

# CURE



## About the Center

The Centre for Urban Research and Education (CURE) is a multi-disciplinary network of researchers, primarily from Carleton University, who share an interest and commitment to strengthening municipal and urban affairs. With diverse experience, expertise and perspectives, the CURE network carries out collaborative research in areas including community governance, citizen engagement and local capacity building around planning for infrastructure to support social, economic, and environmental sustainability.

## Vision and Goals

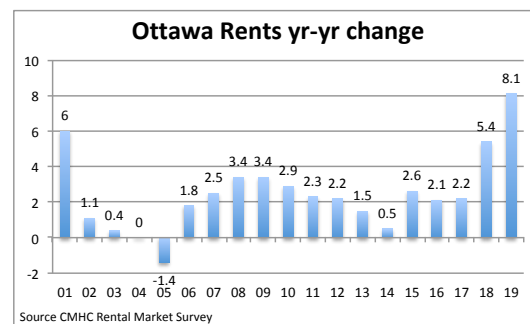
We are committed to strengthening governance, policy making, and management in urban areas through collaborative research, community engagement, and education.

## A homeless and housing emergency in Ottawa

By Steve Pomeroy, Senior Research Fellow

This week CMHC released its annual Rental Market Survey Report (based on the October 2019 survey), and the Ottawa report presents a cause to be alarmed. Ottawa is facing a serious and seemingly intractable housing affordability crisis:

- Over the past year the average rent in Ottawa increased by 8% (and its 13.5% over the last two years). Whose income has gone up by 13% in two years?

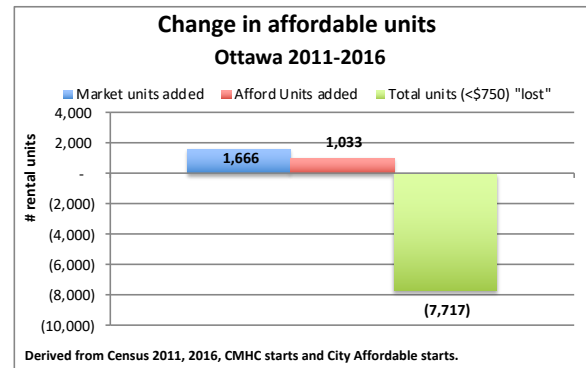


- Vacancy rates have edged upward (1.6% up to 1.8%) but remain well below the healthy benchmark of 3%.
- While increased vacancies should relieve some pressure from the rental system, such relief has not materialized.
- At 8% this is the highest rate of increase in the average rent of any city in Canada, and more than four times greater than the Ontario rent increase guideline (1.8%) and the inflation rate (1.9%).
- And that is the overall average, weighted down by the four-fifths of units that were limited to the 1.8% guideline increase. For units that were vacated and re-let (19.9% of all rental apartments) the rents on average two bed unit increased by 18.4%.
- The average bachelor unit now rents for \$933 a month, almost double the ODSP shelter rate (\$497). So, it's impossible to implement a housing first program to enable chronic homeless to relocate out of emergency shelters.
- With 3 bed rents averaging \$1,819, its equally impossible to assist refugee families, many of whom, two years after arriving are still living in temporary motel accommodations.

- Two people in a household working at minimum wage can at most afford to pay \$1,365, not even sufficient to rent the average two bed units at \$1,410. To afford this average two bed unit requires an annual income over \$56,000.
- Since 2017 new rental construction has increased substantially, with over 1,100 new rent apartments coming onto the market in 2019, compared to an average of less than 400 per year in the decade prior to 2018. But these new units are not helping to address affordability. The rents are high, over 170% of the average level e.g. a new two-bed rents for over \$2,300 vs. the average of \$1,410).
- So new construction helps meet demand from middle income professionals, but not from the poor – those working in the service economy at minimum wage or those on income assistance.

And to make things worse, while we are building a minimal number of new affordable units under the Action Ottawa assistance, for every new affordable unit constructed we have lost seven existing lower rent units (rent under \$750 per month).

And as rents increase at two to three times the rate of inflation, the number of units in more affordable lower rent ranges continues to diminish every year – eroded by intensification and smart growth policies that lead to demolition and redevelopment of existing affordable homes, replaced by higher prices and rents.



Between 2011-16 the number of units renting under \$750/month declined by 7,700 units – while only 1033 new affordable units were added. Some are absolutely lost through demolition; in other cases, the units still exist but the rents have pushed much higher (above \$750).

