



January 30, 2023

Hon. Chrystia Freeland, P.C., M.P.
Deputy Prime Minister and Minister of Finance
Via Email: chrystia.freeland@fin.gc.ca

Hon. Ahmed Hussen, P.C, M.P.
Minister of Housing and Diversity and Inclusion
Via Email: HDI.Minister-Ministre.LDI@inf.gc.ca

Dear Ministers;

As we near the release of the 2023 federal budget, it is important to take stock and determine how we can make life fairer, more inclusive, and more affordable for people across Canada.

This is top of mind for the members of the Canadian Housing and Renewal Association (CHRA). 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. Our enormous on-the-ground experience making housing happen provides us with great insight into the state of housing in Canada.

Simply put, Canadians are feeling the affordability crunch. In fact, a January 18 public opinion poll by Abacus Data found that 72% of Canadians' top concern is the rising cost of living. In the same poll, 41% of respondents singled out housing as a top concern: a 3% rise from Abacus' poll just 3 months earlier. The affordability and accessibility of housing is intrinsically linked to cost-of-living concerns. In other words, **voters are becoming increasingly concerned about the cost and accessibility of housing.**

These concerns reflect the state of Canada's housing stock. In their January 18 report, *Canadian Housing Affordability Hurts*, Scotiabank found that all types of housing are unaffordable or inaccessible due to a lack of supply, and we are not building quickly enough to restore affordability. At the same time, the report acknowledges that market-priced housing will likely never be accessible to many households.

According to the 2021 census, over 1.5 million households are in core housing need, yet Canada only has 655,000 units of affordable housing stock. In other words, **Canada currently needs 845,000 more affordable housing units, and demand continues to grow.** In Scotiabank's words, "doubling Canada's stock of [affordable] housing... would not plug the gap, but it would be a start."

While the National Housing Strategy (NHS) has made meaningful strides to address Canada's housing woes, it has not been without its imperfections. In November 2022, the Office of the Auditor General (OAG) released a report exposing major issues with the NHS' execution. Programs have not created the targeted number of units, and many of those created are not affordable to low-income households.

The National Housing Strategy can create a legacy as a historic policy achievement to make Canada fairer, more inclusive, and more affordable for all. I am writing to you to share two recommendations that will not fill the gap completely, but will be a meaningful start.

1. Equip affordable housing providers with the means to keep creating housing.

Over the last year, the cost of creating housing has risen significantly, corresponding to a dramatic *decrease* in federal funding. This means that **it has become much more difficult, and in some cases impossible to create affordable housing using National Housing Strategy programs** at a time where we need to more than double Canada's affordable housing stock.

The biggest challenges for affordable housing projects have been the sizeable increases in debt service costs. The rise in interest rates over the last year means that affordable housing providers are able to borrow significantly less money to finance their projects than they were this time last year. This has created a significant funding gap for affordable housing projects that cannot be filled without support from NHS programs. This is over and above a significant rise in construction and materials costs.

NHS programs must be updated and adapted to reflect the current economic climate of higher interest rates and higher construction costs. Failure to do so will mean falling far below NHS targets.

Just as more support is needed to address affordable housing shortfalls, significantly less is available. In Fall 2022, the NHS' flagship program to create affordable community housing, **the National Housing Co-Investment Fund (NHCF)**, **saw its cap on grant dollars drop from up to 40% of total project costs to \$25,000 per unit** when paired with loans. This significant reduction is happening at a time when *more* grant funding is needed, not *less*.

CHRA consulted with organizations seeking NHCF funding for examples to illustrate the current challenges with creating affordable housing with support from the program. A prime example is a faith-based organization looking to create an estimated \$52 million 111-unit affordable housing project in Scarborough, Ontario. The project is currently in line to receive \$77,500 per unit from the City of Toronto: more than triple the maximum contribution available through NHCF. Assuming the project receives the maximum amount of contributions through NHCF, the project would still have a funding gap of \$16 million. This shortfall could be covered if the decision to cap NHCF grants at \$25,000 per unit were reversed. A gap of this size typifies the current norm found by applicants when pursuing NHCF funding.

