

OCTOBER 2016

A new housing affordability agenda for Canada

National Housing Collaborative

SUBMISSION TO THE NATIONAL HOUSING STRATEGY



ABOUT THE NATIONAL HOUSING COLLABORATIVE

The National Housing Collaborative brings together national housing stakeholders from across the housing system—public, private, and non-profit—in response to the federal government’s commitment to create a national housing strategy. Our goal is to develop transformative, durable and innovative policy solutions that can be incorporated into the National Housing Strategy to support a strong, vibrant housing system.

The following organizations contribute to the Collaborative:

- **Canadian Alliance to End Homelessness**
- **Canadian Federation of Apartment Associations**
- **Canadian Home Builders’ Association**
- **Co-Operative Housing Federation of Canada**
- **Housing Partnership Canada**
- **Habitat for Humanity Canada**

The Collaborative is supported by the following strategic partners:

- **Ed and Fran Clark**
- **Evergreen**
- **J.W. McConnell Family Foundation**
- **Maytree**
- **Metcalf Foundation**
- **Vancity**
- **United Way Centraide and United Way Toronto & York Region** (NHC Secretariat)

Research support has also been provided by **Canada Mortgage and Housing Corporation (CMHC)**.

OPTIONS PAPERS

Homelessness Options Research Paper, Social Research and Demonstration Corporation (SRDC)

This paper identifies and analyzes policy options for ending homelessness in Canada. It leverages the work of organizations with expertise in homelessness, including the Canadian Alliance to End Homelessness and the Canadian Observatory on Homelessness, to identify the most promising options for addressing homelessness across Canada.

Affordability Options Research Paper, Social Research and Demonstration Corporation (SRDC)

This paper identifies and analyzes options for providing direct financial assistance to renters and develops a set of preferred options to help address the issue of housing affordability in Canada. The paper includes a typology of designs for direct financial assistance to renters, a scan of trends in other jurisdictions, and analysis of the strengths and drawbacks of different designs.

Social Housing Research Paper, SHS Consulting

This paper identifies options for maintaining housing affordability in the social housing system. Specifically, it explores the range of options that facilitate financial viability of social housing providers to ensure that they can support low-income households today and in the future. The paper includes a detailed analysis of the impact of the expiry of operating agreements to inform the identification of preferred options for moving forward.

Supply Options Modelling Paper, DKGI Inc.

This research identifies different options for long-term financing and equity investment both to incent new supply of rental housing that is affordable and renew and preserve existing affordable rental housing. It is based on financial modelling undertaken by CIRANO and by Morrison Park, as well as work done by the Canadian Homebuilders Association and Housing Partnership Canada.

All materials produced by the National Housing Collaborative are available on our website: <http://nhc-cpl.ca/>

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INTRODUCTION

The National Housing Collaborative is a group of national stakeholders from across the housing system—public, private, and non-profit—who have come together, with support from foundations and other supporters, in response to the federal government’s commitment to create a national housing strategy. The Collaborative is united in our belief that all Canadians should have access to suitable, affordable, and adequate housing. Housing is the foundation of healthy and thriving communities and access to housing is essential for the health, well-being, and prosperity of all Canadians.

Yet currently, many Canadians do not have access to the housing they need at a cost they can afford. CMHC reports that about 3.3 million Canadians (about 1.5 million households) are in core housing need at any given time. An estimated 235,000 Canadians experience homelessness at least once in a given year. Without action to address these challenges, many Canadians will continue to struggle, with significant consequences for the health and well-being of our communities.

Recognizing this, the Collaborative applauds the federal government’s commitment to a national housing strategy and endorses its proposed vision:

All Canadians have access to housing that meets their needs and that they can afford. Housing is the cornerstone of building sustainable, inclusive communities and a strong Canadian economy where we can prosper and thrive.

The Collaborative also recognizes that achieving this shared vision is too great a challenge for government or any one sector to tackle alone. The housing system is complex and includes many interconnected markets and actors. Making progress will require a commitment to multi-sector collaboration, including public-private partnerships, as well as a willingness to think boldly and invest in game-changing initiatives.

In this submission we put forward an ambitious, but feasible, evidence-informed plan to make

the vision of housing affordability a reality for all Canadians. While we recognize that achieving this vision will require action across all areas of the housing system, including homeownership, we focus primarily on solutions for low- and moderate-income renter households who are the most vulnerable to core housing need and homelessness.

Our submission outlines a set of recommendations that will lead towards real, tangible progress in the short term and lasting change in the housing system. We offer four high-impact and cost-effective solutions that together address a diverse range of needs and help us advance towards our shared vision of housing affordability:

- Ending homelessness in Canada
- Making housing more affordable for all Canadians in core housing need and eliminating deep core housing need
- Increasing the supply and diversity of housing options that are affordable
- Ensuring the supply and ongoing viability of social housing

These four recommendations are complementary and support other pressing federal policy objectives, such as social inclusion, poverty reduction, and environmental sustainability. They do not address all aspects of the housing system, and we recognize that the National Housing Strategy will need to include many other elements. But, taken together, the Collaborative believes that implementing these recommendations would have a catalytic, long-term effect on housing in Canada.

OUR APPROACH

Guided by the principles outlined below, the National Housing Collaborative commissioned a range of experts to conduct in-depth research and analysis to identify options for addressing housing need in Canada. These papers and models provided an important contribution to our recommendations.

At the same time, through a series of regional soundings and meetings, we sought the input of over 200 stakeholders across the country to inform our

work. We thank all those who generously provided their time, experience, and expertise throughout this process.

This submission provides recommended policy options based on the research in each of our four areas of focus; stakeholder input; and our collective deliberations over many months, drawing on the diversity of perspectives and organizations represented in the Collaborative.



GUIDING PRINCIPLES THAT INFORMED OUR RECOMMENDATIONS

- **People-centred** – We are focused on meeting the needs of diverse individuals and households and maximizing their choice and autonomy.
- **High-impact** – We propose solutions and strategies that have the potential to make a significant impact on housing need for low- and moderate-income Canadians.
- **Flexible** – We recognize the diversity of housing needs across the country and propose solutions that are flexible to adapt to those needs.
- **Durable** – We focus on strategies that have the potential to achieve long-term, sustainable outcomes.
- **Achievable** – We consider the operational, fiscal, and political implications of our plan to ensure that what we propose is realistic and achievable.
- **Cost-effective** – We recognize that public finances are under pressure, and we identify efficient solutions to address housing need.
- **Innovative** – We offer solutions that encourage system actors to work together in new ways and foster new solutions to address long-standing challenges and new needs.
- **Systems-oriented** – We recognize that housing is a shared responsibility that requires coordinated efforts from multiple partners, including federal, provincial, Indigenous and local governments, as well as not-for-profit providers, the private sector, individuals, and households.
- **Outcomes-focused** – We identify measurable outcomes for individuals and households and track progress towards these outcomes to ensure that our efforts are focused on achieving results.

RECOMMENDATIONS OVERVIEW

The Collaborative proposes four complementary and interconnected recommendations to move us towards a vision of housing affordability for all Canadians.

1 ADOPT A NATIONAL GOAL AND LAUNCH A PAN-CANADIAN INITIATIVE TO END HOMELESSNESS

The federal government should commit to ending homelessness and collaborate with provinces, territories, and Indigenous and local governments to develop a strategy to achieve this goal. The strategy should include measurable targets, an accountability framework, and a rigorous, transparent process for tracking progress at all levels.

2 DEVELOP A NATIONAL HOUSING BENEFIT THAT PROVIDES DIRECT FINANCIAL ASSISTANCE TO RENTERS

The federal government should adopt a national housing benefit that provides assistance directly to Canadian renter households in core housing need. To ensure that the benefit quickly and efficiently transfers dollars to those who need it most, existing tax information could be used to determine eligibility and payment amounts. The government should also ensure that benefit delivery is flexible enough to respond quickly to individuals experiencing sudden changes in need, including those who are homeless or at risk of homelessness.

3 INCREASE AND MAINTAIN SUPPLY OF MARKET AND NON-MARKET RENTAL HOUSING THROUGH INNOVATIVE CAPITAL TOOLS

The federal government should support the creation of low-cost financing and equity mechanisms to attract capital to the repair and construction of market and non-market rental units at rents that are affordable. These instruments will leverage a broad private and institutional capital base to provide low-cost, long-term financing and critical de-risking to rental projects that meet the affordability and eligibility criteria defined by the federal government. Over time, both financing and equity mechanisms should be structured to ensure capital returns to be redeployed to new affordable housing projects.

4 PROVIDE LEADERSHIP AND RESOURCES FOR SOCIAL HOUSING SECTOR TRANSFORMATION

The federal government should support the long-term viability of social housing providers by providing leadership and resources to build a more efficient, self-sustaining, and innovative system of social housing in Canada. To this end, two strategies should be pursued:

- Ensure the continued availability of affordable housing by stabilizing the social housing sector through renewed commitments to support rent-geared-to-income (RGI) housing as operating agreements expire and by providing capital assistance to address capital repair deficits for social housing providers.
- Introduce an Innovation and Transformation Fund to test new business models and approaches to the delivery of social housing and build capacity within the sector.

