City of Hamilton
GENERAL ISSUES COMMITTEE (SPECIAL)
AGENDA

Meeting #:	23-009
Date:	March 9, 2023
Time:	1:30 p.m.
Location:	Council Chambers Hamilton City Hall 71 Main Street West

Angela McRae, Legislative Coordinator (905) 546-2424 ext. 5987

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1. **CEREMONIAL ACTIVITIES**

2. **APPROVAL OF AGENDA**

   (Added Items, if applicable, will be noted with *)

3. **DECLARATIONS OF INTEREST**

4. **STAFF PRESENTATIONS**

   4.1 Toward a Sustainable Housing System in Hamilton: Framing the Issues

5. **PRIVATE AND CONFIDENTIAL**

6. **ADJOURNMENT**

Toward a sustainable housing system in Hamilton: Framing the issues

Special General Issues Committee

March 9th 2023

Steve Pomeroy
Canadian Housing Evidence Collaborative (CHEC)
McMaster University

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Outline

- Housing supply/demand trends and impacts
- Framing the key challenges - and responses
- Addressing some elephants in the room
  - How can we end homelessness?
  - Should we build new to address affordability?
  - Exploring subsidy restructuring to redirect needed subsidy?
- Opportunities to have an impact

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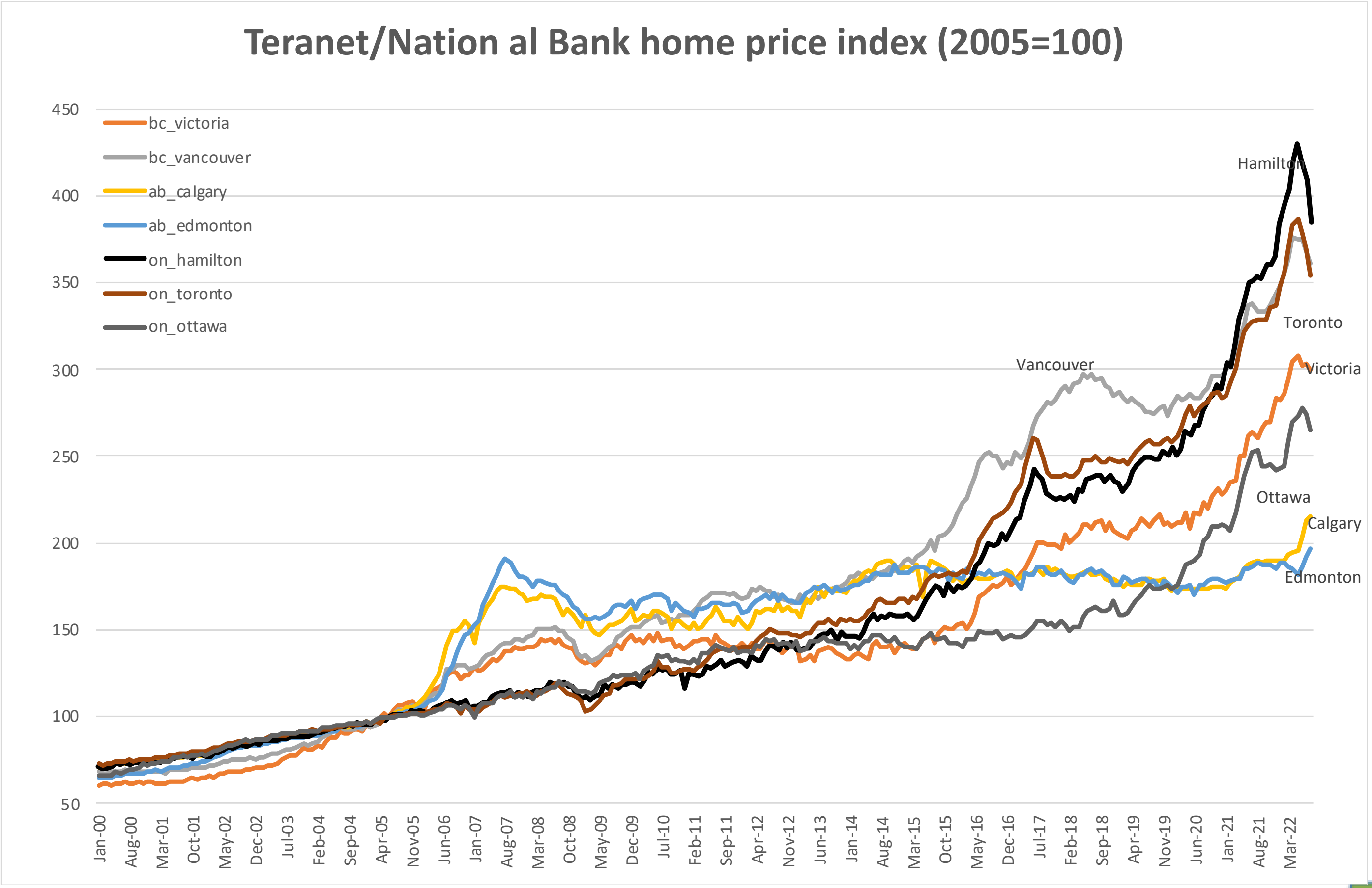
Rising home prices and owner affordability

