



**RENEWING CANADA'S
SOCIAL ARCHITECTURE**

ACCESS TO AFFORDABLE HOUSING

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PROBLEM STATEMENT:

A place to live is the most significant expense for the average Canadian household. Yet, about 1 in 7 Canadian households cannot find decent housing without spending over 30 per cent of their income. This undermines their ability to improve their lives and has an impact on economic growth, labour markets, social service costs and public safety.

POLICY OBJECTIVE

Government efforts to improve access to affordable housing primarily focus on addressing the gap between what is available in the private market and what people can afford to meet their housing needs. Governments should do so in a way that complements other public policy objectives and minimizes unintended consequences on the housing market more broadly.

CURRENT STATUS

While most media attention and water cooler conversation focuses on the price of purchasing a home and the rapid growth of the condo markets in Canada's larger cities, the primary pressures of housing affordability challenges in Canada fall on the shoulders of renters. Renter households are about 4.5 times more likely to be in housing need than owner households.¹ This is not surprising given the tendency of Canadians to prefer to own their homes, whereas renters are more likely to have lower incomes and fewer assets. The Survey of Household Spending shows that the average renter household budget is about half of that of the average homeowner household, with renter households spending a higher share of their smaller pot on shelter costs.²

1 Data from Canada Mortgage and Housing Corporation, "Core Housing Observer", updated September 2011. <http://www.cmhc.ca/en/corp/about/cahoob/index.cfm>

2 Based on Statistics Canada Survey of Household Spending, available in *CANSIM Table 203-0024*, household spending by household tenure, annual. 2012.

When housing becomes unaffordable, it has ripple effects for low-income households in other areas of their lives.³ The cost of housing can crowd out spending on health and education, or otherwise force cutbacks on day-to-day costs like nutritious food. These pressures can have long-term costs to these individuals and to society in increased need for health and social services and lost productivity. At their most extreme, housing affordability pressures can push people into homelessness, with devastating impacts on health and high costs to hospital emergency rooms and shelters.

There are two main areas of policy today aimed at access to housing:

- Policies geared towards affordable rental options for low-income Canadians.
- Policies aimed at making home ownership more accessible.

Because the burdens of housing affordability challenges fall primarily on low-income renters, this paper will focus primarily on how our housing policies and programs are addressing the needs of that group, and that these policies and programs are in need of renewal.

HOUSING OPTIONS FOR LOWER-INCOME CANADIANS — SOCIAL AND AFFORDABLE HOUSING

The main set of programs in place to help lower-income Canadians access decent housing is through what is typically called “Social Housing” or “Affordable Housing.” These are generally homes owned and operated by provincial or local governments or non-profit organizations. They are operated on a non-profit basis, with low-income households paying below market rents, often at rates tied to a maximum share of their incomes. These “Rent-Geared-to-Income” (RGI) units are usually set at 30 per cent of household income (which is the somewhat arbitrary threshold for shelter costs used by Canada Mortgage and Housing Corporation to determine “affordability”).

Within the housing sector, the term “social housing” generally refers to more traditional public housing with more heavily-subsidized rent, while “affordable housing” refers to more recent programs with more modest levels of subsidy (e.g., set at 80% of average market rents). The distinction mostly comes from how federal and provincial programs were named before and after major policy shifts in the 1990s. There is no firm line between these two categories, and in broader conversations people use the terms interchangeably. This paper talks about affordability more generally — housing that fits within a household budget. This is the core public policy challenge.

³ Noah Zon, Melissa Molson and Matthias Oschinski. *Building Blocks: The Case for Federal Investment in Social and Affordable Housing in Ontario*. Mowat Centre. September 2014. <http://mowatcentre.ca/building-blocks/>

CORE HOUSING NEED

Governments in Canada use the concept of “Core Housing Need” to describe and measure the depths of the housing affordability challenge. A household is considered to be in Core Housing Need when it cannot access housing in its local market that is adequate and suitable (in good repair with enough space) unless it spends more than 30 percent of its pre-tax income on shelter costs.

Core Housing Need in Canada is almost exclusively found among low-income urban renters. Four out of five urban households in need are in the lowest income quintile, with the remainder in the second lowest quintile.¹ It is more likely to affect lone-parent households, aboriginal households, recent immigrants, visible minorities and those with less than high school educations.²

¹ Except for a very small exception. Canada Mortgage and Housing Corporation. “Urban Housing Conditions and Selected Household Characteristics, Canada, Provinces and Selected Census Metropolitan Areas, 2002 – 2010.” http://www.cmhc.ca/en/corp/about/cahoob/data/data_027.cfm

² Ibid.

Beginning in the 1960s through the 1980s, the focus of CMHC and provincial policy largely shifted towards helping low-income Canadians, especially through the building of social housing. Canada’s stock of social and affordable housing was mostly built during this period with funding from both federal and provincial governments. Most of these units have very low rents, with about one third⁴ of the units on a rent-geared-to-income basis capped at 30 per cent of household income.

In the 1990s, in the context of major cuts to tame federal budget deficits, the federal government formally stepped away from making any new commitments towards these subsidized housing projects. While existing commitments meant federal subsidy payments would continue to flow for another four decades, the federal government looked to minimize their involvement by transferring much of their ownership and control to provincial governments. In Ontario, this responsibility was further devolved to local governments, however this was not the case in other provinces.

After a five year period of inaction on new investments from the federal government to assist low-income households, the federal government re-engaged in 2001. These new programs can be distinguished from the earlier investments

⁴ Co-operative Housing Federation of Canada. “Time for concerted action on affordable housing.” January 2014. http://www.chfcanada.coop/eng/pdf/ontdocs/2014%20Pre-Budget%20Submission_Final.pdf

in the move away from the heavily-subsidized, rent-geared-to-income basis to projects with more modest rent subsidy aimed at the lower-end of market rents.

