



**The Canadian Housing and Renewal Association (CHRA)  
Submission to the Federal Pre-Budget Consultations – August, 2011**

**Executive Summary**

This brief has been developed in response to the requirements of the House of Commons Standing Committee on Finance. In keeping with these requirements, the brief focuses on the role of housing in economic recovery and job creation, while other reasons for investing in affordable housing, such as better health outcomes or adherence to international human rights obligations, are not addressed.

There are approximately 1.5 million households in Canada who cannot access a decent home that is affordable to them. These are families who have to make choices between paying the rent and buying groceries. In this stressful situation, funds for education and skills training that would help improve the circumstance of that family are simply not available. Families use all of their resources so that they do not get to a point where they count themselves among the 150,000 to 300,000 people who are homeless in Canada; a circumstance that becomes incredibly difficult to overcome.

The good news is that a choice does not need to be made between supporting Canadian households in need and bolstering the economy. In this submission, we outline three pragmatic requests for budget 2012 that will achieve both objectives. Our first proposal enables social housing providers to undertake the repairs, renovations and retrofits necessary so that they can continue to offer affordable rents once the subsidies they receive from federal government end. Our second proposal provides incentives for developers to build rental units, particularly those offered at or below average market rent. Our third proposal enhances the important outcomes of existing federal housing and homelessness programs. If implemented, these proposals will stimulate the economy, create jobs, make housing more affordable and many will improve energy efficiency outcomes.

**About CHRA**

The Canadian Housing and Renewal Association (CHRA) is Canada's national voice for the full range of affordable housing issues and solutions. CHRA's members include non-profit housing providers, municipalities, provincial/territorial housing ministries, organizations supporting individuals and families who are homeless and others. For over forty-five years, CHRA has represented the interests of its members to the federal government, and has provided education and training services for its members, undertaken research and developed policy.

## **Why is housing important for economic recovery and sustained prosperity?**

### *How to achieve a sustained economic recovery in Canada?*

Investment in affordable housing will support sustained economic recovery. Stimulus spending through Canada's Economic Action Plan (CEAP) is a key reason for why Canada has emerged from the global recession relatively unscathed. Included in CEAP were a number of housing-related measures worth \$2 billion dollars over two years, included to create employment through the construction and renovation of social housing. This investment was important as it leveraged significant provincial and territorial government contributions (over \$1.3 billion). Further, investing in the housing of low-income families makes a considerable impact on economic activity because once low-income households no longer need to spend such a high proportion of their disposable income on housing, they will consume other necessities, leading to fast and positive economic spin-off effects.

### *How to create quality sustainable jobs?*

Investment in affordable housing creates quality jobs, as housing construction is a particularly labour-intensive investment. New housing construction has a significant multiplier effect, with each new home creating four-to-six person years of direct and indirect employment.<sup>1</sup>

The most recent CEAP report which discusses the job impact of housing investments affirms this. In examining expenditures and multipliers, housing investment measures had a 1.4 dollar impact on the level of real GDP of one dollar in 2010, which was significantly higher in that year than the impact of personal tax measures (0.9) or business tax measures (0.2).<sup>2</sup>

Further enhancing the job creation capacity of affordable housing, employing those who would typically have a hard time finding a job – like someone leaving jail - has been undertaken in a few communities with impressive results.<sup>3</sup> For example, CHRA member *Warm Up Winnipeg*, employs mostly young Aboriginal people, many of whom have spent time in jail, to train in and complete energy retrofits of affordable housing. In this case, benefits accrue beyond job creation and energy efficiency, as public costs are reduced in other areas as these individuals gain the skills they need to become self-reliant.

Investing in energy retrofits to ensure greater efficiency not only improves housing affordability and environmental outcomes, but also creates jobs. Other jurisdictions have recognized the link between home retrofits and jobs. The United Kingdom (UK) has committed to provide eco-upgrades to 7 million homes by 2020, with priority given to those with low incomes, and to every household by 2030. This will use, in part, a pay as you save financing mechanism where people can benefit from savings without upfront costs.<sup>4</sup> It is anticipated 65,000 jobs will be created by 2020.