Hamilton fastest increase in Canada since 2015



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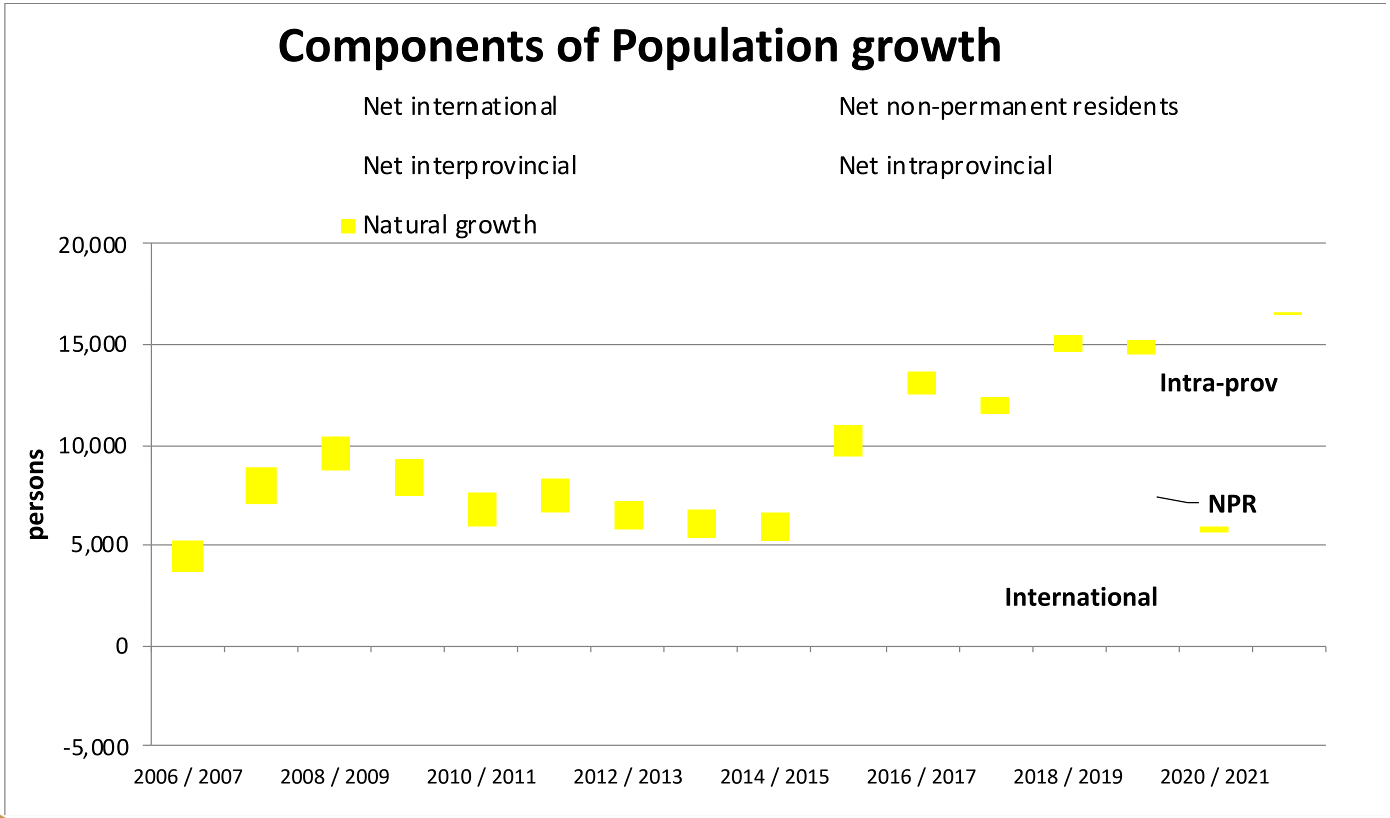
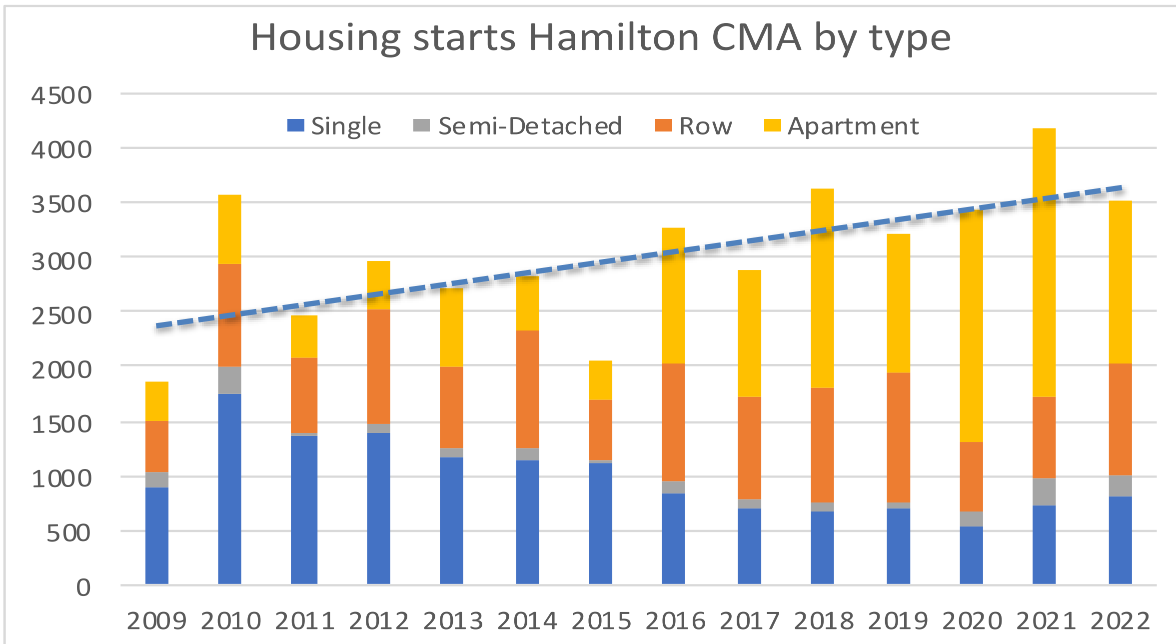
Key cause: increased demand after 2015