Today, fewer than 600,000 households across Canada, or 4.5 per cent of all households, live in social and affordable housing units supported by governments. This represents a lower share of the housing market than most wealthy countries, though higher than the U.S.⁵ These units are mostly owned by provincial or local government housing agencies or by non-profit providers, and represent 1 in 5 rental housing units in Canada.⁶

FIGURE 1: SOCIAL AND AFFORDABLE HOUSING IN CANADA

Total Households Assisted by CMHC Social and Affordable Housing Programs in 2013, by Province or Territory (including on-reserve)		
	Households assisted	Per 1,000 households
Canada	584,700	44
Newfoundland & Labrador	10,950	52
Prince Edward Island	2,900	51
Nova Scotia	19,000	49
New Brunswick	14,250	45
Quebec	126,350	37
Ontario	235,600	48
Manitoba	38,100	82
Saskatchewan	28,000	68
Alberta	36,300	26
British Columbia	67,350	38
Yukon	1,100	78
North West Territories	2,350	160
Nunavut	2,450	283

SOURCE: CMHC CANADIAN HOUSING STATISTICS 2014⁷

In addition to these social and affordable housing units, federal, provincial and local governments provide rent supplements to help low-income households pay

5 J. David Hulchanski. 2004. "What Factors Shape Canadian Housing Policy?: The Intergovernmental Role in Canada's Housing System". In *Canada: The State of the Federation 2004 - Municipal-Federal Relations in Canada*. Robert Young and Christian Leuprecht eds. pg. 227

6 Andre Cote and Howard Tam. "Affordable Housing in Ontario: Mobilizing Private Capital in an Era of Public Constraint." *IMFG Perspectives* No. 3. April 2013. [http://munkschool.utoronto.ca/imfg/uploads/238/imfg_perspectives___affordable_housing_\(april_2013\).pdf](http://munkschool.utoronto.ca/imfg/uploads/238/imfg_perspectives___affordable_housing_(april_2013).pdf)

7 Canada Mortgage and Housing Corporation. "Canadian Housing Statistics — Public Funds and the National Housing Act, 2013." http://www.cmhc-schl.gc.ca/odpub/esub/64689/64689_2014_A01.pdf?fr=1424103732895

for rental housing. While these are a less prominent aspect of housing policy, they help bridge the gap for thousands of households across Canada. They usually take the form of payments from governments to landlords to cover the difference between market rents and what low-income tenants can afford to pay.

POLICIES TO MAKE HOME OWNERSHIP MORE AFFORDABLE

Canada has relatively high rates of home ownership compared to OECD peer countries.⁸ This is a product of both Canadian cultural preferences and deliberate policies set up to make home ownership more affordable.⁹

The most significant policy lever to promote home ownership is the Canada Mortgage and Housing Corporation (CMHC), a federal crown corporation. Ever since the founding of the agency to ensure that returning WWII soldiers could afford to buy houses, facilitating home ownership has been a primary focus of the agency. One of the services provided by CMHC is mortgage insurance, providing a guarantee (for a fee) that allows households to borrow higher ratios of their home purchase at lower costs. That service, along with similar guarantees for real estate investment finance and mortgage-backed securities, added up to about \$1 trillion in insurance and guarantees in force in 2014.¹⁰ CMHC's tools carry significant influence on the costs of home ownership and the way the housing market operates.¹¹

A number of other policies, mostly through the tax system, reduce the costs of home ownership for those who can afford it. Among the most prominent are:

- Exemptions from capital gains tax when you sell your principal residence (worth \$4.8 billion nationally annually).¹²
- GST rebates for new housing (\$580 million annually).¹³
- The Home Buyer's Plan to withdraw tax free from RRSPs for first time buyers.

The tax system also creates incentives that encourage developers to build housing for ownership (whether condominiums or single-family homes)

8 Dan Andrews and Aida Caldera Sánchez. "The Evolution of Homeownership Rates in Selected OECD Countries: Demographic and Public Policy Influences." *OECD Journal: Economic Studies*, Vol. 2011/1. <http://www.oecd.org/eco/growth/evolution%20of%20homeownership%20rates.pdf>

9 Ibid.

10 Canada Mortgage and Housing Corporation. "Quarterly Financial Report, Third Quarter 2014." September 2014. <https://www.cmhc-schl.gc.ca/en/corp/about/core/upload/Q32014CMHCQuarterlyFinancial-Report-EN.pdf>

11 Chris Sorensen and Jason Kirby. "The CMHC: Canada's Mortgage Monster." *Maclean's*. March 23, 2011. <http://www.macleans.ca/economy/business/a-mortgage-monster/>

12 Finance Canada. "Tax Expenditures and Evaluations 2014". February 2015. <http://www.fin.gc.ca/taxexp-depfisc/2014/taxexp1401-eng.asp#toc7>

13 Ibid.

rather than rental housing, helping to contribute to the very low rate of new rental construction in Canada over the last several decades.¹⁴ As a result, the de facto rental housing stock is largely found in investor-owned units in condo complexes. Condos are governed by their own legal and operational framework — it is not designed to serve the needs of renters.¹⁵

In the past, federal policies have been active in supporting an alternative approach to ownership-style housing — co-operative housing. In housing co-ops, members control the management of their buildings, and collectively contribute enough to cover costs of maintenance. The federal government has supported these buildings to finance construction and provide ongoing subsidies to cover the difference for low-income households that cannot cover the full cost. Co-ops have offered lower-cost housing, and some of the benefits of ownership housing such as secure tenure and greater control. CMHC supports about 50,000 units of cooperative housing today, concentrated in Quebec, Ontario and British Columbia.¹⁶

14 Jill Black. “The Financing & Economics of Affordable Housing Development: Incentives and Disincentives to Private-Sector Participation.” Cities Centre Research Paper #224.

15 e.g., half of new condos in the Greater Toronto Area completed in 2014 went to the rental market. Canada Mortgage and Housing Corporation. “Rental Market Report: Greater Toronto Area.” Fall 2014. http://www.cmhc-schl.gc.ca/odpub/esub/64459/64459_2014_A01.pdf?fr=1425654965531

16 Canada Mortgage and Housing Corporation. “Canadian Housing Statistics — Public Funds and the National Housing Act, 2013.”

DRIVERS OF CHANGE

Despite considerable public investments to build a system of social and affordable housing, the pressures of housing need remain persistent and are at risk of worsening. There are four main pressure points on the social and affordable housing system:

- ↪ The increased economic pressures on low-income households most in need of support.
- ↪ The sustainability of major social housing assets.
- ↪ The decline of new investments.
- ↪ Trends in the housing market, especially low levels of new rental housing construction.

