



Submission to the House of Commons Standing Committee on Finance for Pre-Budget Consultations in Advance of the 2024 Budget



**Canadian Housing and
Renewal Association**
CHRA ACHRU A Home for the Housing Sector

Recommendation 1: CHRA recommends that the government work with the community housing sector to revitalize CMHC funding programs to ensure a stable pipeline of community housing development projects.

Recommendation 2: That the government support a for-Indigenous, by-Indigenous urban, rural, and northern (URN) housing strategy, and recognize the National Indigenous Collaborative Housing Inc. (NICHl) as its long-term delivery partner for the \$4 billion URN Indigenous housing commitment in the 2023 federal budget.

Recommendation 3: That the government support the Affordable Rental Preservation Trust by:

1. Allocating an initial investment of \$2 billion in low-interest loans,
2. Matching \$500 million in private impact investment with an interest-free public equity investment of at least \$500 million,
3. Exploring tax incentives for private rental real estate owners to sell assets to the non-profit sector.

Recommendation 4: That the government create a “Team Canada” housing industrial strategy, leveraging federal spending and taxation powers, and improving intergovernmental coordination to address Canada’s affordable housing shortage.

Introduction

The Canadian Housing and Renewal Association (CHRA) is the national voice of the community housing sector in Canada. Collectively, our members house, shelter, and support hundreds of thousands of Canadians, drawing on enormous, practical on-the-ground experience creating and delivering affordable housing in communities across Canada. CHRA's voice prominently features the CHRA Indigenous Caucus, an organized, independent body representing Indigenous housing providers across Canada.

Canada is struggling through a dramatically worsening housing crisis. Millions of Canadians – particularly those with lower incomes – have been experiencing rapidly rising housing costs, driven in large part by an extreme housing supply shortfall. The impacts of Canada's housing shortfall disproportionately impact Indigenous peoples, newcomers, women-led households, youth, and seniors.

Canada Mortgage and Housing Corporation (CMHC) has estimated that 5.8 million homes must be created between 2022 and 2030 to restore housing affordability in Canada; a target conceived before the federal government increased its annual immigration target from 2022 to 2025 by approximately 23.5% (or 95,000 people). Immigration is important to Canada's economic health, but it is also important to have a functional strategy to house our growing population.

While Canada's population is increasing, so is the proportion of Canadians that cannot afford market-priced housing. According to the 2021 census, over 1.5 million households are in core housing need, meaning they live in inadequate or unaffordable housing, and cannot afford alternatives. Housing costs have risen dramatically since 2021, undoubtedly increasing the number of Canadian households in core housing need. In other words, a growing number of Canadians need community housing offered at a more affordable cost than the market can provide.

Despite growing need, Canada's supply of community housing only represents less than 4% of Canada's total housing stock: less than half the OECD and G7 averages. The inability to afford housing is becoming an increasingly tightening bottleneck to economic growth, undoubtedly contributing to the decline of Canada's economic productivity.

The Government of Canada must put an ambitious policy agenda in place that doubles the proportion of Canada's community housing stock to grow the Canadian economy, and make life fairer, more inclusive, and affordable for people across Canada.

To this end, CHRA is recommending that Budget 2024 include the following measures:

1. That the government work with the community housing sector to revitalize CMHC funding programs to ensure a stable pipeline of community housing development projects.
2. That the government support a for-Indigenous, by-Indigenous urban, rural, and northern (URN) housing strategy, and recognize the National Indigenous Collaborative Housing

Inc. (NICHI) as its long-term delivery partner for the \$4 billion URN Indigenous housing commitment in the 2023 federal budget.

3. That the government support the Affordable Rental Preservation Trust by:
 - a. Allocating an initial investment of \$2 billion in low-interest loans,
 - b. Matching \$500 million in private impact investment with an interest-free public equity investment of at least \$500 million,
 - c. Exploring tax incentives for private rental real estate owners to sell assets to the non-profit sector.
4. That the government create a “Team Canada” housing industrial strategy, leveraging federal spending and taxation powers, and improving intergovernmental coordination to address Canada’s affordable housing shortage.

1. A Stable Pipeline of Community Housing Projects

Canada's economic picture has shifted dramatically since the creation of the National Housing Strategy in 2017. Inflation, the rapid rise of interest rates, and rising building costs have contributed to substantially increased costs to create housing. At the same time, federal funding has dwindled significantly. Yet, federal housing policies and programs have not adapted to the current economic context.

This has led to a situation where it has become difficult, and in many cases impossible, to build affordable housing using CMHC programs. Housing simply cannot be created fast enough – or at all – to meet demand with current federal support. This is happening at a time when Canada must build millions more homes and double its proportion of community housing stock to restore housing affordability.