Demand increasing a lot

Note significance of international and NPR (= international students)

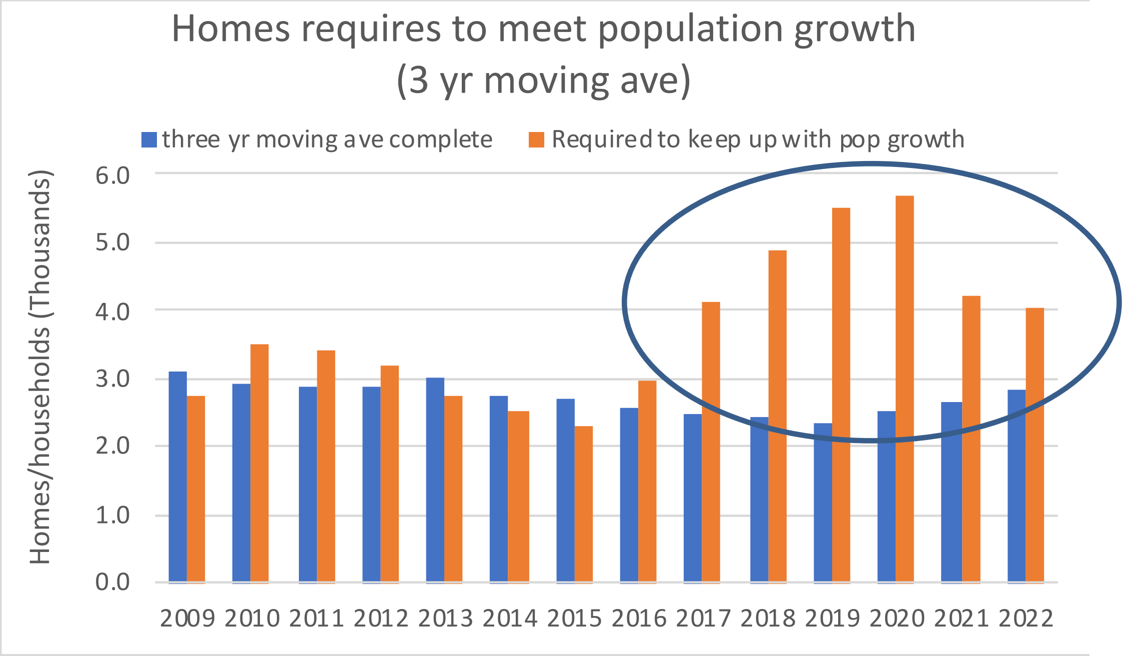


New supply increasing a little
(but not keeping up with demand)



Most apartment and row are condominium (some owners, some investor rentals)

Here's the problem: Too many (new) people; not enough new homes



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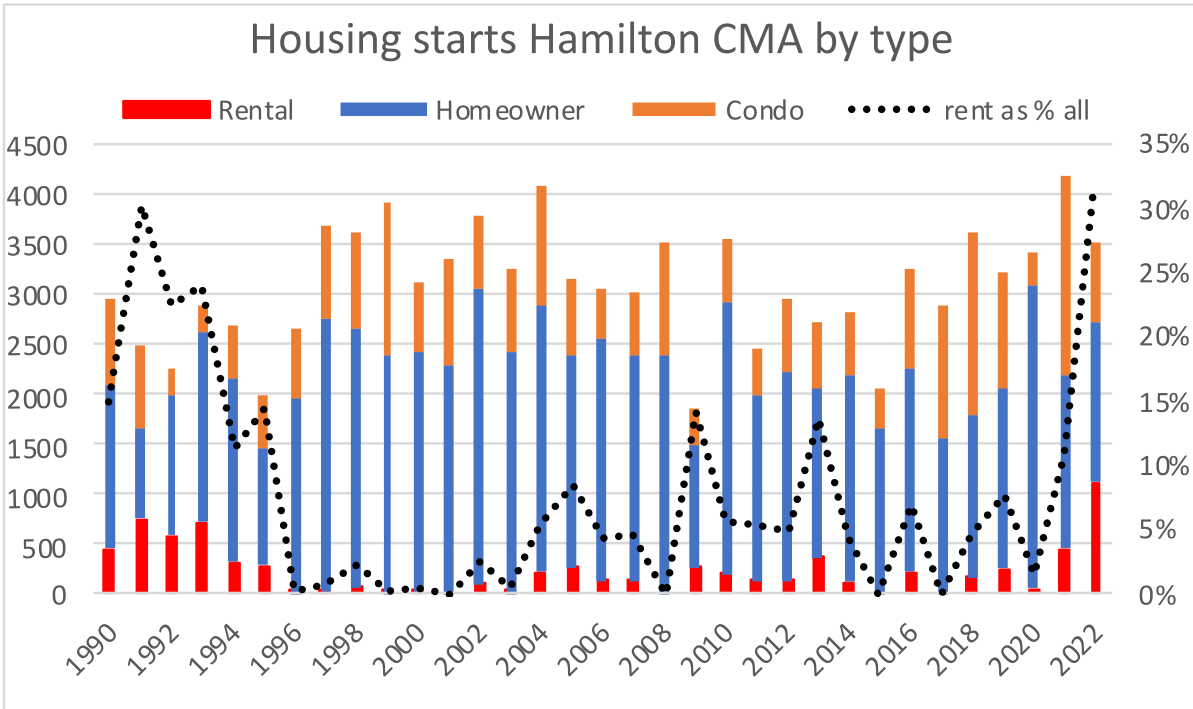
Need to expand new home construction from average last five years of 3,400 up to 4,800/yr - an increase of 28%

