

CONTENTS

Introduc	etion 3
Canada'	s housing need4
The fed	eral role in housing7
The mur	nicipal role in housing10
Recomn	nendations11
#1:	Secure significant funding for housing solutions11
#2:	Protect existing social housing12
#3:	Invest in new social and affordable housing13
#4:	Prevent and end homelessness15
#5:	Grow the rental housing sector15
#6:	Enable innovation for sustainable solutions16
#7:	Support distinct Indigenous housing needs17
#8:	Support distinct Northern housing needs17
#9:	Engage municipalities to address challenging markets18
#10:	Review CMHC's mandate18





INTRODUCTION

From coast to coast to coast, local governments recognize that housing is the bedrock of the livable, inclusive and globally competitive communities — and country — we aspire to build.

Every day, we see how safe, affordable housing attracts and supports newcomers, young people, Indigenous households, middle class families and seniors. We see how this foundational sense of security emboldens people to start businesses, take creative risks, challenge themselves, and contribute to our communities in the fullest sense.

We also know firsthand that Canada is facing a housing crisis. After another decade of underinvestment, housing is becoming less affordable at every income level. As local leaders, we see the consequences close up, in the lives of the residents we represent.

And we know the time to act is now.

Canada's federal government has made a commitment to develop a national housing strategy. Canadians have also given this government an unprecedented mandate to robustly invest in social infrastructure across the country. Together, these two realities create a once-in-a-generation window of opportunity to transform Canada's housing sector and improve lives.

Municipalities are ready to work with other orders of government, Indigenous communities and the non-profit and private housing sectors to seize this opportunity. With the comprehensive recommendations in this document, the Federation of Canadian Municipalities (FCM) and its 2,000 members are calling for federal leadership to enable this work to begin.

Important:

Because this submission represents the municipal perspective, all references to Indigenous households and housing need reflect the off-reserve context. However, FCM recognizes the serious housing needs on reserves, and urges the federal government to continue working with First Nations organizations and leaders to address these needs as core to the reconciliation process that FCM vigorously supports.



C Gaetz, Gulliver and
RIchter (2014). The State of
Homelessness in Canada 2014
Case studies developed by
Canadian Housing and Renewal
Association. Read more: http://

housing4all.ca/case-studies

CANADA'S HOUSING NEED

Housing is becoming less affordable at every income level. Increasingly, stress fractures in each segment of the housing sector — from emergency shelters through subsidized housing through market rentals — compromise the wider system.

The Canadian Alliance to End Homelessness estimates that over 235,000 Canadians will experience homelessness this year, with over 35,000 homeless on any given night.¹ And homelessness is not restricted to cities, even if it tends to be more hidden in smaller communities (as "couch surfing" or living in cars). Rural Alberta, for example, is experiencing a surge of people with no permanent address or living in unstable and precarious housing situations.

On an average night in 2014, 13,857 Canadians slept in emergency shelters, filling 90 per cent of Canada's 15,000 available beds — up from 80 per cent in 2005. This increased demand has been driven by longer stays, especially among families and people over 50. Shelter use among Indigenous people is 10 times higher than among non-Indigenous people.

The persistence of homelessness is linked to the troubling state of social housing. This is the portion of the housing system where rents are deeply subsidized and geared to household income. This is where the most vulnerable seek pathways out of homelessness — but demand for social housing increasingly outstrips supply.

Little new housing has been built since 1993, when the federal social housing program that had operated for almost 50 years was terminated. Worse, as longstanding federal social housing

Social housing providers: the front lines of the crisis²

The expiry of federal operating agreements presents critical risks to Canada's diverse social housing providers.

Regina's Silver Sage Housing Corporation, a non-profit social housing provider, has served Indigenous households for years on a rent-geared-to-income basis. As federal operating agreements expire, Silver Sage must increase rents just to keep doors open.

The Prince George Metis Housing Society has also raised rents, acknowledging that this will force some households to move potentially into substandard market rentals while boosting the demand for affordable housing in a region where social housing waitlists have ballooned to as many as 4,000 households.

Toronto's Mainstay Housing faces the loss of operating funding for 37 of its 41 properties. These properties provide more than 800 homes for singles, couples, and families with children where the primary tenants are living with serious mental illness and were homeless at entry; in many cases living with physical disabilities, addiction challenges or physical health issues.



operating agreements expire, the units they have supported are falling into critical disrepair or are closing. In Edmonton, 173 units have already closed. In Toronto, 1,800 units are at risk of closing in 2017 alone. Ottawa anticipates similar outcomes, estimating the annual capital shortfall for its social housing portfolio at \$22 million.

