

## Chapter 1

### Section 1.14

Ministry of Municipal Affairs and Housing

# Social and Affordable Housing

Follow-Up on VFM Section 3.14, *2017 Annual Report*

#### RECOMMENDATION STATUS OVERVIEW

	# of Actions Recommended	Status of Actions Recommended				
		Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	2			2		
Recommendation 2	1		1			
Recommendation 3	2			2		
Recommendation 4	2	1		1		
Recommendation 5	1			1		
Recommendation 6	2	1		1		
Recommendation 7	1				1	
Recommendation 8	1	1				
Recommendation 9	2	1	1			
Recommendation 10	1			1		
Recommendation 11	2			2		
Recommendation 12	1				1	
Recommendation 13	4			4		
Recommendation 14	1		1			
Recommendation 15	1	1				
<b>Total</b>	<b>24</b>	<b>5</b>	<b>3</b>	<b>14</b>	<b>2</b>	<b>0</b>
<b>%</b>	<b>100</b>	<b>21</b>	<b>13</b>	<b>58</b>	<b>8</b>	<b>0</b>

## Overall Conclusion

As of September 2019, the Ministry of Municipal Affairs and Housing has fully implemented 21% of the actions we recommended in our

*2017 Annual Report*. The Ministry is in the process of implementing a further 13% of the actions we recommended.

For example, the Ministry has either fully implemented, or is in the process of implementing:

- tracking and reporting on the number of subsidies municipal service managers provide, compared to the legislated standard of providing social housing to a minimum of 186,717 households across the province, and following up to develop action plans when standards are not met; and
- simplifying the rent-geared-to-income calculation.

However, the Ministry has made little progress implementing 58% of the actions we recommended. At the time of our follow-up, some of the areas that still required significant work included:

- gathering and analyzing information on social housing vacancy rates, wait lists and the living conditions of individuals waiting to receive social housing to enable housing programs to be designed and delivered based on actual needs in communities;
- co-ordinating with municipal service managers and ministries such as the Ministry of Colleges and Universities, the Ministry of Labour, Training and Skills Development, and the Ministry of Children, Community and Social Services (formerly the Ministry of Advanced Education and Skills Development, and the Ministry of Community and Social Services) to support social housing recipients transitioning out of social housing; and
- requiring that municipal service managers conduct reviews, and implement policies and procedures to ensure that social housing subsidies are provided only to eligible tenants.

Overall, the Ministry advised us that it remains committed to implementing most of our recommendations; however, more time would be needed. We also found the Ministry will not be implementing two, or 8%, of our recommended actions.

The status of actions taken on each of our recommendations is described in this report.

## Background

According to Statistics Canada, 1.8 million low-income individuals lived in Ontario in 2017 (1.9 million in 2016). Low-income individuals are defined as those living in a household whose take-home income is less than half of the median after-tax income of comparably sized households.

Low-income Ontarians who have to pay market rates for rental housing often have little money left for other essentials such as food, forcing some of them to live in shelters or housing inadequate for their family's needs.

In response, the province developed a variety of programs over many years to help these Ontarians attain affordable housing, defined as costing no more than 30% of a household's total pre-tax income.

The biggest such program, governed by the *Housing Services Act* (Act), requires municipalities to provide social housing to about 187,000 households in the province, operated mainly by not-for-profit organizations, co-ops, and municipal housing corporations for which tenants receive benefits so that their rent is equal to 30% of their gross income.

About another 78,000 units not covered by the Act offer rents-geared-to-income or lower-than-market rates. Since 2002, the federal and provincial governments have also jointly funded additional initiatives aimed at increasing the availability of housing for low-income households.

Our audit in 2017 found that there was no provincial strategy to address growing social housing wait lists or the housing needs of growing numbers of low-income Ontarians. Some specific observations in our audit included:

- Ontario had the largest social housing wait list in the country. There were more people on wait lists for social housing than there were occupying social housing. As of December 2016, Ontario's wait list was 185,000 households, representing about 481,000 people, or 3.4% of the province's total population. This

represented the highest proportion of any province.