### Quantifying the crisis

- An obvious symptom of the lack of affordable housing options is a growing cry for assistance – the social housing waiting list reach a new peak of 12,163 households in 2018, up from 10,597 in 2017, an increase of 15%.
- CMHC official measure of need – core housing need reached a peak level in 2016 (49,282) and has undoubtedly increased since. The majority of these are renters (35,600) and renters experience a much higher level of core need with one in every three in need compared to owners (1 in every 20). Core housing need -all and renters vs 2011
- And homelessness persists and is growing – especially for families. In 2018 almost 8,000 unique individuals used an emergency shelter, up 17% from 2015; Over 1000 families (with 3,600 people) used a family shelter (including emergency motels) up 40% from 770 families in 2015

**In short, every single metric used to measure and assess housing and homelessness has been on a steady upward trajectory for the past decade.**

While there have been efforts to respond by building affordable housing or adding rental assistance and rent supplements, the pace in the growth of need and homelessness outstrips responses every year, leaving a mounting backlog – a crisis that is steadily intensifying.

## Responding to the challenge

As part of its ongoing activities, the City's Social Housing Branch is charged with creating and delivering on a plan to address housing need and homelessness. It delivers a range of housing programs, many partially or wholly funded by province, both to subsidize rents, and to support the construction of new affordable housing. But the level of output from these programs is woefully inadequate.

For the initial phase of the Ten-Year Housing and Homeless Plan the City targeted building 300 new affordable or supported housing units (100 per year) and assisting a total of 150-300 households with rent supplements or housing allowances. While representative of the funding levels available, these targets do not even keep up with the grow in need, let alone to address the backlog that has built up over decades of insufficient action. To manage what is evolving as a crisis, a far more substantial level of funding is needed.

In 2017 the Federal government has announced and is implementing a new National Housing Strategy, which in partnership with the province is intended to expand and existing and add new funding programs with the goal to:

- Reduce chronic homelessness by 50%; and:
- Reduce renter housing need [as measured by CMHC official metric of core housing need] by 50%

Homeless advocates have strongly argued that since chronic homeless account for only a small fraction (fewer than 10% of all homelessness, this goal should be revised to completely end (100% reduction) chronic homelessness (i.e. those living for extended periods in the emergency system).

Only if this issue is recognized as the emergency crisis that it is, and if necessary emergency funding is allocated – from all levels of government – is it possible to appropriately and effectively meet these targets (both locally and nationally).

## ***Quantifying the need and targets for Ottawa***

For Ottawa to contribute to these two national housing and homeless goals would mean:

1. Reducing renter housing need from the 2016 census level of 36,000 by 50% = 18,000 households assisted, plus avoiding any further growth in housing need.
  - Achieving this over the next 10 years means assisting 1,800 households per year, a six-fold increase over the targets established in the initial Ten-Year Plan (2014-24)
2. End chronic homeless in Ottawa (a 100% reduction).
  - In Ottawa, the number of chronic homeless singles has fluctuated around 450 for the last five years, falling marginally to 422 in 2017, due to Housing First placements. Meanwhile episodic single homeless has averaged around 80. Combining the total of episodic and chronic establishes a universe of roughly 500.
  - Reducing this by 100 individuals per year is a realistic and achievable goal and would result in a 100% reduction in five years, by 2024. This requires a concerted effort and strategic use of Housing First and investments in purpose built supportive housing to reduce chronic homelessness by 100% (i.e. house all 500 by 2024).

And in addition, complementary initiatives are needed to manage new the flow of newly homeless persons arriving at shelters; and to prevent new homeless individuals and families from flowing into the chronic stage (by remaining in emergency shelters for more than 180 days).

Research has determined that the cost of emergency services consumed by homeless persons exceeds the cost of responding to homelessness by housing these individuals by a factor of three to one. It is more cost effective to end homelessness than it is to sustain it under a “business as usual” approach. This will require some reform and reorientation of existing services delivered in the shelter system – and resourcing to ensure that those seeking to

exit short term (emergency) homelessness can find and secure housing they can reasonably afford.

### **Costing the challenge**

As noted, the City's inability to respond in the past has been a result of insufficient funding. In order to achieve these targets a combination of initiatives with increased funding is critical.

