



March 14, 2023

Hon. Chrystia Freeland, P.C., M.P.
Deputy Prime Minister and Minister of Finance

Via Email: chrystia.freeland@fin.gc.ca

Dear Deputy Prime Minister;

As we near the release of the federal budget, I am writing to you on behalf of the members of the Canadian Housing and Renewal Association (CHRA) to reiterate key measures that have been discussed with your staff and other colleagues over recent months – actions needed to address the housing and affordability crises in Canada.

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.

It is crucial that the recommendations outlined in this letter are included in the budget as a means to address the housing and affordability crises.

1. Equip affordable housing providers with the means to keep creating housing through the National Housing Co-Investment Fund.

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

The biggest challenge for affordable housing projects has 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.

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.

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, NHCF-funded projects have only completed 3,400 new builds and repaired or renewed an additional 18,600 units. CHRA estimates that without an injection of an additional \$4 billion per year, it will be nearly impossible to use NHCF to create affordable community housing, causing the program to fall significantly short of its targets.

CHRA recommends that Budget 2023 inject an additional \$4 billion per year for the next two years into the National Housing Co-Investment Fund.

2. Implement UNDRIP by Funding an Urban, Rural, and Northern Indigenous Housing Strategy to be delivered via the National Indigenous Collaborative Housing Inc. (NICH).

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. Over 80% of Indigenous peoples live away from Indigenous-governed territories. Indigenous households in urban, rural, and northern 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, which led to the establishment of NICH in February 2023. NICH, which is governed by representatives from national, regional, and local Indigenous-led organizations, is ready and capable to design and deliver a For-Indigenous, By-Indigenous housing strategy.

Minister, your mandate letter, as well as those of some of your colleagues directs 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. Other Ministers' mandate letters also directed them to engage with Indigenous partners to co-develop and fund an URN Indigenous Housing Strategy. By partnering with NICH, you can fulfill your mandate of implementing UNDRIP, while expediting the rollout of funding for URN Indigenous housing.

NICH provides a national organizational structure to coordinate human, financial and other resources needed to deliver housing for URN Indigenous people. **Through NICH, the federal government has an**

ideal partner to work with on your commitment to co-develop, fund, and co-deliver Canada's first URN Indigenous Housing Strategy. 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 in the budget.

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

3. Preserve the existing supply of affordable housing with a dedicated community housing rental property acquisition program.

The gap between housing supply and demand has grown, and it is particularly acute for low- and middle-income renters. Economists and affordable housing experts have long called for a national property acquisition and rental supply protection program, and this remains a significant gap in the NHS.

Acquisition is currently not eligible for funding or financing under current National Housing Strategy (NHS) programs, such as the National Housing Co-Investment Fund (NHCF) and Rental Construction Financing Initiative (RCFI). Newer programs like the Rapid Housing Initiative (RHI) specifically exclude acquisition of existing residential properties.

Acquisition is:

- less expensive than new construction, at less than half the cost;
- less risky, since operating costs are known and there is an existing rental income stream; and
- much faster – with CMHC support and pre-approved loans and grants, community housing providers can secure affordable housing in just a few months, rather than the 3–5-year timeline of new construction.

A Property Acquisition Program also creates an opportunity to invest in energy efficiency and other building improvements, addressing climate change and improving quality of life for low-income renters.

As a first step, the federal government should launch the Housing Accelerator Fund with non-profit acquisition of existing rental housing properties as an eligible activity. As a second step, the federal government must commit to working with the affordable housing sector to create a co-delivered national property acquisition and rental preservation program.

CHRA recommends that Budget 2023 open the door to a dedicated property acquisition and rental preservation program.

4. Begin a review and revitalization of the National Housing Strategy.

Canada's economic picture has changed drastically since the creation of the National Housing Strategy in 2017. Housing costs, housing supply, interest rates, as well as the cost of building materials and labour

have changed significantly over the last five years. Programs that were created at a time of low interest rates and stable construction costs are simply no longer adequate.

At the same time, there is growing motivation from outside government and the community housing sector to address the affordable housing crisis. The Bank of Montreal and Scotiabank have announced multi-billion-dollar funds to support the creation of affordable housing. Some large corporate landlords and community foundations are seeking opportunities to address the crisis too. Federal programs can draw on this support as we consider what is needed from the next generation of federal housing policies and programs.

These changes have shifted the policy-making context to such a great extent that it is imperative that Canada's federal housing policies and programs be reviewed and revitalized. By integrating practitioner expertise at the outset of program design, new and renewed NHS program can be more adaptable, and can make impact and meet needs more quickly. Program design that is more strongly based on practical experience and community know-how can bring us closer to NHS goals and affordable housing for all.

CHRA strongly recommends exploring co-design, co-development, and co-delivery of refreshed NHS programs with the organizations that are implementing them.

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 are important steps 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. Ahmed Hussen, Minister of Housing and Diversity and Inclusion
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