Social housing waitlists are already intolerably long — with 97,000 households waiting in Toronto; 25,000 in Montréal; 10,999 in Ottawa; 3,900 in Vancouver; 2,855 in Winnipeg; 1,290 in Halifax; and 500 in Fredericton. In Ontario alone, waitlists have grown by more than 42,000 households in 11 years, with wait times averaging almost four years — and up to 10 years in some regions.³ In the Yukon, around 60 per cent of those on waitlists are seniors, and this demographic is projected to grow from nine per cent

of the population in 2013 to 15 per cent in 2021⁴.

As social housing waitlists grow, more households are forced to seek unaffordable housing on the private market. Statistics Canada defines "core housing need" as a condition where households are spending more than 30 per cent of their income on shelter, or living in housing that is overcrowded or needing major repairs. But one in five renters now spends more than half of their pre-tax income on rent and utilities.⁵ And as Figure 1 shows, this condition is significantly more prevalent in some communities. These households are literally forced to choose between housing, food, bus tickets and school supplies — or to move in search of lower-cost shelter, shifting kids to new schools and disrupting vital support mechanisms.

Figure 1:

Montreal 21 % Toronto 22 % St.John's 22 % Edmonton 22 % Renter households paying Waterloo 22 % more than half of income 23 % Saskatoon for housing and utilities Vancouver 25 % (select municipalities)⁶ Kelowna 25 % Vaughan (ON) **27** % West Hants (NS) 28 % 29 % Huntsville (ON)

Low rental construction rates have driven up prices as more households compete in a small pool. Between 2001 and 2006, for the first time ever, the number of occupied rental dwellings in Canada did not increase, even as our population grew by 5.4 per cent.⁷ While rental construction has ticked upwards in recent years, action is urgently needed in cities with

anemic vacancy rates — such as Vancouver (0.8 per cent) and Toronto (1.6 per cent) — and in smaller communities with aging populations where rental scarcity inflates prices, creates gaps for seniors and makes it harder to attract talented workers and families.

- Ontario Non Profit Housing Association (2015). 2015 Waiting List Survey.
- Canadian Housing and Renewal Association (2013). Affordable Housing Challenges and Innovations in the North: A CHRA Congress Session Summary. Accessed at http://chra-achru.ca/en/ research-papers#2015
- National Household Survey (2011).
- Accessed from the Canadian Rental Housing Index, at www. rentalhousingindex.ca. (territories not included)
- ⁷ Canadian Housing and Renewal Association (2011). Submission to the Federal Pre-Budget Consultations.



Meanwhile, as home ownership becomes prohibitively expensive in many cities, modest income earners are driven to choose between shouldering heavy debt and turning to rental markets — further raising demand and prices. The Bank of Canada has flagged record high household debt as one of the greatest threats to the Canadian economy.

Recent federal interventions aimed at cooling the housing market further underscore its instability.

With scarce access to subsidized housing, the mismatch of incomes and available rents in many communities (see Figure 2) underlines why so many households are in core housing need.

Figure 2:

Mismatch of income and available rents ⁸					
	Average rent for a one-bedroom	Minimum annual income to afford a one-bedroom	% of population with insufficient income for a one-bedroom		
Montréal	\$744/month	\$28,500	24%		
London	\$787/month	\$31,500	34%		
St. John's	\$798/month	\$32,000	23%		
Kitchener	\$830/month	\$33,000	26%		
Regina	\$918/month	\$37,000	32%		
Ottawa	\$972/month	\$39,000	25%		
Vancouver	\$1,079/month	\$42,500	37%		
Toronto	\$1,103/month	\$44,000	33%		

With households spending so much of their income on housing, it is not surprising that Food Banks Canada — citing a 26 per cent increase in food bank use from 2008 to 2015 — identified more affordable housing as one of four keys to reducing reliance on emergency food aid.9 Research also draws a clear link between poor health and inadequate housing. One 2010 longitudinal study found that people who are vulnerably housed face the same health problems as those who are experiencing homelessness.¹⁰

Some demographics are especially vulnerable, as shown in Figure 3. Newcomers, Indigenous people, female-led lone-parent families, and seniors living alone are disproportionately represented among Canada's 1.5 million households in core housing need.