- Wait times were lengthy and growing even longer. Applicants on wait lists could only get a social housing subsidy when a vacancy arose. However, only about 5% of people on wait lists got housing in any given year. Wait times at the service providers we visited ranged from about two years to over nine years.
- Housing was provided on a first-come, first-served basis, not on assessed need. Apart from victims of abuse, who received priority, there were no other provincial priorities, and thus housing was provided based largely on when an applicant joined the wait list. We noted that British Columbia, for example, assessed factors such as income level, rent paid, and adequacy of current housing conditions. In Ontario, most applicants received a subsidy generally based on when they joined the wait list; applicants had been known to own assets such as a home, or be living and working in other provinces, while being on Ontario's wait lists.
- Few affordable units had been built since 1996. Despite an increase in demand, only 20,000 below-market units had been built in the previous two decades. Governments had not made the building of affordable rental units a priority. Since 1996, 1.3 million new condominium units and houses had been built in the province, but only 71,000 market-rate rental units and 20,000 affordable rentals.
- Affordability challenges were likely to increase over the 15 years after our audit. Contracts with housing providers to offer affordable rents for 83,000 units were beginning to expire (about 50% will have expired by the end of 2020, and the last by 2033). Some housing providers had already increased rents and were converting affordable units (about 20% below-market rent) to market-rent units. The Ministry of Housing (Ministry) did not have complete information on how many affordable

units had been lost and what the impact had been on tenants.

We made 15 recommendations, consisting of 24 action items, to address our audit findings.

We received commitment from the Ministry that it would take action to address our recommendations.

## Status of Actions Taken on Recommendations

We conducted assurance work between April 2019 and September 2019. We obtained written representation from the Ministry of Housing and Municipal Affairs that effective October 31, 2019, it had provided us with a complete update of the status of the recommendations we made in the original audit two years ago.

### Need for Social Housing Growing While Vacancies Decreasing

#### Recommendation 1

*In order for housing programs to be designed and delivered based on actual needs in communities, we recommend that the Ministry of Housing:*

- *co-ordinate with municipal service managers to periodically gather and analyze information on social housing vacancy rates, wait lists, and the living conditions of individuals waiting to receive social housing, and other relevant data,*  
**Status: Little or no progress.**

#### Details

In our 2017 audit, we noted that the number of applicants on wait lists for social housing in Ontario had increased by 36% from 136,000 households in 2004 to 185,000 households in 2016. In the Greater Toronto and Hamilton Area, the increase was even greater at 41%. We also noted that data on causes of these significant

increases, such as rising immigration to urban centres and the rise in housing prices, were not collected by the Ministry.

Our 2017 audit also found that the Ministry did not collect information on the difficulties faced by those on wait lists, but a few municipal service managers had conducted surveys of wait-listed applicants to try to gain a deeper understanding of their situations. In one area with about 6,000 individuals on the wait list, the municipal service manager noted that single adults who received social assistance did not have enough income to afford market rents and frequently used emergency shelters.

Our 2017 audit also identified that although wait-time information and the number of vacancies filled each year were available from municipal service managers, the Ministry did not obtain, track or analyze this information. Such central analysis would have assisted in making informed policy decisions that could have addressed the trend toward fewer available vacancies for applicants.

In our follow-up, we found that although the Ministry had taken some steps toward implementing this recommendation, significant work remained outstanding.

The steps the Ministry had already taken to coordinate with municipal service managers to gather and analyze information included:

- administering a one-time survey to municipal service managers in 2018 to gather information on how social housing wait lists are managed across the province, including the number of households on each municipal service manager's wait list and each household's priority status;
- evaluating the Investment in Affordable Housing program (completed in 2018), including gathering information from a small subset of households on social housing wait lists to better understand their situations and whether their needs were being met;

- identifying strategies with municipal service managers to collect and manage more useful data on housing and homelessness;
- negotiating with the Canada Mortgage and Housing Corporation to receive data on social housing vacancy rates, turnover rates, and average wait times from their Social and Affordable Housing Survey; and
- completing a data collection plan in September 2019 to identify the data the Ministry intends to collect and the sources from which to collect it from.

However, the Ministry's data collection plan outlines a number of steps that are outstanding to implement the plan and begin gathering and analyzing the data to address this recommendation. This includes developing a participant outcome survey to, among other things, understand the needs and housing situation of social housing program participants, and implementing changes to its existing data reporting processes with municipal service managers to collect data on social housing vacancy rates and information on wait lists.

- *refine and design housing programs based on the needs identified.*

**Status: Little or no progress.**

#### Details

In our follow up, we found that that the Ministry had taken some steps to refine programs based on identified needs. For example, the Ministry used the results of a 2018 evaluation to make program changes related to affordable housing. These changes included removing the \$150,000 funding maximum for the construction of rental housing units to encourage the development of larger units for bigger families.

