SUBJECT: Financial Exposure to the Potential Increase in Demand for Affordable Housing Due to the Recession (ECS08046(a)) (City Wide)

RECOMMENDATION:

(a) That the Mayor correspond with the Minister of Human Resources and Social Development and the Minister of Municipal Affairs and Housing to request that an increase in Federal and Provincial funding be provided for housing allowances and/or rent supplement programs to assist the thousands of existing renter households in Hamilton that are paying in excess of 30% of their income on rent.

(b) That the Mayor correspond with the Minister of Municipal Affairs and Housing requesting additional funding for the Rent Bank program in Hamilton.

(c) That the Mayor correspond with the Minister of Community and Social Services requesting an extension to the Hostels to Homes Pilot project in Hamilton.

Joe-Anne Priel,
General Manager
Community Services Department

EXECUTIVE SUMMARY:

Canada is officially in a recession. In anticipation of the difficult economic times ahead and the potential impact on the City of Hamilton, staff was directed to investigate the increased demand for affordable housing and its impacts, and what kinds of funding may be needed from other levels of government to meet this need in the community.
The recession will be very difficult for the most vulnerable people in Hamilton. There is a strong likelihood that there will be increased demand for social service programs and services, including affordable housing and services to deal with homelessness. Specifically, in Hamilton we anticipate we will see the following:

- an increase in applications to the “Access to Housing” co-ordinated waiting list for rent-geared-to-income (RGI) social housing;
- an increase in emergency shelter usage;
- an increased demand for Rent Bank funding to address rent arrears;
- an increase in Food Bank usage; and,
- a tightening rental market that will place pressure on rents to increase.

These programs and services are considered discretionary in the sense that the City is not obligated under legislation or legal agreements to provide more affordable housing than what already exists in the community. However, a response is needed to the anticipated increase in need.

The most effective and timely response would be for the senior levels of government to:

- increase their funding for housing allowance and rent supplement programs assisting the thousands of existing renter households that are paying in excess of 30% and 50% of their income on rent;
- increase funding for the Rent Bank program;
- extend the effective Hostels to Homes Pilot; and,
- move forward on the City and community’s recommendations contained in the forthcoming Emergency Shelter Blueprint, including an increase in the per diem funding formula to reflect the true costs of operations and services provided.

BACKGROUND:

Item 3(b), of the Emergency and Community Services Committee Report 08-013, provided staff with the following direction:

3. City of Hamilton Ontario Works 2008 Caseload Statistics (ECS08046) (City Wide) (Item 5.3)

   (b) That staff be directed to prepare a report, which details the City of Hamilton’s financial exposure to the potential increase in demand for Ontario Works and Housing, as a result of the economic crisis, and report back to the Emergency and Community Services Committee.

Subsequently, Item 18 of the Emergency and Community Services Committee Budget Report 09-001, provided additional direction, as shown below:
18. **Affordable Housing Threshold**

“That staff be directed to provide various scenarios in terms of demand for affordable housing, what impacts this will place on other City services, and what kinds of funding may be required from other levels of government in order to address the shortfalls, and report back to the Emergency and Community Services Committee.”

The global economic crisis stemming from the collapse of the financial markets and banking sector has negatively affected the economy of Canada, Ontario and Hamilton. Canada is officially in a recession and there are mixed reports as to the length and depth of the crisis. The manufacturing and service sectors have been hard hit and these sectors make up a significant portion of Hamilton’s economy.

Hamilton already has one of the highest poverty rates in Ontario at 18.6%. According to the 2006 Census, 27,470 renter households pay more than 30% of their income on rent, which is 45% of all renter households in Hamilton. Of great concern is that one in five renter households (12,650) pay more than 50% of their income on rent, placing them at serious risk of homelessness.

