



A Strategic Implementation Framework for the Hamilton Housing and Sustainability Investment Roadmap

James R. Dunn, Ph.D.

Professor, Department of Health, Aging & Society, McMaster University
Director, Canadian Housing Evidence Collaborative (CHEC)
Senator William McMaster Chair in Urban Health Equity
Associate Dean Research, Faculty of Social Sciences, McMaster University

Steve Pomeroy, MA

Executive Advisor, Canadian Housing Evidence Collaborative (CHEC)
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Introduction

Similar to many cities in Canada and elsewhere Hamilton faces a crisis of affordable housing. This is a global crisis with many causes, and governments all around the world, at all levels, are being called upon to respond. Municipalities possess many policy and procedural levers, as well as other resources that can be deployed to address the affordable housing crisis, and they must act because they are on the front lines in dealing with the negative consequences of the crisis. Most importantly, Canadian municipalities need to take leadership on the issue and in so doing adopt a long-term comprehensive perspective, that results in focused, strategic action. This is a problem many decades in the making, it won't be 'solved' quickly with short-term, isolated initiatives: a long-term horizon and a new, comprehensive and strategic approach is urgently needed.

There are a number of complex, interrelated causes to the issues of diminishing supply of affordable rental housing, such as financialization, renoviction, costs of construction, and gentrification. A major watershed occurred in the mid-1990s when the federal government, with provinces following, ended their funding of new, affordable public housing construction. There has been some revival of senior government action, initially in 2001 which started the modestly funded joint federal-provincial-territorial affordable housing initiative and more recently through the larger funding in National Housing Strategy from 2017. As a result, new programs and new money have been committed to the problem.

Although many countries are facing housing affordability crises at the same time as Canada the Canadian context for rental housing presents some significant challenges. Overall, only a small proportion of households in Canada receive their housing from the public or non-market sector – now less than 5% - compared to some other countries, where it is much higher. As a result, the private market sector is a very important provider of modestly priced housing in Canada, along with the much smaller non-market and public housing sectors. Governments have strong levers available to them to create change in the public sector, fewer levers in the non-market sector and even fewer in the market sector.

But this is the challenge that must be confronted. Hamilton (Census Metropolitan Area) lost more than 10,000 units of private rental housing at \$750 or less between 2011 and 2016, and another 5,000+ units renting for \$750 or less between 2016 and 2021. This leakage in the “affordable market” sector is undermining efforts and investments in creating new affordable housing.

The challenge of addressing affordable rental housing must be conceptualized, at least partly, as a ‘stock management’ problem, where government has limited levers available to it. A tenacious, multi-pronged strategic implementation strategy is needed to mitigate the losses and increase the gains of affordable housing units.

Strategic Implementation Framework

To redress the challenges of affordable market housing, there are three key strategic foci that are needed related to housing units as well as a fourth focus related to human services supports. These comprise four pillars of a strategic implementation framework for affordable housing in Hamilton. They are:

- Affordable housing construction
- Affordable housing acquisition
- Affordable housing retention
- Housing supports

Here we use the term “affordable” to refer to housing that rents at level that lower income households can afford without spending more than 30% of their income. While a relative term, it includes both existing market properties with low rents, as well as existing and new non-market homes being created by non-profit and co-operative organizations and consequently isolated from the market pressures that are causing the noted large scale losses.

Affordable housing construction

Most of the resources currently available under the NHS focus on construction (and more on market than affordable rental housing). Unfortunately, it is clear that new construction will be significantly outpaced by the loss of affordable market rental housing, even under the best of circumstances. Deeply affordable housing has been challenging make work with the resources from the NHS, so instead modestly affordable housing has been constructed, some of it with only a temporary commitment to affordability required (e.g., 10 years). In addition, recent months have seen borrowing and construction costs rise rapidly and even projects that are under construction are facing large cost overruns.

Despite these challenges, it is important to continue to maximize this source of affordable housing, but there are a number of barriers to be overcome, which include a lack of non-market development organizational capacity, complex and slow approvals, conflicting conditions across different funding sources, as well as the cost and availability of land.

Affordable housing acquisition

As a result of processes like financialization and renoviction, the last several years have seen an acceleration of the loss of affordable market rental housing. Private capital firms, some of which are REITs, and other investors, seek out ‘underperforming’ buildings where rents are lower than they potentially could be, acquire the buildings and then as tenants leave (either involuntarily or by attrition), they upgrade building amenities and units to obtain higher rents. During the pandemic years, with near-zero interest rates and rapidly rising real estate values, financing for such activities was cheap and after the upgrade the owner can re-finance the building at a higher value and extract a portion of the increased equity to fund subsequent investments. This kind of activity is made possible by provincial policy related to rent control – vacancy de-control – where rent is only regulated so long as the same tenant stays in a unit (units built after November 2018 are exempted) in Ontario. In housing where there

are vacancy decontrols, once a tenant vacates a unit, the landlord can raise rents to whatever rent the market will bear.