The first part of the story of the increasing pressure on the housing system is in the economic trends for lower income households. While the incomes of the bottom 20 per cent have grown over the last 15 years after plummeting through the previous 10, the average earnings in the bottom fifth of Canadians still stood at merely \$15,500 in 2011.¹⁷ For those in deep poverty, both conditions and the system of social supports have changed. Housing providers have to find a way to deliver services in the context of these changing conditions, but with housing assets that might have been developed for very different purposes.

When major public investments in social housing were made in the 20th century, the model was intended to be self-sustaining. In most cases, federal support involved subsidies tied to long-term (50 year) mortgages. Once these mortgages were paid off, the projects were intended to mostly sustain themselves through rental income, with some ongoing assistance for households to bridge the difference between rents affordable at their incomes and break-even rents for the provider. The federal operating spending for social housing

¹⁷ Craig Alexander and Francis Fong. "The Case for Leaning Against Income Inequality in Canada." TD Economics. November 24, 2014. https://www.td.com/document/PDF/economics/special/income_inequality.pdf pg. 7

is set to decline from its peak of about \$1.6 billion today to \$81 million in 2031, reaching zero by 2040.¹⁸

Unfortunately, the conditions for self-sustaining projects did not materialize. Social housing operators face dual pressures of higher costs and lower rents than their models allowed for. Higher costs come largely from energy and maintenance, with many buildings dealing with the legacy of concrete construction that is now known to be notoriously energy inefficient.¹⁹ Compounding matters, a large share of the operating agreements do not allow housing providers to keep a capital reserve fund to deal with inevitable repairs.²⁰ This policy exacerbates the issue of maintenance costs and turns a challenge into a crisis for many projects. Both federal and provincial governments have neglected to make investments in prudent repair and maintenance costs to protect these assets, preferring instead to announce new construction or focus on other policy areas altogether.

Lower-than-anticipated rents reflect the fact that the incomes of the households at the bottom of the income distribution — those that rely on rent-geared-to-income housing — have stagnated. The result is that a large share of the existing social housing stock is in jeopardy as federal subsidies are set to expire.²¹ This pressure is mirrored in the private rental market, where rents have outpaced income gains for lower-income households — in the GTA average rents for the bottom 40 per cent of rental units are equal to nearly half of average income for the equivalent group of households.²²

Compounding the pressure on the subsidized housing system has been the lack of investment in the past two decades. Federal spending on affordable housing per capita has dropped to \$63 per capita in 2013, from \$98 in 1993 (in 2013 dollars).²³ Recent federal and provincial programs are considerably less ambitious both in breadth (number of units each year) and depth (level of subsidy) than the programs that existed from the 1960s through the 1980s.

18 Canadian Housing and Renewal Association. "Housing for All: Sustaining and Renewing Social Housing for Low-Income Neighbourhoods." August 21, 2014. <http://www.chra-achru.ca/media/content/A%20Review%20of%20Housing%20Policy.pdf>

19 ERA Architects, planningAlliance, and the Cities Centre at the University of Toronto. "Tower Neighbourhood Renewal in the Greater Golden Horseshoe: An Analysis of High-Rise Apartment Tower Neighbourhoods Developed in the Post-War Boom (1945-1984)." November 2010. <http://www.cugr.ca/tnrghh> pg. 49

20 Canadian Housing and Renewal Association, 2014. pg. 11

21 Steve Pomeroy. "Is Emperor Nero Fiddling as Rome Burns? Assessing Risk when Federal Subsidies End." Federation of Canadian Municipalities and Canadian Housing and Renewal Association. May 2011.

22 Derek Burlerton and Diana Petramala. "GTA Housing Boom Masks Structural Affordability Challenges". TD Economics. January 19, 2015. http://www.td.com/document/PDF/economics/special/GTA_Housing.pdf. p. 9

23 Jane Londerville and Marion Steele. "Housing Policy Targeting Homelessness." Canadian Alliance to End Homelessness. September 20, 2014. p. 2. <http://www.homelesshub.ca/sites/default/files/SOHC2014-Background.pdf>

The federal-provincial Affordable Housing Initiative, in place from 2001-2011, funded 52,200 units — about one third of the rate at which federal-provincial investments created new units over the preceding four decades.²⁴ The wartime housing program created nearly as many affordable rental housing units in half the time when Canada's population was about one third of today's levels.²⁵ Not only have governments created fewer units, those units provide less generous levels of subsidy for households in need. The most prominent component of the Affordable Housing programs have been up-front capital subsidies for new rental units at 80% of average market rent, guaranteed for 20 years. These programs are nowhere near the scale that is needed to address housing needs for low-income people in Canada. This is reflective of a broader trend of governments in Canada, and elsewhere, falling short of the necessary investments and policy frameworks to address urban issues in the context of rapid urbanization.

At the same time that governments have reduced their level of investment in social and affordable housing supports, conditions in the market have made it more difficult for Canadians — especially low-income households — to find adequate and affordable housing in the private market. New construction of purpose-built rental housing has essentially evaporated — discouraged in part by the tax and regulatory environment — contributing to low vacancies and increasing rents. Condominiums have begun to replace lagging new rental construction as the main source of rental housing. For example, in the GTA in 2014, 50 per cent of newly-finished condos were rented out to others.²⁶ These tend to be more expensive options — in October 2014, the average rent for a one bedroom rented condo apartment was 45 per cent higher than the average one bedroom in the rental apartment stock.²⁷

Housing markets are local in nature, and these pressures on affordability range across the country, depending on both local housing supply and the job market. While larger cities tend to be more expensive, there are exceptions to the rule — Montreal, for example has a housing stock that is far more affordable than many other Canadian cities.

