
For Information

REPORT TITLE: **Affordable Housing: Investments Needed to Close the Gap**

FROM: Sean Baird, Commissioner of Human Services

OBJECTIVE

To provide Council with an overview of core housing need and the investment needed to close or reduce the gap between need and current service levels, which will be the focus of further discussion at the scheduled education session.

REPORT HIGHLIGHTS

- In Ontario, through the *Social Housing Reform Act, 2000* (now the *Housing Services Act, 2011*), responsibility for administering social housing (also referred to as community housing) was downloaded from the province to 47 Municipal Service Managers or District Social Services Administration Boards (DSSABs).
 - As Service Manager of Peel's affordable housing system, the Region of Peel is the primary funder of social housing in Peel, even though social housing is best funded, like other income distribution programs, through the progressive and varied revenue tools available to higher orders of government.
 - The affordable housing system in Peel has been unable to keep up with dramatic increases in demand for housing and homelessness supports over the last decade. The pandemic that began in 2020 further exacerbated the problem.
 - This report, together with the education session following today's Regional Council meeting with a presentation entitled "Closing the Housing Affordability Gap: Understanding the Crisis, Current Service Levels, and Investments Required" provides Council with the information needed to better understand need and the enormity of the response required to solve the affordable housing crisis.
 - It is estimated there are approximately 91,000 households in Peel in core housing need.
 - The affordable housing system is currently meeting 19 per cent of this need.
 - It is estimated that it could take up to \$50 billion over the next ten years to meet 100 per cent of core housing need in Peel.
 - An additional \$4 billion is required to simply continue to meet 19 per cent of need over the next ten years.
 - In order to prepare a robust investment strategy for Peel's 10-year Housing and Homelessness Plan, the education session will allow for discussion on the desired level of regional investment in affordable housing and homelessness over the next 10 years.
 - Staff will then return to Council throughout the spring and fall, in advance of the 2024 budget deliberations, with reports recommending more specific investment options.
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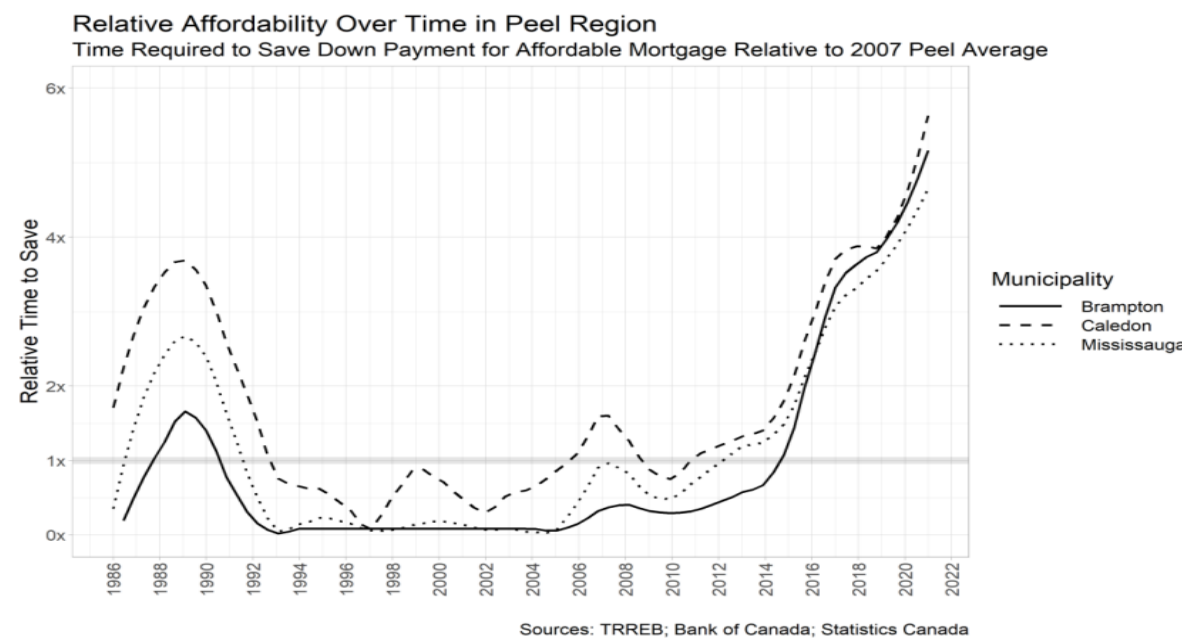
DISCUSSION

1. Background

Peel is facing two housing crises. One in which rising house prices and rents have made it increasingly unaffordable for middle income earners to live in the region; and a second crisis of a lack of deeply affordable and supportive housing for those people with low incomes, or who are experiencing family, physical, mental health, and addiction struggles.¹

In Peel, these crises are deep, unprecedented, and inequitable. It is estimated that an average income household now requires about 30 years to save a large enough down-payment for an affordable 25-year mortgage, whereas a minimum wage household requires about 50 years. Average rents in Peel are equivalent to nearly all of a minimum wage earner's income, and approximately 4,000 people relied on the emergency shelter system in the last year alone.

Staff has previously highlighted to Council, the rapid deterioration in affordability for households such as renters, first-time purchasers, and growing families requiring more space. Many factors have likely contributed to this, such as supply limitations, post-2008 financial crisis monetary policy, and a growing presence of investors. This deterioration is illustrated below.



Addressing the affordable housing crisis is a priority for Regional Council. This report, together with the education session on today's agenda entitled "Closing the Housing Affordability Gap: Understanding the Crisis, Current Service Levels, and Investments Required" provides Council with the information needed to better understand need and the enormity of the response required to address the crisis.