A promising potential action to mitigate this loss of modestly priced rental housing is to provide additional assistance to the non-market sector to acquire these existing lower rent buildings from the private sector. But non-profit housing organizations have few options to purchase affordable market rental buildings that are offered for sale, because private sector purchasers can complete the sales faster than non-profits who needed to seek funding. There are some opportunities for innovative purchasing approaches in this area. Overall, this has the potential to be even more impactful than new affordable housing because of the scale, speed and price. There are still many units of modestly priced rental housing that could potentially be acquired, acquisition is much faster than new build, avoids planning opposition, and acquisition is (still) much cheaper than new construction. An added benefit is that tenants can remain in their homes if a building is acquired by a new entity that is committed to continued operation at modest rents. There are many opportunities to mobilize social purpose capital – lenders who are willing to take a lower rate of return on their investments in exchange for achieving some social purpose, like providing affordable housing – the Hamilton Community Foundation is already active in this area.

Another stream of acquisition should focus on affordable home ownership. Healthy operation of the housing system depends on people leaving renting for home ownership, but this has slowed in Canada as owner-occupied housing prices have also grown rapidly. Between 2011 and 2021, the home ownership rate in Canada declined from almost 69% to 66%, which represents roughly 100,000 households who did not leave rented housing for owned housing, placing additional pressure on the rental market. In Hamilton, it declined from 71.6% to 68.6%, affecting almost 9,000 renter households that might have become owners and created this number of rental vacancies. Affordable home ownership has the added benefit of freeing up units in private market rental as people transition from one tenure to the other, and generally require very little subsidy. There are a number of non-profit organizations engaged in development of affordable home ownership and others that provide financing for such activity. It is unlikely to have a large impact, but it is one that is easily scaled from its current levels.

Affordable housing retention

This issue is closely related to acquisition, but because of rent de-controls, it is important that tenants who are under rent controls have the ability to stay in their units, because once they leave, the unit may be lost to the affordable market housing stock. The key challenges to tenants maintaining their tenancy are above-guideline rent increases, eviction and incomes. There are a number of small programs supporting tenants with these issues, but they should also be increased, as keeping a tenant in their housing provides a double impact: it reduces risk of homelessness for the vacating household and avoids the rent increasing to a less affordable level, so is tantamount to avoiding the loss of an affordable housing unit, though it is rarely seen that way.

Another important activity related to housing retention concerns non-profit housing providers that were subject to legacy funding from the federal and provincial governments and are reaching the end of mortgage or end of operating agreements. Most of these organizations are mission-driven organizations who are likely to want to continue to provide affordable housing, so while there is no major threat of significant loss of units here, there is action that needs to be undertaken. Work is needed to understand the scale and timing of these transitions for local non-market housing providers and the level of renewed funding support required to ensure these low rent often RGI units are not lost. Many of them would benefit from support with strategy, financing and future governance to continue operating as affordable

housing providers. The HSIR should develop resources to provide such support, and this would be a useful function for the Secretariat.

Housing supports

A fourth emphasis on *supports* is also essential to an affordable housing strategy. Many people who need assistance with rent also need more human service supports to ensure successful tenancies and well-being. Encampments are a symptom of both the inability to afford existing rentals, but principally the lack of supports with affordable housing. It’s also evident in a number of social housing buildings, where tenants are aging into the need for supports. The lack of supportive housing also has significant implications for other sectors, notably hospitals, emergency services and policing and criminal justice, as well as other services.

A tactical roadmap for housing should address the need for supportive housing for the following priority groups:

- People with severe mental illness, addictions and other people who are high acuity and at-risk for homelessness, or who are homeless. The At Home / Chez Soi demonstration project showed that supportive housing for high needs clients costs less than the costs avoided in other sectors, notably policing and criminal justice, acute care services, emergency response, social services.
- Older adults, particularly low-income older adults, has a clear connection to the long-term care and acute care sectors. A Canadian Institute for Health Information (CIHI) study estimates that 1 in 9 people going into long term care (LTC) didn’t require that level of care (clinically), and it is well-known that LTC is being used as a source of affordable housing for people who could otherwise live in the community with supports, but who cannot get accessible, affordable housing
- People with developmental disabilities require supportive housing and there is a severe shortage. At the start of Ontario’s Task Force on Housing and Developmental Services in 2017, there were an estimated 14,000 people in need of supported housing in this population
- Women, LGBTQ+ have a significant need for customized supportive housing, and indeed all sectors of housing should be working from a GBA+ perspective to ensure equitable access and service levels. There are a number of providers well-equipped to deliver such housing and supports
- Another critical group for prioritization is Indigenous people, who face significant barriers in the housing market due to discrimination and a number of other issues. Efforts in this area are an important contribution to Indigenous reconciliation. Housing and supports for Indigenous people need to embody principles of equity and reconciliation, as well as cultural safety in the provision of services. Indigenous organizations in Hamilton have good capacity to deliver culturally safe, affordable, equitable housing, but need additional support to scale to meet needs.
- Groups facing racial discrimination are also significantly disadvantaged in the rental housing market by discrimination and related issues. While some non-market housing providers are beginning to recognize this need and target their activities to redressing the significant inequities, more focused work is needed to identify the need and plan appropriate and effective responses.

Affordable Housing Secretariat

The housing system is highly complex, capital-intensive, cross-sectoral and recently has been characterized by a great deal of change in the system and in the policy environment. Responses to the significant challenges faced often require rapid responses, collaborative partnerships and a degree of opportunism.

It is important that the proposed new Affordable Housing Secretariat be structured to meet the needs of the challenge faced in this area. Specifically, the Secretariat should be responsible for leading a comprehensive, strategic, integrated and coordinated approach. This is needed because of the complexity of the issues it will be dealing with; they need to be able to account and adjust for a number of interdependencies in the system. In addition, there are several internal City stakeholders, many external cross-sectoral stakeholders, policies and programs at multiple levels of government, market forces, private sector stakeholders, stakeholders in the housing and homelessness action plan, and tenants and citizens themselves that would benefit from a broadly mandated Secretariat.

To achieve this comprehensive, strategic, integrated and coordinated approach, it is recommended that the work of the Secretariat be structured similar to the Secretariat’s in other cities. Typically in those cities, a ‘program of annual activity’ is proposed to Council annually (ideally in the Fall, in advance of budget season), and then results for the previous year are reported. In between, the Secretariat would have a fair degree of decision latitude to conduct its work according to principles set out by Council and a budget that is approved by Council. This will permit the Secretariat to demonstrate the leadership necessary to move the affordable housing agenda forward with decisiveness and momentum. In other municipalities, between annual reports, the work of the Secretariat is overseen by the Mayor and often a ‘housing champion’ on Council. They provide more frequent guidance and engage in consultation with other members of Council as needed during the year. This has worked well elsewhere.

In addition to this structure for the annual work activity, of the Secretariat, there are important capacities that the City of Hamilton should seek to build within the Secretariat. In addition to a Director, who should have a broad expertise in the public and non-profit sector delivering and/or developing affordable housing, dealing with policy and political processes, the Secretariat should also seek to develop – if not at inception, but soon afterwards – the following capacity:

- Analytical capacity – the ability to analyze data, policy and other inputs to develop strategic advice for the Secretariat and Council, and equally importantly, develop systems for monitoring activity by the City and its partners for reporting and evaluation;
- Policy capacity – the ability to research and investigate policy options and make recommendations for their adaptation and adoption in Hamilton;
- Government relations capacity – given the significant multi-jurisdictional nature of the housing system, and particularly the importance of Provincial and Federal policies and programming in affordable housing, the Secretariat needs to be an effective advocate for policy and program change that can benefit Hamilton’s efforts in affordable housing;
- Communications capacity – an Affordable Housing Secretariat will enhance the efforts of the City and its partners to address affordable housing, but this is a high-profile nature issue and the Secretariat will quickly become a focal point for questions about the City’s progress. Accordingly, it will be important to ensure the Secretariat is well-positioned to communicate with a wide variety of stakeholders and the public.

Operating Principles for Affordable Housing Action Under HSIR

There are a few preliminary operating principles that should guide the operation of an Affordable Housing Secretariat and the implementation of the Housing Sustainability and Investment Roadmap.

These principles should be further developed by the Secretariat’s Director once they are hired, based on additional consultation with Council and stakeholders both internal and external to the City.