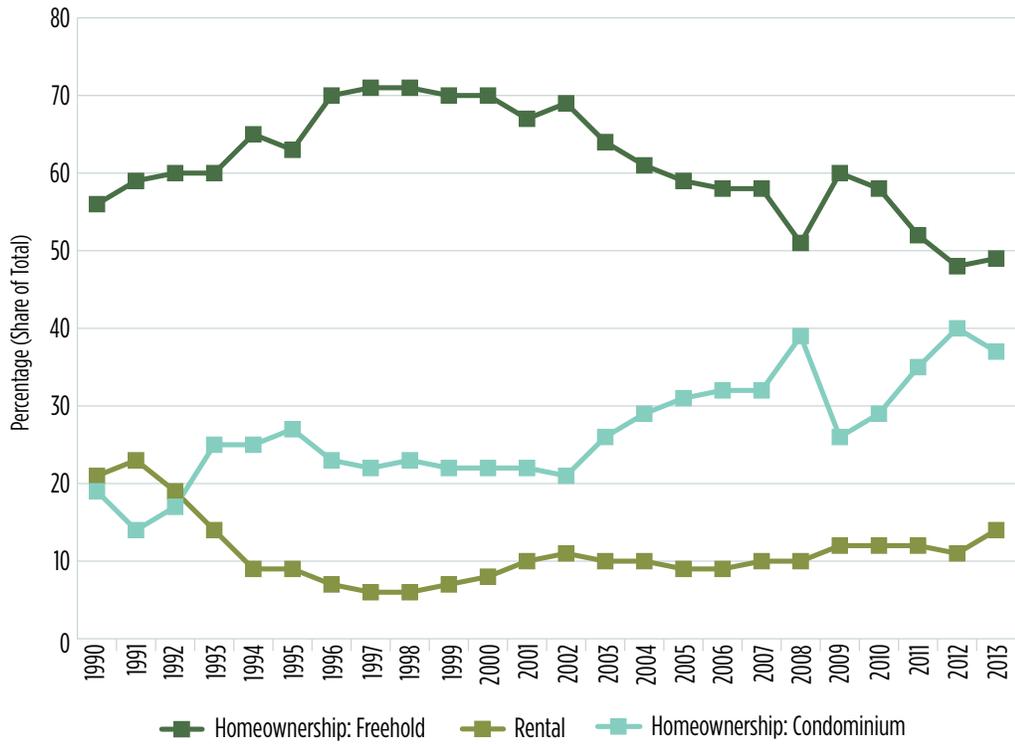
24 Canada Mortgage and Housing Corporation. "Affordable Housing Initiative (AHI) 2001 – 2011." Accessed Oct 27, 2014. <http://www.cmhc-schl.gc.ca/en/inpr/afhoce/fuafho/ahi/index.cfm>

25 Canada Mortgage and Housing Corporation. "Canadian Housing Observer 2011." p. 130. http://www.cmhc.ca/en/corp/about/cahoob/upload/Chapter_9_EN_W.pdf

26 Canada Mortgage and Housing Corporation. "Rental Market Report: Greater Toronto Area." Fall 2014.

27 Ibid.

FIGURE 2: HOUSING STARTS BY TENURE (CANADA)



SOURCE: CMHC²⁸

28 Canada Mortgage and Housing Corporation, Canadian Housing Observer. <http://www.cmhc.ca/en/corp/about/cahoob/index.cfm>