While we believe that these recommendations are central to generating transformative systemic change, they do not address the whole housing system. Therefore, in addition to these recommendations, the federal government should consider approaches that are tailored to the needs of specific groups to ensure that all Canadians have equitable access to suitable and affordable housing. This includes Indigenous housing strategies, founded on the principles of reconciliation; support for the unique needs of northern and rural communities;

assisted home ownership; and options to increase the supply of social and supportive housing where needed.

The Collaborative also wishes to underscore the importance of federal leadership in addressing the wider issues of housing affordability in urban markets, including infrastructure construction, financing arrangements for first-time buyers, expanded housing form and tenure mix, and reduced regulatory barriers to market entry.

RECOMMENDATIONS

1 Adopt a national goal and launch a pan-Canadian strategy to end homelessness

The federal government should commit to ending homelessness and collaborate with provinces, territories, and Indigenous and local governments to develop a strategy to achieve this goal. The strategy should include measurable targets, an accountability framework, and a rigorous, transparent process for tracking progress at all levels.

Through the Homelessness Partnering Strategy, the federal government has made considerable investments in learning what works to prevent and reduce homelessness. Supported by this strategy, organizations—such as the Canadian Alliance to End Homelessness and the Canadian Observatory on Homelessness—and communities across Canada have developed an evidence base on what is required to not only reduce homelessness, but eliminate it. Despite this substantial knowledge base, homelessness remains a significant issue. Approximately 235,000 Canadians experience homelessness at least once over the course of a year, and over 35,000 are homeless on an average night (State of Homelessness, 2014)¹.

There is growing awareness that, over the past decade, too much emphasis has been placed on managing homelessness by relying on emergency services and supports rather than developing coordinated prevention and rapid re-housing strategies. This reliance on remedial approaches is costly. Gaetz et al. (2014) estimate that more than \$7

billion is spent annually on remedial services, such as homeless shelters and day programs, and a myriad of costs associated with long-term physical and mental health issues and justice system involvement.

While these costs are staggering, there is good reason to be hopeful. Several studies, most notably the Canadian At Home/Chez Soi project, have proven that the ‘Housing First’ approach is effective

in reducing homelessness.

We also know that ending homelessness is more cost-effective than allowing it to continue. Several recent, high-profile studies have demonstrated that connecting homeless individuals with housing and ongoing support services produces significant cost

savings through the reduced need for emergency and other trauma-related services.

Building on this game-changing insight, several Canadian cities have begun to make significant, measurable progress toward reducing homelessness by implementing community systems plans that ensure that local systems are working together and focused on ending homelessness.

We have the tools, knowledge, and resources to eliminate homelessness. Now is the right time to commit to a measurable, time-bound goal of ending homelessness in Canada.

We have the means and the knowledge to permanently end homelessness in Canada

¹ See the State of Homelessness (2014) for more information about the current state of homeless in Canada as well as a detailed discussion on the range of factors over the past several decades that contributed to this current state.

THE IDEA IN BRIEF

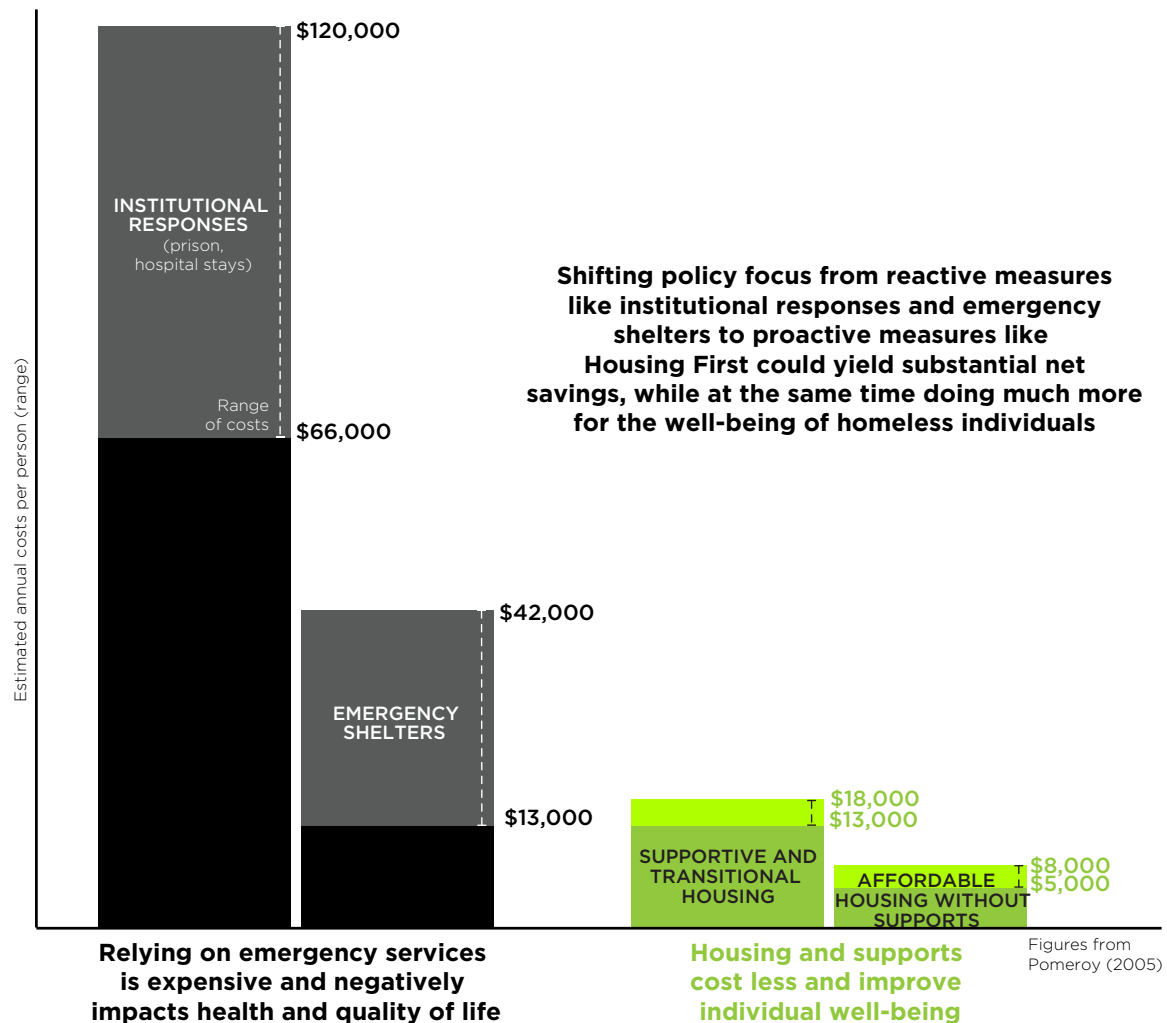
By developing a strategy that:

- focuses and aligns the efforts of all actors towards a shared goal of ending homelessness;
- focuses efforts on evidence-based approaches, such as Housing First;
- fosters new ways of collaborating, through local systems planning; and,
- uses data to track progress and make decisions including targeting housing investment,

we will make a transformational shift from ‘managing homelessness’ to ending it.

Over time, we will increasingly place emphasis on the prevention of homelessness rather than remedial efforts. This shift will both significantly improve the health and well-being of at-risk Canadians and bring substantial cost savings to government.

The case for investing in ending homelessness



HOW WE GET THERE

- 1. Set clearly defined targets** – The National Housing Strategy (and renewed Homelessness Partnering Strategy) should set targets for ending homelessness with clear criteria for how these targets are defined and measured.
- 2. Collect real-time, person-specific data on homelessness** – To help target interventions, coordinate systems, and track progress, the federal government should build on the efforts of the National Homelessness Information System to develop national data collection, measurement, and management processes. These processes should focus on the collection of real-time, person-specific information to know exactly how many Canadians are experiencing homelessness, understand their needs, track their progress as they move through the homeless-serving system, gauge the performance of interventions and the system as a whole, and track overall progress toward targets.
- 3. Achieve a new intergovernmental framework for achieving targets** – Homelessness and homeless systems are local or regional in nature. The government should engage provinces, territories, and Indigenous and local governments to ensure that efforts to prevent and reduce homelessness and decisions on affordable housing investment are coordinated and integrated at a local level. An accountability framework should be developed that sets clear priorities and expectations for investments and requires concrete plans that outline how targets will be achieved. Shared responsibility for reporting will ensure that all levels of government are publically accountable for achieving targets.
- 4. Require community systems plans** – Today in most Canadian communities, homelessness ‘systems’ are not systems at all and are generally focused on crisis response. The government should renew and expand the

Homelessness Partnering Strategy (HPS) in 2019 and refocus the HPS community plans to become community systems plans focused on preventing and ending homelessness. A community systems planning approach to ending homelessness involves creating an efficient system of care that is easy to navigate, targets investment to those that need it the most, and quickly connects individuals to the services they need to help them achieve and maintain stable housing. The HPS program would become the planning and implementation vehicle for a commitment to end homelessness.

