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**REPORT TITLE:**     **Housing Service Transformation – Needs-Based Subsidy Prioritization Approach and Policy Changes**

**FROM:**                 Janice Sheehy, Commissioner of Human Services

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## **RECOMMENDATION**

**That the proposed approach to prioritizing need and policy recommendations described in the report of the Commissioner of Human Services, titled “Housing Service Transformation – Needs-Based Subsidy Prioritization Approach and Policy Changes”, listed on the July 8, 2021 Regional Council agenda, be approved.**

## **REPORT HIGHLIGHTS**

- On May 28, 2020 Regional Council approved the recommendation that the Region of Peel adopt a needs-based approach to administering housing subsidies, in order to ensure that limited resources are used to help those with the highest need for housing.
- The centralized wait list will be used to administer only those subsidies required to comply with the legislated service level standard that Peel maintain 8,424 subsidized units under the *Housing Services Act*, 2011.
- Staff is seeking Council approval for the proposed approach to prioritizing need and the recommended policy changes outlined in this report as a broader pilot.
- Three policy changes require Council approval: that needs-based clients must participate in case planning, that needs-based housing subsidies focus on private rental market stock, and a request to adjust housing affordability levels in order to assist our most financially vulnerable clients.
- Subject to that approval, the needs-based approach to subsidy administration will be piloted throughout 2022 and staff will return to Council with the details of outcomes achieved, in early 2023.
- A communications strategy is being developed and communication materials will be distributed to Council in advance of the pilot launch.
- The proposed changes to subsidy administration proposed in this report will shift the impact of existing resources towards those with the greater need.
- As current service levels do not meet the need for subsidized housing in Peel, staff will bring service level increase options to Council in September 2021 ahead of 2022 budget deliberations.

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## **DISCUSSION**

### **1. Background**

In 2018, Regional Council approved the renewed 10-Year Peel Housing and Homelessness Plan (the Plan). One of the five strategies included in the Plan is ‘*Transform Service*’.

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The objectives of the Transform Service strategy include improving housing outcomes for housing and homeless clients, enhancing the client experience, and reducing administrative burden and associated costs. The strategy is predicated on the 'Housing First' philosophy and a shift to a needs-based approach. This philosophical change was approved by the Strategic Housing and Homelessness Committee on November 21, 2019, through a report titled "Housing and Homelessness Service Transformation: Shifting to a Needs-Based Approach."

On May 28, 2020, through a report titled "Improving Housing Subsidy Administration", Regional Council approved the recommendations that the Region of Peel adopt a needs-based approach to administering some subsidies and further, that the centralized wait list be used to administer only those subsidies required to meet the legislated service level standard of 8,424 rent geared to income subsidized units under Ontario Regulation 367/11, Schedule 4 under the *Housing Services Act*, 2011 (Resolution Number 2020-408). The needs-based approach described in this report would be 100 per cent Regionally funded and would not be a program subject to various requirements under Part V of the *Housing Services Act*, 2011, including the requirement to use the centralized wait list to prioritize access to subsidized units.

The approach is in alignment with the findings from the Auditor General's 2017 audit of social and affordable housing which included a recommendation to "better ensure that limited resources are used to help households with highest needs" and its advice that "the Ministry of Municipal Affairs and Housing work with municipal service managers to develop a new needs-based eligibility and prioritization process" when deciding who should receive housing subsidies. This continues to form part of the Region's advocacy position related to affordable housing.

### **2. Implementing the Needs-Based Approach**

Staff committed to return to Regional Council and provide an update on the implementation. The planned implementation for the needs-based approach was delayed in 2020 due to the focus on the Covid-19 response, however, leveraging learnings from the last 12 months has informed the required policy changes and recommended prioritization approach.

Key learnings include:

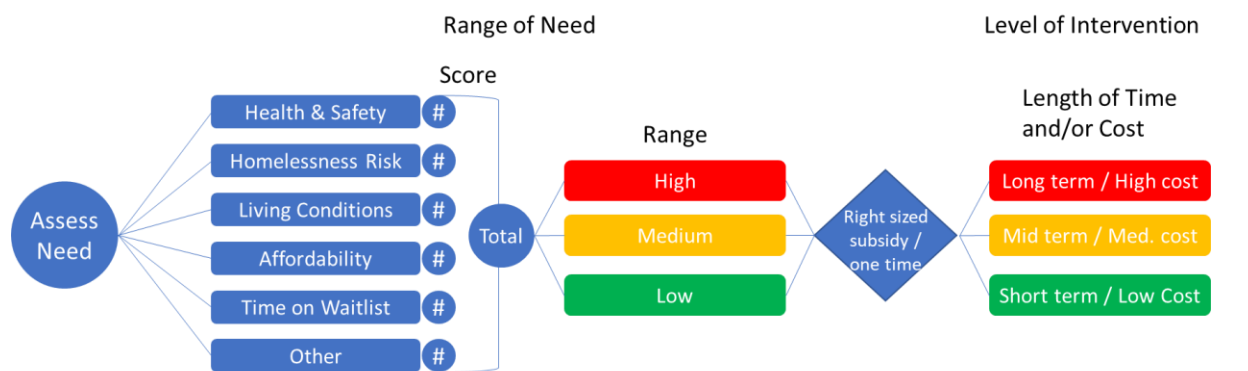
- The approach to determine prioritization of need should be flexible to allow adaptation to community circumstances and emerging issues.
- The needs-based approach should provide alternative housing options for individuals and families needing urgent support, as opposed to waiting on the centralized wait list for a rent-geared to income unit.
- Private market rates continue to exceed approved affordability levels greatly reducing housing options for clients and our ability to keep existing private stock within the system.

