The CO-OPERATIVE HOUSING FEDERATION of Canada

Brief to the
Standing Committee on Finance
2011 Pre-Budget Consultations

Co-operative Housing Federation of Canada's submission to the

2011 Pre-Budget Consultations

Building Economic Strength in Livable Cities for the 21st Century

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EXECUTIVE SUMMARY

The 2012 budget will provide the federal government with an opportunity to build on its previous housing investments, with *measured* spending on social infrastructure (housing, transportation and civic projects across Canada).

The Co-operative Housing Federation of Canada (CHF Canada) and its 900 member co-ops look forward to working with government and opposition parties alike to find practical ways to direct federal housing investments toward new permanent affordable rental housing options across Canada. Canada's housing co-ops expect that the accountability measures in the new Affordable Housing Framework[i] (which Canada's co-ops welcomed[ii]) will lead to positive outcomes for federal tax payers' dollars through **new affordable housing supply** and **measurable reductions in housing need** across Canada.

While CHF Canada understands and supports the federal government's goals of returning to balanced budgets by 2014-15 and restraining the growth in federal spending through its Strategic Operating Review (2011-12), targeted spending on badly-needed infrastructure and housing will pay dividends for Canadians. New construction for affordable housing development will produce a *multiplier effect* in the construction industry and building supply sector. It will create new jobs, generate additional tax revenue and increase consumption of locally produced goods and services.

CHF Canada asks the Committee to adopt the following recommendations in its report to the Minister of Finance and proposes that the federal government:

1. Continue to invest in urban infrastructure and affordable housing, through the enhancement of existing programs and new rental housing tax incentives;

2. Ensure that accountability measures in the new Affordable Housing Framework agreements are implemented by provincial and territorial governments; and

3. Ensure that vulnerable Canadians can continue to afford their housing in co-op, non-profit and municipal housing after federal operating agreements end.

INTRODUCTION

2012: International Year of Co-operatives

The United Nations has declared 2012 the International Year of Co-operatives (IYC), which is endorsed and supported by the Canadian government. IYC will focus on the contribution that co-operative enterprises make to the global economy and the quality of life of peoples around the world. We encourage the government to support the development of co operatives of all kinds in 2012, which is the stated purpose of the UN declaration, as the Minister responsible for the Co-operatives Secretariat has acknowledged.[iii]

Canada's Housing Co-ops

Housing co-ops are an effective form of purpose-built non-profit housing that builds communities across Canada. Currently, over 2,200 co-ops (with over 91,900 homes) provide permanent affordable rental housing for more than a quarter of a million Canadians, including seniors, the disabled, working families, single parents and new Canadians. A comprehensive 2003 Canada Mortgage and Housing Corporation (CMHC) evaluation found that co-ops financed under federal programs – such as the Section 95 program[iv] – were providing adequate, affordable housing and additional benefits such as "security of tenure and quality of life."[v]

CHF Canada and its member co-ops share the belief that the federal government can help foster a supportive policy environment for low- and modest-income Canadians seeking to benefit from the unique opportunities housing co-operatives can offer: housing that is both affordable to Canadians who are "priced out" of conventional housing markets; and communities that contribute to the development of a healthy urban environment. Targeted government investments in housing that encourage the development of co-op housing can provide benefits for Canada's communities and its economy.

BACKGROUND TO CHF CANADA'S RECOMMENDATIONS

Recommendation 1:

The federal government should continue to invest in urban infrastructure and affordable housing, through the enhancement of existing programs and new rental housing tax incentives.

Canada has avoided the worst of the global financial crisis that began in 2008. Successive Canadian governments deserve credit for the fiscal prudence and sound regulation of capital markets that have prevented the kind of financial collapse we have seen elsewhere.

However, we cannot afford complacency. The very serious economic and fiscal problems facing the United States will present serious challenges for the Canadian economy for some time – perhaps years – to come. Our present dependence on our U.S. export markets, coupled with the growing strength of the Canadian dollar, will mean slow or no growth in some major sectors of the Canadian economy in the medium term. Trade to the U.S. makes up 70 percent of all Canadian exports; it is self-evident what economic sluggishness south of the border will mean to exporters north of it. The government will want to identify ways of encouraging economic growth that do not depend on export markets.

One such way is to continue to invest in Canada's cities, and in the additional housing that cities urgently need, to create the urban socio-economic conditions that will keep Canada competitive among the post-industrial economies of the West.