- 5. Continue investing in what works** – The government should continue to support housing-focused, evidence-based approaches that will help us reach targets as efficiently and effectively as possible. The Homelessness Partnering Strategy already incorporates a focus on Housing First. The focus on community-based strategies should be strengthened and supported through additional resources, training, capacity building, and technical support.
- 6. Research and demonstrations in areas where there are knowledge gaps** – The federal government should continue to support research activities that drive innovation and provide a deeper understanding of effective strategies for reducing homelessness among specific subgroups within the homeless population.
- 7. Focus on prevention** – As progress is made towards ending homelessness, a greater emphasis should be placed on addressing the systemic and ‘upstream’ issues that lead to homelessness, including poverty, lack of service coordination, health issues, social isolation, and a lack of housing that is affordable. In collaboration with communities and local, provincial, territorial, and Indigenous governments, the federal government should develop a framework outlining goals and concrete strategies for preventing homelessness in Canada.

COMMUNITY SYSTEMS PLANNING APPROACH

Successful community systems planning approaches include the following elements:

- **Planning and strategy development** – Community plans need to move beyond distributing federal funding to integrating a systems framework, grounded in Housing First philosophy.
- **Organizational infrastructure** – Essential system leadership and coordination infrastructure must be in place to meet the goals set out in the community plans.
- **System mapping** – An assessment of the existing services against a framework of best practice in system planning, to understand where there are gaps and redundancies in the system.
- **Coordinated service delivery** – Facilitates common access points, assessment tools, and flow-through to respond to the needs of the client.
- **Integrated information management** – Allows coordinated systems delivery through shared data, as well as simplified intakes and referrals.
- **Performance management** – Ensures that programs and systems are achieving optimal outcomes.
- **Systems integration** – The homelessness sector works collaboratively with public systems and services, such as health, child welfare, criminal justice, domestic violence, and poverty reduction.

MEASURING OUR PROGRESS

An end to homelessness does not mean that no one will ever experience a housing crisis again. Unpredictable economic, social, and personal circumstances may create situations where individuals experience or are at risk of homelessness. Rather, an end to homelessness means that every community will have a system in place that prevents homelessness whenever possible and has enough services, housing, and shelter beds to address the needs of all those who do experience homelessness. More specifically, each community will have the capacity to provide immediate access to shelter and crisis services for all individuals experiencing homelessness and to connect them quickly to permanent stable housing with the ongoing supports they need within a short and clearly defined period of time. This definition is known as the “Functional Zero” approach to ending homelessness.

Several leading organizations—including the Canadian Observatory on Homelessness, the

University of Calgary’s School of Public Policy and the Canadian Alliance to End Homelessness—are bringing system stakeholders and those with lived experience together to develop a national definition of ending homelessness. Outlined in a new report entitled *Discerning Functional Zero*, this process is developing targets that include three types of indicators: indicators that reflect lived experiences, indicators that reflect the performance of the homeless-serving system, and indicators that reflect alignment in wider public systems.

We recommend that the federal government, in collaboration with other jurisdictions, use this work as a basis for setting targets and measuring progress towards ending homelessness. Milestones, such as the elimination of veterans’ homelessness, are achievable in a relatively short time. **The Collaborative endorses the shared goal of achieving Functional Zero homelessness within ten years.**

RESOURCE IMPLICATIONS

The primary resource needed to achieve the goal of ending homelessness is renewed funding for the Homelessness Partnering Strategy. Building on the recommendations of the Canadian Alliance to End Homelessness, we recommend that the federal government increase funding to the Homelessness Partnering Strategy to **\$349 million annually, an increase of \$158 million per year** over current funding levels.

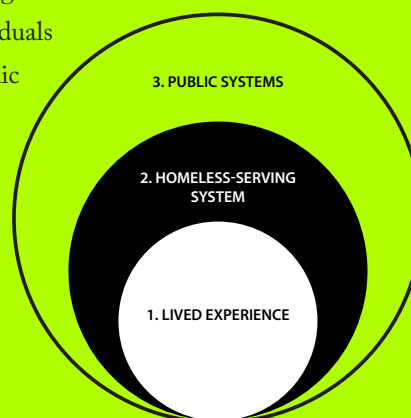
DEFINING AND MEASURING AN END TO HOMELESSNESS



Lived experience – An end to homelessness must include the on-the-ground realities of those experiencing homelessness. Examples of indicators that capture the lived experience of ending homelessness include high satisfaction of participants in the homeless-serving system with the various services and supports they receive.

Homeless-serving system – An end to homelessness also includes a well-functioning and adequately resourced homeless-serving systems. Examples of indicators that capture the end of homelessness from the perspective of the homeless serving system include a consistent reduction (e.g. 25% over three years) in the total number of unsheltered persons and emergency sheltered, and an average length of stay in emergency shelters of less than 10 days.

Public systems – Finally, an end to homelessness must also include government support for ending homelessness and alignment and integration between the homeless-serving system and other public systems. Examples of indicators that capture an end to homelessness along this dimension include a consistent reduction in the number of individuals entering the homeless-serving system from other public systems, and confirmation of an adequate affordable housing supply in place to meet the demand of those at-risk of homelessness.



Consultations with key stakeholders across Canada to refine these definitions and measures are ongoing. A more detailed description of this work and the proposed draft measures is available at www.homelesshub.ca/functionalzero

RECOMMENDATIONS

2 Develop a national housing benefit for renter households

The government should develop and implement a national housing benefit that provides assistance directly to renter households in core housing need. To ensure that the benefit quickly and efficiently transfers dollars to those who need it most, existing tax information could be used to determine eligibility and payment amounts. Benefit delivery should be flexible enough to respond quickly to sudden, severe changes in housing need, including the needs of individuals who are homeless or at risk of homelessness.

Many Canadian households face significant affordability problems. CMHC estimates that about 1.5 million households are in core housing need. Affordability is a particular challenge for renters. CMHC (2014) estimates that in 2011, 26.4% of renters in Canada, or just over 1 million households, were in core housing need compared to 6.5% of homeowners.

Direct housing assistance is a feasible and cost-effective tool to work alongside supply-side measures to address affordability. Many jurisdictions, including five Canadian provinces, already offer direct financial assistance to renters as a response to housing need. As the experience of these jurisdictions demonstrates, direct financial assistance

to renters is a simple, timely, and responsive solution to the challenge of housing affordability (Londerville and Steele, 2014; Pasolli et al., 2016).

In addition to providing a timely and administratively efficient response, direct assistance has a number of additional desirable features. First, and perhaps most importantly, direct assistance to

Direct financial assistance to renters is the most immediate way to address housing affordability

renters promotes individual autonomy and choice because it is not tied to a particular building or unit. People choose where they want to live and find accommodations that meet their specific

needs. This flexibility has the potential to improve labour market mobility and promote mixed-income neighbourhoods. Second, we know from experiences in other jurisdictions that programs can be designed and delivered in a way that is cost-effective and efficient, ensuring assistance goes directly to those who need it most. Third, assistance can be implemented using a phased-in approach, ensuring an immediate impact on housing need with the flexibility to scale the benefit over time.

THE IDEA IN BRIEF

By providing eligible renter households with direct financial assistance we can immediately improve the well-being of a large number of Canadian households and eliminate deep core housing need, while at the same time promoting choice and autonomy in the housing system and introducing a new pillar in a broader poverty reduction strategy.

The proposed benefit has the following features:

- **Available to all eligible renter households and homeless individuals**
 - The benefit would provide assistance directly to renter households in core housing need based on transparent eligibility criteria (described below). As the figure below illustrates, the estimated number of eligible households is approximately 800,000.
- **Aligned with actual housing need** – The benefit amount would be calculated based on the ratio between a household's income and the actual rent paid, subject to a maximum rent that varies by community. Using actual rents as the basis for calculation promotes choice and enables households to find accommodations that suit their needs. At the same time, maximum rents ensure that there are not undue incentives for households to move to more expensive accommodations.