Low level of "purpose built" rental starts



32% households are renters. But 2 decades fewer than 5% new starts for rental; (bumped up in 2021/22)

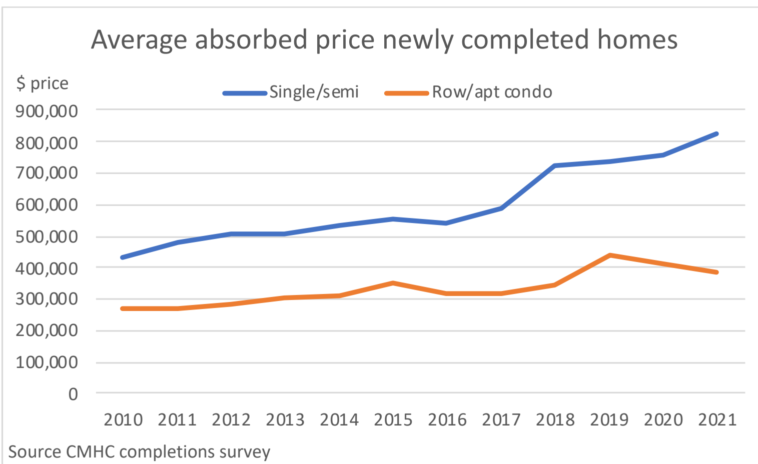
None of the new rental at affordable rents (except non-profits)

Newly constructed rentals since 2016 average 144% of the AMR

Moves into ownership 1996-2006 offset lack rental construction

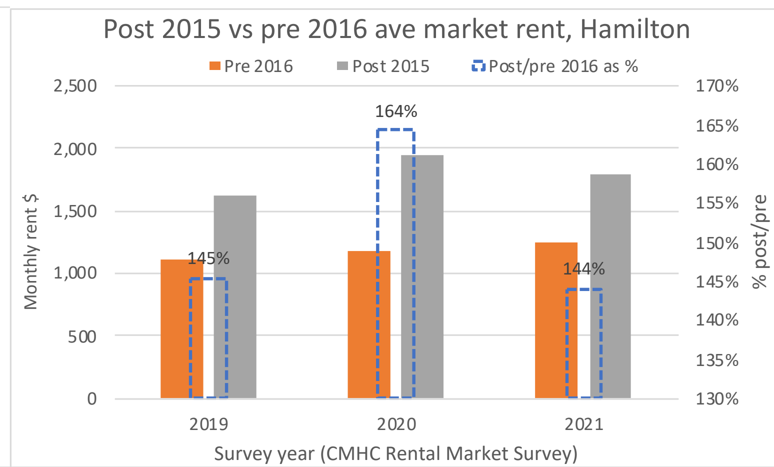
Will expanded supply address affordability?

New home prices



New rent levels

(around 150% of existing average)



Newly constructed homes – both rental and owner occupied come onto market at above average prices – so on average not creating affordable options (some exceptions)

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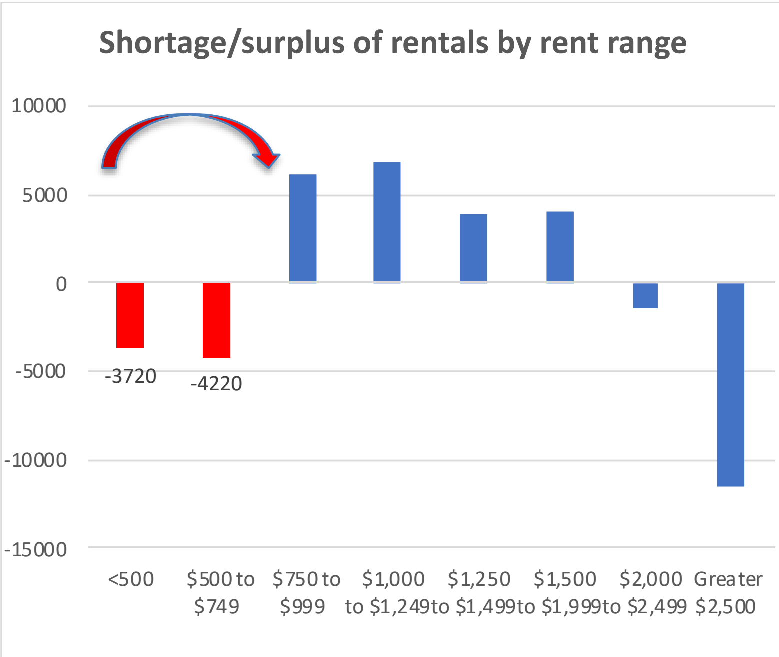
Absolute lack of low rent units