### **3. Proposed Approach to Prioritizing Need**

Based on a review of national and international jurisdictions and insights from client needs assessments, staff developed a prioritization approach which defines level of need through a scoring process in relation to the level of intervention required to get and/or keep housing. Scoring is based on critical factors such as, health and safety, risk of homelessness, current living conditions, affordability, and length of time on the existing centralized wait list and will be used to categorize need within 3 ranges - High, Medium and Low. The level of intervention is

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categorized as length of time and/or cost of assistance that would be required to achieve desired housing outcomes. The following provides an overview of the proposed prioritization approach.



This approach will define level of need as aligned to the allocation of needs-based subsidies approved by Regional Council on May 28, 2020 (Appendix I) As part of the Divisional annual planning and budget process, a set number of subsidies for Peel residents will be determined at each level of need. This will ensure an optimal distribution of subsidies across a spectrum of housing circumstances to maximize reach and housing outcomes. This also ensures that some, but not all needs-based subsidies will go to the chronically homeless or those with the most complex needs. It will result in a more equitable distribution of finite resources to address both prevention and crisis resolution.

### 4. Policy Recommendations

Three policies require Council approval to implement the needs-based approach. These policy changes are required to alleviate pressures in the shelter system and prevent and/or end homelessness in Peel. These policies will also help retain units in private stock and not lose them on turnover.

Anticipated benefits include: ensuring a greater proportion of finite resources are directed to those with urgent needs; diverting people from the waitlist as it will no longer be the only option for subsidized housing; improved ability to retain units within the private market, and an improved ability to address housing issues before they become a crisis, thereby alleviating pressures on the shelter system. Benefits realization will be measured and monitored as part of implementation and staff will report back to Council on an annual basis.

#### i) Needs-Based Clients Must Participate in Case Planning

All clients who receive a needs-based subsidy will be required to participate in a needs-assessment and where appropriate work with staff to develop and actively participate in an individualized case plan, focused on achieving their desired housing goals, prior to receiving housing supports. This case plan will guide the type, level and length of support required to remove barriers that are preventing clients from becoming or remaining stably housed. Progress towards housing goals will be actively monitored through regular interactions and interventions.

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### ii) Focus Needs-Based Housing Subsidies in Private Rental Market

Peel's Housing System administers three types of subsidy to improve housing affordability through a current budget of \$109.5 million.

Type of Subsidy	Budget
Rent Geared to Income – provided through Community Housing Providers	\$79.5 million (73%)
Private Landlord Units	\$30 million (27%)
Portable subsidies directly to clients	

Currently, there are 11,583 combined Rent Geared to Income and private landlord subsidized units in the affordable housing system and 686 portable subsidies given directly to clients.

In addition to subsidized units, the system includes 6,252 affordable units that are rented at below market rates. To improve outcomes with existing Regional resources, it is proposed that needs-based portable subsidies funded by the Region only be used to secure and maintain units within the private market. Where necessary, one-time supports or short-term subsidies (defined as under six months) may be accessed to stabilize housing in affordable units (such as market units in Peel Living) to address a short-term crisis only. Exceptions for subsidies beyond six months may be granted in extenuating circumstances. Where longer term supports may be required, alternative housing options must be considered as part of the client case plan.

### iii) Adjusting Housing Affordability Levels

Historically, subsidies, including those funded by the Region of Peel, were based on the Ministry of Municipal Affairs and Housing affordability rates for apartment rentals as published by the Canadian Mortgage and Housing Association. These average market rents do not reflect Peel's rental market. The chart below illustrates this fact.