- Bata from CMHC 2015 Fall Rental Market Report and Statistics Canada Table 202-0401
- Food Banks Canada (2015). HungerCount 2015 Report.
- Research Alliance for Canadian Homelessness, Housing, and Health (2009). Housing Vulnerability and Health: Canada's Hidden Emergency.

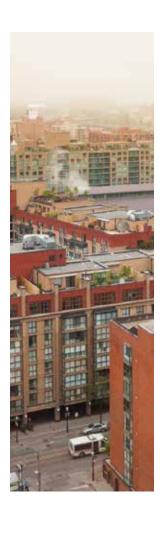


Figure 3:

Renter households in core housing need ¹¹	
All renter households	27%
Female-led lone-parent families	45%
Recent newcomers to Canada (arrived 2006–2011)	38%
Seniors living alone	36%
Indigenous households (off reserve)	35%

Across Canada's north, the incidence of core housing need exceeds the 12.5 per cent Canadian average: 39.2 per cent in Nunavut, 15.7 per cent in the Northwest Territories and 13.6 per cent in the Yukon. A 2011 study found that the Northwest Territories spent 5.1 per cent of its budget on housing, far exceeding the provincial/territorial average of 0.7 per cent — and needs are expected to grow. Nunavut forecasts a need for up to 5,300 new housing units in the near to medium term, but current construction and financial capacity cannot come close to meeting this demand.12

THE FEDERAL ROLE IN HOUSING

The federal government has initiated, funded and implemented a variety of housing and homelessness programs over the last 60 years. The strongest manifestation of its leadership was the development of social housing — which ended abruptly in 1993. When Ottawa reasserted itself in 2001, it was with significantly less investment and a shift towards more provincial and territorial (P/T) cost sharing and program development. In this more recent phase, the trend has been to provide housing with more modest affordability.

1950-1993:

Development of social housing

The Canada Housing and Mortgage Corporation (CMHC) was created in 1946, and social housing development began in 1949, partly to serve the needs of returning war veterans. Progress started with the Public Housing Program and several one-of-a-kind housing projects, followed in the 1960s by more systematic development of social housing.

In 1973, changes to the *National Housing* Act brought about a series of social housing programs to develop community-based (including municipal) not-for-profit and cooperative housing. In the words of Ron Basford, the housing minister of the day: "It is the fundamental right of every Canadian to have access to good housing at a price he [sic] can afford." ¹³

More than 600,000 social housing units were developed from 1949 to 1993, when the federal government stopped funding new construction, except on reserves. Around 500,000 of these homes are still under the 25 to 50-year operating agreements that provide the basis for their funding. At its peak, the federal government spent more than \$2 billion annually on social housing. It now spends around \$1.5 billion on operating agreement commitments; and with no renewed commitment, this will decline every year until the last agreement expires in 2039.

- 11 CMHC (2011). Canadian Housing Observer: Characteristics of Households in Core Housing Need. Figures rounded to nearest full percentage.
- ¹² Canadian Housing and Renewal Association (2013). Affordable Housing Challenges and Innovations in the North: A CHRA Congress Session Summary. Accessed at http://chra-achru.ca/en/ research-papers#2015
- ¹³ As cited in Walker, Ryan (2008). "Social Housing and the Role of Aboriginal Organizations in Canadian Cities" in *IRPP* Choices, Vol. 14, no. 4, May 2008.



Around 67 per cent of social housing units have rents geared to the incomes of tenants. For most rent-geared-to-income (RGI) housing, federal operating agreement funding makes up the shortfall between subsidized rents and a project's operating and financing costs. The remaining 33 per cent of social housing units are also owned and managed by social housing providers, but rents are determined by a project's operating costs. These are "market" or "break-even" units in what are known as mixed-income housing projects.

There were various social housing programs through this era, each with different requirements, especially in terms of the proportion of RGI units in a project and operating agreement allocation to its reserve fund. The Public Housing Program, through which over 200,000 units were developed, required almost all units to be RGI. Canada's largest social housing provider, Toronto Community Housing — with the City of Toronto as its sole shareholder — developed almost all of its social housing homes through this program.