Compares rental units needed at 30% income to those that exist (but already occupied)



- As a result of erosion and inflating rents comparing the number of units required based on incomes at 30%, Hamilton has an absolute shortfall of almost 8,000 homes under $750
- Options to address include rental assistance (not just building new at low rent)

- nowhere to house those seeking to exit homelessness or transition out of social housing
- Lower incomes in core need as live in higher rent range

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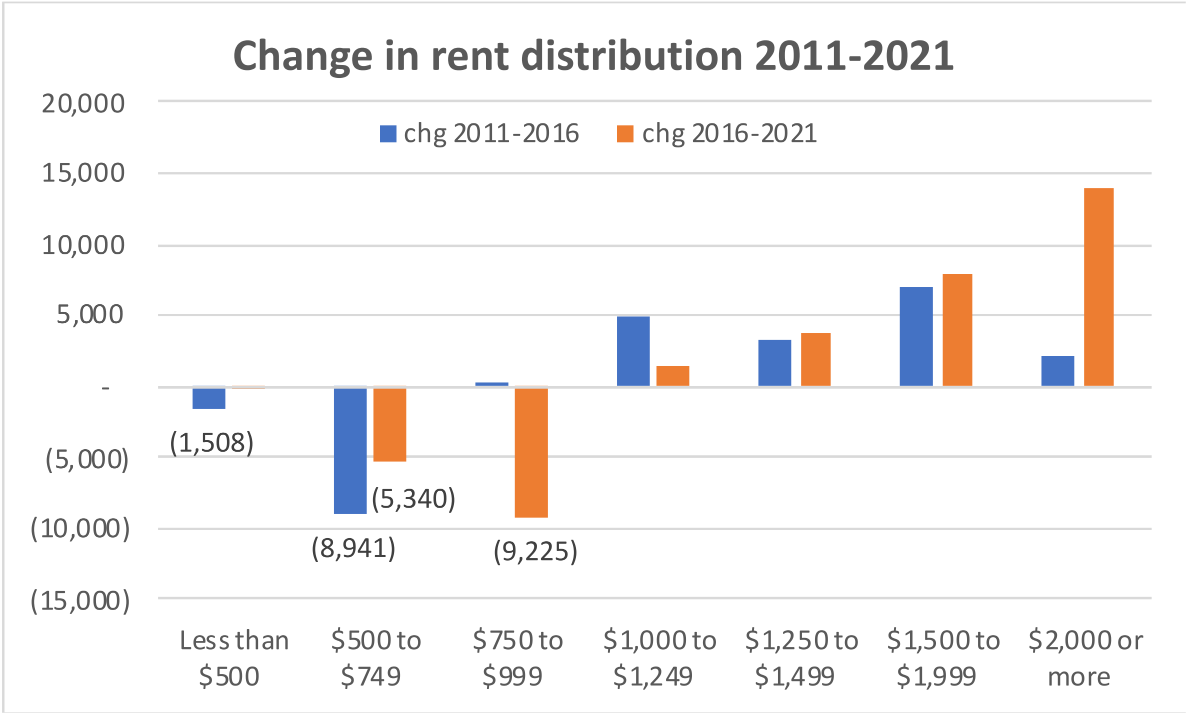
Erosion of lower rent stock

While not building enough – also losing affordable



- **Since 2011 Hamilton has "lost" 15,854 units below $750/month**
- **Since 2016, leaking units from $750-$1,000 as well (-9,225)**

Compared to new affordable development: lost 29 for every 1 new affordable added!

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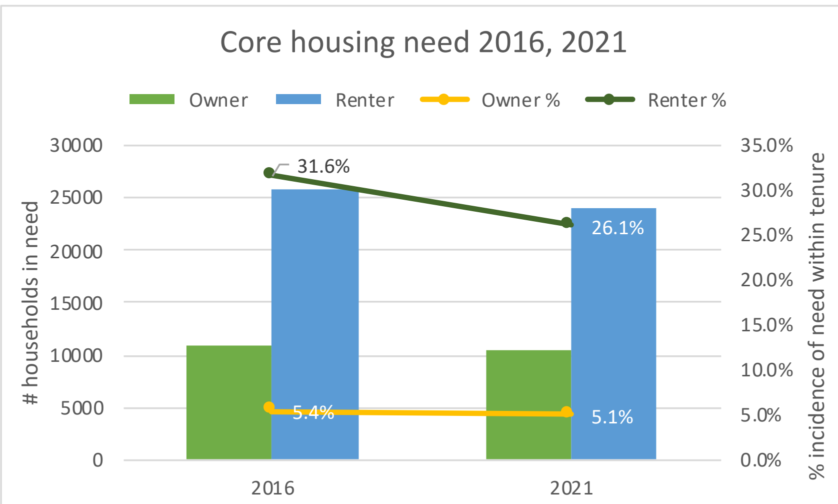
2021 affordability and core housing need: Has improved – but has it?