However, we found that the Ministry was still implementing its data collection plan to periodically gather and analyze the data needed to refine and design housing programs based on identified needs.

## Housing Provided to Applicants on a First-Come First-Served Basis, Not on Assessed Need

### Recommendation 2

*To better ensure that limited resources are used to help households with the highest needs, we recommend that the Ministry of Housing work with municipal service managers on developing a new needs-based eligibility and prioritization process that incorporates relevant information, such as assets owned by applicants, when deciding who should receive social housing subsidies.*

**Status:** In the process of being implemented by December 2021.

#### Details

In our 2017 audit we noted that as there were 185,000 households on wait lists for social housing, and only 5% of current units become available each year, it would be reasonable for the Ministry to try to ensure that those with the greatest need were prioritized when units become available.

Municipal service managers are not required to provide available subsidies based on need. Rather, the *Housing Services Act* requires that housing decisions be made according to when applicants were placed on the wait list, with the exception of individuals experiencing domestic abuse, who receive first priority.

We also noted that although municipalities can establish local priorities, not all do so. As a result, local priorities vary significantly across the province. For example, households at risk of eviction are prioritized in only two of the 47 areas in the province.

In our follow-up, we found that the Ministry had made some progress toward implementing this recommendation. The Ministry researched wait-list models in other jurisdictions, and surveyed municipal service managers in 2018 to gather information on how social housing wait lists are managed across the province, including local priorities, rules and asset limits. The Ministry also advised us that to begin addressing this recommendation, regulatory changes were made in September 2019 that will

restrict the ability of households on wait lists for social housing to refuse offers of assistance, except in extenuating circumstances. All municipal service managers are required to comply with this change by January 1, 2021.

To work towards implementing this recommendation the Ministry also plans to require municipal service managers to set asset limits for households applying for rent-geared-to-income assistance. The Ministry advised us that this change could come into effect as early as July 1, 2020. To fully address this recommendation, the Ministry expects to complete the development of a new needs-based eligibility and prioritization system by December 2021.

## Ontario Is Not Effective in Transitioning Tenants Off Social Housing

### Recommendation 3

*To support social housing recipients in transitioning out of social housing, we recommend that the Ministry of Housing co-ordinate with municipal service managers, the Ministry of Community and Social Services, and the Ministry of Advanced Education and Skills Development to:*

- *develop and implement a process that provides dedicated supports, such as employment or educational supports, to those social housing tenants who are able to enter the workforce or upgrade their education;*

**Status:** Little or no progress.

#### Details

Our 2017 audit found that even though Ontario has an employment supports system, there was a lack of co-ordination between Ontario Works, the provincial employment support program, and the municipal service managers delivering social housing. We noted there are no targeted programs for social housing recipients who are able to work and might improve their incomes, move to market units, and create vacancies for other individuals in need.

Although the Ministry advised us that municipal service managers may provide such programs, we noted from our survey and field visits that many municipal service managers did not provide such programs as they are not legally obligated to do so.

In our 2017 audit, we also found that while Ontario offers rent discounts to students pursuing higher education, these incentives are not offered to all students. Adults upgrading their education as mature students are not offered rent discounts offered to students who have recently graduated high school, creating a disincentive for mature adults to pursue higher education.

In our follow-up, the Ministry advised us that regulatory amendments had been made to exempt the income of all tenants in full-time studies from rent calculations—removing the disincentive for mature adults to pursue higher education. These changes are scheduled to take effect by July 1, 2021. However, we found that the Ministry’s progress toward implementing this recommendation had been otherwise limited. The Ministry had researched improving tenant economic mobility, and access to education and employment supports for social housing tenants. The Ministry had also begun to explore partnerships with other ministries including the Ministry of Colleges and Universities, and the Ministry of Labour, Training and Skills Development (formerly the Ministry of Advanced Education and Skills Development) to develop education and employment supports for social housing tenants.

The Ministry advised us that changes to employment support programs at partner ministries were pending. The Ministry advised that it would work with partner ministries, once changes were finalized, to implement this recommendation by December 2020.

- *track and report on metrics that assess the effectiveness of this transition process.*

**Status: Little or no progress.**

#### Details

In our follow-up, we found that the Ministry’s progress to implement this recommendation had been limited. The Ministry had drafted metrics that could provide insight on whether social housing recipients are receiving supports to help them transition out of social housing. However, the Ministry was not yet collecting this information. In addition, a process to provide dedicated supports to social housing recipients to help them transition out of social housing, such as employment or educational supports, had not been developed. Similarly, metrics related to such supports had not been established.