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<sup>1</sup> Steve Pomeroy, Focus Consulting, *Sustaining the Momentum: Recommendations for a National Action Plan on Housing and Homelessness*, produced for the Federation of Canadian Municipalities, 2008

<sup>2</sup> Canada's Economic Action Plan, A Seventh Report to Canadians, Table A.1, January 2011

<sup>3</sup> Initiatives include CHRA members Warm Up Winnipeg/BUILD, Choices for Youth and Broadway Youth Resource Centre

<sup>4</sup> UK Department of Energy and Climate Change, *Warm Homes, Greener Homes: A Strategy for Household Energy Management*

### *How to ensure relatively low rates of taxation?*

When housing is unaffordable, there is no money to buy healthy food, invest in education opportunities or enroll the kids in recreational activities. Poor health becomes more likely. A job becomes very difficult to attain and maintain. However, housing which is affordable and safe improves outcomes in health, employment and education, and thus reduces public cost as households use fewer services, such as income assistance, and rely less heavily on systems like health care. Engagement with the expensive criminal justice system and other emergency systems is also reduced. When spending requirements decrease, taxation rates can also be decreased.

### *How to achieve a balanced budget?*

In crafting budgets, a comprehensive and long-term view is needed that takes into account the cost of inaction. For example, for those who aren't able to even make the choice between paying the rent and buying groceries, homelessness becomes not only a serious individual risk, but also a considerable public expense. People who experience homelessness disproportionately access the expensive emergency health, criminal justice and social service systems. Supportive housing for people who are homeless is an investment that makes sense; it saves the costs of repeated access to emergency services and helps to prevent and end homelessness. From the stability of a safe and affordable home, and with appropriate supports, individuals can begin to address the root causes of their homelessness. The Government of Alberta recently assessed the cost of services typically used by a chronically homeless person in Alberta at \$114,850 per year compared with the cost of providing housing with services to help that person at roughly \$34,000 per year.<sup>5</sup> This is the kind of decision that will lead to improved outcomes, as well as better value for the public dollar.

### **The housing picture today**

There are approximately **1.5 million households** – or almost 13 per cent of all households – in 'core housing need' or who, more simply, **cannot access a decent home that is affordable to them**. These households cannot find housing that costs less than 30 per cent of their before-tax household income, has an adequate number of bedrooms and doesn't need major repairs. Particular groups are more likely to be in core housing need than others; including lone-parent families (at 25.7 per cent), immigrants (at 18.2 per cent), and Aboriginal households (at 20.4 per cent). Households aged 65 and older are also at risk as they represent almost one quarter of all households in core housing need. These groups risk homelessness and face an instability that makes it difficult to focus on improving their employment, education or family circumstance. In recent years, homelessness has persisted and increased in communities across Canada,<sup>6</sup> as it is estimated between 150,000 and 300,000 Canadians are homeless.

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<sup>5</sup> The Alberta Secretariat for Action on Homelessness, *A Plan for Alberta: Ending Homelessness in 10 years*, 2008

<sup>6</sup> An average increase of 32 per cent in the number of permanent emergency shelter beds made available between 2001 and 2006 in 12 large and medium sized cities noted in the 2010 "Mending Canada's Frayed Social Safety Net: The role of municipal governments" report produced by the Federation of Canadian Municipalities illustrates this.

There are many reasons why housing is unaffordable and homelessness persists. Stagnating incomes, in addition to rising unemployment and underemployment, has a lot to do with it, but there are also housing-specific reasons.

First, federal subsidies worth \$1.7 billion that enabled rents in social housing to be affordable for 613,500 households in 2010 are expiring. 9,900 fewer households will be supported in 2011 compared to 2010.<sup>7</sup> Research undertaken by CHRA indicates that many social housing providers will not be able to keep rents affordable without assistance, once agreements expire. The number of households supported will continue to decline until all agreements expire. CHRA doesn't know whether the federal government has a plan to ensure that social housing providers will be able to continue to offer affordable rents to these low-income households.

Second, the rental housing market, which has been the source of relatively affordable housing for many Canadians, is broken. Canada's 3.6 million renter households are in an even more precarious situation as they are four times more likely than homeowners to be living in core housing need.<sup>8</sup> This is driven by an insufficient supply of rental accommodation relative to demand, which has driven up prices as more households seek to occupy a smaller pool of rental units. Between the 2001 and 2006 census, for the first time ever, the number of occupied rental dwellings in Canada did not increase, despite the fact that Canada's population increased by 5.4 per cent over that same period; the largest increase of all the G8 countries. 18,000 rental units were lost from 2000 to 2010.<sup>9</sup> As such, it comes as no surprise that the national rental vacancy rate decreased to 2.5 per cent in April 2011<sup>10</sup>, well below what is required for a healthy market.<sup>11</sup> Specific cities have distinctly precarious situations. For example, the vacancy rate in Winnipeg and Regina was very low at 0.7 per cent, and Toronto and Montreal were not too far behind at 1.6 per cent and 2.5 per cent, respectively. This situation has unfolded in the absence of specific incentives to encourage the development of rental housing as existed in the past, such as the Multiple Unit Residential Building (MURB) tax subsidy of the 1970s.