74% in core need have ONLY affordability problem (live in adequate and suitable housing) – do we need to build them a house?

- 2021 census data suggest substantial improvement in renter core housing need
  - Canada decline by 243,000 HH
  - Hamilton decline by 2,255 HH
- Statistical aberration (driven by pandemic wage subsidies)
- BUT **– reveals potential impact of income assistance/rental assistance to address sole issue of affordability**

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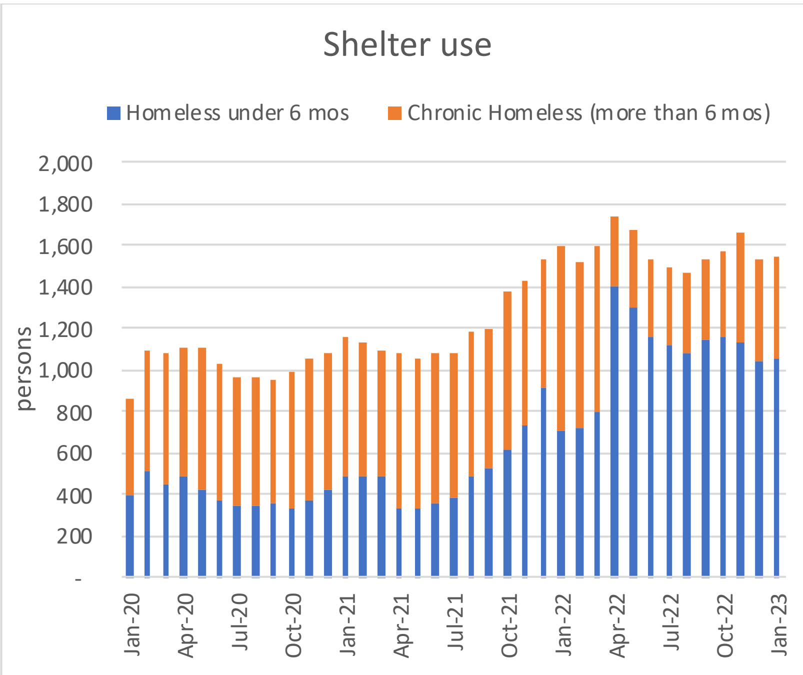
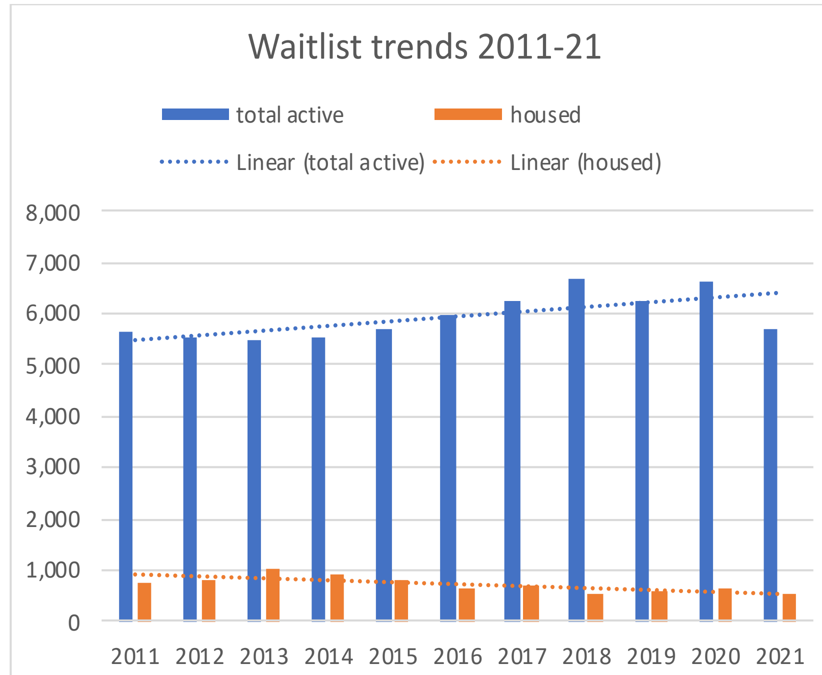
Homelessness and need persisting

(despite strong efforts and $ to reduce)

Is lack of low rent availability causing these trends?





Mix of need re acuity and level of supports required: many can be successful with low support; some require intense = permanent supportive housing
Change in reporting method April 2022 caused reclassification of over/under 6 month counts

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Conclusions

- Overall shortage of new home construction – so need to expand overall supply
  - Long-term undersupply purpose built rental
- Erosion of existing lower rent units
- Excess pressure (new pop plus renters not accessing ownership) = low vacancies, rising rents – exacerbates affordability issues
- Minimal (insufficient) options for low income and those seeking to exit homelessness

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Framing the solutions: three parallel approaches

Persisting homelessness: develop comprehensive plan to maximize prevention and diversion and build permanent supportive housing for high need with goal to end chronic homelessness

Affordability:

lack of income vs cost of homes = expand housing allowance/rent supplement and augment via acquisitions

Insufficient Supply:

Pipeline to expand in areas that require least amount of capital subsidy (students, intermediate market)

(Opportunistic use of affordable when program $)

