

Submission to the House of Commons Finance
Committee

2017 Pre-Budget Consultations



Submitted by:
Canadian Housing and Renewal Association

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The Canadian Housing and Renewal Association (CHRA) is the voice of the affordable housing sector in Canada. Our members include social housing providers, homelessness organizations, provincial and territorial housing departments, and supportive municipalities, individuals, businesses, and non profit associations. CHRA's mission is to ensure that all Canadians have an affordable, secure and decent place to call home.

Scope of the Challenge

There are over 600,000 social and affordable housing units in Canada, which provides housing needs to over a million Canadians. These social housing units provide an opportunity for these individuals and families to live, work, and play in homes that they may not otherwise be able to afford. However, an ongoing lack of federal investment in and support for social housing has led to concern over whether the sector can meet the growing needs for its services. A snapshot of some of the relevant data points include:

- Over the past 25 years, Canada's population has increased by 30% while annual federal investment in affordable housing decreased by 46%.
- Operating Agreements have already begun to expire; by 2040, federal investment in affordable housing will be zero.
- Nearly 235,000 Canadians will experience homelessness this year.
- Nearly 25% of Canadian households cannot afford their housing costs.

Recent developments

CHRA has been a strong advocate for federal leadership in the affordable housing sector. In February 2016, CHRA, in partnership with six other housing stakeholders, released a position paper entitled "Affordable housing: A Foundation for Social Inclusion", which contained funding recommendations in 3 key areas:

- Protect and new existing social housing assets by renewing funding for units whose Operating Agreements are set to expire, and target grants for capital repairs and retrofits
- Build 100,000 new units of affordable and social housing to address waiting lists
- Support community transformation and innovation by allowing housing providers to diversify their operations.

In the 2016 federal Budget, the Government of Canada announced \$2.3 billion in new funding for affordable housing, spread out over a number of programs. For the most part, these funding announcements were 2 years in duration. CHRA welcomed these announcements, calling them a positive "down payment" in addressing a number of the strains facing the housing sector. Although these budgetary announcements were welcome, there remain many ongoing challenges and barriers facing social and affordable housing providers in being able to deliver on the objective of providing safe and affordable housing for all Canadians.

National Housing Strategy Consultation

In the 2016 Budget, the federal government made the following commitment: *"To ensure that these investments are most effective and to help the social housing sector achieve self-reliance, the Government will consult with provinces and territories, Indigenous and other communities, and key stakeholders in the coming year to develop a National Housing Strategy"*. On June 28, 2016, the Minister of Families, Children, and Social Development announced a formal consultation process with

Canadians to develop a National Housing Strategy, with a report expected to be released in late November 2016. CHRA welcomed this announcement, and since the announcement of the consultation process in June 2016, CHRA has actively engaged with its members and other stakeholders to develop a tangible policy framework containing specific recommendations for presentation to the government. CHRA expects to finalize these recommendations by October 2016, and will be pleased to share a copy of our recommendations with the Finance Committee at that time.

Among the areas of focus for those recommendations will include measures to address homelessness, protection of rent geared to income units, and provision of alternative financing solutions that can use the equity contained in housing properties to provide capital for housing providers.

In addition, within those recommendations, CHRA will identify the need for an urban Aboriginal housing strategy that would require a unique policy framework for implementation.

Once the Minister releases the consultation report's findings, the federal government will need to work in partnership with provinces, territories, municipalities, and key stakeholders such as CHRA to design an implementation and action plan. This will be an ambitious initiative on a complex file. CHRA is therefore recommending that given the complexities involved, the House of Commons Finance Committee hold hearings into the proposed National Housing Strategy in advance of presentation of the 2017 Budget, so as to provide the Minister with advice and insight into how an action plan could be properly implemented and funded.

Immediate Recommendations

Whereas the National Housing Strategy consultation process will drive much of the policy discussion on affordable housing policy over the coming months, there are a number of immediate measures that the federal government could take that would align with pre-existing policies and commitments that the federal government has already made with regard to housing policy. These include:

- a) *Implement the mandate letter commitment regarding federal surplus lands through expansion of the Surplus Federal Real Property for Homelessness Initiative (SFRPHI):*

In the mandate letter to the Minister of Families, Children, and Social Development, the Prime Minister asked the Minister to undertake the following initiative: *“Work with the Minister of Public Services and Procurement to conduct an inventory of all available federal lands and buildings that could be repurposed, and making some of these lands available at low cost, or no cost, for affordable housing”.*

The Government of Canada already has in place the Surplus Federal Real Property for Homelessness Initiative (SFRPHI), which makes surplus federal real properties available for transitional, permanent supportive, longer-term housing and related support and emergency services for the nominal rate of \$1 dollar. The program then pays fair market value to the custodian department for the property. Funding for this program is in place until March 31, 2019. However, funding under the program is only \$2 million per year, and some lands, such as surplus military lands, may be transferred to the Canada Lands Corporation for purposes other than those contained in the SFRPHI program, including commercial purposes.