Why a focus on cities? Despite its vastness, Canada is an increasingly urbanized country and cities are the economic engines of the country. Toronto alone generates one-fifth of the county's entire gross national product (GDP). There are established links between the quality of housing, transportation and infrastructure investments (and how these elements link up) and economic competitiveness. There is an inverse relationship between these indicators and the costs of healthcare, social services and the justice system – what we might call the marginal costs of doing nothing – and they are considerable.

These correlations are particularly true for housing. For example, a Victoria-based study estimates that the measurable cost to the public in increased service requirements for each homeless person is $55,000.[vi] As a U.S. study has observed, people who are housed well, work well. And people whose housing is within easy reach of the workplace, as a result of well-developed public transportation networks are more productive in their jobs. It is in our national economic interests to make our cities more livable for all, through judicious investment in public infrastructure and housing.

And yet despite significant recent spending on urban infrastructure, much of it federal spending, there remains a significant urban infrastructure deficit in Canada, estimated by the Federation of Canadian Municipalities to be in excess of $100 billion. Crumbling bridges and tunnels are not merely a graphic illustration of this deficit, they are the canaries in the mine – an early yet grave warning of the cumulative results of under-investing in infrastructure. The estimated nation-wide productivity cost of the transportation system deficit alone is some $6 billion a year.

The shortage of affordable housing, not just for low-income families but also for many other key workers and professionals, also threatens to have significant and negative consequences for Canada's economy and productivity. While the federal government deserves recognition for funding the Affordable Housing Initiative (AHI) over the past decade, the resulting new housing doesn't come close to addressing the shortage, particularly in cities like Vancouver, which is estimated to need approximately 7,900 more non-market rental units over 10-years[vii] just to keep pace with demand.

One possible approach might be through the tax system, mirroring the Low-Income Housing Tax Credit (LIHTC) program in the United States. Under this system, corporate investors receive tax credits that provide sufficient incentive to develop affordable housing operated by non-profit community housing groups. We suggest that the federal government look into such a program as an additional way to ease housing need in Canada. Unlike other tax-based housing programs in Canada's past, the U.S. program ensures long-term affordability. We recommend that such a program be targeted at low- to moderate-income family housing, to serve a demographic in housing need that often takes a back seat to those deemed in more critical need. It should be noted that co-op housing, which is quite possible under a LIHTC, has proven to be very successful in providing affordable family housing in strong communities.

Any responsible Canadian would agree that deficit control and debt reduction are key to our long-term economic strength. We are aware of the government's goal of returning to balanced budgets and restraining the growth in federal spending through its Strategic Operating Review (2011-12). But these measures should not come at the expense of infrastructure and housing spending, which if anything should be enhanced. There is a timely opportunity now to reinvest in our communities, both to sustain economic activity in a period of foreign trade uncertainty, and also to strengthen and expand our economic capacity over the long term, as well as the livability of our cities for all who call them home.

Recommendation 2:

The federal government should ensure that accountability measures in the Affordable Housing Framework are implemented by provincial and territorial governments.

If properly adhered to, the accountability measures contained in the new Affordable Housing Framework (AHF) will help facilitate growth in co-operative housing while making our cities more livable for *all* Canadians. CHF Canada urges the federal government to be vigilant in ensuring, through these accountability measures, that the intended outcome of the AHF is achieved: a reduction in housing need in Canada.

Provinces and territories should not be able to meet the accountability requirements through a mere announcement or press release. The new Federal-Provincial-Territorial (FPT) agreements for the AHF contain a commitment to a clear intended outcome: the reduction of housing need. The wording of the accountability provisions shows that provinces and territories must make public how their housing spending is producing the AHF's intended outcome.

To be credible, this must take the form of a full report that demonstrates measurable reductions in housing need, and not just a summary public statement, if the accountability language is to have any teeth. We will be pressing the government throughout the term of the AHF agreements to make sure that federal housing transfers are well spent and properly accounted for.

Recommendation 3:

The federal government should ensure that vulnerable Canadians have access to affordable housing in co-op, non-profit and municipal housing after federal operating agreements end.

The federal government must do its share to protect the public's investment in federally-administered social housing by ensuring its continuing affordability.