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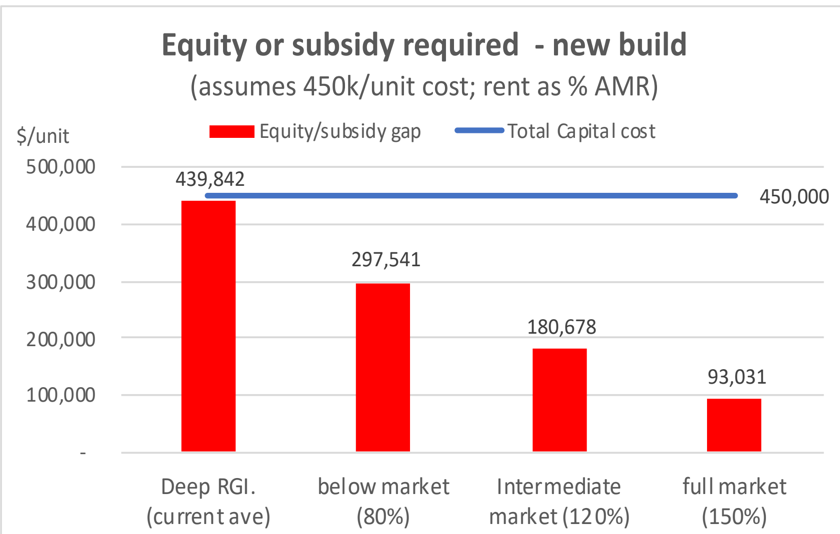
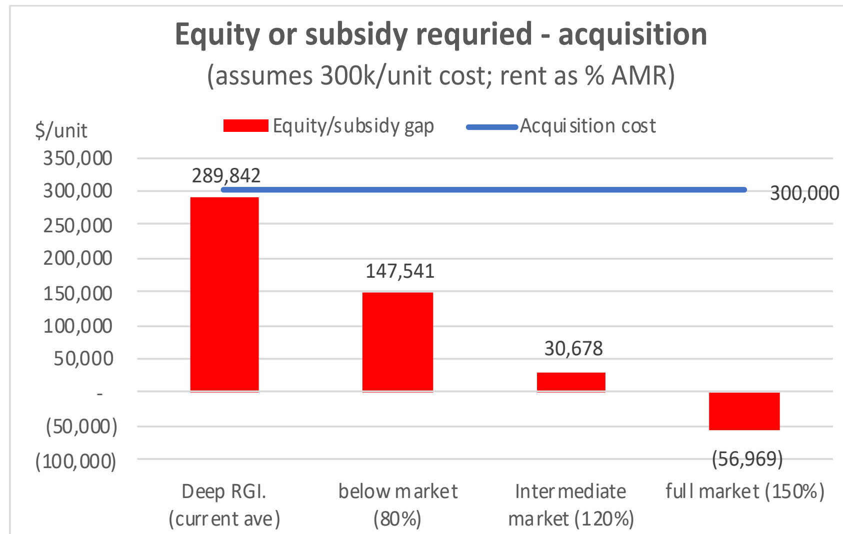
Reality check on subsidy required:

Very large capital subsidy to help lowest income; Build new at less affordable rents, or pursue acquisition

New build at $450,000 per unit;



Acquisition of existing rentals at $300,000 per unit



Assumes 40% Operating ratio, 1.2 DCR, 30yr loan at 5% interest to calculated maximum financing and residual equity/subsidy needed

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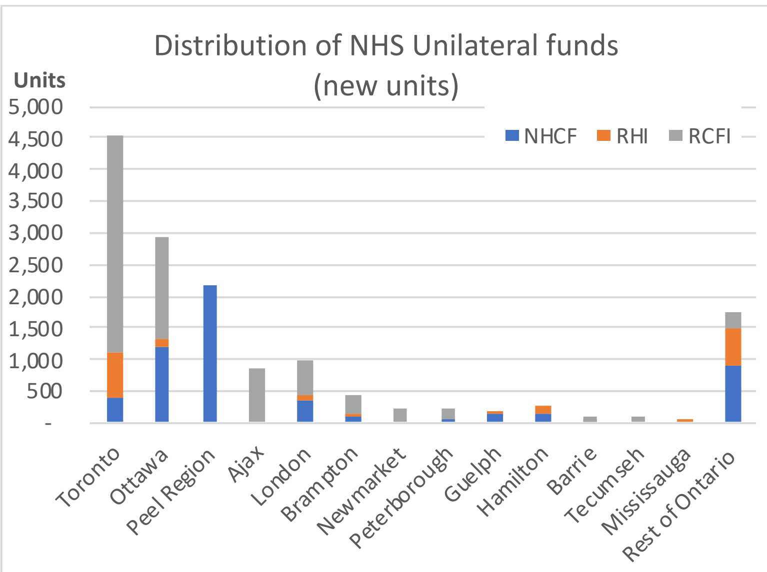
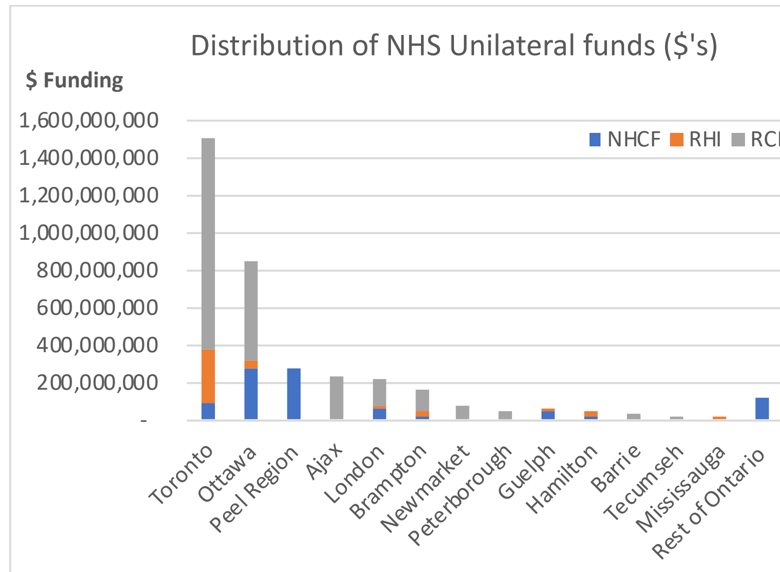
Optimize use of Federal NHS financing and funding programs