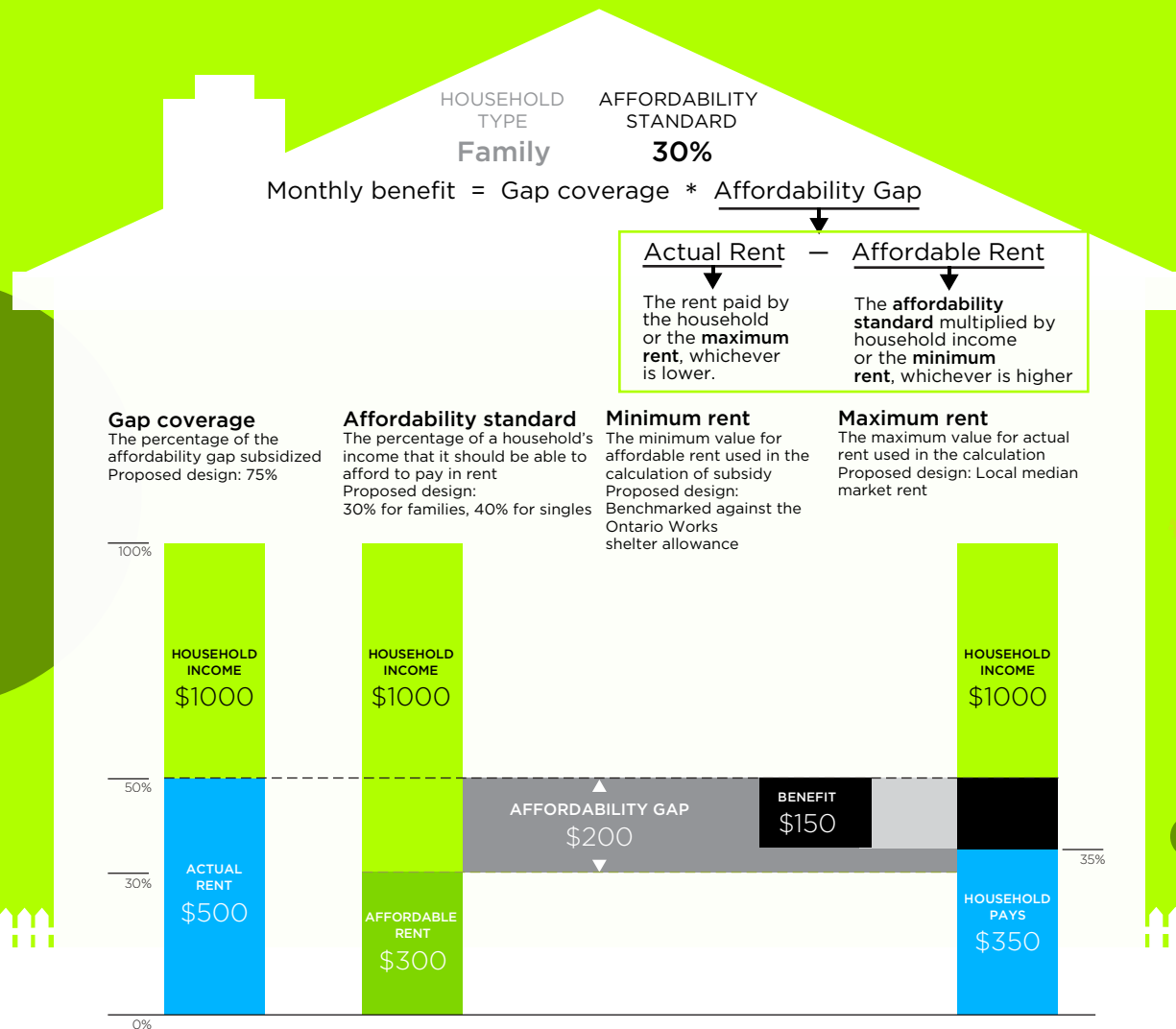
- **Targeted approach** – The benefit would have a lower eligibility threshold for families since families typically need more money left over than singles after paying rent to cover additional costs associated with child rearing. We propose an affordability standard of 30% for families and 40% for singles, which ensures that money goes to those who need it most, while at the same time containing costs. The benefit also includes minimum and maximum rent restrictions to ensure that costs are not inflated by unnecessarily large subsidies to households paying very low or very high rents.
- **Partial gap coverage** – The benefit would use a “partial gap coverage” payment design that balances the goal of providing enough assistance to households to move them substantially closer to a national affordability standard with the need to minimize the potential for rent inflation. In addition, partial gap coverages ensure that households retain a proportion of the benefit as their income rises, which minimizes disincentives to work.

The illustration below describes the proposed benefit in detail, in terms of how benefit levels would be calculated for each eligible household, and provides an illustration of how the proposed benefit would work for a specific household.

HOW THE PROPOSED BENEFIT WORKS

The benefit design is:

RESPONSIVE	FAIR	EFFICIENT	WORK-FRIENDLY
Households are subsidized on the basis of their actual rent, which allows the amount of benefit to respond very specifically to each household's level of need.	Households in deeper need are subsidized more than houses in less need, but not so much that they switch places. This ensures that households are not disincentivized to increase their incomes or find lower cost housing.	Households bear a portion of the cost of increased rent, which means that they are less likely to accept above market rents from their landlords — decreasing the portion of the benefit captured by landlords and reducing upward pressure on rents.	Households retain more of each additional dollar earned, which mitigates the work disincentives that come with the receipt of a cash benefit.



- 1 Consider a family making \$1000 per month and paying \$500 or 50% of their income in rent.
- 2 Because they are a family, the household's affordability standard is set to 30% of income, making its affordable rent level 30% of \$1000, or \$300.
- 3 The household's affordability gap is \$200, the difference between the affordable rent (\$300) and the actual rent paid (\$500).
- 4 The household receives 75% of the \$200 affordability gap, a monthly benefit of \$150.
- 5 The household's rent is effectively reduced to \$350 per month by this benefit, and now spends only 35% of income on rent.

HOW WE GET THERE

1. Collaborate across levels of government to ensure equitable access for all Canadians

– To ensure that all Canadians have access to a similar level of support relative to their level of housing need regardless of where they live, collaboration is required between the federal government and other orders of government to ensure that new investments complement and do not replace existing provincial housing assistance programs. In addition, consideration should be given to how the new benefit would complement other federal and provincial income supports and broader poverty reduction efforts. This will ensure alignment between the new benefit and existing and emerging approaches to income assistance and income security both federally and provincially.

2. Explore options for efficient delivery

– The federal government should use a delivery channel that ensures that benefit dollars are delivered quickly and easily to those in need. To achieve this, the federal government should explore the feasibility of using the tax system for delivery, removing the need for a lengthy application process. This approach would leverage the experience of the Canada Revenue Agency in administering income benefits and build on the success of other jurisdictions that use tax information to administer housing benefits, such as Quebec's Shelter Allowance program. Additional rent information may also need to be collected.

3. Include a flexible, local response

– Because the tax system uses previous year's income and is not responsive to sudden changes in need, special provisions are needed for those experiencing sudden, severe housing needs. To ensure that the benefit is responsive to this type of need, the federal government should collaborate with other levels of government to establish a local delivery mechanism that complements tax system delivery by providing a temporary benefit that acts as timely and responsive 'bridge' to the new national benefit.

4. Ensure immediate impact and long-term flexibility

– The benefit should be implemented using a phased-in approach, ensuring that resources available in the short-term are immediately delivered to those who need it, while providing the flexibility to scale the benefit over time in response to the needs of Canadians. There are different options for how the benefit could be phased in depending on the particular goals and priorities of the government. We outline two potential options for phasing-in the benefit in the following section.

MEASURING OUR PROGRESS

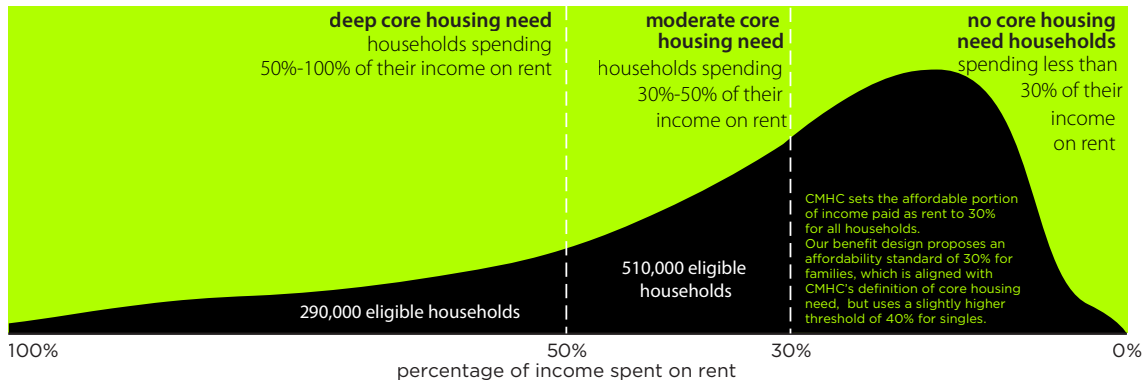
Our ultimate goal is to eliminate deep core housing need and move Canadians in core housing need closer to housing affordability. Our proposed design would achieve the goal of **lifting all eligible households out of deep core housing need**, meaning that no households receiving the benefit would pay more than 50% of their income on rent. It would also move an estimated **800,000 Canadian**

households in core housing need 75% closer to a national affordability standard defined in the payment design.

The figure below illustrates how the benefit is intended to work at maturity, through an illustrative distribution of core housing need levels before and after the benefit is implemented:

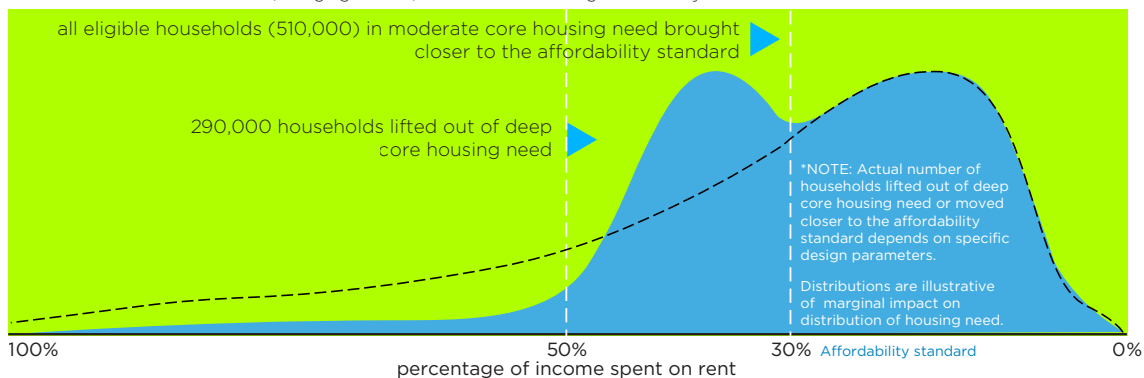
Distribution of housing need

According to CMHC a household is said to be in core housing need if its housing falls below at least one of the adequacy, affordability or suitability standards, and it would have to spend 30% or more of its total before-tax income to pay the median rent of alternative local housing that is acceptable.