All social housing was initiated by the federal government, and many programs under this umbrella were cost-shared — some with 75 per cent federal / 25 per cent provincial/territorial contributions, and others with a 50/50 approach. Some programs, including the Urban Native Program, the Co-operative Index Linked Mortgage Program and the Rent Supplement Program, were unilaterally funded by the federal government.

Steele, Marion (2006). "A Tax-Based Affordable Housing Program for Canada" in Canadian Housing Magazine,

Figure 4:

Social housing (created until 199 (off reserve)	
NL	13,831
PE	3,296
NS	23,956
NB	16,539
QC	132,600
ON	245,868
MB	38,801
SK	35,623
AB	40,447
ВС	71,735
YK	818
NWT (now including NU)	6,707

During this period, the federal government also supported the development of market rental housing, especially through the Multiple Unit Residential Building (MURB) incentive. Launched in 1974, MURB was not targeted to boost affordability directly but to stimulate supply generally. This tax expenditure program permitted tax losses resulting from the large allowable depreciation deduction on a new building to be deducted from employment income. ¹⁴ Some 195,000 units were produced across Canada before MURB ended in 1979. ¹⁵

1993–2016: Retreat from affordable housing

In 1993, the federal government abruptly halted funding for new social housing, except on reserves. This retreat set the stage for a progressively growing gap between the supply and demand of affordable homes across Canada.

fall 2006 edition.

15 Housing Supply Working Group (2001). Affordable Rental Housing Supply: The Dynamics of the Market and Recommendations for Encouraging New Supply.



In 2001, the federal government made a modest return to housing with the \$125-million Affordable Housing Initiative. This became the \$253-million Investment in Affordable Housing (IAH) in 2011, and Budget 2016 grew this to \$504 million annually until 2017-2018. IAH funding is matched by provinces and territories (P/Ts) and provides significant flexibility in terms of how P/Ts use it. Supported units must be rented at or below average local market rent, but rents do not need to be geared to income.

Post-2001 housing investment does not approach the earlier era of federal leadership. Today's \$504-million annual IAH investment cannot be seen as a replacement for the \$1.5-billion social housing investment — as it declines to zero. Notably, where social housing has generally supported households with the lowest incomes, newer projects generally support households with moderate incomes. Although the IAH affords P/Ts the flexibility to develop RGI housing, many new units have offered more modest affordability.

Additional federal investments in this period were short-term injections. In 2006, the \$1.4-billion Affordable Housing Trust was a one-time investment transferred to provinces with few parameters. The \$2-billion housing component of the 2009–2011 federal stimulus leveraged P/T contributions to support social housing repairs and new construction, including on reserves and distinctly in the north. Notably, a federal report on the stimulus found that its housing component had a 1.4-dollar impact on real GDP per dollar spent significantly stronger than the impact of its personal tax measures (0.9 dollars) or business tax measures (0.2 dollars).¹⁶

Separately, the National Homelessness Initiative was launched in 1999, in response to an emerging homelessness crisis. Subsequently renamed the Homelessness Partnering Strategy (HPS), this initiative is set to operate until 2018–2019, funding local bodies with innovative approaches to this complex issue. Until Budget 2016 boosted HPS by almost \$60 million per year, for its remaining two years, funding had been fixed at \$119 million per year.

2016-2017: A window of opportunity

Today's patchwork of approaches to housing across the country cannot reverse the crisis we now face. Today, however, can also mark a turning point.

Budget 2016 marked the first time since a large number of social housing operating agreements have expired that federal dollars were committed to address this issue. This budget included \$573.9 million over two years to support social housing repair, as well as \$30 million over two years as an interim measure to maintain affordability in the federally administered portion (about one sixth) of the social housing stock where operating agreements have expired. Considerable dollars were also provided for two years to increase the IAH and the HPS, along with initial plans to stimulate rental housing production

These measures brought the federal government substantively back to the table on housing.

Even more significantly, Budget 2016 committed significant funding towards infrastructure, including \$20 billion for social infrastructure over 10 years — alongside a commitment to develop a National Housing Strategy.

Together, these can be ingredients for transformative change, and they form the foundation for the recommendations in this document.

Canada's Economic Action Plan, A Seventh Report to Canadians, Table A.1, January 2011.

