

<p>Date: October 9, 2024</p> <p>To: Chair and Members of Planning and Development Committee</p> <p>From: Andrew Whittemore, M.U.R.P., Commissioner of Planning & Building</p>	<p>Originator's files: CD.06.HOU</p>
	<p>Meeting date: October 28, 2024</p>

Subject

INFORMATION REPORT (City-wide)

Increasing Opportunities for New Housing Co-operatives (Co-ops) in Mississauga

Recommendation

1. That the report dated October 9, 2024, from the Commissioner of Planning and Building titled "Increasing Opportunities for New Housing Co-operatives (Co-ops) in Mississauga", be received for information.
2. That staff be directed to implement actions outlined in this report to facilitate new housing co-operatives in Mississauga including the potential strategic acquisition of land in partnership with the Region of Peel and other stakeholders to leverage existing incentives available for co-op housing development as outlined in Appendix 2.

Executive Summary

- Co-operative housing has for many decades, been a reliable source of quality, affordable housing for low- and moderate-income individuals and families in Canada.
- The vast majority of Mississauga's co-op housing stock was built prior to the mid-1990s. No new non-profit co-ops have been built in the Mississauga in the intervening decades.
- *Growing Mississauga*, the City's Housing Action Plan directs that innovative non-market housing solutions such as housing co-operatives be explored to achieve self-administering long-term affordability.
- The Peel/Halton Co-operative Housing Federation (PHCHF) has indicated that increasing the supply of co-op housing would help to alleviate the demand for long-term affordable housing.
- Recently there has been a renewed interest in co-operative housing. New funding opportunities and programs have been developed at the federal, provincial, and

municipal levels that would enable existing co-op corporations to fund redevelopment opportunities on their properties or other stakeholders to build new co-ops.

- As a lower-tier municipality Mississauga is limited in its role to directly develop co-op housing. It must collaborate with other partners (Region of Peel, the PHCHF, existing co-ops, other levels of government and both the non-profit and for-profit sectors) to facilitate expansion of the sector.
- A series of City actions are proposed to facilitate the creation of new co-op housing in Mississauga. They range from providing assistance to existing co-op providers wishing to expand on their sites to collaborating with other stakeholders on surplus government lands at 1 Port Street East and potentially acquiring municipal property to be offered for co-op purposes.

Background

This report aims to address several inquiries made by councillors at Planning and Development committee over the last several months regarding:

- What is meant by co-op housing?
- Why are we not seeing many new co-op developments?
- What is the current status of co-op developments in the city?
- The latest information on new programs that could support the development of new co-ops including the Federal Government's announcement of \$1.5 Billion to be spent on co-op housing.
- Opportunities for new co-op developments in Mississauga and actions the City can take.

What is Co-operative housing and why aren't we seeing many new developments?

For the purposes of this report, co-operative housing is a form of community housing in which the property is owned by a non-profit corporation and controlled collectively by the member residents through a board of directors they elect from among themselves. The residents are regarded as co-op "members" but without individual ownership.¹ The speculative element of owning property is effectively removed from this housing model. Other benefits of co-operative housing have been well documented²— security of tenure, low housing charges (similar to rents) relative to market rents, self-management, sense of community, quality housing stock especially

¹ This is in contrast to "equity" housing co-operatives where the co-op corporation develops the units and owns the building. Each member of the co-op makes an economic contribution to purchase shares. Share ownership entitles the resident to occupy a unit. Although similarly controlled by members there is no affordability requirement in an equity co-op. They are also less likely to qualify for government funding.

² Co-operative Housing Program Evaluation, Canada Mortgage and Housing Corporation, September 2003

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for families and mixed-income communities avoiding the stigmatization of earlier public housing developments. Co-operative housing provides a long-term sustainable housing alternative to home ownership or renting in the market.

The vast majority of co-operatives in Canada are non-profit in nature, housing a mix of low- and moderate- income member residents.³ Consequently, a portion of the units in a non-profit co-op are reserved for low-income households who receive separate rental assistance geared to their income, which allows them to affordably pay the housing charge.

Most non-profit rental housing co-operatives in Canada were developed with capital and operating support from the federal government during the 1970s to early 1990s.⁴ According to the Co-operative Housing Federation of Canada (CHFC) about half of the co-ops in Ontario were developed under federal government programs. These communities operate under rules contained in an operating agreement signed with the Canada Mortgage and Housing Corporation (CMHC) and administered by the Agency for Co-operative Housing. The remaining co-ops were developed under provincial housing programs and followed operating rules in the *Housing Services Act* (the Act). The Act is administered by municipal service managers such as the Region of Peel. Approximately 125,000 people live in more than 550 non-profit housing co-ops across Ontario.