How will the benefit affect core housing need?

Eligible households in core housing need will receive a benefit that covers a portion of the gap between their current and affordable rent, bringing all 800,000 closer to housing affordability.



There are different options for how the benefit could be phased in depending on the particular goals and priorities of the government. The benefit could be introduced with either (A) a reduced rate of gap coverage or (B) an increased affordability standard. Both of these strategies would lower the cost while preserving the positive features of the basic design. Option A, reducing the rate of gap coverage, would maintain the same number of recipient households

but shrink the amount of benefit they each receive. As a result, this approach would reach a broad set of households but initially have a smaller average effect for each household reached. Option B, increasing the affordability standard, would reduce the number of households reached but concentrate benefits towards those in the deepest need. This approach would reach fewer households initially but provide greater benefits for those that receive the subsidy.

RESOURCE IMPLICATIONS

Once fully implemented, we estimate that the national benefit would cost approximately **\$1.2 billion** annually. This estimate is based on analysis of both income and rental data (see the *Affordability Options Research Paper* for more information).

The nature, length, and degree of the benefit's phase-in period can be modified according to policy priorities. Our preliminary estimates suggest phase-in costs could range from \$300 million for Option B to \$600 million for Option A.

These cost estimates were developed using the cost estimates for two provinces (Ontario and Nova

Scotia) that were prepared for the *Affordability Options Research Paper*. The average costs per household for each province were applied to national estimates of number of eligible households and adjusted according to distributions of rent and income. As such, we emphasize that targets and costs cited are intended to describe the scale and scope of our proposals, but they are not currently robust enough to be considered precise estimates of future costs and impacts. More detailed and robust estimates would require analysis of individual rents and incomes for a broad sampling of households across Canada, using *Survey of Household Spending* microdata.

RECOMMENDATIONS

3 Increase and maintain supply of rental housing that is affordable through innovative capital tools¹

The federal government should support the creation of low-cost financing and equity mechanisms to attract capital to the repair and construction of market and non-market rental units at rents that are affordable. These instruments will leverage a broad private and institutional capital base to provide low-cost, long-term financing and critical de-risking to rental projects that meet the affordability and eligibility criteria defined by the federal government. Over time, both financing and equity mechanisms should be structured to ensure capital returns to be redeployed to new affordable housing projects.

Rental housing affordability and access to affordable housing are persistent challenges across many Canadian markets. While direct financial assistance to renters will help to fill some of the gap in affordability, even a robust program would not be sufficient to fully address housing affordability pressures in many communities. These markets are typically marked by limited supply of rental housing relative to demand, resulting in chronically low vacancy rates, often accompanied by higher rental price escalation over time.

Supply shortages emerge either as a result of limited production over an extended period of time or a rapid increase in population. Supply shortages may be general or related to specific types of housing (e.g., family units or senior-appropriate housing).

The equation for production of new rental housing is relatively straightforward—reduced input costs (the costs of land, construction, financing, etc.) enable the production of new supply at lower rents while preserving an adequate return on investment. Detailed analysis has demonstrated that in most Canadian markets, it is not possible to produce new rental housing at rents that are affordable

without significant financial incentives or assistance. In order to keep up with the demands of a growing population for a balanced rental inventory that includes affordable units, measures are needed to encourage the production of rental housing that is affordable.

While additional supply is needed, there are currently

New approaches are needed to ensure that Canadians in housing need have access to a diverse range of suitable, adequate, housing options that they can afford

over 4 million rental units across Canada (market and non-market), representing 31% of all dwelling units. About 76% of purpose-built rental units and 54% of secondary rental homes were built before 1980. As buildings age, the capital reinvestment requirements are significant, and there may be insufficient rental revenues to support large-scale reinvestment while maintaining affordable rents. Based on the 2014 *Canadian Housing Observer*,

¹CAEH endorses the overall submission but refrains from endorsing this section of the recommendations at this time.

15% of renter households in core housing need experience issues of adequacy—approximately 240,000 households (these figures do not include housing adequacy shortfalls in First Nations communities).

Investing in the preservation and energy efficiency of the existing inventory of affordable housing will have a significant impact on overall housing affordability, quality of housing, and the environment. For instance, bringing the GHG emissions of pre-1980 residential rental towers in line with current building code standards for energy efficiency would produce a reduction in GHG emissions of over 6% of the total residential GHG emissions for Canada. Investing in existing inventory is also practical: the investment required to preserve and improve existing housing is substantially below the cost of unit replacement and can be achieved relatively rapidly.

The challenges for investment in existing rental accommodation are the potential scale of investment required, the differing ownership structures of much of the rental housing stock, and the potential complexity of how such investments are treated from a taxation and capital gains perspective. Maintaining and enhancing the Residential Rehabilitation Program (RRAP) programs with federal supports can address a large number of the housing adequacy issues being faced in Canada; however, more is needed, especially if the government wishes to target GHG reduction.

Supporting an innovation agenda for the production and maintenance of rental supply that is affordable

To offer incentives for the production and rehabilitation of rental housing that is affordable, the Collaborative proposes the creation of three financial mechanisms:

1) A financing facility to provide low-cost, long-term loans for new rental development (the Financing Fund) – A fund leveraging government seed funding with additional public and private capital to provide loans tailored to new construction.

2) An equity fund to provide both short-term and long-term equity for new rental projects (the Equity Investment Fund) – A fund to invest directly in new developments, significantly lowering the risk profile of new projects and the rental income required to generate sufficient return for developers.

3) A financing instrument targeted to legacy stock (the Rehabilitation Financing Fund) – A fund leveraging government seed funding with additional public and private capital to provide loans tailored to the rehabilitation and energy upgrading of multi-unit residential rental stock.

Our proposals provide a general outline for how certain market mechanisms can be tailored to meet the needs of both market and nonmarket developers and operators advancing the goal of housing affordability. These tools permit flexibility in how they are applied to achieving specific affordability outcomes, and to addressing particular market circumstances. They can also be targeted to specific types of rental housing to be developed. The affordability and project risk parameters can be developed based on the policy and affordability outcomes being sought. At the project level, these mechanisms would allow the addition of equity and financial incentives, such as relief of municipal charges, reduction of taxes, etc. Such incentives will improve financial performance and can lower rents further.

We are due to upgrade Canada's legacy stock of rental housing that is affordable

THE IDEA IN BRIEF

By blending private capital with public purpose and tailoring market instruments to housing-specific needs, we can leverage government investment to create incentives to produce new rental stock and preserve and renew existing rental stock that meets affordability criteria.

The proposed financial mechanisms will:

- **Support affordability and market flexibility** – As market tools, these mechanisms incentivize certain outcome-oriented behaviours and encourage innovation and the addition of incentives and alternative financing mechanisms.
- **Promote mixed-income development** – The level of assistance offered would be tied to the level of affordability achieved, promoting mixed-rent projects (both a mix of affordability within larger developments and a mix of incomes within buildings).
- **Encourage partnerships** – The financial mechanisms being proposed are intended to be accessible to non-profit, social and co-operative housing developers, as well as private developers who may work in concert with not-for-profit organizations or independently.

- **Leverage government investment** – By providing seed capital to finance mechanisms, or investing in start-up equity to de-risk projects, mechanisms will leverage supports available from other governments and other non-governmental sources of capital.

- **Provide return on government investment** – All three mechanisms ensure capital will return over time to be redeployed in the system. Where deeper affordability targets are being sought, equity fund returns may be delayed or reduced.

These proposals work in tandem to maximize the flexibility in the design of rental housing projects, which include units with rents that are affordable, meet the specific needs of communities, and leverage support from multiple sources of capital.

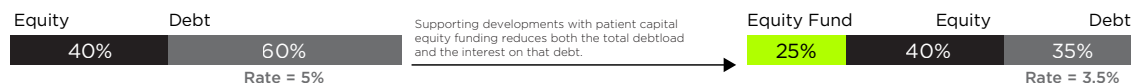
We propose the creation of a third-party entity outside of existing federal agencies, with sector participation in governance to administer the funds. This entity should be transaction-based, and serve as a catalyzing financial agency, working to attract and support developers willing to operate using the new mechanisms.