**City of Hamilton’s Responsibilities to Provide Affordable Housing:**

Under the **Social Housing Reform Act** (SHRA), the City of Hamilton is designated as the Service Manager for social housing in Hamilton. Managing the system of services that make up social housing includes:

- funding for 14,200 social housing units at a net levy impact of $36.9 million;
- the review and oversight of the governance, financial and asset management of 53 social housing providers; and,
- ensuring the effective operations of a co-ordinated waitlist for RGI units in the social housing system (“Access to Housing”).

In addition to its role as the Service Manager for Social Housing, the City has made strategic decisions to increase the supply of affordable housing and eliminate homelessness through various actions. This direction is provided through the City of Hamilton’s Strategic Plan, The City’s Housing Strategy: Keys to the Home, and the City’s Strategic Plan to address Homelessness: Everyone Has a Home. However, these initiatives are discretionary. They are not driven by legislated mandate; but rather, reflect the City’s own desire to improve the quality of life for its residents. In striving to achieve the aspirations of these strategies, the City makes every effort to utilize senior government funding programs in addition to its own resources.

Since there is no mandatory requirement that the City of Hamilton respond to increased demand for affordable housing and other housing related services beyond the SHRA, and as the City’s housing related programs and services are either capped, fixed or use senior government funding, there is no direct financial impact on the City’s housing
responsibilities, as a result of the recession. However, there is likely to be additional funding requests to all levels of government as the community strives to deal with the fall out of hard economic times (e.g. additional need for food security and increased food bank use). These impacts are difficult to measure. There may also be pressures placed on certain program budgets as discussed below (e.g. the potential increase in emergency shelter use).

**ANALYSIS/RATIONALE:**

Impacts of the Recession are analyzed for the following areas:

A. Social Housing,
B. Poverty and Homelessness; and,
C. Market Rental Housing.

**A. Social Housing:**

The number of units in Hamilton’s social housing stock is fixed. There are 14,200 social housing units in the City. It is important to note that not all social housing units are RGI; approximately 4,000 of the 14,200 units are at market rent levels.

While demand for social housing units will likely increase, as a result of the recession, the City is not obliged or legally mandated to increase the stock through new social housing construction or through additional rent supplement/housing allowances.

As the Service Manager for Social Housing, as designated under the Social Housing Reform Act, the City of Hamilton is mandated to maintain the RGI service level standard that existed when social housing was downloaded from the Province. Social housing providers cannot unilaterally increase the number of RGI units within their portfolios beyond the original service level standard. Any requests to increase the number of RGI units must be made to the Service Manager and be approved by Council, as the cost of any increase in the number of RGI units is a direct net levy impact. The average annual cost of a social housing unit in Hamilton is approximately 4,000 (including subsidy and administration costs). For example, an increase of 1,000 RGI units within the 14,200 unit stock of social housing in Hamilton would increase the tax levy by $4 million. The current net levy impact for social housing subsidy is $36.9 million.

Staff anticipates that the demand for RGI social housing will increase in the immediate future as a result of the poor economy; likely resulting in an increase to the “Access to Housing” waiting list for social housing. Increases to the waiting list, without an increase in the supply of RGI social housing, will result in longer waiting times for applicants before they are housed. Longer wait times places households at a greater risk of homelessness.
As at January 2009, the number of active applications on the waiting list was 4,145. This number has been relatively stable over the past few months, but typically there is a lag of new applicants during a recession, as households can continue to pay an unsubsidized market rent for several months. While this makes it difficult to forecast growth of need for additional social housing with any degree of precision, staff is confident that the waiting list will increase in the short-term.

B. Poverty and Homelessness:

The recession is likely to have an impact on shelter use. With potential job cuts and unemployment, more and more individuals and families who may already be living close to or below the poverty line may find themselves at a greater risk of homelessness.

In collaboration with community agencies, the City of Hamilton administers a number of programs and services designed to prevent and eliminate homelessness.

The City administers the Emergency Shelters Program and funds community agencies to operate emergency shelters for homeless families, men, women and youth. This funding is cost shared 80/20 with the Province, based on per diem funding per bed as billed by the shelters.