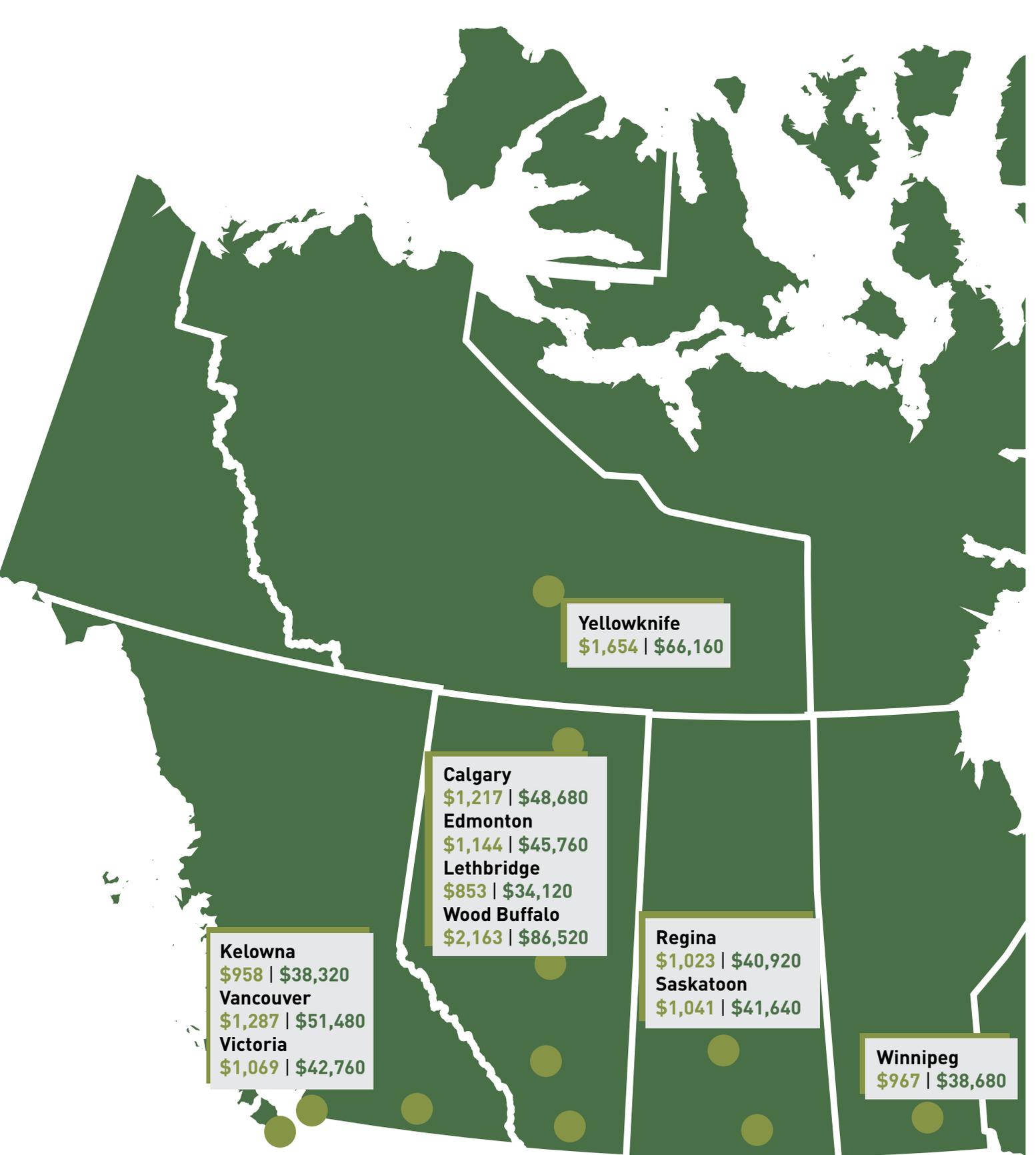
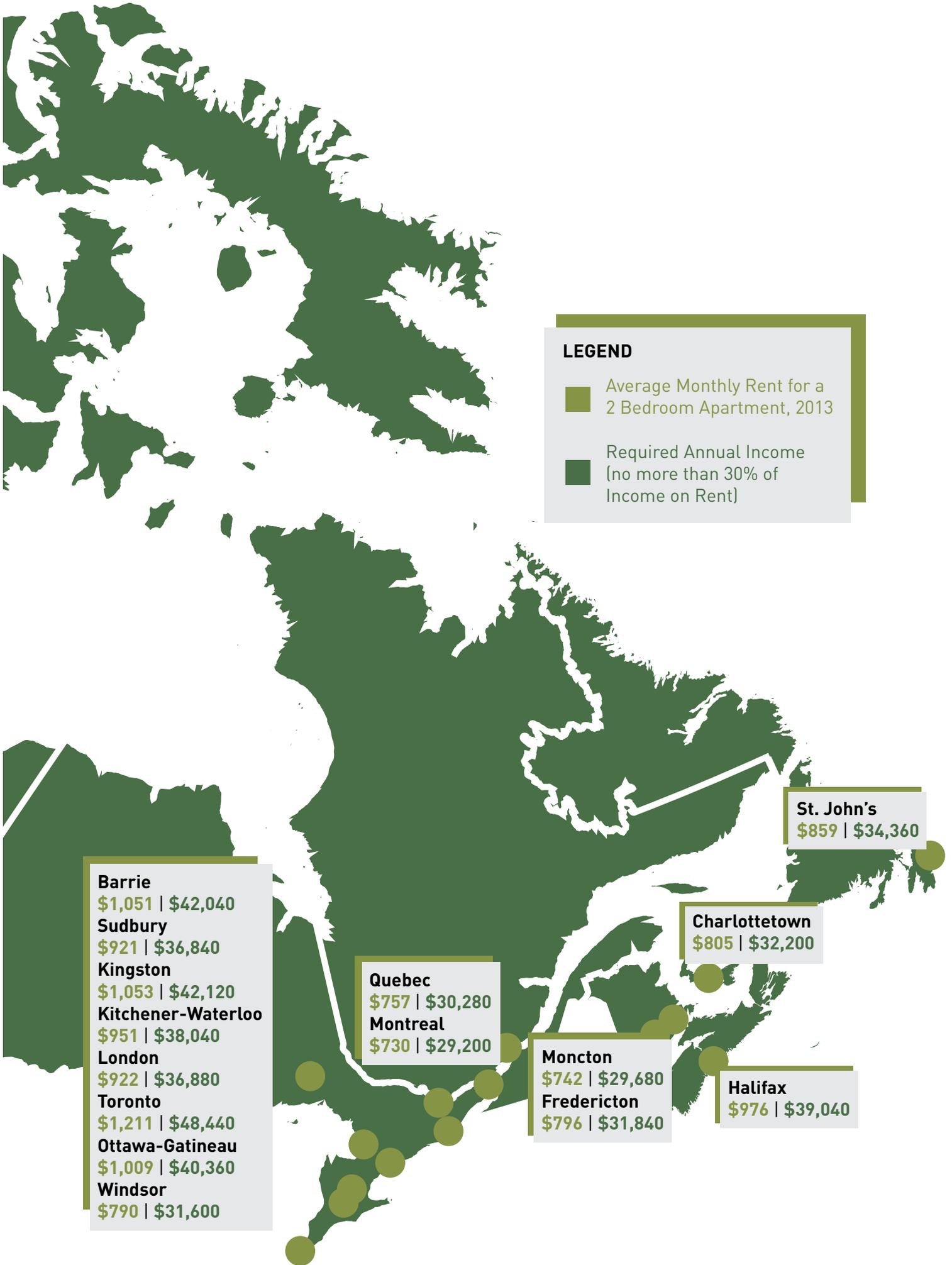


FIGURE 3: ANNUAL INCOME NEEDED TO AFFORD A 2 BEDROOM APARTMENT IN CITIES ACROSS CANADA



LEGEND

- Average Monthly Rent for a 2 Bedroom Apartment, 2013
- Required Annual Income (no more than 30% of Income on Rent)