Given the directive in the mandate letter, CHRA recommends that the federal government expand the SRPHI program. Additional funds should be allocated to permit a greater number of surplus federal

properties to be used for transitional, social, and affordable housing purposes. SFRPHI should also be expanded so that a greater proportion of federal lands, including surplus military lands, fall under the program's mandate and goals. The SFRPHI program should also be made permanent, so that federal surplus lands that become available after 2019 would become available under the program, allowing both the government and housing providers to make longer-term planning decisions.

b) Remove the funding cap for the mortgage pre-payment program, and introduce greater application flexibility:

In the 2015 federal Budget, the government announced \$150 million over four years to allow eligible co-operative and non-profit housing providers with long-term, non-renewable CMHC mortgages to pre-pay their mortgages without penalty. Upon prepayment, housing providers would be able to access financing from the private market at current interest rates, which will lower mortgage expenses and help to keep rents affordable. Given that many housing providers were locked into long-term mortgages with rates exceeding 8 or 9%, this announcement was welcome, as it would allow providers to renew mortgages at much lower interest rates, resulting in immediate savings to the housing providers.

The Minister of Families, Children, and Social Development confirmed in an announcement in June 2016 that this program was moving forward for eligible co-op and affordable housing providers. However, in announcing the program guidelines, the program set forth annual fixed deadlines for applications, even though the negotiation process for securing new financing arrangements by housing providers is variable, and in some cases time sensitive, and therefore may not align with the program's application deadlines and wait times. In addition, although the \$150 million is welcome, it may not ultimately meet the needs of all housing providers who wish to take advantage of the pre-payment.

CHRA is therefore recommending that a) the federal government remove the \$150 million cap and extend the program to all housing providers in need, and b) replace annual deadlines with an open ended intake of applications. Applications should be reviewed in a timely manner with approval/rejection taking no more than 6 weeks.

c) Implement removal of GST off new rental housing:

Among the measures contained in the Ministerial mandate letters was the following directive to the Minister of Families, Children, and Social Development: *"Work with the Minister of Finance to encourage the construction of new affordable rental housing by removing all GST on new capital investments in affordable rental housing"*. CHRA recommends that the federal government move immediately to implement this directive, which would serve as a positive incentive to create additional rental units at a time when rental units are required due to soaring housing prices in many urban areas in Canada.

CHRA furthermore recommends that eligibility for this policy be extended to mixed market units, whereby individual housing projects would not be required to be 100% rental in scope, but could involve a mix of both rental and subsidized (eg, rent geared to income) units. With the of End of Operating Agreements, social and affordable housing providers are looking at mixed income models as one potential option towards viability; for those providers looking to pursue this option, such a policy could help in the transition.

Conclusion

CHRA appreciates this opportunity to share its recommendations with the Standing Committee on Finance. CHRA welcomes and applauds the federal government's interest in strengthening the social housing sector in Canada.

CHRA believes that a number of immediate measures can and should be taken to address the challenges facing the social housing sector, and that align with previous commitments and policy choices made by the federal government. However, it is clear that the enactment of a National Housing Strategy has the potential to address a number of longer-term and structural concerns facing housing providers. As such, CHRA looks forward to sharing and discussing with the Committee those longer-term strategies once finalized, and that the Committee has the opportunity to review and provide feedback to the government on those measures in advance of their implementation.

SUMMARY OF RECOMMENDATIONS

- 1. CHRA recommends that the House of Commons Finance Committee hold hearings into the National Housing Strategy implementation and action plan in advance of the 2017 Budget.**
- 2. CHRA recommends that the government implement the mandate letter commitment to create an inventory of available federal lands by expanding the existing Surplus Federal Real Property for Homelessness Initiative (SFRPHI). Expansion of the program would include an increase in funding to permit greater numbers of surplus federal properties to be made available for transitional, social and affordable housing purposes, and to divert federal surplus properties that may be used for other purposes to fall under the SFRPHI. CHRA also recommends that the program be made permanent so as to allow for long-term planning.**
- 3. Remove the funding cap for the mortgage pre-payment program, and introduce greater application flexibility.**
- 4. CHRA recommends that the federal government implement its mandate letter commitment to remove the GST off new affordable rental housing units, and that eligibility for this policy be extended to mixed market unit projects.**