#### **1. Reduce need (assist 1,800 per year)**

Three quarters (1,400) of renter households in need face mainly an affordability problem, so providing rental assistance via a housing allowance can effectively address their problem. Although the recently announced Canada-Ontario Housing benefit is premised on providing on average \$2,500 (\$210/month) per household, recent experience in Ottawa (seeking to house individuals and families coming out of the shelters) indicates that on average a housing allowance at \$500/month is needed. The estimates below are therefore based on the \$500 level. It is assumed that 1,400 new renter households are assisted annually (so after 8 years a total of 11,200 are assisted).

The lack of, and ongoing erosion of existing affordable units dictates some level of new construction of affordable rentals, and this is appropriate for the remaining one-quarter (400 units) of renter need. To build with a mixed rent model with roughly one third each at low rent-g geared to income (RGI) type rents, moderate affordable at 80% average market rent (AMR) and market at 120% AMR will still require some capital subsidy. This assumes a capital grant at \$100,000 per unit, with rent revenues covering financing and operating costs, so that there is no need for ongoing subsidy.

#### **2. End Chronic Homelessness (Stabilize 100 per year)**

The Housing First approach used a mix of placement in market housing, with dedicated support teams, and some purpose-built supportive housing. Limited affordable market options dictate that at least half will require construction of appropriate (e.g. micro suite supported housing). Accordingly, it is assumed this target is met with 50 per in community placements (at average support costs per individual of \$10,000) and 50 by building small properties (20-30 units each) of micro-suites, at an average capital cost of \$180,000 (covering 100% of cost, so no debt). The costing assumes an increment of 100 such permanent supportive housing is added each year.

It is further assumed that ongoing property operating costs are covered from rents, set at the ODSP maximum (\$497). Critical ongoing supports, including comprehensive wrap around support services with on site and team of visiting professionals providing a full array of supports, including case management, community development recreation and life-skills support are estimated based on existing operators at \$10,000 per unit/year.

### ***Summary of budgetary requirements***

The capital expenditures are one-time spending and enable creation of the specified increment of 400 mixed-affordable and 50 supportive units per year. After 8 years this add a cumulative total of 11,200 mixed-affordable and 400 units of supportive housing.

Separately, the housing allowance and support costs escalate with each annual increment of households assisted or units added. These start at modest, quite manageable levels, but increase over time, as additional households or units added each year.

Estimated annual and cumulative cost to achieve targets (\$ millions)								
Reduce need: Assist 1,800 per year	2020	2021	2022	2023	2024	2025	2026	2027
Capital: 400 new homes @100k	40	40	40	40	40	40	40	40
Annual Operating: 1,400 HA's @\$500	8	17	25	34	42	50	59	67
<b>Subtotal reduce need</b>	<b>48</b>	<b>57</b>	<b>65</b>	<b>74</b>	<b>82</b>	<b>90</b>	<b>99</b>	<b>107</b>
End Chronic Homelessness (by 2024) **								
Capital: Build 50 supportive/yr. @180k	9	18	18	18	18	18	18	18
Annual Operating: Fund supports 100@10,000/person/yr.	1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0
Rent supplements 50@\$500/individual	0.3	0.6	0.9	1.2	1.5	1.8	2.1	2.4
<b>Sub-total reduce homeless</b>	<b>10</b>	<b>21</b>	<b>22</b>	<b>23</b>	<b>25</b>	<b>26</b>	<b>27</b>	<b>28</b>
<b>Combined total (annual required spending)</b>	<b>59</b>	<b>77</b>	<b>87</b>	<b>97</b>	<b>107</b>	<b>116</b>	<b>126</b>	<b>136</b>
* Continue invest beyond 2024 to capture future chronic								

## Sharing the cost

Currently the city delivers housing subsidies and new initiatives on behalf of and with financial support of the federal and provincial government. The current funding allocations are identified below. While some portion of these transfers from Ontario and Canada will be available to fund new initiatives, part of these transfers flow to sustain existing programming, so are unavailable to fund the new initiatives.