When affordable housing responsibilities were transferred to municipal service managers, funding was prioritized to address the state of good repair of municipally-owned facilities and providing ongoing subsidies for existing co-ops. When funding has been allocated to new projects, the focus has been towards affordable rental developments for lower income individuals and transitional housing. In short, non-profit co-ops required significant senior government capital and operating funding in order to be financially viable. When this funding stopped so did new co-op construction.

Existing Co-op Housing in Mississauga

On February 27, 2024, the Region of Peel and the PHCHF made presentations to the Housing Panel on the current state of housing co-operatives in the Mississauga. Appendix 1 shows the distribution of Mississauga's existing housing co-operatives. In total there are 22 co-op sites comprised of ten apartment building properties and 12 townhouse complexes. The majority of

³ Federal programs between 1973 and 1986 supported mixed-income housing. Programs after 1986 to 1993 focused on targeted households e.g. those in core need but provided for additional provincial funding to create an income mix. Ontario and BC stacked provincial assistance with federal funding to continue mixed-income developments.

⁴ More recently we have seen the development of "equity" housing co-operatives where the co-op corporation develops the units and owns the building. Each member of the co-op makes an economic contribution to purchase shares. Share ownership entitles the resident to occupy a unit. Although similarly controlled by members there is no affordability requirement in an equity co-op. They are also less likely to qualify for government funding.

Mississauga's co-ops were built between 1972 and 1996. Key observations about existing co-ops include:

- A total of 2,750 co-op units with an average of 125 units per co-op corporation.
- Several sites have a relatively low footprint or building coverage with adjacent surface parking.
- Ten of the co-ops were federally funded and will have their mortgages paid off.
- Twelve of the co-ops are regionally-funded. Most of these properties will have paid out their mortgages between 2025 and 2030, with the first regionally-funded co-op reaching their end of mortgage on December 1, 2025.
- The chart below shows the difference between average monthly co-op housing charges and the average monthly rents in the primary and secondary rental markets in Mississauga:

Co-op Monthly Housing Charges vs. Average Market Rent in Mississauga			
Bedroom Type	<u>Average Monthly Co-op Housing Charges (Rents⁵)</u>	<u>Primary Rental Market (CMHC Rental Market Report, October 2023)</u>	<u>Secondary Rental Market (TRREB, Q2, 2024)</u>
Bachelor	\$ 835	\$1,102	\$2,079
1-bedroom	\$ 978	\$1,625	\$2,459
2-bedroom	\$1,112	\$1,855	\$3,006
3-bedroom	\$1,231	\$1,967	\$3,520

Comments

A Renewed Interest in Expanding Co-operative Housing

⁵ Rents Retrieved from the Region of Peel. The rents only reflect the twelve Mississauga co-ops that receive regional funding

Housing co-operatives remain a popular housing choice despite very little stock having been created over the past few decades. Long waitlists and minimal turnover limit options for other households who are unable to own or rent in the market.

Today there is a renewed interest in housing co-operatives as an alternative non-market approach to combat today's housing crisis. Relying on the private sector to build affordable housing through inclusionary zoning or financial incentives will not achieve long-term affordability. The City's *Increasing Housing Choices in Neighbourhoods Study (2021)* identified the need to provide for alternative housing arrangements such as housing co-operatives in communities. The *Growing Mississauga Housing Action Plan (2023)* Action 7.5 involved exploring innovative housing solutions such as new housing co-operatives and community land trusts to achieve self-administering long-term affordability. A co-op's largely self-governing structure is appealing from an administrative or operational perspective as the City has no prescribed authority or local agency to build or manage housing stock.

Appendix 2 to this report outlines several recent government initiatives aimed at supporting non-profit and co-operative housing. The most significant is a new \$1.5 billion federal Co-op Housing Development Program (CHDP). Funding will be committed over four years starting in 2024-25 in the form of forgivable and low-interest repayable loans. The federal government has also introduced the Federal Lands Initiative (FLI) & Public Lands for Homes Plan with a view to transfer or lease surplus federal lands to secure affordable, sustainable, accessible and socially inclusive housing. New housing co-operatives would be eligible for this program. Currently the only surplus federal-owned site in Mississauga is 1 Port Street East. This large (7.4 hectare/18.3 acre) property is located on the waterfront in Port Credit and could accommodate a housing co-operative as part of a new mixed-use development. Non-profit housing co-ops are also able to take advantage of other noted provincial, regional and city incentive programs and fee exemptions (Appendix 2).