### Affordability Challenges Likely to Occur When Housing Contracts and Rent Supplements Expire over the Next Decade

#### Recommendation 4

*To proactively assess the impact of housing providers’ contract expirations on low-income tenants, we recommend that the Ministry of Housing work with municipal service managers to:*

- *identify the impact of contract expirations on the overall supply of affordable housing stock;*

**Status: Fully implemented.**

#### Details

In our 2017 audit, we noted that there was a possibility that housing providers for about 83,000 units would convert affordable rental units to market-rate rental units. Province-wide, 50% of the contracts with housing providers for these units will expire by 2020, and the remainder by 2033 at the latest. These 83,000 units accounted for almost one-third of the 285,000 affordable rentals across the province. However, we noted that the Ministry had not taken an active role in addressing the potential consequences of these expiring contracts.

In our 2017 audit, we noted that the Ministry had attempted to gather basic data on the number

of units that had been converted to market-rate rents. However, the data was incomplete and lacked the detail needed to determine the number of units that had already been converted to market-rate rents, and those that were expected to be converted to market-rate rents as contracts expired. We noted this information would be useful to determine the impact on the supply of affordable units because of expiring contracts.

After our 2017 audit, the Ministry created a record of social housing projects with agreements set to expire. The Ministry also analyzed the potential impacts of expiring operating agreements and expiring mortgages.

For federally funded projects (approximately 16% of the social housing portfolio), providers are not required to continue their social housing obligations when the agreement expires. The Ministry determined there was a high risk of these units no longer operating as subsidized social housing. For projects originally receiving provincial funding (approximately 32% of the social housing portfolio), providers have a legislated obligation to continue to provide social housing after a mortgage expires. However, these providers might still pursue plans to reduce their legislated obligations and transition out of the system. The risk of losing this social housing stock could be addressed by provincial incentives to encourage providers to stay in the system.

The Ministry advised us that, through dialogue with representatives of housing providers and municipal service managers, they learned about factors that would affect a provider's decision about whether to continue with social housing following mortgage or contract expiry. These factors, such as financial viability, or discontent with obligations such as waitlist rules, are specific to each project. The Ministry also advised us that housing providers' decisions would depend on these factors at the time of their contract expiry, and could not be predicted in advance. Due to this uncertainty, instead of focusing on what the impact of contract expirations would be, the Ministry decided to develop incentives for

housing providers to stay in the social housing system when their contracts or mortgages expire.

- *put in place options considered necessary to address the financial impact on low-income tenants of contracts expiring.*

**Status: Little or no progress.**

#### Details

In our 2017 audit, we found that the Ministry had done little to assess the potential long-term effects of losing up to 83,000 affordable rental units, and that the Ministry had employed an uncoordinated, patchwork approach to addressing this potential loss.

In our follow-up, we found that significant work was still required to implement this recommendation. In April 2019, the Ministry released its new Community Housing Renewal Strategy, which sets out the government's intent to stabilize and grow the community housing sector. The strategy includes a focus on mitigating the risks associated with expiring operating agreements and mortgages for legacy social housing providers. The Ministry advised us that it planned to create incentives for housing providers to stay in the system once their original obligations ended to protect the supply of social housing and to minimize the impacts of contract expirations for low-income tenants.

The Ministry signed an agreement with the Canada Mortgage and Housing Corporation (CMHC) under the National Housing Strategy in April 2018 that includes annual funding for the Canada-Ontario Community Housing Initiative. This funding is exclusively available to existing providers who continue to provide social housing. The Ministry submitted its action plan for the first three years of the nine-year agreement to CMHC for review in July 2019, and expects to receive approval and begin providing funds to municipal service managers under this initiative by the end of 2019. The Ministry had also planned to make regulatory changes and legislative proposals that would provide more financial flexibility for housing providers to encourage them to continue to make housing available to low-income tenants.

### Recommendation 5

*To provide clarity to municipal service managers and current recipients of the Strong Communities Rent Supplement Program, we recommend that the Ministry of Housing clearly communicate to municipal service managers its intentions about the future funding responsibilities of this program, and work with the municipal service managers to address the potential future needs of households currently funded.*

**Status: Little or no progress.**

#### Details

In our 2017 audit, we noted that rent supplements that the Ministry had been providing since 2003 to about 6,500 households under the Strong Communities Rent Supplement Program were set to expire by 2023. However, the Ministry had not informed municipal service managers whether it would renew this funding. During our 2017 audit, we contacted three large municipal service managers that accounted for about 2,650 of the 6,500 subsidies, and noted that about half of the subsidy recipients were either individuals with disabilities or seniors. We noted that for these households, a move could cause undue hardship.