It has participated in the delivery of much of Canada's 630,000 units of affordable community housing, which includes some 60,000 units of federal-program non-profit co-op housing. As with other forms of social housing, co-ops house seniors, others on fixed-incomes, and the working poor, who depend on rent-geared-to income (RGI) assistance for their monthly rent payments. Yet over the balance of the decade, the government funding agreements for a significant proportion of this housing will expire, and the future capacity of social housing providers to offer affordable, low-income housing is precarious to say the least and impossible in many cases: it is estimated that close to one-third (200,000) of the social housing units are at risk of losing subsidy streams without the capacity to replace them.[viii]

The idea that somehow these providers will be somehow able to "go it alone", replacing government assistance with project revenue no longer needed for debt service, is misplaced and dangerous. Re-investing in their housing will be a top priority for providers, who will need to refinance their properties and devote revenue to servicing new debt. The need for renewed RGI assistance should not be a competing use for project income. As one expert observer has put it, "The RGI system is de facto an income re-distribution program and should be funded as such. It's impossible to sustain sound assets on the basis on a funding mechanism that undermines asset income."[ix]

CHF Canada is pressing for the release of the FPT working group's study on the future viability of the social housing stock. Along with FCM and the Canadian Housing and Renewal Association (CHRA) – stakeholder groups which represent Canada's cities, towns and non-profit housing providers – Canada's housing co-ops are looking for ways to *maintain* the current stock of low-cost, affordable housing for low-income Canadians. The challenge of housing all Canadians affordably is great enough without the loss of existing affordable units, and the loss of housing security for vulnerable population groups.

CONCLUSION

Committee members may note with curiosity that although there is background information on housing co-ops in the introduction to this submission, co-ops are not specifically mentioned in the recommendations (except in our discussion of a tax-credit program). That is because CHF Canada recognizes that the federal government is not a direct deliverer of non-Aboriginal housing development programs and does not specify a form of tenure for new affordable housing in its FPT funding agreements. However, we hope we can count on the government not to include conditions in these agreements, now or in the future, that militate against the development of affordable co-operative housing.

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CHF Canada is the national voice of the Canadian co-operative housing movement. Its members include nearly 900 non-profit housing co-operatives and other organizations across Canada. More than a quarter of a million Canadians live in housing co-ops, in every province and territory.

[i] On July 4, 2011, the new Affordable Housing Framework for 2011-14 was announced by federal, provincial and territorial ministers responsible for housing. Online, available from http://www.cmhc-schl.gc.ca/en/corp/nero/nere/2011/2011-07-04-0930.cfm.

[ii] CHF Canada, "Canada's Housing Co-ops Warmly Welcome Accountability Measures in New Affordable Housing Framework." Online, available from http://www.chfcanada.coop/eng/pages2007/news_2011_08.asp.

[iii] In December 2009, the former Minister responsible for the Co-operatives Secretariat stated that the resolution "is aimed at urging governments to create a supportive environment for the development of co-operatives." Government of Canada media release, "Canada Supports UN Resolution on Co-operatives in Social Development." Online, available from http://www.international.gc.ca/media/aff/news-communiques/2009/370.aspx?lang=eng.

[iv] CMHC's Section 95 housing co-op program was the second, and largest, of the three federal co-op housing development programs that were active from 1973 to 1991. Between 1979 and 1985, the Section 95 program delivered some 39,000 homes in 1,000 co-operative projects across Canada.

[v] In 2003, CMHC released a comprehensive evaluation of federal co-operative housing programs titled, *Co-operative Housing Programs Evaluation.* Ottawa: Audit and Evaluation Services, Canada Mortgage and Housing Corporation, 2003. Online, available from http://dsp-psd.pwgsc.gc.ca/Collection/NH15-418-2003E.pdf.

[vi] Centre for Applied Research in Mental Health and Addiction. Simon Fraser University. Michelle Patterson, Karen McIntosh, et al. *Housing and Support for Adults with Severe Addictions and/or Mental Illness in British Columbia.* Victoria, BC. 11.

[vii] The City of Vancouver's *Housing and Homeless Strategy 2012-2021* has a ten-year target of 7,900 units of non-market rental housing (pages four and five of the Vancouver City Council's policy report of July 19, 2011). Online, available from http://vancouver.ca/ctyclerk/cclerk/20110726/documents/rr1complete.pdf.

[viii] This figure is based on analysis provided by housing expert Steve Pomeroy, Focus Consulting Inc., April 2011.

[ix] E-mail of July 12, 2011 received from Steve Pomeroy, Focus Consulting Inc.