For the last few years, occupancy in the emergency shelter system has been running at approximately 80%. This has declined from full capacity, primarily due to the infusion of Federal funding in homelessness programs and services and innovative programs to facilitate the transition of long-term shelter users to more stable housing with supports, (e.g. Hostels to Homes Pilot).

Typically, the City of Hamilton has budgeted for the emergency shelter program at 80% occupancy. The 2009 budget for this program is $4.92 million cost shared 80/20 with the Province. It is reasonable to expect an increase in shelter use as a result of the recession. In addition, length of stays in shelters may also increase. Should shelter operators bill additional per diems due to increased occupancy beyond 80%, this would result in a pressure in the Emergency Shelter Program’s budget. At 100% occupancy, the additional billings would result in a pressure of approximately $1.3 million in 2009 resulting in a net levy impact of 20% or $260,000.

Emergency shelter use declined in 2007 from the previous year. In 2006, 3,950 individuals stayed in an emergency shelter at least once. In 2007, that number decreased to 3,671. As indicated, some of this decline can be attributed to the success of the Hostels to Homes Pilot Program. It will be unfortunate if the impact of the recession offsets any gains made in reducing shelter usage in Hamilton.

The City of Hamilton administers provincial funding for the Rent Bank Program that is delivered by the Housing Help Centre. The Rent Bank provides loans to
households in rent arrears to prevent economic evictions. In total, Hamilton has received $780,555 from the Province, since the program began in 2004. This amount includes an additional allocation of $135,989 and a funding extension to May 31, 2009. This funding is a fixed amount and the Housing Help Centre has developed an expenditure plan to ensure funding is available throughout the term of the program. It is likely that the recession will result in more demand for the Rent Bank services; however, as the program is funded provincially and the budget is fixed, there is no additional funding available for potential additional demand. This will likely result in more economic evictions, in turn, resulting in greater emergency shelter use and additional applications for social housing.

While the City of Hamilton is not mandated to fund Food Banks, the City has historically provided occasional funding to the Food Bank sector in times of crisis, typically around the holiday season. Again, it is reasonable to expect an increased use of food banks because of the recession. The amount of additional use and the amount of additional funding needed by the food banks is difficult to estimate. However, there is a strong likelihood that the sector would look to the City to again provide funding in a crisis situation.

C. Market Rental Housing:

A balanced rental housing market is one where vacancy rates are between 2% and 3%. According to Canada Mortgage and Housing Corporation (CMHC), the vacancy rate for private rental apartments in the City of Hamilton was 3.5% in 2008. While this rate is considered to be in the “buyers’ market” range and thus helps to moderate rent levels, this rate has been declining since 2005 when it peaked at 4.8%.

Vacancy rates for rental apartments have been above 3% (or a “buyers’ market”) in recent years for a number of reasons. One key reason is the relative accessibility to home-ownership in Hamilton. According to the Realtors Association of Hamilton-Burlington, the City of Hamilton’s average resale price at the end of 2008 was $240,000. While out of reach for many Hamilton residents, this price is relatively affordable compared to prices in Greater Toronto Area (GTA) municipalities. This, together with recent strong employment, relatively low interest rates and low down-payment options, has allowed many newly formed households to bypass renting and enter directly into the ownership market.

However, as the recession takes hold in Hamilton, there may be more demand for rental accommodation, particularly if unemployment increases. This could force vacancy rates lower, which will likely have an inflationary impact on rents (each year the province stipulates the maximum allowable rent increase for rental units with sitting tenants without requiring approval from the Landlord and Tenant Board - 1.8% for 2009. However, vacant units are not subject to this rent increase guideline and landlords can charge any rent for unoccupied units). This will impact lower income rental households the greatest. This could result in economic evictions and greater
Conclusion:

The recession will be very difficult for the most vulnerable people in Hamilton. While difficult to quantify with any degree of precision, there is a strong likelihood that there will be increased demand for social service programs and services, including affordable housing and services to deal with homelessness. Specifically, in Hamilton we anticipate we will see the following:

- an increase in applications to the “Access to Housing” co-ordinated waiting list for RGI social housing;
- an increase in emergency shelter usage;
- an increased demand for Rent Bank funding to address rent arrears;
- an increase in Food Bank usage; and,
- a tightening rental market that will place pressure on rents to increase.

