



October 27, 2022

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

Dear Minister,

I am writing to you on behalf of the members of the Canadian Housing and Renewal Association (CHRA) to inform you of a development that jeopardizes the ability of affordable housing providers to create and renew housing across Canada.

Non-repayable contributions (grants) available through the National Housing Co-Investment Fund have been capped at \$25,000 per unit. With higher interest and inflation, this significant reduction is happening at a time when *more* grant funding is needed, not less.

As you know, CHRA is the national voice for the affordable housing sector in Canada. Collectively, our members house, shelter, and support hundreds of thousands of Canadians, drawing on enormous, practical on-the-ground experience implementing National Housing Strategy programs. We believe that everyone deserves a safe and affordable place to call home, and that community housing is the key to unlocking a Canada that is fair, inclusive, and affordable for all.

Recent economic circumstances have been very difficult for low-income renters across Canada. These circumstances have also made it even harder to create new community housing and to repair existing social and affordable housing.

When borrowing through the National Housing Co-Investment Fund (NHCF) was available at two percent interest, \$225,000 per year could service \$5 million in debt. When interest rates rose to four percent that same \$225,000 per year could only cover \$4 million in debt. After another interest rate hike this week, we know that affordable housing projects will have even less borrowing power.

The negative impact of higher interest rates on the viability of affordable housing projects is further worsened by recent reductions in non-repayable contributions (grants) through NHCF. These grants are now being capped at \$25,000 per unit, far below what was previously available. This reduction means that many affordable housing projects will no longer be viable, thereby endangering the goal of the National Housing Strategy to ensure everyone has a place to call home by 2030.

We understand that this reduction in non-repayable contributions is because CMHC was forced to allocate more funding to save projects already underway when inflation and higher interest rates put those projects at risk. This was the right response at that time.

While we agree that providing additional funds to projects already underway was essential to ensuring their success in the face of these challenges, the result of capping the non-repayable contributions at \$25,000 per unit to stretch the remaining funding jeopardizes the viability of future projects, and ultimately jeopardizes the goals of the National Housing Strategy.

The inflationary environment has also made the cost of labour and materials much higher than they have been since the creation of the National Housing Strategy, further increasing project costs.

This means that capital budgets for projects created as recently as a few months ago are no longer viable.

At a time when more grants are needed, even to just sustain the current pace of development, CMHC is instead forced to slow down, with even less grant funding available. Instead of retreating, that higher level of funding must be sustained so that we can continue building the affordable housing that is direly needed across the country.

Urgent action is needed to ensure that affordable housing projects in communities across Canada remain viable. Without immediate action, the goal of the National Housing Strategy is in jeopardy.

We urge you to work with the Minister of Finance to provide immediate emergency funding to increase the availability of non-repayable contributions available through NHCF, and to work towards an increased funding envelope through the 2023 Federal Budget.

We welcome and encourage continued innovations and improvements to National Housing Strategy programs. CHRA and our members are ready to work with you as we strive towards a fairer, more inclusive future where everyone has an affordable home that suits their needs. Our members' practical, on-the-ground experience in building and maintaining community housing can be a resource to you and your officials as we work together towards this goal.

Sincerely,



Ray Sullivan
Interim Executive Director

CC: Hon. Chrystia Freeland, Deputy Prime Minister and Minister of Finance
Romy Bowers, CEO, Canada Mortgage and Housing Corporation