THE MUNICIPAL ROLE IN HOUSING

Safe, affordable housing is the bedrock of inclusive, prosperous communities where people want to live, raise their families and start businesses. When this bedrock erodes, local governments see the consequences as they reverberate through our communities. Everything — from work, to education to participating in the community — becomes secondary when your home is too expensive, overcrowded, or in need of major work.

While this is not an explicit municipal responsibility outside Ontario, local governments have a long history of leadership on housing. The City of Vancouver's density bonus transfer programs and the City of Ottawa's \$16-million contribution towards 314 new affordable and supportive housing homes are two examples. From the City of Calgary supporting not-for-profit housing providers by leasing municipal land, to Saskatoon's rental incentive grants, to Toronto's \$970-million 10-year commitment to repair social housing, local governments are doing their part.

On the road to developing and implementing a National Housing Strategy, municipalities offer tremendous value. Local governments understand local needs, and they are well placed to assess local housing solutions — in relation to local patterns of neighbourhood development, land use, transit expansion, economic growth, and beyond.

But local governments can't do it alone, funded by the property tax. Nor can provincial/territorial governments that have taken on increasing responsibility for housing and homelessness efforts, stepping into spaces vacated by the federal government. The federal government must prioritize housing in a manner commensurate with both need and its fiscal capacity and tools.

The rest of this document presents our recommendations to start getting that job done.





RECOMMENDATIONS

The federal government's commitment to a National Housing Strategy (NHS), coupled with its strong public mandate to invest in social infrastructure, opens a window of opportunity. With bold decisions now, this government can lead a transformation of Canada's housing sector — on the road to ensuring every Canadian has a safe and affordable place to call home.

To that end, Canada's municipal sector is putting forward 10 key recommendations. These recommendations are systematically inter-connected and should therefore be implemented in tandem. This is the key to achieving transformative impacts, so that Canada is not facing a resurgent housing crisis eight years from now.

Some of our recommendations propose new federal commitments, while others reflect a call to sustain or expand existing ones. We also envision leadership and financial contributions from provinces and territories, in particular for the construction of new affordable and social housing.

Municipalities will play meaningful roles that build on their responsibilities in land use planning and development; their understanding of housing needs; and their relationships with housing providers. They should be included in federal/provincial/territorial meetings on housing. They should also be involved in affordable housing project selection to ensure solutions serve local needs as well as the broad goals of the NHS.

Recommendation #1: Secure significant funding for housing solutions

Significant investment will be required to protect existing social housing, build new social and affordable housing and support precariously housed households.

Within the Phase 2 design of the Social Infrastructure Fund (SIF), the federal government should secure a carve-out for housing and homelessness worth \$12.66 billion over eight years. To ensure that NHS components can be implemented, this carve-out should be secured in Budget 2017, potentially before the final release of the NHS.

Figure 5:

SIF housing carve-out breakdown			
Component	8 year total (\$ millions)		
Existing social housing – affordability	2,981.3		
Existing social housing – quality	4,984.8		
New social and affordable housing	3,976		
Portable housing allowance	720		
TOTAL	12,662.1		



We propose that the housing carve-out be allocated as shown in Figure 5, supporting various recommendations detailed below.

Our recommendations propose commitments beginning in 2018–2019 and running for eight years to 2025–2026 — to coincide with the end of Budget 2016's two-year transitional housing investments and the beginning of the Phase 2 Social Infrastructure Fund.

Recommendation #2: Protect existing social housing

Canada's existing 600,000 social housing homes are a lifeline for people with disabilities, newcomers, low-income seniors and many other vulnerable Canadians. As more operating agreements expire each year, tens of thousands face the prospect of losing their homes. While expiring agreements need not continue in their current form, this government must commit to protect both the quality and affordability of these homes as agreements expire.

Funding should be delivered through two distinct components: one for capital repairs/ retrofits to ensure and preserve unit safety and quality, and one for rent subsidies to ensure deep affordability for low-income households now and into the future.

For the **affordability component**, rent-geared-to-income (RGI) subsidies should be replaced as agreements expire, at a rate of \$300 or \$200 per unit per month — for fully-RGI and mixed-targeted programs respectively. Further support should be provided for social housing in the northern territories and housing developed as part of the Urban Native Program (UNP). Our calculations are based on the start year of 1997 (as few agreements expired before then), less the \$30 million from Budget 2016.