Like Mississauga, several other cities (e.g. Burlington, Cambridge, Hamilton, Kitchener, North Vancouver) that have been recipients of the Federal Housing Accelerator Funding (HAF) have identified initiatives aimed at either developing affordable housing on surplus government land or making a strategic land acquisition to establish a community housing pilot or partnership to increase the supply of new affordable housing including co-operative housing. The City's new Affordable Rental Housing Community Improvement Plan, which is funded by HAF and the Housing Reserve, would also enable the City to purchase land and collaborate in a non-market development partnership similar to the Housing Now Initiative in Toronto, albeit on a smaller scale.

New Development at 2444 Eglinton Avenue East in Scarborough

Staff were asked to look at the new co-op development proposed at 2444 Eglinton Avenue East in Scarborough. The tenure of the units includes: market condominium units (307), market co-op units (306) and affordable co-op units (306) for a total of 919 housing units in three towers.

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According to the staff report, the project is supported through the Housing Now Initiative and the Open Door Affordable Housing Incentive Program. The 306 affordable co-op units will benefit from an exemption from the payment of development charges, a waiver of all planning application and building permit fees, parkland dedication fees (\$15 million) and the exemption of municipal and school taxation over a 99-year term (\$13 million) for an estimated total local contribution of \$28 million based on current rates. These incentives do not cover the entire cost of the co-op development. Additional funding including construction financing will be required.⁶

Impact of Mortgage End of Life for Co-ops

The end of a mortgage can provide an opportunity for the co-op corporation to consider refinancing and possibly adding new additional units to the property. Alternatively, the co-op may wish to divide some larger units to create additional smaller units depending upon their needs. This is made possible because the original conditions imposed by the provincial/municipal or federal governments would no longer apply. After the mortgage is discharged the legal owner of the co-op would continue to be the collective members and the day-to-day operations would continue to be conducted by the board of directors.

The *Housing Services Act* mandates that service managers provide municipally/provincially-funded co-ops with three types of subsidies:

- Rent-gear-to-income (RGI) subsidies for low-income members.
- Property tax subsidies.
- Operating subsidies which bridge the gap between revenues (housing charges and RGI subsidies) and the cost of the mortgage and operations.

When the mortgage of a municipally/provincially-funded co-op is about to be paid off, the *Housing Services Act* requires the service manager (Region of Peel) to enter into an asset management plan with the co-ops to determine whether a “service” agreement or an “exit” agreement is suitable.

The PHCHF and Region of Peel prefer that a co-op enter into a service agreement for the following reasons:

- The co-op continues to receive RGI subsidy⁷ to support low-income residents.
- Financial plans are developed with the service manager which set the housing charges, show capital expenditures, and show how revenues meet operating expenses.

⁶ 2444 Eglinton Avenue East – Zoning Amendment – Decision Report – Approval, City of Toronto, May 2024

⁷ It should be noted that the break-even rent approach that co-ops use is viable even after their mortgage and associated operational funding ends, but retaining the mixed-income model is predicated on external rental assistance for the portion of low-income households. Most existing co-ops wish to continue to support their low-income members and will negotiate service agreements with service managers who will continue to provide rent-gear-to income subsidies.

- The service manager can provide additional funding to reduce non-RGI housing charges and to keep the co-op in a good state of repair and fit for occupancy.⁸
- Co-ops can be “reset” on how to plan for their future.
- Largely “business as usual” for members afterwards.

Housing charges are not reduced. Ongoing needs include maintenance and to fund their capital reserve. Some service managers in Ontario are more likely to promote exit agreements because this would provide greater autonomy for co-ops. However existing co-ops are unlikely to have an influx of cash reserves even when their mortgages are paid off. Many may not have sufficient funds to pursue development on their own and would have difficulty securing financing. Co-ops entering into exit agreements would:

- Lose access to RGI subsidies.
- Not be able to access capital funding in the future.
- Find it difficult to fund the co-op on their own.
- Need the Region to sign off on the exit agreement.

As the mortgage ends, a new partnership will need to be formed between the co-op and the service manager where both parties have an equal say in the agreement. In Peel, the PHCHF is hopeful that these new agreements will ensure the existing affordability of co-op homes by preserving long-term RGI subsidies. The negotiations are likely to include conditional requirements such as higher asset management standards, the need for capital repairs, renovations and other types of sustainability upgrades.

In Mississauga, the federally-funded co-ops have all paid off their mortgages. As with the provincial/municipal-funded developments many have taken advantage of CMHC and other federal rental assistance programs to support lower income members. More consultation with these co-ops is required to determine whether there is an interest in redeveloping their properties or expanding existing co-ops. Staff are not aware of any current plans in this regard. It is likely that federally-funded co-ops have similar concerns to those of the provincial/municipal co-op corporations, namely maintaining existing structures in good repair.