Barrie
\$1,051 | \$42,040

Sudbury
\$921 | \$36,840

Kingston
\$1,053 | \$42,120

Kitchener-Waterloo
\$951 | \$38,040

London
\$922 | \$36,880

Toronto
\$1,211 | \$48,440

Ottawa-Gatineau
\$1,009 | \$40,360

Windsor
\$790 | \$31,600

Quebec
\$757 | \$30,280

Montreal
\$730 | \$29,200

Moncton
\$742 | \$29,680

Fredericton
\$796 | \$31,840

Charlottetown
\$805 | \$32,200

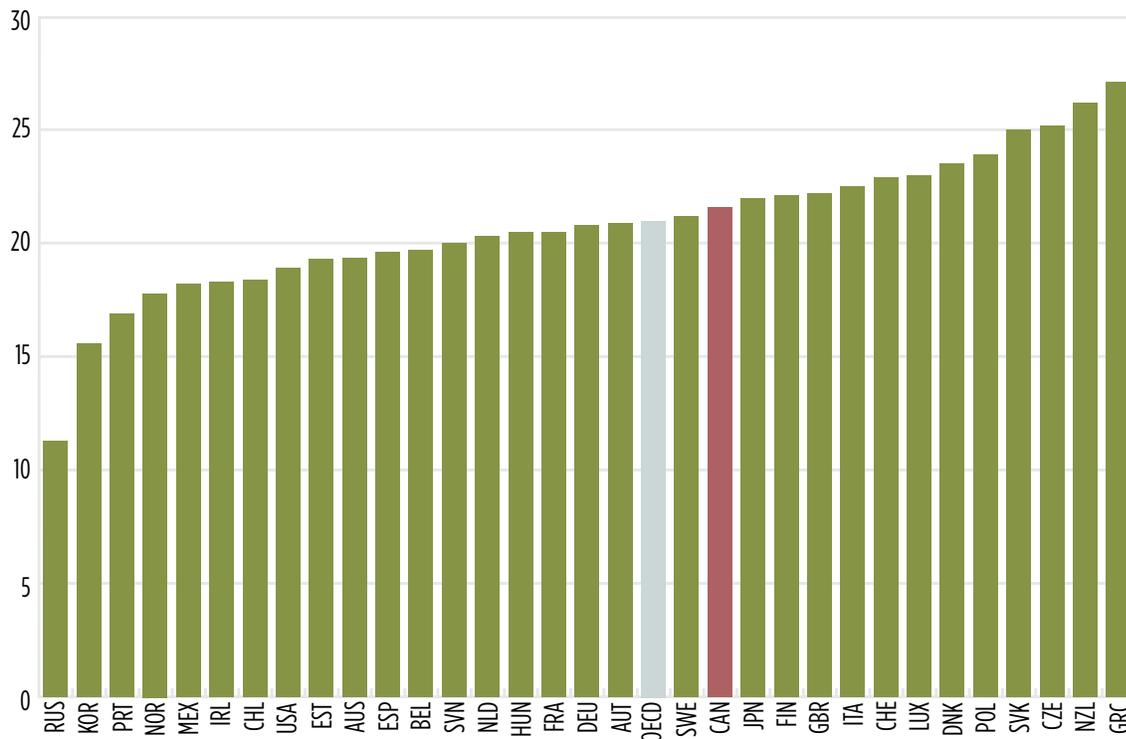
Halifax
\$976 | \$39,040

St. John's
\$859 | \$34,360

COMPARATIVE CASE STUDIES

The specific local conditions that influence housing markets make it very difficult to compare housing policies across borders. However, OECD data shows that the cost of shelter for Canadian households is above the OECD average, even after taking into account support from the tax and transfer system (see figure 4 below). Canada can learn from some international cases where the approach to housing support has taken a very different form than our own.

FIGURE 4: PERCENTAGE OF ADJUSTED HOUSEHOLD INCOME SPENT ON HOUSING IN OECD COUNTRIES (2011 OR MOST RECENT)



SOURCE: OECD, 2013²⁹ FIGURES ARE GROSS OF DEPRECIATION BUT AFTER TAXES AND TRANSFERS AS WELL AS SOCIAL TRANSFERS IN KIND, SUCH AS EDUCATION AND HEALTH CARE.

29 OECD. "How's Life? 2013. Measuring Well-being." November 5, 2013. <http://www.oecd.org/statistics/how-s-life-23089679.htm>

While the U.S. has faced its own challenges with housing affordability, their experience with the Low Income Housing Tax Credit offers some useful lessons. This tax credit for the production of affordable housing (worth an estimated \$6.7 billion USD nationally in 2014)³⁰ has helped spur the creation of 2.6 million affordable housing units over 27 years.³¹ The stability and predictability of this system has allowed the development of specialized intermediaries to facilitate the sector³² and the certainty to attract investment.³³ Designing the credits to make them tradable has also ensured that non-profits have been able to take advantage of the model.³⁴

A number of European countries use a housing allowance model to assist large portions of their population. The U.K. Housing Benefit, which supported 5 million people in the 2011-12 fiscal year at a cost of £23 billion, has long been the broadest of these programs, though recent reforms aim to trim the program.³⁵ The Dutch housing allowance provides rental allowances to approximately 15 per cent of the population at a cost of about \$2 billion annually.³⁶ The program has been relatively successful at bridging the affordability gap for decent housing.³⁷

Within Canada, the At Home/Chez Soi program provides a leading example of how housing can be treated as part of an integrated set of social supports. This federal project made housing a core intervention of a “Housing First” program to address the needs of people experiencing serious mental illness. The upfront investments in housing supports allowed for more efficient and effective treatment, with a randomized controlled trial showing an average short term savings of about \$2 in costs avoided for every \$1 spent on Housing First services for the highest need group of users.³⁸

30 Committee for a Responsible Federal Budget. “The Tax Break-down: The Low-income Housing Tax Credit.” November 7, 2013. <http://crfb.org/blogs/tax-break-down-low-income-housing-tax-credit>

31 National Low Income Housing Coalition. “Commentaries Highlight Low Income Housing Tax Credit’s Successes and Challenges.” October 11, 2013. <http://nlihc.org/article/commentaries-highlight-low-income-housing-tax-credit-s-successes-and-challenges>

32 Cote and Tam, 2013.

33 Jian Chen and Xin Janet Ge. “Will Tax Credit Increase Housing Supply? Experience from U.S. and Prospect for Australia.” Social Science Research Network. March 25, 2013. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2294715

34 Marion Steele. “A Tax-Based Affordable housing Program for Canada.” *Canadian Housing*. Fall 2006. <http://www.uoguelph.ca/~msteele1/CanHsglihtc.pdf>

35 House of Commons of the United Kingdom Committee of Public Accounts. “Department for Work and Pensions: Managing the Impact of Housing Benefit Reform.” Thirty-eighth report of session 2012-13. March 26, 2013. <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmpubacc/814/814.pdf>

36 Abiy Agiro and Jonathan Matusitz. “Housing Vouchers, Benefits and Allowances (VBAs): Comparing Rental Tools in the US, England and the Netherlands.” *International Journal of Housing Policy* 11:1. <http://dx.doi.org/10.1080/14616718.2011.548587>

37 Machiel van Dijk and Gerbert Romijn. “Reforming Dutch Housing Policies.” *CESifo Economic Studies Conference on Housing Taxation and Regulation*. November 2010. http://www.cesifo-group.de/portal/page/portal/CFP_CONF/CFP_CONF_2010/Conf-htr10-Poutvaara/Papers/htr10_vanDijk.pdf

38 Mental Health Commission of Canada. “National Final Report: Cross-site At Home/Chez Soi Project.” 2014. p. 6 http://www.mentalhealthcommission.ca/English/system/files/private/document/mhcc_at_home_report_national_cross-site_eng_2.pdf

POLICY OPTIONS

Addressing the housing affordability challenges facing Canadians will take action by all levels of government. While provincial/territorial and local governments now control the bulk of the social housing stock, each order of government in Canada controls important levers that shape the affordability of housing. Likewise, each order of government has a direct fiscal and policy interest in ensuring that housing affordability is addressed because housing can either undermine or reinforce investments in education, health, economic development, job training and community safety.