We are not proposing that existing social housing models remain, or that all units remain fully RGI — so that we can return to crisis in eight years. Social housing providers should have the flexibility to move RGI units within portfolios, guided by the principle of zero net loss of RGI units over time. With existing providers prioritized as new-build proponents (see Recommendation #3), RGI units can be embedded in larger housing portfolios with wider income mixes.

For the **quality component**, a combination of grants and loans will ensure that social housing stock can continue to provide safe and decent shelter. The average annual capital repair deficit across all provinces and territories is \$1.3 billion. For the 59 per cent of social housing stock that is not fully RGI, balance sheets should permit financing for needed repairs. Because many providers have little experience with financial institutions, we propose this as a CMHC spend. For the 41 per cent of stock that is fully RGI, grants will be required for repairs. Extra funds for public housing stock in the Territories and UNP are included, given greater costs and needs.

For delivery, existing arrangements (but not operating agreements) can likely continue. In most cases, this will mean a transfer to provinces and territories (P/Ts), who will in turn deliver funding to providers, with clear parameters on use. Cooperatives and other providers wishing to move stock from federal to P/T administration should generally be free to do so.



The returns on this capital repair investment will be multi-dimensional. For instance, Toronto Community Housing forecasts that completing all needed social housing repairs will achieve a 12 per cent reduction in its stock's greenhouse gas emissions.

We propose that both components — affordability and quality — be unilaterally funded by the federal government, building on its historic role in developing this part of the social safety net. This also frees up P/T space to contribute to a new-build program (Recommendation #3).

Figure 6:

Investing to protect existing social housing					
Year	SIF investment in affordability (\$ millions)	in affordability quality (\$ millions)			
2018–2019	187.4	589.9	4.13		
2019–2020	212.0	599.3	4.34		
2020–2021	243.9	608.7	4.80		
2021–2022	282.7	618.1	5.11		
2022–2023	365.5	627.5	7.14		
2023–2024	439.9	636.9	8.82		
2024–2025	554.4	646.3	12.11		
2025–2026	695.5	658.1	14.42		
8-year total	2981.3	4984.8	60.87		

Recommendation #3: Invest in new social and affordable housing

With existing social housing protected, the federal government should invest in the construction of new social and affordable housing. We propose a grant fund to create 10,000 new units per year in the non-profit sector, at an average unit cost of \$150,000 (more for Indigenous and northern housing). This fund recognizes that a portion of the population — currently 1.5 million households — cannot afford housing in the private market and requires non-market solutions.

We propose provinces and territories cost-share in this new-build program, reflecting their recent roles through the Investment in Affordable Housing (IAH) program. This could be implemented through a new federal/provincial/territorial vehicle or through the existing IAH, but with a new multi-lateral agreement reflecting the parameters below. With a baseline of per capita allocation, beyond the Indigenous and northern top-ups, special consideration should be given to cities and regions where needs are particularly acute.

This new-build fund will not provide deep subsidy for units comparable to RGI-based social housing. Instead, projects can operate on a break-even basis, and we project rents can be offered between 75–110 per cent of the local market average. A portable housing allowance (see Recommendation #5) can be layered on some units to deepen affordability.



The new-build fund should be designed within the following parameters:

- A. **Include local governments** in project selection for new social housing. They understand local needs and how housing plans can be cost-effectively connected to broader municipal plans.
- B. **Prioritize mixed-income developments** to promote housing provider viability and social cohesion, while still including deep affordability for some units. Past social housing programs that required all units to be deeply subsidized left providers too financially dependent on government.
- C. Support local solutions. The capacity and creativity of social housing providers has been constrained by overly onerous operating agreement terms and conditions. Funding agreements must be flexible enough to suit local realities and harness local solutions.
- D. Leverage existing social housing providers. If the multitude of small providers can expand and diversify their stock, they will be in a better equity position to repair and further grow their portfolios, including by intensifying existing project lands with new units. This is how we will transition fully-RGI projects or portfolios to mixed-income portfolios over time.
- E. **Distinctly support Indigenous housing providers.** These providers will need specific support to access this new fund, recognizing the specific needs of the populations they serve, and existing limitations resulting from original program design, including the UNP and the Rural Native Housing Program.
- F. **Leverage federal land** by repurposing surplus lands where possible to reduce costs, permitting non-profit providers to offer lower rents.
- G. **Support accessibility.** Some units developed through this fund should be targeted for people with disabilities, with tenants having preferential access to the portable housing allowance outlined under Recommendation #5.