FUNDING ALLOCATIONS: Ontario/CMHC to City of Ottawa			
	\$millions		
<b>New Programs (NHS)</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
Ontario Priorities Housing Initiative (OPHI)	\$7.60	\$3.90	\$6.10
Canada-Ontario Community Housing Initiative (COCHI)	\$4.80	\$7.30	\$10.20
Canada-Ontario Housing Benefit (COHB)	\$12.00	\$12.00	\$12.00
Reaching Home	\$1.50	\$1.50	\$1.50
<b>Subtotal New</b>	<b>\$25.90</b>	<b>\$23.20</b>	<b>\$28.30</b>
<b>EXISTING PROGRAM</b>			
Community Homelessness Prevention Initiative (CHPI)	\$37.60	\$38.60	\$38.60
Home for Good – Operating (HFG)	\$4.70	\$4.70	\$4.70
<b>Subtotal existing</b>	<b>\$42.30</b>	<b>\$43.30</b>	<b>\$43.30</b>
<b>Total</b>	<b>\$68.20</b>	<b>\$66.50</b>	<b>\$71.60</b>
OPHI –supports new affordable housing development, housing subsidies and the Ontario Renovates program			
COCHI - Reinstates and backstops the loss of federal funding for social housing programs			
COHB - proposed new portable housing allowance - budget estimated on per capital share of Dec 2019 announcement			

Although the City has tried to augment federal-provincial funding with its own revenues, including a new annual commitment of \$15 million, these are seriously constrained.

Planned transfers under existing housing and homeless programming and proposed new initiatives related to the

NHS will partially cover the new expenditures estimated under the identified realistic targets, but these are insufficient to match the planned incremental increases expected and required to achieve the identified targets.

The critical issue underpinning the City's inability to keep up with or get ahead of this crisis has been the insufficient level of funding.

It is estimated that from these planned transfers, only \$22-25 million annually will be available under the NHS transfers (the rest is allocated to retrofit and preserve RGI levels in existing social housing).

The province separately transfers some \$43 million to assist in funding community services and facilities (Community Homelessness Prevention Initiatives, CHPI), but again most of this funding flows to existing services.

<b>Quantifying Spending Necessary to Respond to the Housing and Homeless Crisis (\$ millions)</b>								
	2020	2021	2022	2023	2024	2025	2026	2027
<b>Currently planned:</b>	\$59	\$77	\$87	\$97	\$107	\$116	\$126	\$136
<b>Fed-Prov (NHS new initiatives) **</b>	\$22	\$24	\$24	\$24	\$24	\$24	\$24	\$24
<b>City</b>	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15
Subtotal anticipated	<b>\$37</b>	<b>\$39</b>	<b>\$39</b>	<b>\$39</b>	<b>\$39</b>	<b>\$39</b>	<b>\$39</b>	<b>\$39</b>
<b>Annual required to achieve targets</b>	\$59	\$77	\$87	\$97	\$107	\$116	\$126	\$136
Shortfall	<b>\$22</b>	<b>\$38</b>	<b>\$48</b>	<b>\$58</b>	<b>\$67</b>	<b>\$77</b>	<b>\$87</b>	<b>\$96</b>
<b>** only portion available for new initiatives</b>								

Across the existing federal-prov-city funding systems, it is anticipated that up to \$39 million per year can be directed to fund the new initiatives identified above (housing allowances and new construction targets).

Comparing this to the annual funding required to achieve the targets (50% reduction in need and 100% reduction in chronic homelessness) this leaves an immediate shortfall of \$22 million (2020-21). This shortfall gradually expands to \$67 million by 2024 (and continues beyond) as the number of households assisted in incrementally increased toward achieving the ultimate targets of respective 50% reductions in both housing need and eliminating any chronic homelessness.

The federal government has set out ambitious targets in the National Housing Strategy, and the province of Ontario has signed on through a bilateral agreement, to significantly improve housing affordability challenges of Canada's most vulnerable citizens. Together they have committed to a substantial reduction in affordable housing need (as reflected in large wait lists) and the elimination of long-term chronic homelessness.

To achieve these goals, it is critical that all jurisdictions across the country support and implement necessary responses.

While the City of Ottawa wishes to play its part, and has committed its own funding resources (despite far more constrained fiscal capacity than the provincial and federal government) the quantification of realistic targets and comparison of planned versus necessary spending levels reveals that without declaring this a national emergency, and increasing the level of funding accordingly, housing affordability and homelessness in Ottawa and across the country will continue to grow.

If the federal and provincial governments are committed to achieving the two goals of the National Housing Strategy it's time to put their money where their mouth is, to fund the shortfall identified above, commencing at \$22 million in 2020 and rising to \$67 million in 2024, the final year of the City Ten Year Housing and Homeless Plan.