The impact of the proposed finance tools

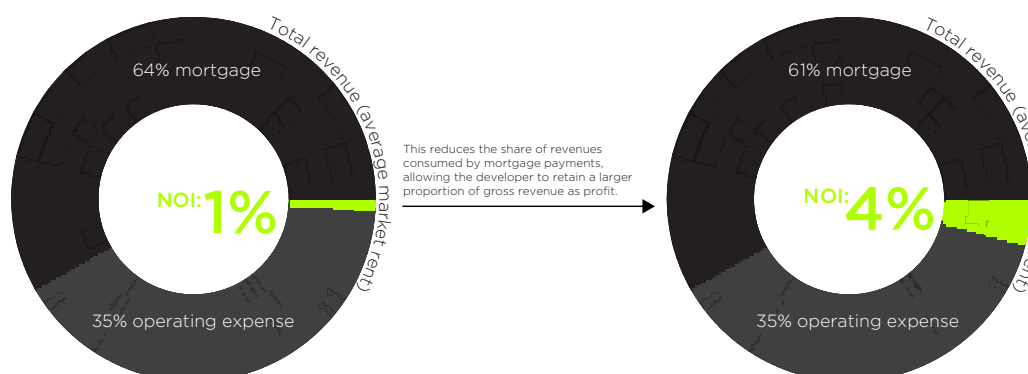
The following illustrates the positive effects on profitability that the Equity Fund and Financing Fund would have on new rental projects operating at 100% average market rents. The Equity Fund would provide patient capital—long term, low yield equity—to developers for new rental projects that are affordable. Patient equity could provide critical de-risking of projects, and be leveraged to attract other equity investors and reduce borrowing costs. The Financing Fund would further diminish borrowing costs by providing low cost long term financing.

Under the assumptions described in the model, a developer could increase net operating income (NOI) by 3% while providing relative affordability. These conditions could encourage growth of social housing, attract private developers to affordable rental production, and promote partnerships between market and non market providers.

CAPITAL STRUCTURE



CASHFLOW SUMMARY



ABOUT THE FINANCING FUND

The Collaborative has identified the need for a new financing instrument – like the proposed Sector Bank – that can be used in a variety of market and non-market rental projects to help bridge the period of negative revenues associated with the development of new rental housing that is affordable. This mechanism will offer low-cost, long-term financing for new production that meets affordability criteria set by the federal government, and in locations where there is a documented affordable rental housing supply shortage. The financing facility should be designed to work in conjunction with other sources of private and non-profit equity and capital, and it should be structured so that capital can be redeployed over time to new affordable housing projects.

ABOUT THE EQUITY INVESTMENT FUND

The equity fund includes two pools of equity that work in tandem with low-cost, long-term financing to incentivize the production of housing with affordable rents in markets where there is a need to increase rental housing supply. The two equity instruments reflect the different phases of a project's viability and can be used differentially depending on the level of affordability to be achieved and the permanence of the affordability provided. While the detailed design of the equity instruments requires further research and exploration, we propose some general characteristics:

Short-term equity fund – Investment in an affordable rental project for a period of 8-10 years. The short-term equity fund aggregates sufficient equity to launch a project to meet first lender construction and take out requirements and assists in bridging the period of time required for project stabilization and the development of sufficient net-operating income. For some projects, this may be all that is required for the production of long-term rental housing that is affordable.

Long-term patient equity – For most rental markets, production of rental housing with rents below average market rent requires access to patient, long-term equity. The amount of patient, long-term equity required by a project is determined in part by location, level of affordability being targeted, and availability of other project contributions. The target equity returns for developers would be reduced due to considerably reduced risk. Gains would be shared between the fund and developer. Equity returned over time to the fund could be redeployed into the system or remain in the project to secure enduring rental affordability.

The short-term and long-term patient equity funds are likely best operated by a single, third-party entity. This entity can act as an agent to structure project capital and bring together various project contributions. Eligible projects will require consistent assessment and underwriting, and the entity can determine the projects with the best match between objectives and capital source.

ABOUT THE REHABILITATION FINANCING FUND

A financing instrument specifically designed to finance the rehabilitation and energy efficiency / GHG reduction measures in existing multi-unit rental housing would enable building owners to invest in comprehensive renewal and energy upgrading projects that fall outside of typical investment parameters. Such a mechanism would enable building owners to invest in significant GHG reductions and housing adequacy improvements that do not necessarily result in increased revenues or reduced operating costs.

HOW WE GET THERE

- 1. Determine parameters for proposed financial mechanisms** – Establish the targets of rental affordability, duration of the affordability, and levels of non-fund equity contributions required that are to be generated through the proposed instruments. These parameters should be established based on additional research and consultation.
- 2. Conduct detailed modelling to refine application of mechanisms in different markets and different circumstances** – Deep comparative research across markets will refine how each mechanism should be tailored to maximize effectiveness in a variety of circumstances. As well as markets with on-going high vacancy rates, there are some lower vacancy rate markets with consistently low rental pricing and low rates of rent increases where supply responses may not be the most effective tool. Further modelling will help inform feasible design parameters.
- 3. Establish entity(ies) responsible for project assessment and investment** – This assessment body should take into account the characteristics of proposed projects and prevailing market conditions to determine whether the particular project is an effective investment. It should also ask whether the particular project has the greatest long-term system benefit and links to other housing outcomes required for the particular community in which it is proposed.
- 4. Determine design to administer proposed mechanisms** – The administration of the debt and equity instruments, as well as the project assessment function, may require the creation of one or more new financial entities. For example, Housing Partnership Canada has proposed the creation of a Sector Bank, which is designed to serve as the financing facility for social and affordable housing providers. Further research and consultation will determine whether this entity, or another entity is best positioned to service these transactions.

MEASURING OUR PROGRESS

Our ultimate goal is the creation of renewable capital tools that will enable the market to respond, naturally and relatively quickly, to changes in demand, while maintaining the affordability and liveability of communities.

The specific targets and design parameters to be determined through further modelling and consultation, will have a profound impact on the outcomes these mechanisms can achieve. Based on the assumptions in our modelling and analysis (see *Supply Options Paper*) it is possible to add over 100,000 new units of rental housing at or below average market rent to the system in the next 10

years with the new rental financing and equity funds. The multi-unit rehabilitation fund could address the rehabilitation of 200,000 units, or approximately 83% of the identified need (not including First Nations communities) over five years.

The government should set clear targets for the development of new financial mechanisms. Lessons from the Affordable Rental Innovation Fund may inform feasible and achievable targets. Key targets to take into account include: the total number of new units, level of affordability achieved, return on financing and equity, and degree to which mixed-rent communities are achieved.

RESOURCE IMPLICATIONS

Many variables influence the cost and return of housing—particularly new housing—developments. Resource implications will vary significantly based on targeted production levels, levels of affordability/GHG emissions reductions targeted, whether additional contributions, such as land, are made available, and affordability criteria.

The federal government should invest the following in the first year of each fund:

**A 10% investment or capital guarantee, equalling \$150 million for the Financing Fund
\$1 billion for the Equity Investment Fund**

A 10% investment or capital guarantee, equalling \$100 million for the Rehabilitation Financing Fund

After early review, investment in these instruments can be scaled. We propose scaling the Financing

Fund to eventually reach a federal commitment of \$500 million per year, and the Rehabilitation Financing Fund to a federal commitment of \$200 million each per year. Federal seed funding should leverage substantial additional funds for the financing and rehabilitation instruments. The Equity Investment Fund would remain at \$1 billion per year for five years. Federal investments will fully fund the Equity Fund.

Adopting the financing, equity and rehabilitation funds proposed above will leave the federal, provincial and territorial government latitude to use the funds identified in the Investment in Affordable Housing programs for more targeted delivery of housing, including housing for Indigenous and northern communities and supportive housing that requires high levels of capital and operating subsidy.

RECOMMENDATIONS

4 Provide leadership and resources for social housing sector transformation

The federal government should support the long-term viability of social housing providers and maintain the affordability of housing in the system by providing leadership and resources to build a more efficient, self-sustaining, innovative system of social housing in Canada. To this end, the federal government should pursue two strategies:

- a) Ensure the continued availability of affordable housing by stabilizing the social housing sector through renewed commitments to support rent-geared-to-income (RGI) housing as operating agreements expire and by providing capital assistance to address capital repair deficits for social housing providers.
- b) Introduce an Innovation and Transformation Fund to test new business models and approaches to the delivery of social housing and build capacity within the sector.

Over the next decades, federal government operating agreements with social housing providers will expire, with the majority of agreements expiring between 2020 and 2028. Many social housing providers will struggle to maintain current levels of RGI units without ongoing support for those tenancies. Capital repair deficits will consume a significant portion of operating incomes, and the levels of RGI built into the original programs may exceed the ability to generate operating surpluses. Generally, housing providers with greater than 25% RGI units will not be economical to operate.

Without efforts to preserve the estimated 360,000

RGI units (of a total of more than 530,000 social housing units) in the current system, many low-income households will face significant housing affordability challenges. In addition, many social housing units, especially in the larger and older projects, are in poor condition, and not all providers have adequate capital reserves to undertake the required repairs. This threatens the housing security of not only those in RGI units, but also those in over 200,000 modest rent units in the social housing inventory.

We need to build a more sustainable social housing system

While the social housing sector faces significant challenges, there are also substantial

opportunities to leverage the strengths of the current system to build a more sustainable and efficient system of social housing.

The shift to a more sustainable social housing sector is a game-changing transformation that will take time to unfold. To be viable, the shift must be underpinned by federal reinvestment in the social housing system. This reinvestment should consist of an ongoing commitment to support rent-geared-to-income (RGI) units as operating agreements expire, as well as capital assistance to address capital-repair requirements. Funding to support RGI units is necessary to preserve current levels of affordability within the system, while capital funding to address capital deficits is crucial for maintaining the adequacy, sustainability, and physical condition of the social-housing stock. These funding mechanisms will help to ensure the long-term

viability of the social housing system. Stabilizing the social housing sector and ensuring the protection of the communities it serves is a prerequisite to increasing efficiencies in the system. Financing of capital repairs and, where necessary, grants or forgivable loans, are an opportunity to work with housing providers to develop economic operating models while low income tenancies continue to be supported by RGI.