NHCF's current targets are to create 66,700 new units of affordable housing, and repair or renew 246,500 more. According to the November 2022 OAG report referenced above, NHCF-funded projects have only completed 3,400 new builds and repaired or renewed an additional 18,600 units. **Without an injection of additional funds, it is impossible to use NHCF to create affordable housing, making the program fall significantly short of its targets.**

CHRA estimates it would cost an additional \$4 billion per year for NHCF to create affordable housing at the rate prior to the dramatic decrease in the amount of grants available per unit. This funding would support the status quo; it does not account for Canada's need to create housing much more quickly to meet demand. While a significant injection of funds is urgently needed to ensure we can continue to create affordable housing, we must also work together to re-envision programs that can facilitate the creation of affordable housing more quickly, sustainably, and effectively.

CHRA recommends that Budget 2023 inject an additional \$4 billion per year for the next two years into NHCF, while simultaneously convening a study to determine how to reform and expand the NHS to meet current and future needs.

2. Implement UNDRIP by Funding an Urban, Rural, and Northern Indigenous Housing Strategy

The most glaring omission in the National Housing Strategy and subsequent policy announcements has been the absence of a dedicated urban, rural, and northern (URN) Indigenous housing strategy. 87% of Indigenous peoples live in urban, rural, or northern areas. Indigenous households in these areas are 1.5 times more likely to be in housing need than non-Indigenous households and are more likely to be in inadequate or unsuitable housing.

Despite dire need for federal support for these households, the government has yet to fund an URN Indigenous housing strategy.

This lapse continues centuries of colonialism and discrimination against Indigenous peoples.

Recognizing the resource gap for the 87% of Indigenous households living in urban, rural, and northern areas, the CHRA Indigenous Caucus facilitated the formation of the National Urban, Rural and Northern Indigenous Housing Coalition. The Coalition, which includes national, regional, and local Indigenous-led organizations, is ready and capable to design and deliver a For-Indigenous, By-Indigenous housing strategy.

Ministers, your mandate letters direct you to implement the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and to work in partnership with Indigenous Peoples to advance their rights. Moreover, Minister Hussen, your mandate letter directed you to engage with Indigenous partners to co-develop and fund an URN Indigenous Housing Strategy. By working with the Indigenous Housing Coalition, you can fulfill your mandate of implementing UNDRIP, while expediting the rollout of funding for URN Indigenous housing.

The Coalition provides a national organizational structure to coordinate human, financial and other resources needed to deliver housing for URN Indigenous people. **Through the Coalition, the federal government has an ideal partner to work with the federal government on your commitment to co-develop, fund, and co-deliver Canada's first URN Indigenous Housing Strategy: it can be a legacy achievement for your government.** Only an Indigenous-led approach can adequately deliver holistic, serviced-based community housing that empowers Indigenous communities.

Your government's National Housing Council recommends that a minimum of \$6.3 billion as initial funding to begin implementation of an URN Indigenous Housing Strategy. We urge you to take that first step right away.

CHRA recommends that Budget 2023 provide \$6.3 billion in funding for a national Urban, Rural and Northern (URN) Indigenous Housing Strategy

Budget 2023 is an opportunity to make life fairer, more inclusive, and more affordable for people across Canada. The challenges to addressing Canada's housing shortfalls are many and require ongoing coordination and collaboration to overcome them. The recommendations outlined in this letter will not fill the gap completely, but would be a meaningful start to making that future a reality.

I look forward to working together to ensure a future where everyone has a place to call home.

Sincerely,

Ray Sullivan
Executive Director

CC: Hon. Dominic LeBlanc, Minister of Intergovernmental Affairs, Infrastructure and Communities
Hon. Patty Hajdu, Minister of Indigenous Services
Hon. Marc Miller, Minister of Crown-Indigenous Relations
Hon. Dan Vandal, Minister of Northern Affairs
Romy Bowers, CEO, Canada Mortgage and Housing Corporation
Janet Goulding, Assistant Deputy Minister, Infrastructure Canada