As with the need to include each order of government, policymakers need to make use of a wide range of policy and program levers. While new public investment is necessary, it is neither practical nor desirable to simply build social housing units to match the number of households in need. Instead, governments should preserve and build on this important public asset while taking steps to ensure more people can afford housing in the private market and that housing policies line up with other social services and investments. In doing so, policymakers should keep in mind the linkages to other elements of the broader housing system that shape people's experiences with housing affordability, notably transportation networks, employment opportunities, energy and community resources.³⁹

The recommendations that follow are broken down into four categories. It is worth keeping in mind that they are not necessarily mutually exclusive. For example, adjusting the incentives for market housing does not negate the case for re-investing in the existing social and affordable housing stock, nor vice-versa.

1. Re-invest in the social and affordable housing stock.
2. Promote additional market housing development, especially rental.
3. Integrate housing supports with other social and economic programs.
4. Replace the current system with a new approach altogether.

³⁹ Noah Zon and Nevena Dragicevic. "A New Foundation: A Backgrounder for the Housing Action Lab on the Future of Housing in the Greater Toronto and Hamilton Area. Mowat Centre. February 2014. <http://mowatcentre.ca/a-new-foundation/>

I. RE-INVEST IN THE SOCIAL AND AFFORDABLE HOUSING STOCK

The Canadian public has made investments to build a significant asset in the portfolio of 600,000 public, cooperative and non-profit affordable housing units. The long-term sustainability of these assets are at risk because of inadequate funding, especially for those under the control of local governments. Federal and provincial governments should re-invest to preserve existing assets, which would be far more expensive to replace if they are lost, especially to those in higher-income neighbourhoods. For the federal government, this could involve maintaining some portion of current funding levels as existing agreements expire, in order to invest in renewing and expanding the stock of public, cooperative and non-profit housing with rents that are affordable to those with very low incomes. By 2016, the Canadian Housing and Renewal Association estimates that the federal government will have reduced its spending on social housing by more than the entirety of the new investments through the Investment in Affordable Housing program.⁴⁰ Reinvesting some portion of those savings would be a modest fiscal impact but could make important contributions to housing affordability and access.

Re-investing in existing assets does not mean locking into place the status quo. Some of the original public investments in social housing are poorly designed for the needs of their residents and the broader community. New investments should take into account our improved knowledge of how to design sustainable, walkable, accessible and safe communities. Capital funding can be used in a way that helps to lower maintenance costs, improve environmental performance and builds resiliency against the effects of climate change.

Given the increasing prominence of non-profit organizations as delivery partners for affordable housing and complementary social services, governments need to keep in mind the capacity of the non-profit sector to respond to need. As governments rely increasingly on non-profits, they are also placing weightier expectations to grow and to introduce more sophisticated performance measurement and reporting. Re-investing in social and affordable housing assets should include some support for the capacity of non-profits to grow in light of the increased risk that the organizations — and their volunteer boards — are being asked to take on in the public interest.

II. PROMOTE ADDITIONAL MARKET HOUSING DEVELOPMENT, ESPECIALLY RENTAL

Federal, provincial and local governments all control policy levers that influence the cost, location and type of development that takes place. Existing policy conditions have led to decades of very low levels of purpose-built rental housing development.

⁴⁰ Canadian Housing and Renewal Association, 2014.

This cumulative shortfall in the supply of housing options that are affordable for lower-income households is a major contributor to housing affordability pressures. Alternative options and forms of housing (such as rented condominiums and secondary suites in housing) often fall short on affordability and suitability.

Governments need to ensure that the policy environment they create matches the objective of addressing housing affordability. Property taxes, income taxes and capital gains taxes each shape the economics of investing in new rental housing. Development charges, building codes and land-use planning rules shape the cost of building. Infrastructure investments, transit services and community resources shape the marketability of a project.

All orders of government have used these tools both actively and passively to encourage the development of ownership housing for both single-family housing and condominiums. Federal policy levers in particular tip the scales of the market in favour of this type of development, with CMHC underwriting mortgages and various tax incentives to make it easier for households to purchase their own homes at a rate that significantly exceeds CMHC's activity in support of multi-unit residential buildings. These policies have been helpful to many Canadians but they have left renters, especially low-income households, behind.

Correcting this imbalance in a way that promotes development, especially of rentals, and is in line with planning objectives for intensification and density, would help a number of households with affordability challenges meet their needs in the market with little or no direct government support. This could involve changes to taxes and fees (HST, income tax on rental properties, capital gains, development charges) or to land-use planning rules to improve the incentives to invest in affordable purpose-built rental housing currently lacking in the market. CMHC could use its considerable resources to underwrite greater development of affordable rental housing — whether by the private sector or social housing providers — though this would have to be weighed against the risk of increasing the already massive portfolio of insurance already backed by the taxpayer.

One of the most important cost drivers for housing development is the price of land.⁴¹ Canadian governments control a significant share of urban land, much of which is centrally located and underused.⁴² Creative initiatives and partnerships to make this land available (as seen in Toronto's Regent Park redevelopment or Vancouver's False Creek) can help to spur affordable development as well as raise capital for additional investment in the social housing stock.