In our follow-up, we found that the Ministry had not made progress implementing this recommendation. However, the Ministry indicated that it intended to provide options to the government to consider as part of its 2020 multi-year planning and budgeting cycle.

## Few Affordable Rental Units Built Since 1996

### Recommendation 6

*To encourage the not-for-profit sector to contribute toward increasing the supply of affordable housing, we recommend that the Ministry of Housing:*

- *co-ordinate with municipal service managers the sharing of best practices in encouraging and supporting the not-for-profit development of affordable rental units;*

**Status: Little or no progress.**

#### Details

In our 2017 audit, we noted that not-for-profit organizations generally have more difficulty than private developers qualifying for construction grants. Not-for-profits do not have the required technical and financial resources to submit construction-ready projects without receiving additional supports. We noted that the Ministry had acknowledged that not-for-profits needed more support in applying for construction funding. However, the Ministry had not taken steps to provide not-for-profits with the required supports.

In our 2017 audit, we also noted that based on our review of files at nine municipal service managers, only one municipal service manager we visited had a large proportion of not-for-profit development. The municipal service manager had provided support throughout the process, not-for-profits in that area shared resources, and the area was known for successfully raising funds through large donations and fundraising events.

In our follow-up, we found that the Ministry had taken limited action toward implementing this recommendation. The Ministry advised us that it convened a meeting in March 2019 with non-profit housing developers to discuss the various barriers and impediments they experienced in building new affordable housing. The Ministry noted that it planned to consult with municipal service managers and housing providers by the end of 2019 to identify capacity gaps, and areas for improvement to promote efficiency and sustainability. This would include identification of best practices in encouraging and supporting the development of affordable not-for-profit housing units.

- *work together with the federal government to implement rule changes to allow the construction of affordable home-ownership units through grants, similar to the ones provided for the construction of affordable rentals, where funding is provided when construction milestones are met.*

**Status: Fully implemented.**

### Details

In our 2017 audit, we found that rule changes were needed to promote not-for-profit partnerships to build new houses. We noted that the province and federal government provide down-payment assistance to help existing low-income renters purchase homes. But in areas where home prices have risen and are expensive, low-income families cannot afford mortgage payments for homes. Therefore, municipal service managers try to collaborate with not-for-profits, such as Habitat for Humanity, to construct new homes at a reduced cost to the buyer. However, three out of the four municipal service managers we visited that could benefit from these not-for-profit partnerships were no longer providing this program or had started to phase it out due to program restrictions. For example, the program provides funding only after a buyer has signed a purchase agreement—an event which does not correlate to when construction costs are incurred.

In our follow-up, we noted that the Ministry had fully implemented this recommendation. The Ministry signed an agreement with Canada Mortgage and Housing Corporation (CMHC) under the National Housing Strategy in April 2018 that includes providing annual funding for the Ontario Priorities Housing Initiative. In April 2019, the Ministry released guidelines for this initiative to municipal service managers. Under these guidelines, municipal service managers will be able to provide funding to non-profit affordable home ownership providers during the construction phase of affordable ownership units to help these providers secure the cost of construction financing. The Ministry expects to begin providing funding to municipal service managers under this initiative by the end of 2019.

### Recommendation 7

*To better ensure that municipal service managers that receive small amounts of annual funding due to their size, are able to invest in projects that exceed their annual allocations, we recommend that the Ministry of Housing gather information on planned projects*

*from these municipal service managers, prior to allocating funds, and work with them to allocate funding in a way that will better meet their needs.*

**Status: Will not be implemented. The Office of the Auditor General continues to support the implementation of this recommendation.**

### Details

In our 2017 audit, we found that it is difficult for smaller communities, which receive much smaller allocations from the Ministry, to build new affordable multi-unit developments. The Ministry informed us that to address this issue, it co-ordinates the “swapping” of annual allocations between service managers. A service manager with a smaller annual allocation can trade, or give up its yearly allocation, and take back the same amount during another year for a planned construction project. However, this process is dependent on finding a service manager who is willing to participate in a swap. We found that nine of the 14 municipal service managers that did not provide grants for new rental construction cited this reason for not doing so.

