

**Ministry of
Municipal Affairs
and Housing**

Office of the Minister

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Ontario

March 11, 2002

Ms. Heather McGregor
Executive Director YWCA
of Greater Toronto 80
Woodlawn Avenue East
Bongard House Toronto
ON M4T1C1

Dear Ms. McGregor:

Thank you for your faxed letter of December 12, 2001, expressing your organization's support for the Province's participation in the affordable rental housing program proposed by the federal government.

The Government recognizes the importance of cooperative effort by all levels of government in addressing the challenge of affordable housing. I am therefore pleased that Ontario, as well as Canada's other provinces and territories, have reached a historic framework agreement with the federal government on November 30th, to kick-start construction of affordable rental housing. We anticipate being able to complete negotiations shortly on an agreement specific to Ontario. This would result in up to \$61 million federal funding being available for Ontario in each of the next four years.

When the program was first proposed in the Throne Speech last January, all jurisdictions in Canada found the federal program parameters somewhat problematic, as most provinces had established their funding priorities for the ensuing years and, in difficult economic times, were not able to commit the extra spending which the federal proposal entailed.

Canada Mortgage and Housing Corporation (CMHC), representing the federal government, confirmed on November 30th that it will consider new and existing; commitments of provinces and territories, taking into account their spending from January 2001, for the duration of the federal program. This should enable all jurisdictions to participate in this initiative.

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Ontario's anticipated expenditures for residential accommodation related to affordable and supportive housing, for the next four years, are about \$540 million. Along with other provinces and territories, we are currently negotiating with the federal government in regard to considering this portion of funding for the province's matching component in the jointly funded program. There are new housing programs for people with disabilities and mental health problems who need an appropriate level of health care. In total, these programs will create over 4,000 new supportive housing units. As well, Ontario has renewed its commitment to the land transfer tax rebate for new homes, a program which has so far helped 90,000 households, many of them to renters, to purchase their first home and move out, freeing up their rental units for other renters.

As part of the program matching required under the framework agreement, the Province has also committed \$20 million over the next four years, to offset the cost of the Provincial Sales Tax on rental units constructed using federal program grants. A similar provincial program, the Provincial Sales Tax Grant Program which we began in 1999, has supported the creation of nearly 2000 units of affordable housing. This new commitment is a direct contribution to the federal program, and will be used to complement municipal and other community investments in the jointly funded program in Ontario.

It is these types of programs, with expenditures anticipated for the duration of the federal program, which all provinces and territories believe would legitimately qualify to be counted toward the provincial or territorial contribution.

Furthermore, Ontario has enabled municipalities to reduce property tax levied on new rental properties which could result in savings of up to \$100 per month *per* unit in property taxes in some areas. This creates a more attractive business climate for new rental housing construction without requiring municipalities to forfeit actual property tax revenue. In the view of Canada's provinces and territories, this type of non-capital assistance should also count fully as a contribution toward the federal program.

CMHC has agreed that a portion of Ontario's existing spending and municipal concessions address the same housing supply problems the new program seeks to rectify. CMHC seems agreeable to considering this portion of funding (some of which has been spent since January 2001 but the bulk is yet to be spent) for part of the Province's matching component. We expect confirmation of the CMHC position on this as the Province's bilateral agreement is negotiated.

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In addition to such "program matching", the Province has announced that it will invest \$20 million over the next four years to offset the cost of the Provincial Sales Tax on rental units constructed using federal program grants. A similar provincial program, the Provincial Sales Tax Grant Program which we began in 1999, has supported the creation of nearly 2000 units of affordable housing. This new commitment is a direct contribution to the federal program, and will be used to complement municipal and other community investments in the jointly funded federal/provincial/territorial program in Ontario.

We have also been urging the federal government to bring about fundamental and sustainable changes to the business climate, through changes to the federal tax regime and mortgage insurance provisions. We believe these changes are critical to success in getting new rental housing built in Ontario. We are pleased that the federal government recently indicated willingness to look at the long-term impact of the tax structure on the supply of rental housing.

In Ontario, municipalities have a strong and evolving role in the delivery of existing and new housing programs. The Province would seek to involve local governments in a significant way in designing and delivering the federal program. In this approach, community concerns about the supply of affordable housing to meet all types of need in the Greater Toronto Area could be specifically addressed through special targeting or other appropriate methods.

We also encourage private sector/non-profit partnerships. As non-profit entities, organizations such as the YWCA have played an important role in the provision of affordable housing.

Sincerely,

A handwritten signature in cursive script that reads "Chris Hodgson".

Hon. Chris Hodgson
Minister