CHRA ACHRU

Hon. Ahmed Hussen, P.C, M.P.
Minister of Housing and Diversity and Inclusion
Via Email: Ahmed.Hussen@parl.gc.ca

June 28, 2022

Dear Minister,

The 2022 federal Budget made two interesting commitments to review and reform the National Housing Co-Investment Fund and the Rental Construction Financing Initiative (RCFI). These commitments were as follows:

"Taking lessons from the Rapid Housing Initiative, the National Housing Co-Investment Fund will be made both more flexible and easier to access, including with more generous contributions and faster approvals."

"Budget 2022 announces the government's intent to reform the Rental Construction Financing Initiative by strengthening its affordability and energy efficiency requirements. Developers who significantly exceed these requirements and build highly affordable and energy efficient units will be eligible to have a portion of their repayable loans converted to non- repayable loans. Budget 2022 also announces that the RCFI will target a goal of having at least 40 per cent of the units it supports provide rent equal to or lower than 80 per cent of the average market rent in their local community."

As the national association representing the social, non profit and affordable housing sector, the Canadian Housing and Renewal Association (CHRA) welcomes these commitments to reform both programs. Given their size and mandates, it is important that both programs are designed and developed in such a way as to maximize their potential to create and sustain affordable housing throughout Canada.

In order to assist you in implementing these reforms, on 13 June 2022, CHRA held a consultation session with our members to hear feedback and comments on both programs. CHRA members agreed that changes to both programs are needed to better enable both programs to meet their stated objectives. I have listed below the key points that CHRA members raised during the June 13 session as a means to provide valuable insight and considerations into the reform process for both programs.

- ***Co-investment Fund Application Process Remains Cumbersome, with often conflicting information provided:*** When the Co-investment Fund was first launched in 2018, one of the immediate critiques was that the application process was lengthy, cumbersome, and onerous, and as a result, served as a disincentive for applicants to submit applications. Although the process has improved since then, many CHRA members continue to report that the process is overly lengthy and bureaucratic, especially when compared to much simpler application processes such as the Rapid Housing Initiative. Furthermore, although CHRA members reported that regional CMHC representatives often provide valuable assistance and guidance to applicants, there are still examples of conflicting information being provided by different CMHC representatives. As a result, we would strongly recommend an additional review of the application procedure, and greater consistency in program guidelines. Representatives of the non profit housing sector would be pleased to work with officials to undertake this review – being able to review application processes through the lens of a program user would provide an incredibly valuable perspective in redesigning program details.

- ***The accessibility and energy efficiency requirements need to be reviewed***: Both RCFI and the Co-investment Fund contain requirements related to meeting energy efficiency targets and proportions of units that must meet accessibility standards. Although CHRA members are fully supportive of the goal of a more energy efficient housing stock that is accessible to all tenants, feedback from CHRA members is that meeting this objectives is not always feasible nor viable. For instance, housing providers told us that many tenants do not feel comfortable living in a fully accessible unit if they have no physical disabilities, in which case accessible units may sit vacant for periods of time until a disabled applicant presents themself. Similarly with respect to energy efficiency, there are some projects, notably renovation projects, that may not allow for energy efficiency gains to be realized due to the nature of the project (eg, an elevator replacement). For both programs, we would call for greater flexibilities for both the energy efficiency and accessibility criteria so that applicants can opt out if these criteria when it can be demonstrated that neither are applicable. CMHC's Multi Unit Mortgage Loan Insurance Program (MLI Select) provides a useful model that could be adopted by both programs in terms of how the accessibility and energy efficiency requirements can be balanced in the scoring matrix of a program.

- ***Cost escalations are a critical concern that must be addressed***: As you know, housing providers are facing the dual challenges of cost escalations on a range of inputs (labour, energy, materials, etc), as well as a period of rising interest rates. This 'perfect storm' of housing inflation is putting several projects at risk, particularly in instances where the time gap between the submission of applications and funding commitments from CMHC is so great that there are significant cost escalations in the interim period. To address the uncertainty caused by these cost escalations, CHRA would make three recommendations. First, minimize the evaluation and confirmation times associated with both programs so that cost escalations are also minimized. If costs can be held in check with expeditious evaluation timeframes, all parties, including the federal government, stand to benefit. Second, in instances where there are unforeseen cost escalations, we would call on CMHC to demonstrate flexibility by covering these incremental costs. If a project becomes unviable due to unforeseen cost escalations, it is in the federal government's interests to ensure the project remains viable by covering these incremental costs. Third, include a commitment to mitigate cost escalations as early in the application process as possible so as to remove any uncertainty and confusion on the part of the applicant.

- ***The 5 unit minimum should be scrapped, particularly for rural housing providers***: Both the Co-investment Fund and RCFI have a 5 unit minimum requirement to apply. However, for many housing providers, particularly housing providers located in rural and remote regions, renovation or new build projects may involve less than 5 units. We would recommend that the 5 unit minimum requirement be scrapped, which would provide a more level playing field for smaller housing providers, especially those in rural areas whose portfolios may be smaller when compared to an urban housing provider.

- ***Better integration and alignment with similar capital programs at other orders of government:*** One of the most often cited challenges with the Co-investment Fund, but that also applies to RCFI, are the difficulties in aligning these programs with similar programs offered by provinces, territories, municipalities, and the private sectors. This is a greater challenge with the Co-investment Fund, given that program's requirement to secure an additional non federal partner. One of the participants at the June 13 session indicated she had 9 partners lined up to finance one project – a situation she referred to as "lasagna funding", given the many layers involved. One of CHRA's consistent messages to all orders of government is the need to seek a more streamlined, integrated approach in financing housing projects between orders of government. We would recommend that the federal government work closely with its provincial, territorial and municipal counterparts to look for ways that similar funding programs could be better aligned and complimented. The City of Calgary had an excellent pilot with CMHC to align city programs with the Co-investment Fund; this pilot could serve as a useful model.

As you move forward with your reviews of both programs, we would also strongly encourage you to put in place opportunities for engagement and consultation with the broader community housing sector. Although the comments in this letter are representative of many community housing providers, we feel it is important that you and your officials hear first hand from individuals who have experience with both programs, and who can provide more detailed comments on the operation of the two programs. The 2022 federal Budget included a commitment to work with the co-op housing sector to codesign a carve out for co-ops in both RCFI and the Co-investment Fund. There is no reason that a similar codesign process with the non profit sector could not also be pursued.

Thank you for taking the time to review these comments. As always, CHRA looks forward to working with you and your officials to strengthen and improve opportunities to build and sustain greater supplies of community housing throughout Canada.

Yours truly,

Jeff Morrison, Executive Director
Canadian Housing and Renewal Association

Cc: Ms. Romy Bowers, CEO, Canada Mortgage and Housing Corporation