41 Jonathan Woetzel, Sangeeth Ram, Jan Mischke, Nicklas Garemo and Shirish Sankhe. "Tackling the World's Affordable Housing Challenge." McKinsey Global Institute. October 2014. http://www.mckinsey.com/insights/urbanization/tackling_the_worlds_affordable_housing_challenge

42 Gabriel Eidelman. "Rethinking Public Land Ownership and Urban Development in Canada." Draft for presentation to the Canadian Political Science Association (cited with permission). May 2014. <http://cpsa-acsp.ca/2014event/Eidelman.pdf>

All of these tools shape the economics of housing and real estate in Canada — the drivers of what we build and where we build. Aligning those mixed signals will mean that more households will be able to find options that meet their needs in the private market. Getting these incentives right fits a “first, do no harm” approach to policy design. Making this work will depend on overcoming persistent NIMBY (Not in my backyard) voices, whether this resistance is focused on the location of affordable housing projects, on allowing secondary suites (such as basement apartments), or simply resistance to intensification more generally. In addition, addressing the needs of those in deep core housing need will need significant investment, whether that comes through cash, tax breaks, or in-kind contributions such as land.

III. INTEGRATE HOUSING SUPPORTS WITH OTHER SOCIAL AND ECONOMIC PROGRAMS

Having decent and affordable housing is essential to making most other social and economic policies work. However, in practical terms housing is too often disconnected from these other objectives, with costly consequences.

Federal and provincial governments provide significant income supports to low-income individuals, people with disabilities and seniors. As the report by Sherri Torjman of the Caledon Institute for this project notes, support for persons with disabilities also includes technical aids, equipment and services. Most of these households (e.g., 80 per cent of social assistance recipients in Ontario) find their housing in the private market. In too many cases, the cost of housing takes up the majority of these cheques, leaving precious little for other necessities — and undermining effectiveness in these other policy areas. An integrated approach could include a bolstered income support system to deliver rent supplements that bridge the gap between what people can afford and the market cost.

The At Home/Chez Soi project shows the value of an integrated approach to housing. While governments would find it challenging to tap significant new funds for housing investments, budgets for health or community safety could be leveraged to provide supportive housing investments for the most vulnerable clients that ease pressure on the market, address policy goals and provide net savings. A major obstacle to these investments is how governments budget for and structure their spending decisions. Investments made in one sector may provide savings primarily in another department or government’s budget, however their incentives do not line up.

Beyond the direct lessons of the research, the At Home/Chez Soi project demonstrates the importance of governments investing in research and data collection. Decisions about investment should be focused on outcomes for people’s lives. Good data collection helps to understand the impact of

investments both directly and indirectly and helps governments to guide their investments appropriately.

IV. REPLACING THE CURRENT SYSTEM WITH A NEW APPROACH ALTOGETHER

A more transformative approach could see the government move overtime to replace the social housing system with a new system that includes both supply-side interventions to address market failures and a housing voucher or housing benefit model to bridge income gaps, as seen in a number of European jurisdictions. This approach would offer greater flexibility in delivery and greater choice for households. Existing assets could be transferred to nonprofits and/or sold with proceeds reinvested in new social infrastructure.

Rent supplement approaches usually involve contracts directly with a landlord to provide affordable rental units, while housing benefits are income support programs that allow people to overcome affordability challenges in their current housing. Both of these programs would need to be complemented by efforts to address the supply of adequate and reasonably priced housing options. This is particularly true for rent supplements which require landlords capable of providing a significant block of units in an ongoing contract with a non-profit or government.⁴³

This is not a decision that should be taken lightly. The existing system serves 600,000 households and has produced some significant public assets. But this option should be put on the table for a serious cost-benefit analysis that looks at the best way to deliver a system that allows Canadians of all situations to access decent housing at a cost that fits within their budget. The main advantage of a more transformative approach is it allows a path away from the biggest shortcoming of the current system — the rationing of support. Unlike social assistance or other income support programs — which are available to anyone who qualifies — the limited supply of subsidized housing leads to long wait lists and inconsistent, inequitable treatment. A shift to an income-side approach to assisting people who can't afford decent housing would allow policymakers to turn this issue on its head. An income-tested housing benefit model could ultimately be part of a streamlined and integrated income support program such as a Guaranteed Annual Income model.

43 Londenville and Steele, 2014. p. 3

CONCLUSION

For a period of about four decades through the mid-1990s, Canadian governments made regular and significant investments to build infrastructure and programs to provide low-income households with access to decent housing at affordable rents. Today, however, at a time when pressures on housing affordability in Canada are worsening, governments are at a stand still. Federal support is set to disappear for the network of public assets that provide affordable homes to 1 in 20 Canadian households.

The affordability challenges that face a large portion of low-income households in Canada have complex origins. Urban planning, tax policy, cultural preferences and government programs have all contributed to a shortfall in supply at lower cost price points, especially in purpose-built rental housing. On the demand-side, Canadians in the lowest income brackets have seen their incomes fail to keep pace. Those who rely on social assistance have seen that financial support decline in many provinces over the past two decades of low investment in social housing, making it harder for them to afford housing in the private market.⁴⁴

As TD Economics put it in their report on income inequality, “although Canadians take pride in the country’s more equitable outcomes, Canada does less income redistribution than many think.”⁴⁵ This gap between lofty goals and modest action is especially stark when we look at access to housing. Our existing approach — the social housing stock built last century augmented by modest ongoing investments through the Investment in Affordable Housing program — falls well short of what is needed. The consistently high levels of housing need and long wait lists for programs make that shortfall very clear. The status quo undermines our economic growth and social well-being, and diminishes the value of public investments in education, health and employment assistance. At a time when need has grown, public investments essentially stood still for two decades.

44 Anne Tweddle, Ken Battle and Sherri Torjman. “Welfare in Canada 2013.” Caledon Institute for Social Policy. November 2014. <http://www.caledoninst.org/Publications/PDF/1057ENG.pdf>

45 Alexander and Fong, 2014.

Correcting the din of conflicting signals sent by federal, provincial and local governments will help to address some of the gaps in the market. New investment models and partnerships with the private and community sectors can help to get greater value out of public investments. But addressing the gap between what people can afford and what is available in the market will require significant investments. To get those worthwhile investments right, policy makers should be prepared to take a hard look at the costs and benefits of both existing programs and their alternatives. The current approach of incremental new investments in the face of massive need and growing waitlists is untenable from the standpoint of equity or sound public policy.

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RENEWING CANADA'S SOCIAL ARCHITECTURE

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