- The Secretariat, and the Roadmap, will optimize the City’s administration of affordable housing programs by maximizing revenue from other levels of government, while maintaining or improving affordability for tenants and citizens;
- The Secretariat will be responsible for leading the development and implementation of an annual program of strategic activity to advance affordable housing, that is comprehensive, seeks integration and coordination both within and outside the City, guided by the HSIR;
- City staff, led by the Secretariat, will act as community leaders in affordable housing action, helping to facilitate, broker, advocate and implement tactics that promote affordable housing;
- The Secretariat should present a proposed program of activity for approval by Council annually, and report on progress in the previous year, and between reporting periods should have autonomy to execute the program of activity and the flexibility and responsiveness to be opportunistic and entrepreneurial, conducting its work in an expeditious and effective manner;
- The Secretariat should seek to find the correct balance between spending through loans and grants to build, acquire or preserve affordable housing and maximize leverage available from other sources. Money loaned can be re-used, but money granted is one-time only;
- Decisions on land, financing, expenditures, etc. should be made on public interest and the priorities set out annually in the Secretariat’s program of activity;
- The City, through the Secretariat, should prioritize low-cost and/or efficient, procedural, policy, by-law, etc. initiatives that mitigate the loss of modestly-priced rental housing or increase targeted aspects of supply (for instance, specialized housing for equity-deserving groups);
- The City, through the Secretariat, and with both internal and external partners/stakeholders should take leadership in a gradual transformation of the rental housing sector, growing the non-market sector over the medium- to long-term to mitigate the risks to citizens of affordable housing crises in the future;
- The City, through the Secretariat, should operate with a spirit of innovation and opportunism, alongside important operational values like respectful partnership, openness and transparency, and operational excellence.

As the Secretariat, Council and City staff work to develop the Secretariat’s structure and activities, it is anticipated that the need for additional guiding principles will emerge, so the above principles represent a non-comprehensive list that can and should be revised as the need emerges.

HSIR Cross-Sectoral Partnerships

The establishment of the Secretariat is critical to optimizing the City’s capacity for implementation of the Roadmap, but once the City has chosen its strategic actions under the HSIR, it is well-positioned to take a leadership role with other sectors who can contribute to affordable housing solutions and/or are affected by the crisis. A number of anchor institutions have already signaled their willingness to work with the City to find synergies in their operations to advance the cause of affordable housing, and the Secretariat will play an important role in translating this sentiment into new action on affordable housing.

In general, the Secretariat should take a leadership position to facilitate, advocate and catalyze cross-sectoral organizations and institutions to engage in synergistic actions to advance affordable housing. There are three sectors of immediate relevance and importance, and there may be other sectors that emerge in the future. A non-exhaustive list of such sectors / organizations follows, along with preliminary notes on potential needs, opportunities and synergies:

School Boards

School boards are large public-sector land holders and as their buildings age and their needs for land change, there are opportunities to contribute to action on affordable housing. The City, through its Affordable Housing Secretariat should seek to strengthen its relationship with the school boards to identify opportunities for action on affordable housing and identify their mutual interests in the issue, and for the Secretariat to make recommendations to Council on how best to advance those interests towards affordable housing. Specifically, one priority action would be to more effectively and efficiently identify surplus properties that could be sites for affordable housing. While this is governed by provincial legislation and regulations, the City is high on the priority list for purchase of surplus lands and there may be ways for the City to strengthen this potential source of land for affordable housing construction in the future. This relationship with the school boards should be linked to broader efforts to prioritize all suitable public land for housing construction: a “Housing First” priority for all suitable surplus or under-utilized public lands.

Post-Secondary Education Sector

Hamilton benefits from very strong post-secondary education (PSE) institutions. The sector employs a large number of people and attracts a significant amount of economic activity to the City through research grants, industry partnerships and economic activity of staff and students. For more than decade, the student population in post-secondary at Hamilton’s PSE institutions has been growing. Since the imposition of domestic student enrollment caps by the Provincial government in 2018, much of that growth has shifted in focus to international students. And as enrollment (both domestic and international) expands, this puts pressure on the rental market. To date, there has been little coordination between the City and its PSE institutions around student growth and housing needs, a situation that is replicated in a number of other cities in Ontario. There is significant potential for Hamilton’s PSE institutions to work with the City and other partners in developing more purpose-built student housing options. These can be built with some efficiencies that are not present in other forms of housing, and most important can be built with no subsidy. When purpose-built student housing is built or acquired, this takes pressure off the modestly-priced ‘regular’ rental market that low- to modest-income households depend upon for their housing. The Secretariat will be well-placed to provide some leadership and focus to better meeting student housing needs in the future.

