need and underprivileged communities in Canada for new units of social and affordable housing and that a review be conducted in year three and year five to review the effectiveness of the grants.

-
- ¹ *AMO Fact Sheet - \$3 Billion Gap*. Association of Municipalities of Ontario. December 2005. URL:
http://www.amo.on.ca/AM/Template.cfm?Section=3_Bil_Campaign&TEMPLATE=/CM/ContentDisplay.cfm&CONTENTID=49281
- ² *AMO Fact Sheet - \$3 Billion Gap*. Association of Municipalities of Ontario. December 2005. URL:
http://www.amo.on.ca/AM/Template.cfm?Section=3_Bil_Campaign&TEMPLATE=/CM/ContentDisplay.cfm&CONTENTID=49281
- ³ Warren, Michael. *Liberals Must Easy Ratepayers' Burden*. The Toronto Star. PA27. 6 April 2006.
- ⁴ *Presentation to the Standing Committee on Finance and Economic Affairs*. Ontario Non-Profit Housing Association. February 28, 2002. URL:
http://www.onpha.on.ca/issues_position_papers/position/default.asp?load=prebudget2002#recommendation3
- ⁵ Hanna, Kevin S. and Walton-Roberts, Margaret. *Quality of Place and the Rescaling of Urban Governance: The Case of Toronto*. Journal of Canadian Studies. Vol.38, Iss. 3; pg. 37, Fall 2004
- ⁶ *The Regent Park Revitalization Plan*. Toronto Community Housing Corporation. City of Toronto. December 2002. URL:
<http://www.regentparkplan.ca/pdfs/final%20report%20dec%2016.pdf>
- ⁷ *Affordable Housing*. Ministry of Municipal Affairs and Housing. Government of Ontario. October 3, 2005: URL:
http://www.mah.gov.on.ca/userfiles/HTML/nts_1_7290_1.html
- ⁸ *Ontario Budget Commentary: 2005*. Taylor Leibow LLP. May 11, 2005. URL:
<http://www.stalbert.ca/public/data/documents/ACF2A50.pdf>