In our follow-up, we were advised that after further consideration, the Ministry decided it would not take direct steps to address the recommendation. The Ministry concluded that it would not gather information on intended projects from municipal service managers before making allocation decisions.

Instead, to assist municipal service managers construct affordable rental units, the Ministry noted that it released guidelines in April 2019 that give municipal service managers the flexibility to use funding under its new Canada-Ontario Community Housing Initiative in addition to its new Ontario Priorities Housing Initiative.

The Ministry expected to begin funding municipal service managers under these two initiatives by the end of 2019. However, the guidelines for these initiatives note that the three-year objective of the Canada-Ontario Community Housing Initiative is to protect tenants in housing projects with expiring

agreements, and to begin stabilizing the supply of community housing through repairs, renovations and other operating support. Constructing new affordable rental units is not the primary objective. Therefore, whether the Canada-Ontario Community Housing Initiative funding will help to address this recommendation is unclear.

### Recommendation 8

*To enable construction grants to be used to address unmet housing needs, we recommend that the Ministry of Housing work together with the federal government to gather and evaluate information on actual construction costs for larger units across the province, and for all units in northern communities, and consider revising maximum grant amounts.*

**Status: Fully implemented.**

#### Details

In our 2017 audit, we found that construction grants of up to \$150,000 per unit were generally not sufficient to attract developers to construct units in northern Ontario, or to construct three- or four-bedroom units anywhere in the province. If the construction grant is not large enough to cover a significant portion of the developers' expenses, the developer will incur a loss. When we contacted municipal service managers in northern Ontario, four out of five explained that this was why they had not provided grants for building affordable rentals. Further, 13 out of 18 service managers in need of more three- and four-bedroom rental units explained that the \$150,000 grant was insufficient to attract developers to construct these larger units.

In our follow-up, we found that the Ministry had fully implemented our recommendation to consider revising maximum construction grant amounts. To encourage the development of family-sized units, and in recognition of the cost differences across the province, the Ministry eliminated per-unit funding caps under the new Ontario Priorities Housing Initiative. This initiative replaced the jointly funded federal and provincial construction

grant program in place at the time of our last audit. The Ontario Priorities Housing Initiative will fund up to 75% of the capital costs for the construction of affordable units.

## Municipal Service Managers Not Providing the Minimum Number of Social Housing Units Required by Law—and Ministry Takes No Enforcement Action

### Recommendation 9

*To help municipal service managers meet the legislated standard set out in the Housing Services Act, 2011 of providing social housing to a minimum of 186,717 households, we recommend that the Ministry of Housing:*

- *track and report on the number of subsidies each municipal service manager provides compared to the legislated standard;*

**Status: Fully implemented.**

#### Details

Our 2017 audit found that municipal service managers were not providing the minimum number of social housing units required by the *Housing Services Act*. Municipal service managers provided social housing to 168,600 households per year, on average, from 2004 to 2016. This was, on average, 18,117 below the 186,717 households required annually by law. We found that the Ministry had taken limited action to understand the cause or to enforce compliance with the legislated standard.

In our follow-up, we found that the Ministry had fully implemented our recommendation to track and report on the number of subsidies each municipal service manager provides compared to the legislated standard. The Ministry implemented a requirement in 2018 for municipal service managers to submit data related to their regional service level standards, which includes the number of households provided with social housing. The Ministry compares municipal service managers' results to the legislated standards and reports the results to senior management.

- *follow up with municipal service managers when the standard is not met to develop an action plan and remedial steps to attain the standard*

**Status:** In the process of being implemented by February 2020.

#### Details

At the time of our follow-up, the Ministry expected to implement this recommendation by February 2020. To address our recommendation, the Ministry would follow up with municipal service managers when the legislated standards for the number of subsidies provided is not met. Where the standard is not met, municipal service managers will be required to submit an action plan outlining the strategies they plan to employ to meet their service level standards.

#### Recommendation 10

*To allow social housing vacancies to be created when existing tenants become ineligible, and do not vacate, we recommend that the Ministry of Housing perform a jurisdictional analysis to assess and determine how best to increase vacancies in such instances, and consider implementing those best practices in Ontario.*

**Status:** Little or no progress.

#### Details

In our 2017 audit, we found that tenants who become ineligible for social housing often continue to live in their units because the *Residential Tenancies Act* prevents municipal service managers from requesting these tenants to vacate. When a tenant's income is higher than the maximum income allowed, the tenant must pay normal rents, but is not required to vacate. We found that legislation in four Canadian provinces, British Columbia, Alberta, Saskatchewan and Manitoba, all allow their housing departments to request ineligible tenants to vacate so eligible applicants who are waiting for social housing units can be housed.

