BRIEFING NOTE

Date: April 3, 2024.
Re: 2024-2025 Provincial Budget.
By: Peter G. Martin, Housing Solutions Manager.

This year the provincial government has accelerated the trend to reduce revenues and chosen to deliberately run an annual deficit, this year projected to be $9.8B (or $13.3B if growth is slower than expected). As such, less money is available for the supportive and affordable housing sector, which is reflected in this budget's effective silence in relation to funding for the sector. This budget assumes that federal transfers will increase at an annual rate of 3.6% between 2023-2024 and 2026-2027, which may be optimistic, considering that they decreased by $394M in 2023-2024 compared to the 2023 budget expectation.

This provincial budget is more focused on creating the infrastructure to support new greenfield housing development as opposed to financing infill and increased densification of existing housing within communities. In many ways this is the logical extension of the preferences illustrated in the failed project to develop the Greenbelt last year.

As such, the housing related initiatives mentioned in the Minister's Foreword highlight funding for infrastructure, namely the new $1B Municipal Housing Infrastructure Program and the $825M Housing-Enabling Water Systems Fund. This $1.8B infusion will be spread over three fiscal years. A related priority is pushing back against the Ontario Energy Board's decision to halt front-loaded payments for natural gas hookups in new housing projects, which currently benefit new housing development through lowered costs, in favour of continued maximization of payments to natural gas providers.

Also mentioned is the $1.2B Building Faster Fund for home construction, but this is not new funding. The foreword also references the opportunity to access the Building Ontario Fund to build student housing.

The government intends to address the shortage of construction workers by investing an additional $100M in the Skills Development Fund, as well as over $62M in two foundational skilled trades programs: $21M for the Ontario Youth Apprenticeship Program, and $42M to finance 100 pre-apprenticeship training projects.

Funding Infrastructure to Build More Homes.

The new $1B Municipal Housing Infrastructure Program will be focused on core infrastructure projects, such as roads and water infrastructure to support the construction of housing in "growing and developing communities." Contrary to the assertion in the budget, building homes does not require housing enabling infrastructure in mature communities and neighbourhoods, although it may require capacity adjustments. This program will not be particularly useful for the City of Toronto, which is focused on increasing density in existing neighbourhoods with extant infrastructure.

The Housing-Enabling Water Systems Fund, an application-based program, however, will be available for expanding existing water, wastewater, and stormwater infrastructure, and as such will be a potential source of funding for City projects that require expanded infrastructure. The budget quadruples the initial funding from $200M to $825M over the next three years.

The budget, however, does not improve upon the $1.2B over three years allocated in August 2023 to the Building Faster Fund, which rewards municipalities that meet or exceed their annual housing targets within the context of their 2031 housing goals. These funds, however, are also only available for infrastructure related projects.

The Ontario Infrastructure Bank, launched in November 2023 has been renamed the Building Ontario Fund. It has an initial budget of $3B. Its mandate specifically references affordable housing as an area of interest for potential funding. A review of the new website provides no information on how to apply for such funding. It is difficult to see the purpose of this entity since its mandate overlaps with that of Infrastructure Ontario.

The province will be taking surplus properties and using the land for "attainable housing" and has invested $99.1M over three years in its Site Preparation Pilot Program to repurpose such sites. Note that "attainable housing" has yet to be defined by the government and is not synonymous with "affordable housing." One of the highlighted properties is the former Thistletown Regional Centre in Rexdale. Unfortunately, the reference to this program generating "revenue from surplus government properties" suggests no intention to transfer these properties at no cost for affordable and supportive housing projects.

Supporting Skills Development and Training.

The government is investing an additional $100M in the Skills Development Fund Training Stream in 2024-2025 for training. It will also invest $224M to build, upgrade and convert new training centres. An additional $16.5M will be invested over the next three years in the

Skilled Trades Strategy for new programming designed to make skilled trades a more attractive career path, including by simplifying the training system and encouraging greater employer participation in apprenticeship programmes.

Foundational programmes focused on youth will provide $21.1M to expand the Ontario Youth Apprenticeship Program for high school students to increase the number of cooperative education courses on offer. Also, $41.8M will be used to launch 100 new pre-apprenticeship training projects, including paid local placement opportunities.

However, while the budget highlights the housing construction trade as one industry with a worker shortage, including the need to build 1.5M homes by 2031, there is no breakdown to indicate how much, if any, of this funding will be focused on this sector. While these projects may increase the number of housing construction workers in the medium to long term, the government does not address facilitating the movement of skilled workers from other parts of North America in the interim.

Helping to Increase Housing Supply and Affordability.

A mere $152M in additional funding over three years has been allocated towards existing supportive housing initiatives that primarily focus on maintaining current housing and rent supplements for those dealing with mental health and addictions, including providing rent supplements for up to 10,679 housing units. There is no mention of COHB funding for 2024-2025.

More significantly, the budget explicitly has no funding for new supportive housing projects, either maintenance or construction, for the 2024 fiscal year, only noting it will consider such funding in the 2025 fiscal year.

The government's plan to increase housing supply is restricted to expanding the authority for municipalities to levy a vacant home tax, a plan that will have no impact on Toronto, which has an existing tax, and to strengthening compliance with the Non-Resident Speculation Tax. However, neither of these initiatives, in and of themselves, nor any other provision in this budget, will have any direct impact on the availability of (deeply) affordable and supportive rental housing in Toronto.

One such example is the new provision permitting municipalities to lower property tax rates on new multi-residential properties. Contrary to the government's claim that this will increase housing affordability, without flow-through provisions to benefit renters, this is merely a windfall for landlords. Likewise, merely stating that modular construction will improve the supply of affordable housing does nothing to achieve that result, absent funding.

Building Long-Term Care Homes.

The province plans to have built 58K new and upgraded long-term care beds between 2019 and 2028. In 2024, it will invest $155M to increase the construction funding subsidy for long-term care home (re)development projects. Non-profit developers can also convert 50% of a supplemental funding subsidy into an initial construction grant. This will complement the Loan Guarantee Program available for non-profit projects.

The province will continue to provide loan guarantees to homes run by the non-municipal non-profit sector. Increasing these numbers will help individuals aging out of the shelter system and those who constitute the non-shelter using homeless. Additionally, some housing supply will be released as individuals transition from sole occupant family homes to long-term care.

Housing Supply Progress.

The current budget has adjusted upwards its projection for housing starts for fiscal years 2023 (89.3k), 2024 (87.9k), 2025 (92.3k), 2026 (94.4k), and 2027 (95.8). Based on 2023 numbers for new homes created, one can expect 10% to be either "additional residential units" or long-term care beds, compared to 80% "housing starts."

Considering the City of Toronto's policy changes, one can expect the percentage of additional residential units (e.g., garage suites, multiplex redevelopment) to increase in the short term as landowners take advantage of the changes.

Housing Market.

Due to elevated interest rates (5% since July 2023) financing carrying costs are at their highest since before the previous peak in the 1980s. This not only effects the cost of family homes but also impacts the affordability of non-profit housing developments. The government is predicting that interest rates will decline in the next four years, leading to greater viability of supportive and (deeply) affordable housing developments.

Conclusion.

While this budget is disappointing, it should be read in conjunction with the provisions of the Ontario-Toronto New Deal, which will have a significant and positive impact on the ability of the City of Toronto to fund and support the development of supportive and (deeply) affordable housing in partnership with the non-profit housing sector.