Apartment Size	CHMC AMR <sup>1</sup>	Primary Market (Apartment Rents) <sup>2</sup>	%AMR	Secondary Rental Market (houses, condos) <sup>3</sup> Leased	%AMR
	\$	\$	%	\$	%
Bach	\$1,037	-	-	\$1,694	163%
1B	\$1,376	\$1,575	114%	\$1,997	145%
2B	\$1,547	\$1,662	107%	\$2,412	156%
3B	\$1,651	\$1,983	120%	\$2,782	169%

<sup>1</sup>Source: CMHC Private Apartment Average Rents (\$), by Zone and Bedroom Type – Toronto CMA

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<sup>2</sup>Source: CMHC Private Apartment Average Rents (\$) of Vacant and Occupied Units by Zone and Bedroom Type – Toronto CMA (October 2020)

<sup>3</sup>Source: TREBHome - Rental Market Report (trreb.ca)

While staff will continue to use the Canadian Mortgage and Housing Corporation Average Market Rents (AMR) for calculating subsidy funded by the federal or provincial government in the community housing system for the mandated units, staff recommends that needs-based subsidies currently funded by the Region be calculated based on what a client can afford and actual market value, not to exceed 130 per cent of AMR. While the larger subsidies in the private market could reduce the number of households that receive a subsidy, this change is necessary to provide housing solutions, that are truly affordable and that result in successful, stable tenancies for our most financially vulnerable clients, who require a deeper level of assistance. Vacancy data for 2020 indicates that only 20 – 29 per cent of all units were available at the AMR rate. This makes it extremely difficult for low income households to access the private market regardless of available subsidies as well as making it difficult for the Region to keep private units in the housing system. By increasing to a maximum of 130 per cent AMR, unit access increases to 59 – 75 per cent of all vacancies depending on number of bedrooms. This will ensure that available subsidies are maximized and access to stock if increased within the existing budget.

### **5. Implementation Plan for Needs-Based Pilot**

Upon Council approval, staff will commence a pilot of the needs-based approach by the end of 2021 and provide Council with communication materials ahead of the launch date.

Current centralized wait list applicants residing in Peel will receive targeted communications to ensure they are made aware of alternate housing supports should they have an immediate housing need and a desire to participate. This will ensure that existing centralized wait list applicants awaiting placement (such as those who currently have a priority determination) are not disadvantaged through the transformation of Peel's housing system to a needs-based approach. New applicants to the centralized wait list continue to be provided with an opportunity to participate in the needs-based approach and receive service offerings not previously available to them. While it is possible that existing centralized wait list clients could wait longer, staff anticipate that providing clients with a broader range of supports (beyond the offering of just a rent-geared-to-income unit) will, once fully implemented, result in a reduction in wait time.

### **RISK CONSIDERATIONS**

Implementing the prioritization points system may lead some households to try and take advantage of the process for their needs to be prioritized. The proposed prioritization model and scoring within a range of need as aligned to the approved subsidy allocations will help mitigate this risk. Staff will also maintain the integrity of the system by:

- Consistently assessing need and determining acuity levels through the client needs assessment tool,
- Requiring participation in a client-driven case plan to help achieve client's desired housing outcomes, and
- Testing the structure and adjusting as necessary to meet the needs of the community and the intended outcomes of this transformation.

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Additionally, clients currently on the centralized wait list who have been waiting for a subsidized housing unit may perceive that new applicants will receive supports ahead of them. Several tactics will be used to mitigate this risk such as:

- Targeted communication to centralized wait list clients to raise awareness of options should they have an urgent housing need.
- Communication materials for Council, partners, and community service providers.
- Continued access to live answer and needs assessment completion for individuals on the centralized wait list who indicate they have an urgent housing need.

## **FINANCIAL IMPLICATIONS**

The recommendations requested through this report will have no financial implications. The proposed changes will be made within the existing subsidy budget and will result in a shift in the clients who receive housing subsidies towards those with more urgent, acute needs. This may result in a fewer number of clients receiving supports.

## **CONCLUSION**

This report is the third in a series of reports to Regional Council about Service Transformation, one of the five strategies within the 10-year Peel Housing and Homelessness Plan. This report focuses on needs-based subsidy administration, seeking Council endorsement for the approach to prioritizing need and the policy changes required to administer the needs-based approach.

The proposed changes can be made within the existing subsidy budget and will result in a shift in the clients who receive housing subsidies towards those with more urgent, acute needs.

However, as Council is aware, current service levels do not meet the need for subsidized housing in Peel. A report proposing an increase to housing subsidy service levels will be brought forward for Council's consideration in September 2021.

In addition, the Region will continue to advocate to the Provincial and Federal Government to address housing affordability levels in Peel.

## **APPENDICES**

Appendix I – Needs-Based Administration Structure

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*For further information regarding this report, please contact Grace Caron, Director Housing Transformation Program, [grace.caron@peelregion.ca](mailto:grace.caron@peelregion.ca)*

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Department Commissioner and Division Director.