At the time of our follow-up, the Ministry advised us that research in this area had been

delayed due to priority work on the development of the Community Housing Renewal Strategy. However, the Ministry informed us that it intended to complete the research and analysis of best practices to pursue by the end of 2019.

#### Recommendation 11

*To better ensure that social housing subsidies are provided only to eligible tenants, we recommend that the Ministry of Housing:*

- *require all municipal service managers to conduct eligibility review investigations;*

**Status:** Little or no progress.

#### Details

In our 2017 audit, we found that the *Housing Services Act* allows municipal service managers to have eligibility review officers who investigate allegations of tenants withholding or misrepresenting information. Municipal service managers do not always opt to have them, however.

In our follow-up, we found that the Ministry had taken limited action toward implementing this recommendation. The Ministry informed us that the proposed changes to the rent-geared-to-income calculation under the *Housing Services Act* will affect the processes municipal service managers use to determine eligibility for tenants. Therefore, work towards implementing this recommendation was on hold. Following approval in September 2019, to begin the new rent-geared-to-income calculation as early as July 2020, the Ministry expected to accelerate its work on eligibility reviews and address our recommendation in advance of the changes coming into effect.

- *require that municipal service managers develop and implement policies and procedures that are consistent across the province for requesting ineligible tenants who misrepresent eligibility information to vacate.*

**Status:** Little or no progress.

### Details

The Ministry's progress toward implementing this recommendation had been limited. At the time of our follow-up, the Ministry was reviewing a sample of municipal service managers' policies and procedures, including policies from other jurisdictions, to determine how they establish when a tenant ceases to be eligible for housing. This review would also include a comparison of standards, guidance and practices that support decisions to request tenants vacate their units. After completing its review, the Ministry planned to develop options for new policies aligned with the rent-geared-to-income calculation changes that would come into effect in July 2021. The Ministry planned to seek the necessary legislative or regulatory approvals to implement these with a view to having them in place concurrent with the new rent-geared-to-income rules.

### Recommendation 12

*To help ensure that vacant units are in adequate condition to be occupied, and to ensure the long-term sustainability of buildings, we recommend that the Ministry of Housing work with municipal service managers and the federal government to develop a strategy to address outstanding repairs and maintenance on social housing stock.*

**Status: Will not be implemented. The Office of the Auditor General continues to support the implementation of this recommendation.**

### Details

Our 2017 audit reported that there were about 6,300 vacant social housing units in 2016 that were not available for tenants due to poor condition. Vacant units can be offered to prospective tenants only if the units meet minimum health and safety standards. Buildings are also required to meet other standards such as hot water and heat, and having a roof that does not leak. We found that the Ministry did not collect information on the reasons for the vacancies, but acknowledged that a key reason was that units were in poor condition. We also reported that one of Toronto's biggest housing providers,

Toronto Community Housing Corporation, had publicly identified that it had over \$2.6 billion in backlogged repairs.

At the time of our follow-up, the Ministry advised us that it had worked with the federal government to secure new federal investments through the Canada-Ontario Community Housing Initiative and the Ontario Priorities Housing Initiative to provide municipal service managers with access to funding for outstanding repairs and maintenance. The Ministry told us that the new federal investments should assist municipal service managers to make some progress to reduce their backlogs, and these investments would supplement other funding sources for repairs such as municipal contributions, the federal National Housing Co-Investment Fund and funding from project refinancing. However, the Ministry advised us that it is not responsible for ensuring that there is a strategy in place for addressing all outstanding repairs and maintenance. Municipal service managers are responsible for repairs and maintenance on their social housing stock and consequently, are responsible for developing their own strategies to address repair backlogs. Therefore, the Ministry would not be implementing this recommendation as described in our 2017 Annual Report.

### Recommendation 13

*To encourage housing providers to make sound property-management and social housing administration decisions, we recommend that the Ministry of Housing:*

- *develop standards and accreditation ratings for housing providers for public reporting;*
- *require municipal service managers to evaluate providers' operations to determine an appropriate rating for each provider;*
- *gather and report on the results periodically;*

**Status: Little or no progress.**

### Details

Our 2017 audit reported that housing providers often did not maintain, update or implement asset

management plans to ensure that their buildings and units are kept in good condition. For example, the exterior of a building may require seasonal maintenance and repair, while the windows may need replacing every eight to 20 years. Municipal service managers are required to perform periodic operational reviews of housing providers to ensure that providers implement asset management plans and have sufficient capital reserves for future repairs. As a result, we recommended that the Ministry develop standards and accreditation ratings for housing providers. We also recommended that municipal service managers evaluate providers' operations to determine appropriate ratings for each provider, and gather and report on the results publicly.