With this foundation in place, the Innovation and Transformation Fund will support the development of new and innovative business models and in building capacity to implement these models within the social housing sector. The range of knowledge, specialized skills, and resources to operate affordable

housing in an innovative, cost-efficient, and self-sustaining manner is currently uneven across the sector. The proposed Innovation and Transformation Fund will support the sector to develop this capacity and explore new ways to improve the efficiency and long-term viability of social housing.

Stabilizing social housing will ensure that low-income households across Canada, including those belonging to vulnerable populations and those with complex needs, retain access to safe and affordable housing. In addition, this commitment reflects the importance of the social housing portfolio as a valuable financial asset for the federal government and a resource that can be leveraged and grown to revitalize communities across the country.

ABOUT THE INNOVATION AND TRANSFORMATION FUND

The proposed Innovation and Transformation Fund will engage housing providers and sector organizations to develop and test new approaches to the delivery of social housing. More specifically, the Fund will support providers to:

- Attract and keep qualified board members with specialized skills to transform their organizations into new business models
- Explore innovative revenue generation approaches (e.g., social enterprises) and alternate financing vehicles (e.g., social finance) to enhance long-term sustainability
- Undertake capital portfolio planning to investigate the modernization and regeneration of existing social housing properties
- Explore innovative ways to leverage existing assets to create new units
- Consider opportunities for merging and/or sharing resources

THE IDEA IN BRIEF

By providing leadership and resources to build capacity and innovation in the social housing sector and preserve affordability in the system, we will build a more efficient and sustainable system of social housing in Canada. This new system can be a catalyst to building healthy and

complete communities with access to high-quality infrastructure and economic opportunities. There are a growing number of innovative social housing redevelopments across Canada that achieve this vision.

EXAMPLES OF INNOVATION IN SOCIAL HOUSING ACROSS CANADA

RendezVous LeBreton, Ottawa

The RendezVous project is a planned redevelopment of LeBreton Flats in Ottawa is proposing to build 4,400 new residential units, 25% of which will be dedicated to affordable housing. About half of these units will be available at moderate market rents, while the rest will be rent-subsidized, including a significant number of RGI units. The affordable housing units will be developed by the non-profit organization Centretown Citizens Ottawa Corporation, one of the RendezVous project partners.

Alexandra Park revitalization, Toronto

The redevelopment of Alexandra Park involves the collaboration of the Toronto Community Housing Corporation, the City of Toronto, residents, neighbours, private development partners, and a first-of-its-kind partnership between TCHC and an independent housing co-operative. Redevelopment of this 18-acre site will see the replacement or refurbishment of over 800 RGI rental units, as well as the creation of over 1,500 market units, new connector streets, public amenities (including green space), and the addition of up to 5,700m² of retail space.

Vancouver Native Housing Society

Since 2009 the portfolio of this Aboriginal housing provider has increased by nearly 100 percent. In addition to managing over 800 units of affordable housing across 18 buildings for Vancouver's Aboriginal population, VNHS has expanded into supportive housing for Aboriginal and non-Aboriginal people who are homeless or at risk of homelessness, including 69 apartments for formerly homeless adults and 30 for youth who are vulnerable to homelessness. VNHS has also launched the acclaimed Skwachàys Lodge Hotel and Gallery, a social enterprise combining boutique hotel, art gallery, and residence for 24 Indigenous artists.

HOW WE GET THERE

1. Standardize and expand data

collection and research – The federal government should invest in efforts to gather detailed, accurate data on the current state of social housing in Canada. Currently, we have knowledge gaps regarding the capital needs and operating costs of many social housing providers. To address this, the government should collaborate with provinces, territories, and municipalities to ensure that data is accessible and consistent across the country. This data can be used to develop a more precise and comprehensive understanding of the sector's needs and the potential impacts of the expiry of operating agreements.

2. Work with provinces and territories to establish long-term funding

frameworks – The federal government should collaborate with the provinces and territories to establish a shared framework to guide reinvestment in social housing. The framework should outline how a federal and provincial/territorial partnership will leverage the investment of each order of government to provide stable, long-term commitments, including for the cost-sharing of ongoing operating funding for RGI units and rehabilitation and repair of existing stock.

3. Conduct pilot projects that test the feasibility and impact of new approaches

– Through the proposed Innovation and Transformation Fund, the federal government should invest in pilot tests of new social housing business models and funding mechanisms that could inform future directions and potentially be scaled up to the sector level. This pilot testing phase will also provide an opportunity to collect new data on the resources and needs of social housing providers, refine data collection methods, and develop tools and processes for assessing housing providers' viability and need for continued funding.

4. Develop an implementation

framework – Building on data-collection efforts and pilot tests of new business models, the federal, provincial, and territorial governments should partner to develop a new implementation framework that scopes out the long-term transition from current operating agreements to reinvestment in the social housing system.

MEASURING OUR PROGRESS

Our ultimate goal is a transformed social-housing sector that optimizes public investment as it grows to meet the affordability needs of low-income households. The foundational step is to preserve affordability for low-income households by ensuring that there is no net loss of units in the social-housing system. The current social-housing system includes over 500,000 households, including an estimated 360,000 in RGI units. Both maintenance of RGI support and rehabilitation of aging stock is required to ensure this critical part of the housing system retains the ability to provide adequate, affordable housing.

Over the next five years, operating agreements will expire for approximately 45,000 RGI units. In ten years, that number will rise to approximately 163,000. This means that in the next ten years, the federal government should commit to ensuring that these 163,000 RGI units are retained.

Measuring our progress in achieving sector transformation will require additional research, data collection, and planning. In partnership with federal and provincial governments and sector partners, the federal government should work towards defining clear goals for what sector transformation will look like and the measurable targets it will achieve.

RESOURCE IMPLICATIONS

The estimated funding required to maintain current levels of RGI in the social-housing system is \$1 billion per year, once all operating agreements expire. In the near term, the estimated cost of maintaining RGI will be less, since operating agreements expire at different times.

Based on the best available data, we estimate that the cost of maintaining current RGI will be approximately **\$130 million per year over the next five years**. By 2026, this amount will increase to **\$460 million per year**.

Given the broad range of approaches and methodologies employed to assess capital viability, generating an aggregate amount is extremely challenging. Based on data examined as part of the *Social Housing Options Paper* commissioned by the Collaborative, the estimated funding required to address the unfunded capital repairs in the current social housing system ranges from **\$3.3 billion to**

\$6.3 billion (current dollars), at the time of final expiry. A standardized approach to determining capital needs is essential to fully understand the capital impact of expiry. Further, it is important to note that investment prior to expiry may mitigate the capital deficit at expiry. Consideration should be given to providing capital assistance early.

In addition to supporting the current system through ongoing operating support, we recommend that the federal government allocate **\$40 million over a five-year period** for the Innovation and Transformation Fund. This funding should be provided for a minimum of five years with the option of renewal, recognizing the need for long-term support and capacity building to support sector transformation.

For more information on our targets and cost estimates, please refer to the *Social Housing Options Paper*.

OTHER CONSIDERATIONS

These four recommendations provide a strong foundation for advancing the national vision of housing affordability. That vision, however, will extend beyond these four pillars. We would like to highlight other pressing issues that the national housing strategy should seek to address. While not the immediate subject of the Collaborative's research, each of these issues intersects with our recommendations.

DIVERSE NEEDS OF SPECIFIC GROUPS

We recognize that the needs of Canadians are diverse. For certain populations, additional approaches beyond our recommendations are required to ensure that all households can access affordable housing. For example, Canadians with disabilities, mental health issues, addictions, or other complex needs have specific needs related to housing. These individuals often require intensive supports that complement their existing housing arrangements. Without these supports, clients with complex needs may be vulnerable to social and economic hardship and/or homelessness. **We encourage the government to explore options for increasing the supply of supportive housing to better meet their needs.**

Indigenous-specific housing approaches are needed both for on-reserve and off-reserve housing. **We urge the government to develop an Indigenous housing strategy founded in the principles of reconciliation.** This strategy should be informed by the federal government's targeted consultations with Indigenous governments and organizations, include provincial and municipal governments where appropriate, and privilege decision-making by the Indigenous housing sector.

The Collaborative also recognizes that the needs of remote and Northern communities are unique and will require responses that respect their circumstances. **We encourage the government to develop a remote and Northern housing strategy,** developed in conjunction with provincial, territorial, and Indigenous governments.

CONNECTED POLICY AREAS

Just as our recommendations will contribute to a stronger housing market, they will in turn be affected by broader market conditions. The following opportunities, if seized upon as part of the national housing strategy, will benefit not only our recommendations, but will enable the proliferation of healthy, complete communities.

Connecting investment in infrastructure construction with housing affordability goals can maximize social, environmental, and fiscal impact. Increasing the supply of affordable rental units will require land. Investments in mixed-income, mixed-use communities around transit stations and along transit lines will make a major contribution to both housing affordability goals and reducing greenhouse-gas emissions. Given the massive public investment in land acquisition for transit, this is an enormous opportunity for government synergies to produce a lasting positive impact in urban centres.

