



Front d'action populaire en réaménagement urbain

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***Reallocating National Housing Strategy Funds to
Significantly Expand Social Housing in Quebec and Canada***

**Submission by the Front d'action populaire en réaménagement urbain
(FRAPRU) to the Standing Committee on Finance**

for the Pre-Budget Consultations in Advance of the 2024 Federal Budget

August 2023

The Front d'action Populaire en réaménagement urbain (FRAPRU) is a group of 145 organizations active in various regions of Quebec, including 30 that are directly involved in FRAPRU's decision-making and initiatives. For 45 years, it has been working mainly on housing rights. It is also active in the fight to reduce poverty and to protect public services and social programs.

The January 2023 Rental Market Report by the Canada Mortgage and Housing Corporation (CMHC) shows that the vacancy rate, which would need to be 3.0% to be considered balanced, dropped from 3.1% to 1.9% between 2021 and 2022 across Canada. Most of the country's major metropolitan areas are facing shortages. Meanwhile, the average rent in Canada has increased by 7.7% in one year, from \$1,167 to \$1,258 per month.

However, the 2021 census shows that 1,624,715 Canadian tenant households already spent more than the standard 30% of their income on housing, including 619,890 that spent more than 50% and 250,805 that spent more than 80%. But these data are based on 2020 revenues temporarily inflated by special income support measures, in particular the Canada Emergency Response Benefit (CERB). This means that the situation is probably much worse now.

In Quebec, the housing vacancy rate fell to 1.7%. Scarcity of rental housing is now affecting all six metropolitan areas. In four of them—Gatineau, Sherbrooke, Trois-Rivières and Saguenay—the rate is less than 1.0%, which is also the case in 25 other urban centres. Meanwhile, the average monthly rent increased by 9.0% province-wide, rising to 22.0% in Gatineau, 13.2% in Sherbrooke and 9.3% in the Montréal CMA. When the increase in the number of evictions and the worsening problem of homelessness are factored in, FRAPRU describes the current housing situation not as a single crisis but as crises, in the plural.

A strategy that misses the mark

It is clear that the National Housing Strategy, which CMHC now presents as an \$82 billion plan over 10 years (more than five of which have now passed), has not kept the housing and homelessness situation from worsening. The Strategy continues to face mounting criticism, whether from the Federal Housing Advocate, the National Housing Council, the Parliamentary Budget Officer or the Auditor General. The federal plan falls far short of the objectives set out in the *National Housing Strategy Act* of 2019, specifically to:

- a) recognize that the right to adequate housing is a fundamental human right affirmed in international law;
- b) recognize that housing is essential to the inherent dignity and well-being of the person and to building sustainable and inclusive communities;
- c) support improved housing outcomes for the people of Canada; and

d) further the progressive realization of the right to adequate housing as recognized in the International Covenant on Economic, Social and Cultural Rights.¹

Yet, the failure of the Strategy was predictable because the government opted to leave it up to both the profit-driven private housing sector and the non-profit housing sector. Moreover, it was based solely on the construction of housing, without regard to whether it met the needs and capacities of the families and individuals most in need. Finally, the level of federal funding provided for most initiatives was clearly insufficient to ensure sustainable affordable housing. Only the Rapid Housing Initiative (RHI) broke from the norm and was generally successful. Unfortunately, the recent federal budget does not provide further funding for the RHI.

The Strategy's progress updates show that its two largest initiatives have so far been used to fund expensive housing, many of which CMHC does not even call affordable (already out-pricing low-income households).

According to the March 31, 2023 progress report, 10,168 of the 30,217 housing units that the National Housing Co-Investment Fund committed to build cannot even be considered affordable. That is 33.6% of the dwellings.² Complete data about the Rental Construction Financing Initiative has not been made available since the December progress report. According to that report, the initiative had committed "to support the creation of 39,682 units, of which 27,750 will be below market rent."³ This means that 11,932 units had rents equal to or above market rates. That is 30.0%.

Even the Federal Lands Initiative, which could have been very useful for building social housing, has favoured the construction of unaffordable housing at a rate of 56.9%, according to the report of late March 2023.⁴

Furthermore, data on the regional distribution of all the Strategy's federal supply-based initiatives show that only 13.0% of contributions and loans were granted in Quebec, which is well below its demographic weight within Canada. In our opinion, this tends to prove that the Strategy is very poorly adapted to the situation in Quebec. Here again, the Rental Construction Financing Initiative stands out, since 23% of the funds were allocated to Quebec during phases 1 and 2.⁵

¹ *National Housing Strategy Act*, section 4, assented to June 21, 2019.

² CMHC, *Progress on the National Housing Strategy*, March 2022 *Progress on the National Housing Strategy*, mars 2023, p. 3.

³ CMHC, *Progress on the National Housing Strategy*, December 2022, p. 2.

⁴ CMHC, CMHC, *Progress on the National Housing Strategy*, March 2023, p. 3.

⁵ *Ibid.*, p. 5–6.

FRAPRU's requests

FRAPRU believes that there is still time for the federal government to change course and significantly increase funding for social housing, which is the only way to permanently improve the situation of households not living in acceptable housing and of homeless individuals and families while also making progress toward ensuring housing rights.

It urges the Standing Committee on Finance to make the following recommendations for the next federal budget.

1. Reallocate all National Housing Strategy funds to significantly increase social housing in Quebec and Canada.
2. Provide new, recurring and predictable funding for the Rapid Housing Initiative (RHI).
3. Launch a rental building acquisition and renovation program with enough grants to guarantee the tenants' return to and maintained occupancy of the premises regardless of income.

FRAPRU believes that the federal government must invest a minimum of \$3 billion a year to build social housing. We also call for existing social housing to remain fully financially accessible and for its renovation, improvement and modernization.