At the time of our follow-up, the Ministry advised us that it had not taken action on developing housing provider standards and accreditation ratings. The Ministry advised that priority had been assigned to addressing other recommendations from our *2017 Annual Report*, and to securing the stability of the community housing sector through the Canada-Ontario Community Housing Initiative and the Ontario Priorities Housing Initiative funding programs, for example. In the future, the Ministry would consider whether to proceed with this recommendation.

- *provide training, resources and supports to housing providers to address the challenges they currently face.*

**Status: Little or no progress.**

#### Details

At the time of our follow-up, the Ministry had made limited progress toward implementing this recommendation. The Ministry had developed draft best practices for managing social housing projects that it shared with municipal service managers in 2018. However, at the time of our follow-up, the Ministry was still in the process of assessing gaps in support and training for providers and how the Ministry might best collaborate with other sector leaders to support these providers. The Ministry advised us

that this assessment would consider the creation of a national Community Housing Transformation Centre, announced by the federal government in April 2019. The Centre would provide technical assistance, tools and resources to increase the capacity of housing providers.

#### Recommendation 14

*To better ensure that tenants' rents are calculated correctly and to reduce the administrative burden of calculating tenant rents, we recommend that the Ministry of Housing work with municipal service managers to simplify the rent-geared-to-income calculation in the Housing Services Act.*

**Status: In the process of being implemented by July 2021.**

#### Details

Our 2017 audit found that of the 38 municipal service managers that responded to our survey, 11 indicated that they could not provide social housing to the required number of households because providers were filling vacancies with non-social-housing tenants. Our survey also found that one of the reasons why housing providers do not take applicants from social housing wait lists is that calculating tenants' incomes was overly complicated.

The Ministry also acknowledged that income calculation rules were confusing and difficult for providers to administer. Furthermore, in municipal service managers' reviews of housing providers, where they ensure providers are correctly calculating tenants' income and charging the correct rent payable, we found that providers made frequent errors in calculating tenant incomes and had charged incorrect rents.

Following our audit, the Ministry consulted with municipal service managers, housing providers and representatives from partner ministries to develop proposals to simplify the rent-geared-to-income calculation. In March 2019, Cabinet approved a simplified rent-geared-to-income proposal. The Ministry filed new regulations in September 2019 that include changes relating to

the rent-geared-to-income calculations that come into force on July 1, 2020. Each municipal service manager will be required to implement the rent-geared-to-income rules beginning July 1, 2020 or July 1, 2021.

## Ministry Implements New Portable Subsidy in Attempt to Address Issue of Municipal Service Managers Not Meeting the Legislated Standard for Social Housing Subsidies

### Recommendation 15

*To help ensure that municipal service managers meet the legislative standard of providing social housing to a minimum number of 186,717 households, as set out in the Housing Services Act, we recommend that the Ministry of Housing encourage the use of the new portable subsidies in service areas where the standard is not being met.*

**Status: Fully implemented.**

### Details

Our 2017 audit reported that the new portable housing subsidy, a subsidy that can be applied toward market-rate rents in non-social-housing units and was implemented in September 2017, could assist municipal service managers in meeting the legislated standard of providing social housing

to 186,717 households. However, we noted that the availability of this tool did not ensure that municipal service managers would use it. We therefore recommended that the Ministry encourage the use of the new portable housing subsidy by municipal service managers who were not meeting the legislated standard.

At the time of our follow-up, the Ministry advised us that work to implement this recommendation was initially on hold as the Ministry worked with the new government to assist them in setting their direction for the sector. The Ministry's Community Housing Renewal Strategy, released in April 2019, does not propose changes to the Portable Housing Benefit Framework, but would build on this policy. In June 2019, the Ministry completed an analysis of municipal service managers' use of the portable housing subsidy in 2018. The Ministry sent letters to municipal service managers who had not met their legislated standards for social housing subsidies asking them to consider the use of portable housing subsidies as a tool to meet their legislated standards in the future.

At the time of our follow-up, the Ministry committed to repeat this process and to continue to monitor the use of the portable housing subsidy each year.