These programs and services are considered discretionary in the sense that the City is not obligated under legislation or legal agreements to provide more affordable housing than what already exists in the community.

However, a response is needed to the anticipated increase in need. The most effective and timely response would be for the senior levels of government to increase their funding for housing allowance and rent supplement. This would build upon the recent Federal budget that will provide additional funding for new affordable housing supply at slightly below average market rent levels, and help out the thousands of existing renter households that are paying in excess of 30% and 50% of their income on rent.

In addition, the Province should increase its funding for the Rent Bank program, extend the effective Hostels to Homes Pilot Project, and move forward on the City and community’s recommendations contained in the forthcoming Emergency Shelter Blueprint, including an increase in the per diem funding formula to reflect the true costs of operations and services provided.

Alternatives for Consideration:

Although not required to do so, the City could provide additional rent supplements/housing allowances and additional affordable housing development without requesting the assistance of senior levels of government. However, this option would have a significant impact on the City’s levy and is not financially feasible.
FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

Financial:

As the Service Manager for Social Housing, as designated under the Social Housing Reform Act, the City of Hamilton is mandated to maintain the RGI service level standard that existed when social housing was downloaded from the Province. Social housing providers cannot unilaterally increase the number of RGI units within their portfolios beyond the original service level standard. Any requests to increase the number of RGI units must be made to the Service Manager and be approved by Council, as the cost of any increase in the number of RGI units is a direct net levy impact. The average annual cost of a social housing unit in Hamilton is approximately $4,000. For example, an increase of 1,000 RGI units within the 14,200 unit stock of social housing in Hamilton would increase the tax levy by $4 million. The current net levy impact for the social housing subsidy is $36.9 million.

Typically, the City of Hamilton has budgeted for the emergency shelter program at 80% occupancy. The 2009 budget for this program is $4.92 million cost shared 80/20 with the Province. Should shelter operators bill additional per diems due to increased occupancy beyond 80%, this would result in a pressure in the Emergency Shelter Program’s budget. At 100% occupancy, the additional billings would result in a pressure of approximately $1.3 million in 2009, resulting in a net levy impact of 20% or $260,000.

Staffing:

There are no staffing implications associated with the recommendations of Report ECS08046(a).

Legal:

While demand for social housing units will likely increase, as a result of the recession, the City is not obliged or legally mandated to increase the stock through new social housing construction or through additional rent supplement/housing allowances.

The Social Housing Reform Act prescribes that the City of Hamilton is mandated to maintain the RGI service level standard that existed when social housing was downloaded from the Province.

POLICIES AFFECTING PROPOSAL:

None.
SUBJECT: Financial Exposure to the Potential Increase in Demand for Affordable Housing Due to the Recession (ECS08046(a)) (City Wide) - Page 9 of 9

RELEVANT CONSULTATION:

- Community Services Department, Housing Division
- Corporate Services Department, Budgets & Finance Division, Finance & Administration Section

CITY STRATEGIC COMMITMENT:

By evaluating the “Triple Bottom Line”, (community, environment, and economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

**Community Well-Being is enhanced.** ☑ Yes ☐ No
By addressing the housing needs of lower income and vulnerable households in Hamilton, community well-being is being enhanced.

**Environmental Well-Being is enhanced.** ☐ Yes ☑ No

**Economic Well-Being is enhanced.** ☑ Yes ☐ No
The provision of safe and secure affordable housing stabilizes people’s lives so that they can improve their economic situation and that of the community.

**Does the option you are recommending create value across all three bottom lines?** ☐ Yes ☑ No

**Do the options you are recommending make Hamilton a City of choice for high performance public servants?** ☑ Yes ☐ No