Health Care and Hospitals

In many ways, affordable housing – and often accompanying human services supports – serve to divert health care utilization, or at least alter utilization patterns that are beneficial for health care system functioning. From the perspective of health care institutions, patients who cannot be discharged because of inadequate options for accommodation and appropriate support (known in the sector as ‘Alternate Level of Care’ or ALC patients) are a persistent challenge for the health care sector. There are, in other words, some strong interdependencies between health care and housing, that currently pose logistical challenges but could operate with more complementarity. There is a strong potential, in other words, for a better functioning system of housing and support for a number of different populations (e.g., older adults with activity limitations and/or complex medical needs, people with severe mental illness and addictions, etc.). The rigid silos that exist between sectors are a significant barrier in achieving more

synergistic relationships between the housing system and the health care system. If a supportive housing program, for instance, succeeds in diverting health care utilization through the housing and supports it provides, there is no mechanism to realize the economies achieved in the health care system to sustain and grow the supportive housing sector. To overcome these barriers will require a significant amount of partnership work, policy advocacy and organizational innovation, but it is an important opportunity that the City is well-positioned to lead on, through the office of an Affordable Housing Secretariat.

Conclusion

Over its history since WWII, Canada’s housing system has primarily depended on the private sector to deliver modestly-priced housing. There have always been significant gaps in this approach, but the failure of this approach has reached an untenable state in recent years. This report has provided a framework for action on affordable housing consisting of four pillars for action. The report recommends that the Housing Sustainability and Investment Roadmap be implemented by an Affordable Housing Secretariat. The complexity of the problem, its multi-sectoral, multi-stakeholder, multi-level dimensions, as well as the need for a comprehensive, strategic and coordinated approach, requires coordination, leadership and a comprehensive approach. The Secretariat will provide this, and should do so through an annual program of activity that is approved by Council with the autonomy to execute its program between annual reports. This is necessary to give the Secretariat the flexibility and responsiveness to conduct its work in an expeditious and effective manner. Such a Secretariat will be well-positioned to maximize the City’s resources on affordable housing and position the City as a strategic leader in the community’s development of a housing system that is better positioned to meet the housing needs of all of its residents.

Background on the Canadian Housing Evidence Collaborative (CHEC)

The Canadian Housing Evidence Collaborative (CHEC) is funded by the Canada Mortgage and Housing Corporation (CMHC) to serve as the ‘hub’ for the Collaborative Housing Research Network (CHRN). The CHRN is a network of 5 thematic multi-institutional research nodes that are aligned to themes of the National Housing Strategy (NHS). This places CHEC at the centre of a large network of housing expertise across many domains of housing research, policy and action. CHEC also has extensive international connections, including with the UK Collaborative Centre for Housing Evidence (CaCHE) research network and the Australian Housing and Urban Research Institute (AHURI).

CHEC is led by Executive Director Dr. Jim Dunn, a Professor of Health, Aging & Society at McMaster University. Dr. Dunn holds the Senator William McMaster Chair in Urban Health Equity and is also Associate Dean, Research in the Faculty of Social Sciences. His expertise is in housing, neighbourhoods and health inequalities, and he is known as one of Canada’s leading researchers in housing and health. Trained in urban health geography and social epidemiology, he has published widely in geography, public health, urban planning and epidemiology and has worked closely with governments at all levels to address issues related to the effects of income security, housing, urban development on health and healthy child development. He has extensive experience in implementing large-scale research intended to inform policy and program implementation. From 2010-2014, he worked closely with the City of Hamilton to conduct a pragmatic evaluation of the Hamilton Neighbourhood Action Strategy. He also co- led the \$5.3M evaluation of the Ontario Basic Income Pilot until its untimely cancellation in 2018.

CHEC’s Executive Advisor is Steve Pomeroy. Steve is the Principal of Focus Consulting based in Ottawa and holds an appointment as Industry Professor at McMaster University. Educated at UBC with a MA in Planning and Urban Land Economics he has over 30 years of experience in local government (1980-82) the non-profit sector (83-84), and with CMHC. He has been the Principal of Focus Consulting for over 30 years. He is widely recognized as one of the leading housing policy experts in Canada and has been an advisor to a number of national associations, municipalities, provinces and territories. He has completed over 230 reports and studies and strategies covering issues of socio-economic analysis, homelessness, housing policy and financing. His work also includes a number of comparative studies examining housing systems across a range of countries, compared to Canada. In 2013, Steve was awarded the Queen’s Diamond Jubilee Medal in recognition for his contributions to housing policy and research.

CHEC has been a close advisor to the City’s team developing the HISR and will continue to provide assistance to the City in the development of the Secretariat and the ongoing implementation and evaluation of the Roadmap. Specifically, CHEC will support the City with thought leadership, implementation research, best practice innovation, rapid evidence reviews, and adapted solutions to affordable housing challenges.