¹ Taken from a research paper for the City of Toronto, authored by Matti Siemiatycki and Karen Chapple from the University of Toronto, March 2023.

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Staff is seeking Council input on the desired level of regional investment in affordable housing and homelessness over the next 10 years.

2. Ontario's Unique Context

In Ontario, through the *Social Housing Reform Act, 2000* (now the *Housing Services Act, 2011*), responsibility for administering social housing (also referred to as community housing) was downloaded from the province without adequate funding, to 47 Municipal Service Managers or District Social Services Administration Boards (DSSABs).

Elsewhere in Canada, responsibility for social housing rests with the province or is shared between the province and municipal governments. Ontario is the only province where municipalities are the primary funders of social housing. According to research published in 2022 by the Institute on Municipal Finance and Governance, an average of 77 per cent of social housing expenditures in Ontario are funded by municipal governments.

As a result of Ontario's unique approach, the affordable housing system in Peel, and across the province, have been unable to keep up with dramatic increases in demand for housing and homelessness supports over the last decade. The pandemic that began in 2020 further exacerbated the crisis.

3. Addressing the Housing Affordability Crisis in Peel

As previously reported to Council, the affordable housing system in Peel is overburdened, underfunded, and has insufficient resources. To better understand the investment required to address need, the Region hired Ernst and Young to review current service levels and estimate the level of investment needed to close the gaps.

Working with Ernst and Young, the Region developed an approach to estimate core housing need reliably, and, to estimate the costs of intervention.

a) Core Housing Need

As a starting point, the Region established a core housing need estimate of 91,000 households by adjusting for the temporary pandemic income supports and rental market interventions that were in place at the time of the 2021 census.

Approximately 77,000 households in core housing need have annual incomes of \$57,000 or less and most are renters. Additionally, 40 per cent of households in core housing need require additional supports to remain stably housed. As the Region's population continues to grow, the number of households in core housing need will continue to climb. It is estimated that 114,000 households will be in core housing need over the next ten years.

b) Percent of Need Met by Current Services

Data from Housing Services, Statistics Canada, Region of Peel's own housing census, select Greater Toronto Area public school board enrolment data, and findings from scholarly literature, were layered onto the core housing need estimate to break out affordable housing support and supply requirements. Need was compared to existing levels of service and supply to determine the gaps.

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Based on this analysis, the affordable housing system in Peel is estimated to be meeting just 19 per cent of need in our community. The amount of need met varies significantly by intervention, with the biggest gap in supportive housing. Details of the per cent of need met by each type of program / intervention and definitions can be found in Appendix I and II.

c) Investments Need to Close or Reduce the Gap

As mentioned earlier in this report, the affordable housing crisis is deep, unprecedented and inequitable. As such, it is estimated that it could take up to \$50 billion, over the next 10 years, to meet 100 per cent of core housing need in Peel.

The chart below compares investments needed to meet 100 per cent, 40 per cent and to continue to meet 19 per cent of need over the next 10 years. It's worth noting that an investment of \$4B is needed over the next 10 years to simply continue to meet 19 per cent of our community's need.

Scenario % of Need Met after 10 Years	Total Funding over 10 years	Estimated Annual Levy Increase
Closing the Gap	\$50B	69%
40%	\$17B	24%
19%	\$4B	6%

Without increased investment, we will continue to fall further behind.

4. Next Steps

The discussion at today's education session on the desired level of regional investment in affordable housing and homelessness over the next 10 years, will be used to prepare a robust investment strategy for Peel's 10-year Housing and Homelessness Plan.

Staff will return to Council throughout the spring and fall, in advance of the 2024 budget deliberations, with a variety of reports recommending investment and service level options for homelessness prevention, emergency response, subsidy and supports, as well as maintaining and increasing supply.

RISK CONSIDERATIONS

Solving the affordable housing crisis requires significant increases in investment from all levels of government, as well as private and nonprofit sectors. It's important to remember that \$1 spent in affordable housing is worth at least \$4.50 to the economy.

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As mentioned earlier in this report, Ontario is the only province that has downloaded responsibility for the affordable housing system to municipal service managers. This unique structure should not absolve the province and federal governments from continuing to invest in affordable housing. The affordable housing system is best funded, like other income distribution programs, through the progressive and varied revenue tools available to higher orders of government, not regressive revenue tools like flat rate property taxes and various charges. Progressive taxation approaches such as income taxes, or taxes aimed at overall wealth or speculative investment activity can raise revenues for desperately needed social investments more equitably.

While advocacy efforts must continue, additional regional investment in housing is required to prevent ongoing and significant increases in Peel's core housing need.

FINANCIAL IMPLICATIONS

This report has no financial implications. Pending input from Council, staff will return with recommendations for enhanced investments in housing, which will be reflected in the 2024 Housing Supports Service Plan, forecast and budget request.

CONCLUSION

The Region of Peel is the service manager for the affordable housing system in Peel. In addition to this role, the Region is also the primary funder, a new supply producer, community housing provider and service provider within the system. As service manager, the Region is responsible for system oversight, strategic planning and advocacy.

It is estimated there are approximately 91,000 households in Peel in core housing need. The affordable housing system is currently meeting 19 per cent of this need.

It is estimated that it could take up to \$50 billion over the next ten years to meet 100 per cent of core housing need in Peel. An additional \$4B is required to continue to meet 19 per cent of need over the next ten years. Without more investment, we will continue to fall further behind.

APPENDICES

Appendix I – Need Met by Current Services
Appendix II – Definitions of Current Services



Sean Baird, Commissioner of Human Services

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