Consultation with Co-ops

Staff met with the Executive Directors of the PHCHF and the Co-operative Housing Federation of Toronto (CHFT) to discuss opportunities to increase the co-op housing stock in Mississauga. The PHCHF provides services to support its members, advocates to the government on behalf of its members, and collaborates with other regional and national co-op housing federations. The CHFT is the non-profit development partner in the new large-scale mixed-use and co-operative development at 2444 Eglinton Ave East in Scarborough.

⁸ What do Ontario HSA regulation changes mean for your co-op? Co-operative Housing Federation of Canada.

Generally, co-op members are happy with their accommodation, particularly the security of tenure and sense of community. However, there are also challenges:

- Maintaining Assets in a State of Good Repair – this can be costly due to the age of existing buildings which may require significant repairs/renovations or full replacement.
- Limited Member Skills – although day-to-day operations are often contracted to external operators, the co-op boards, who are made up of volunteers, are tasked with making major financial decisions yet may lack the necessary skills or expertise. They typically also do not have the internal capacity to take on redevelopment projects. In recent years new co-op development is often undertaken by a community land trust which possesses the required expertise and resources prior to the co-op being established.⁹
- Ensuring Co-ops Remain Financially Sustainable – continuing to be able to fund the capital reserve for future needs and maintaining government support.

When asked about future development opportunities most co-ops were more focused on state of good repair of their existing buildings. However, one co-op did express some interest in a new development on their site.

The stakeholders identified the following strategies that could be pursued:

- Allocate Seed money to conduct feasibility studies.
- Support new co-op development with internal consulting expertise.
- Exempt sites from rezoning or pre-zone.
- Offer a coordinated approach to access funding and programs.
- Waive property taxes.
- Use surplus government land or acquire new properties to create new co-ops similar to Toronto's Housing Now Initiative.
- Acquire existing buildings and create community land trusts or partner with existing land trusts to provide affordable housing in perpetuity.

Staff's Plan to support new Co-op Development

Co-ops occupy an important part of the housing supply continuum, providing a bridge between transitional rental and ownership models. Currently there is an opportunity for the City to leverage the demand for long-term affordable housing along with recent funding to expand the co-op housing sector. Based on research and feedback received, City staff plan to undertake the following actions to help facilitate new purpose-built co-op development:

⁹ A Community Land Trust (CLT) a non-profit corporation that acquires and holds land and housing for the benefit of the community in which it exists. The purpose of a CLT is to preserve affordability on the housing that it acquires. To develop co-ops, a CLT can create a co-op corporation and acquire lands using a pool of funds. For example, the Co-operative Housing Federation of Toronto (CHFT) has established four CLTs to preserve, maintain and secure affordable housing. Having CLTs means that when a co-op's mortgage is paid off, the units will remain in control of the members of the co-ops.

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- Continue to advertise that non-profit co-ops would qualify under the City's Affordable Rental Community Improvement Plan (funded mostly through the Housing Accelerator Fund).
- Explore the opportunity for a co-op building to be part of the Canada Lands Corporation development on 1 Port Street East.
- Continue to work with existing co-ops who may be interested in developing their site. Utilize staff liaison positions to help guide them through the development process. Examine on-site parking ratios for co-ops to see if any refinements to by-law rates are necessary.
- In consultation with the Region of Peel and the PHCHF, explore any public or private land sales that offer the potential for a community land trust or a similar model to create a new housing co-op. This could be facilitated by Housing Accelerator funding and stacked with other available incentives/exemptions noted in Appendix 2.

Staff would report back to Council on the outcome of any negotiations with Canada Lands Corporation or the Region of Peel regarding a potential partnership on surplus government lands or municipal acquisition of lands for co-op housing purposes.

Financial Impact

There are no financial implications associated with this report.

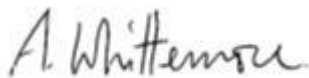
Conclusion

While the City has no prescribed role in the development of community housing it can take steps to explore how to assist co-op corporations in pursuing funding for redevelopment opportunities on existing sites or acquire land for new co-op housing. As most of the available programs have a limited 5-year time frame and given that the Region of Peel is the housing service manager with the legislative authority to provide funding and further assistance to co-ops, it is recommended that staff work expeditiously with the Region and the PHCHF and other relevant stakeholders to scale up new co-op housing development in Mississauga.

Attachments

Appendix 1: Map of Existing Housing Co-ops in Mississauga

Appendix 2: Government Programs Supporting the Creation of New Housing Co-operatives



Andrew Whitemore, M.U.R.P., Commissioner of Planning & Building

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