In particular, leveraging existing social housing providers can seed a transformation of Canada's housing sector. They will need support to seize this opportunity by diversifying their portfolios or merging/partnering with other providers for economies of scale. Challenges include the legal costs of governance mergers and engaging tenants to embrace change. But supporting these providers will deliver rich rewards, because affordable housing is their long-term mission. Ten or 20-year arrangements with private-sector landlords to offer subsidized rents cannot offer the same long-term security. A new capacity development fund for social housing providers can be delivered on an application basis, either by CMHC or by a sector-based organization.

We do not recommend a housing benefit delivered as a cash transfer to individuals — or overemphasizing rent supplements at the expense of building new non-profit housing. Given the scarcity in many rental markets, this can place inflationary pressures on rents with benefits captured by landlords.¹⁷ And in the medium to long term, investing in non-profit housing contributes to community-owned assets that can be leveraged later to develop more housing.

One program evaluation has demonstrated that, when supplements are used, rents rise faster in the private sector than in the non-profit sector. See Société d'Habitation du Québec (2013). Rapport d'Evaluation du Programme de Supplement Au Loyer.



Figure 7:

New-bu	New-build fund to create 10,000 new units annually (\$ millions)					
Year	New build fund (SIF)	Capacity develop- ment fund (SIF)	Total SIF	Extending baseline funding for IAH	Additional Indige- nous and northern top-ups	P/T con- tribution (50% of all new build)
2018–2019	397	100	497	253	250	900
2019–2020	397	100	497	253	250	900
2020–2021	397	100	497	253	250	900
2021–2022	397	100	497	253	250	900
2022–2023	397	100	497	253	250	900
2023–2024	397	100	497	253	250	900
2024–2025	397	100	497	253	250	900
2025–2026	397	100	497	253	250	900
8-year total	3,176	800	3,976	2,024	2,000	7,200

Recommendation #4: Prevent and end homelessness

While we have made progress in preventing and reducing homelessness, more needs to be done. This work should build on the Homelessness Partnering Strategy (HPS) — an example of federal investment enabling local innovation to address a complex issue.

To ensure transformative progress, HPS investment should be doubled to \$350 million annually, beginning in 2018–2019. This expansion should allow additional communities to become eligible for core funding, while boosting allocations for eligible communities with the greatest need, including support for emergency shelters if needed.

While retaining the overall structure of HPS, program parameters should be made more flexible to ensure that local funding can support initiatives that best reflect local priorities. Those parameters should no longer require HPS communities to allocate a certain percentage of funding to programs utilizing a Housing First approach.

Recommendation #5: Grow the rental housing sector

Those who need lower-cost rental housing include families unable to access social housing; young people struggling with student debt and a mobile labour market; newcomers needed to fill labour gaps; and a growing cohort of seniors expected to downsize in retirement. But this need for affordable rentals is outpacing construction, fueling low vacancy rates and driving up rents.

A National Housing Strategy should include incentives to preserve, retrofit and expand rental housing for moderate-income earners. Our proposals include:



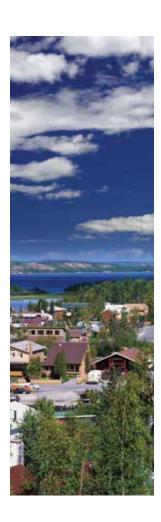
- A. **Establish a portable housing allowance** to deepen affordability for those in need. We propose supporting 15,000 households each year with an average monthly benefit of \$500. This allowance could be distributed to social housing providers or to renters in the private market, depending on local conditions. Part of this per capita allowance could be allocated directly to big city governments and to P/Ts for distribution in smaller centres. Estimated cost: \$90 million per year through the Social Infrastructure Fund.
- B. **Preserve low-cost rental housing.** We propose a tax credit for rental property owners who sell relatively affordable assets to eligible non-profit providers and others who agree to hold rents at average market prices for a set period. We propose protecting 5,000 units annually at an estimated cost of \$75 million per year.
- C. **Enable repairs and retrofits.** The Affordable Rental Housing Financing Initiative, established in Budget 2016, should be extended to support not just construction but also repairs and retrofits for both energy efficiency and accessibility. This is especially needed in the north, where the portion of housing units needing repairs is high: 23 per cent in Nunavut, 17 per cent in NWT and 15 per cent in Yukon versus 7.5 per cent in the rest of Canada. For new construction, projects offering rents at or below market averages should be prioritized.
- D. **Remove the GST from new rental housing.** This will deliver on a commitment of the Liberal Party platform which was also included in the Prime Minister's mandate letter to the Minister of Families, Children and Social Development. We propose making this available for new rental projects with projected rents at or below 130 per cent of average market rent. We target 15,000 units per year, at an estimated cost of \$120 million per year.
- E. **Green up existing rental housing.** We propose a program offering a combination of grants and loans to lower utility costs for low and moderate-income renters while increasing the asset for the landlord and reducing Canada's greenhouse gas emissions.