Connecting regulatory and financing policy with housing affordability goals can facilitate choice for people of all incomes. Increasing the supply of affordable rental units requires that regulatory conditions are amenable to large-scale development of purpose-built rental units. Development of both general-use, social housing, and specialized units, such as those intended for supporting formerly homeless individuals, is highly dependent on available land and efficient access to regulatory approval. Regulatory and federal tax reforms could facilitate accessory

suites in existing neighbourhoods; building code and standards reforms could encourage more mid-rise developments. Measures to increase home ownership affordability—including financing arrangements, such as shared appreciation mortgages and joint-ownership arrangements—also contribute to expanding the range of housing options available to people and have impacts throughout the housing system. A systemic view of regulatory and finance policies could result in expanded choice of housing forms and tenure mixes.

Throughout our submission, we note the need for better data about both people and systems. Improved data collection and dissemination as a result of the national housing strategy will enable continuous improvement and refinement of government policy over time. Further, it will serve as a vital resource for sector learning and innovation.

ACHIEVING SYSTEMS SYNERGIES

Our four recommendations are complementary. Each recommendation will impact the deliverability and success of the others.

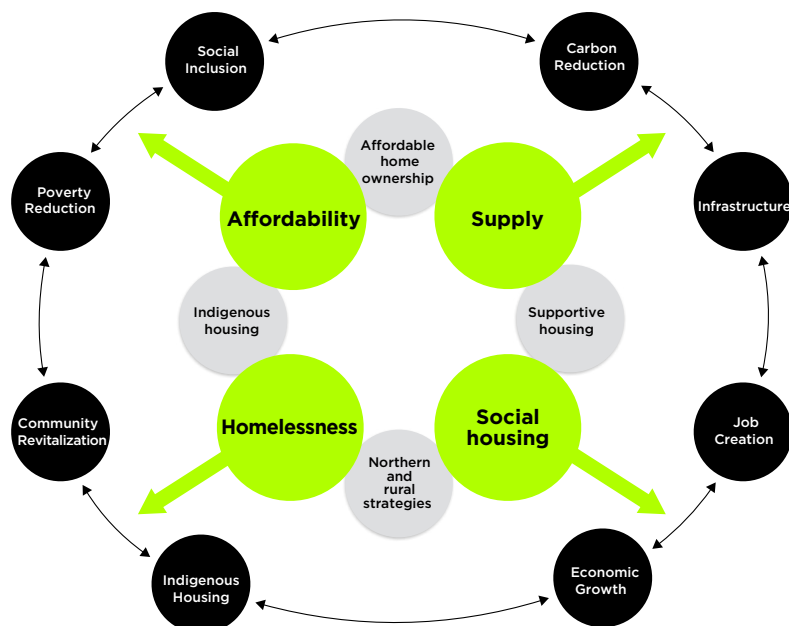
For example, a national housing benefit will not only eliminate deep core housing need and alleviate core housing need, it will also reduce the incidence of economic homelessness and alleviate stressors in both market and non-market housing, while increasing effective demand. Financing mechanisms and equity tools will enable market and non-market providers alike to increase the supply of housing that is affordable, reduce pressures on rents, enable providers to accelerate greening activities, and provide vital tools for transformation to the social housing sector. Rehabilitation financing will extend the useful life of older, lower-cost rental stock, which has historically been mobilized by Housing First approaches.

These recommendations will also contribute to broader government goals and priorities. By stabilizing and transforming social housing, an essential element of supportive and affordable housing will not only be maintained, but this legacy investment will continue to serve as a bulwark for mixed, vital communities. Achieving Functional Zero homelessness is not only a good in and of itself, but will model collaboration across governments

and agencies and generate considerable savings to emergency services. Strategically supporting new rental supply that is affordable in areas where the federal government is investing in transit supports mixed communities and transit-oriented development, while at the same time reducing automobile use and greenhouse gas emissions. Substantially reducing core housing need through benefits to renters will be supported by ongoing investments to preserve and increase the supply of rental housing and diversify the choices available to renters. A diverse rental market will help ensure that beneficiaries have rental options that work together with the benefit to effectively bridge the affordability gaps they face and promote social inclusion and poverty reduction.

Our four recommendations were developed by the Collaborative because their positive effects will reverberate throughout the housing system. The National Housing Strategy can be a turning point for housing policy in Canada, while advancing progressive changes in other areas of Canada's social and economic fabric. These recommendations carry the support of a wide group of national housing stakeholders because they will provide the basis upon which our individual submissions—and many others—can build.

Positive effects across interconnected priority areas



PROPOSED TARGETS AND COSTS

PROPOSED TARGETS

To ensure that our efforts are accountable and transparent, the National Housing Collaborative has developed clear and measurable targets for achieving the vision of housing affordability. These targets provide realistic yet ambitious goals for the National Housing Strategy.

	3-5 YEARS	5-10 YEARS	ACHIEVEMENTS
1. Adopt a national goal and launch a pan-Canadian initiative to end homelessness	Eliminate veterans' homelessness	Achieve functional zero homelessness	Homelessness is rare, brief, and one time
2. Develop a national housing benefit that provides direct financial assistance to renters in core housing need	Move 800,000 households in core housing need an average of 37.5% closer to a national affordability standard ²	Move 800,000 Canadians in core housing need an average of 75% closer to a national affordability standard	Canadians in core housing need are near the affordability standard
	Lift 65,000 households out of deep core housing need	Eliminate deep core housing need	Deep core housing need is eliminated
3. Increase and maintain supply of market and non-market rental through capital tools	5,000 new units in production by 2018 (at or under 100% AMR)	10,000 new units under construction each year by 2020 (at or under 100% AMR)	Over 100,000 new affordable rental units are added to the housing system
4. Provide leadership and resources for sector transformation of social housing	Preserve RGI in all units with expiring operating agreements	Preserve RGI in all units with expiring operating agreements	No net loss of RGI in the social housing system

² Targets for the national housing benefit are partially dependent on the specific design parameters and on the chosen phase-in design of the benefit, and they may need to be adjusted over time.

ESTIMATED FEDERAL COSTS

The National Housing Collaborative has developed estimates to help understand the cost implications of our recommendations. These estimates are intended to provide an order of magnitude estimate and are highly conditional on selected program designs and targets, market conditions, and other policy and program decisions made by the federal government, as well as provincial/territorial and local governments. While they present varying degrees of certainty, especially over the long-term, they help to provide a sense of the scale of investment necessary to achieve the proposed targets. The investments reflect a combination of program spending, direct investments, and financing.

	3-5 YEARS (2021)	5-10 YEARS (2026)	2026 AND BEYOND
1. Adopt a national goal and launch a pan-Canadian initiative to end homelessness	\$158 million/year for current HPS, increased to \$349 million/year with renewal of HPS in 2019 (an average of \$253 million)	5 years of funding at \$349 million for renewed HPS	Sustained funding for HPS as required Funding shifts largely to prevention
2. Develop a national housing benefit that provides direct financial assistance to renters in core housing need	3 years of funding at approximately \$600 million/year to begin phasing in benefit to between 500,000 and 800,000 households	Ongoing funding at approximately \$1.2 billion/year (in 2016 dollars) for fully implemented national housing benefit for 800,000 households	Program cost sensitive to income levels, population growth, and market conditions
3. A) Increase supply of affordable market and non-market rental through an Equity Investment Fund	5 years of funding at \$1 billion/year equity investment (repayable)	Dependent on market conditions Re-deployment of first equity returns	Dependent on market conditions
3. B) Increase supply of market and non-market rental through a long-term, low-interest Financing Fund	A government capital investment or guarantee equivalent of approximately \$150 million/year (equivalent to 10% of the fund)	A government capital investment or guarantee equivalent to approximately \$200 million/year (equivalent to 10% of the fund)	A government equity investment or guarantee equivalent to approximately \$500 million/year (equivalent to 10% of the fund)
3. C) Major repairs or energy efficiency upgrades of multi-unit residential landlords through a Rehabilitation Financing Fund	A government capital investment or guarantee equivalent to approximately \$100 million/year (equivalent to 10% of the fund)	A government capital investment or guarantee equivalent to approximately \$200 million/year to support deep building retrofits (equivalent to 10% of the fund)	It is possible that the need would have been met, allowing the reduction of this amount or the elimination of the fund
4. Provide leadership and resources for sector transformation of social housing, and continued RGI and capital repair funding	5 years of funding for innovation fund at \$8 million/year		
	Federal portion of cost-share to maintain RGI units at EOA approximately \$130 million/year	Federal portion of cost-share to maintain RGI units at EOA approximately \$460 million/year, growing to approximately \$500 million/year at expiry of last agreement	Sustained funding for RGI units at ~\$500 million/year
	5 years of funding for capital repair assistance approximately \$400 million/year	5 years of funding for capital repair assistance approximately \$300 million/year	Funding for capital repair assistance approximately \$300 million/year

National Housing Collaborative
c/o United Way of Greater Toronto & York Region
26 Wellington St. East
Toronto, ON M5E 1S2

<http://nhc-cpl.ca/>
info@nhc-cpl.ca