Third, homeownership is a more costly household burden than it once was,<sup>12</sup> with moderate-income families increasingly priced out. Prior to 2000, housing prices for 20 years stayed between 3 and 4 times provincial annual median income. Housing prices are now between 4.7 to 11.3 the annual income of Canadians.

Lastly, while investments like the now completed CEAP investments and federal homelessness and housing funds active through 2014 (the Homelessness Partnering Strategy and Affordable Housing Initiative and CMHC renovation initiatives, and similar arrangements) have made a real difference, they are not enough. For example, 5,040 units were developed through the Affordable Housing Initiative in

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<sup>7</sup> CMHC 2010 Annual Report

<sup>8</sup> The Co-operative Housing Federation of Canada, *The Dunning Report: The Dimensions of Core Housing Need*, 2009.

<sup>9</sup> Canadian Housing Statistics, Annual Rental Market Report. This statistic reflects purpose-built rentals only (structures with 3 or more units).

<sup>10</sup> Reflects average rental apartment vacancy rate in Canada's 35 major centres for privately initiated structures of 3 or more units.

<sup>11</sup> The Wellesley Institute <Painfully low vacancy rates, shrinking number of homes: New national report underlines rental housing woes across Canada> web post, December 9, 2010

<sup>12</sup> Canadian Centre for Policy Alternatives, *Canada's Housing Bubble: An Accident Waiting to Happen*, August 2010

2010. While a step in the right direction, it is a small outcome compared to the 1.5 million households in need. Similarly, the renewal of the ecoENERGY Retrofit-Homes program for one year is the right move, but is inadequate. If each participating household receives the maximum grant of \$5,000, only 80,000 households will have participated. Many low or moderate-income households who would benefit the most will be unable to access the program, as the upfront costs required cannot be covered by households already spending most, if not all, of their disposable income on necessities, including shelter.

### **The budget 2012 inclusions that will put Canada's housing situation on the right track**

A strategic approach with long-term, predictable and sustainable funding is required to prevent the demonstrated costs of inaction when Canadians can't secure affordable, safe housing. With this as the overall goal, and building on existing federal investments that have made a difference, the following outlines **three pragmatic and cost-sensitive requests for budget 2012**:

1. As mentioned earlier, social housing operating agreements are beginning to expire and many housing providers will not be able to keep their rents affordable for more than 600,000 households. Even if the rents in some cases can initially remain geared-to-income without federal support, rental revenue – because it is low by definition – is likely to be insufficient to account for capital and maintenance requirements in the near- or medium-term. Given this situation, **a time-limited fund not unlike the CEAP funding for social housing renovation could be implemented** for social housing providers to undertake the repairs, renovations and energy retrofits that would let them continue to support households in need. This would be funded **without additional cost** due to the emerging and considerable reductions in federal social housing expenditure as agreements expire. This initiative would also tie providers who access funds to extended compliance agreements which would negate the documented risk of providers vacating their mission of providing housing to those in need upon the conclusion of the operating agreements. This fund would create jobs, ensure affordable housing isn't lost and improve energy efficiency outcomes.
2. In order to address the insufficient number of rental units across the country that has led to unaffordable rents for low and moderate-income families, **incentives to stimulate rental housing construction are needed**. An initiative could be developed through which CMHC would offer low-interest loans for investors building purpose-built rental units with further incentive through additionally reduced interest rate requirements for rental properties which commit to moderately priced rents. With minimal administration costs, this could be undertaken at relatively little cost. This fund would both create jobs and make housing more affordable.
3. **Funding for existing housing and homelessness programs should be bolstered and extended.**<sup>13</sup> Annual funding should be doubled so that it would be valued at \$787.9 million and extended until 2017. This includes provincial/territorial arrangements like AHI and CMHC's renovation programs, the Homelessness Partnering Strategy and the ecoENERGY Retrofit-Homes program.

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<sup>13</sup> Planned annual federal expenditure for 2011-12 consists of \$128.1M for CMHC renovation programs or equivalent, \$125M for the Affordable Housing Initiative or equivalent, \$400M for Eco-Energy Retrofit Homes Program and \$134.8M for the Homelessness Partnering Strategy