Recommendation #6: Enable innovation for sustainable solutions

Supporting innovation starts with building on Budget 2016 commitments for an Affordable Rental Innovation Fund — currently set at \$39 million per year until 2020–2021. This fund should be doubled to \$78 million per year and extended to 2025–2026.

Investments should be targeted to cities with the greatest housing challenges, as evidenced by rates of homelessness and core housing need, so they can test innovative housing solutions based on local priorities. Innovative solutions could include shared equity approaches, secondary/garden suite incentives or co-housing and land trusts, with their proven record of meeting local housing needs.

¹⁸ Canadian Housing and Renewal Association (2013). Affordable Housing Challenges and Innovations in the North: A CHRA Congress Session Summary accessed at http://chra-achru.ca/en/ research-papers#2015



Recommendation #7: Support distinct Indigenous housing needs

The federal government should distinctly and robustly fund the housing needs of Indigenous people living on and off reserve, although municipalities can represent only off-reserve needs.

A separate Indigenous Housing Fund should be allocated from within Recommendations #2 and #3, but delivered distinctly and in ways that enable decision-making by the Indigenous housing sector. Indigenous providers must be prioritized in the initiative to protect the affordability and quality of existing social housing because they operate projects for those at greatest risk. In Toronto alone, there are some 1,000 Indigenous families, couples and individuals waiting for Indigenous affordable housing.

Recommendation #8: Support distinct northern housing needs

Northern households disproportionately live in social housing ¹⁹ because of high housing costs on private markets due to high construction and utility costs. Annual heating expenses of \$3,000–\$5,000 per unit are typical here. The distinct needs in the north must be considered in designing and delivering affordable housing and homelessness programming. We propose a distinct Northern Housing Fund, allocated from within Recommendations #2 and #3.

Figure 8:

Northern prevalence of social housing					
	Yukon	Northwest Territories	Nunavut		
Total number of households ²⁰	14,117	14,700	8,611		
Growth over 2006-2011	11.9%	3.3%	10.3%		
Social housing ²¹	1,150	2,350	3,000		
Social housing as a % of total rental housing	53%	63%	73%		

¹⁹ Statistics in table from Canadian Housing and Renewal Association (2013). Housing For All.

²⁰ Canadian Housing Observer 2013.

²¹ CHS, Table 43, 2012.

Recommendation #9: Engage municipalities to address challenging markets

While this submission focuses on ensuring safe and affordable housing for vulnerable, low- and moderate-income households, some cities face broader challenges.

The CMHC recently highlighted five cities where housing markets are facing acute risks across the housing spectrum. Ownership and rental housing markets are closely linked: when ownership becomes inaccessible, cost pressures grow in rental markets. And when talented workers cannot access local housing — rented or owned — municipalities struggle to compete and deliver the quality of life Canadians expect.

Going forward, we recommend formally including municipal governments in these important conversations. The Federal/Provincial/Municipal Working Group on Housing Markets, involving the cities of Vancouver and Toronto, is an example of intergovernmental collaboration on housing markets.

Recommendation #10: Review CMHC's mandate

Federal affordable housing policy and programs are developed and funded through the Canada Mortgage and Housing Corporation (CMHC). As federal investment has declined post-1993, the CMHC's role in housing finance has grown. Moreover, various federal departments are responsible for issues increasingly connected to housing outcomes, including reconciliation with Indigenous communities, climate change, homelessness, poverty, immigration and innovation.

Given how CMHC's role has changed over the years, the National Housing Strategy should include an examination of its mandate, in the context of the evolving roles of other federal departments. This review should determine how the federal government can best position itself to deliver on one of its most ambitious projects. A specific timeline should be set for this review.