(other cities more successful – especially on a portfolio scale)
Opportunistically build when capital, programs allow;
otherwise sustain pipeline at intermediate market)





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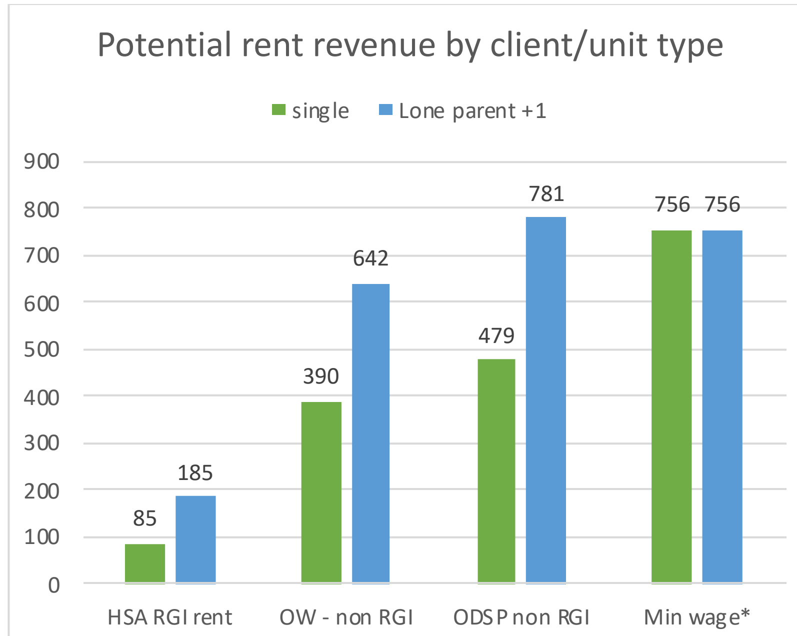
Perverse OW/ODSP- HSA rent regulation:

City cross subsidy of $15 million/per year to province

- Regulation 316/19 sets fixed low rent for OW/ODSP in RGI housing
- Subsidy = breakeven or market rent **less these amounts**
- Same/similar household in market or affordable (non-RGI) can receive up to max shelter benefit
- Increases City housing subsidy/decreases provincial welfare subsidy



More than half households in non-senior RGI receive OW/ODSP and each costs city extra $400 per unit per month = $15 million/yr

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Implications for Hamilton

Prioritize ending homelessness

(extends to helping those at risk, in core need)

- Maximize investment in prevention/diversion (slow flows into homelessness)
- Use rental assistance to address short term emergencies and rapid rehouse
- Direct limited capital $ to build new permanent supportive and affordable (and max use RHI)
  - (and redeploy existing support $ from shelters)

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Implications for Hamilton

Address affordability by augmenting income

- Demand side rental assistance for 80% in core need with only affordability problem
- Strategically allocate new clients (OW/ODSP vs working poor/seniors) to non HSA units
- Strengthen and target counselling and support for financial literacy, improving labour market skills and potential – help folks earn more $ so they can better afford housing & become self-sufficient

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Implications for Hamilton

Strategic and opportunistic new builds

- (recognizes limited and insufficient capital subsidy and high cost per unit if deep affordable)
- Maximize leverage with federal NHS programs to stretch City $ further (RHI and NHCF)
- Optimize use of "in-kind" support – city/public land, waiving fees and charges
- Re-develop/intensify existing social housing sites
  - (free land and access NHS $)

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Implications for Hamilton

To address supply issue: Consider and include elements directed to the market part of the system that require little, or no subsidy?

For example:

- Improve/enable First time buyer ownership to reduce pressure on rentals
- Stimulate intermediate market construction
  - Encourage/enable Non-profit sector to build mixed market (little/no subsidy needed)
  - Encourage purpose-built student housing (minimize displacement impact)
- Slow or manage erosion issue
  - Role of NP in acquisition of existing moderate market

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Parting thoughts

- "Insanity is doing the same thing over and over and expecting different results."
  - Expenditure and outcomes since 2014 HHAP?
- We can't build our way out of a homeless and affordability problem, so need to broaden and change approaches
- Outcome measure: how many people (households) are assisted versus how many homes are built

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Thank you!