The federal government must urgently revitalize existing CMHC housing programs to ensure they support a stable pipeline of community housing development projects. Failure to act today means Canada's pipeline of projects will run dry in future years. CHRA recommends the government prioritize three actions:

- 1. Restore Seed Funding:** Replenish and increase funding for pre-development contributions.
- 2. Commit to a multi-year Rapid Housing Initiative program (RHI):** RHI has had success, but there are gaps. To support federal objectives in creating new affordable housing and reducing homelessness, supporting housing providers need predictability: they need to know that RHI opportunities will be available over the next several years. Significantly, a multi-year commitment gives provincial governments the ability to create complementary programs that could cover the cost of social supports or provide additional capital to fill equity gaps.
- 3. Re-capitalize the National Housing Co-Investment Fund (NHCF):** NHCF is the flagship program for new community housing development. Canada needs to re-invest in NHCF to provide contribution grants that offset the much higher cost of borrowing relative to the first several years of the program. NHCF also needs to be simplified, with CMHC commitments coming earlier in the project timeline. Scoring criteria for environmental performance and accessibility should be more flexible, using MLI Select as a model.

The affordable housing sector is committed to working with the government to co-design, co-develop, and co-deliver programs to ensure they support a stable pipeline of community housing development projects.

CHRA recommends that the government work with the community housing sector to revitalize CMHC funding programs to ensure a stable pipeline of community housing projects.

2. Deliver Housing for Urban, Rural, and Northern Indigenous Peoples through NICHI

Canada's *United Nations Declaration on the Rights of Indigenous Peoples Act* requires the Government to implement UNDRIP in co-operation with Indigenous peoples; the Indigenous Caucus at CHRA strongly believes this necessitates a *for-Indigenous, by Indigenous* approach. Only an Indigenous-led approach can adequately deliver holistic, serviced-based community housing that empowers Indigenous communities.

Recognizing the needs of Indigenous households living in urban, rural, and northern (URN) areas, the CHRA Indigenous Caucus facilitated the establishment of the National Indigenous Collaborative Housing Inc. (NICHI) in December 2022. Governed by representatives from national, regional, and local Indigenous-led organizations, NICHI is primed to design and deliver a for-Indigenous, by-Indigenous URN Indigenous housing strategy.

Through NICHI, the federal government has an ideal partner to work with to deliver Canada's URN Indigenous Housing Strategy to meet the needs of the majority of Indigenous peoples who live away from Indigenous-governed communities, complementing, not competing with the existing distinctions-based housing strategies.

Canada has announced NICHI as the delivery partner for the initial \$281.5 million commitment to URN Indigenous housing, but not yet for the longer-term \$4 billion over 7 years.

By partnering with NICHI, the government can fulfill their mandate to implement UNDRIP, and ensure uninterrupted rollout of URN Indigenous housing programs.

CHRA recommends that the government support a for-Indigenous, by-Indigenous urban, rural, and northern (URN) housing strategy, and recognize the National Indigenous Collaborative Housing Inc. (NICHI) as its long-term delivery partner for the \$4 billion URN Indigenous housing commitment in the 2023 federal budget.

3. Invest in Preserving Housing Affordability

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 plan to protect affordable rental supply by supporting non-profits and co-ops to purchase existing rental properties with affordable rent.

For every affordable home created between 2011 and 2021 with support from federal programs, we are losing nine affordable rentals in the private market. **Without a national plan to protect existing affordable rental supply, we're actually falling behind.**

Acquisition is:

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

With access to low-rate financing from government, the community housing sector can:

- attract as much as \$500 million in social impact investment;
- move rental homes out of the speculative private market, and interrupt the cycle of financialization;
- preserve affordability and secure vulnerable tenancies, preventing tenant displacements and providing stable housing options.

CHRA is working with community housing sector partners to create an **Affordable Rental Preservation Trust**, with support from private and charitable impact investors, and private market asset owners who are all interested in supporting a national plan to protect existing affordable rental supply. Government equity investment and low-interest lending will help retain up to 10,000 existing moderate rent homes.

CHRA recommends that the government support the Affordable Rental Preservation Trust by:

- **allocating an initial investment of \$2 billion in low-interest loans,**
- **matching \$500 million in private impact investment with an interest-free public equity investment of at least \$500 million, and**
- **exploring tax incentives for private rental real estate owners to sell assets to the non-profit sector.**

4. Create a “Team Canada” Housing Industrial Strategy

The federal government cannot fix Canada’s housing supply shortage alone. We need a “Team Canada” housing industrial strategy: rallying all levels of government, the affordable housing sector, and private organizations to solve Canada’s housing shortfall.

To do this, the Government of Canada must use all the policy levers at their disposal to influence other orders of government and critical partners. Central to this approach must be a commitment to doubling the proportion of Canada’s affordable housing stock to support the increasing number of Canadians that need affordable housing. In addition to reviewing CMHC funding programs, this Team Canada approach must:

- 1. Leverage federal infrastructure investments by making them conditional on policies favourable to new affordable housing development.** The government must incentivize transit-oriented development and inclusionary zoning. Municipalities must also be incentivized to set targets for increasing the supply of community housing *as a percentage of overall housing stock*.
- 2. Improve intergovernmental coordination to achieve a *truly* national housing strategy.** The government must lead a collaborative effort with provincial and territorial leaders to create shared initiatives, and craft housing targets for each level of government. These targets must include a commitment to doubling the proportion of Canada’s community housing stock.
- 3. Incentivize the creation of affordable housing through revamped tax policies.** The government must investigate tax policy changes that would unlock private capital and spur affordable housing development. This includes the creation of an Affordable Housing Investment Tax Credit modelled on the successful US Low Income Housing Tax Credit to encourage private investment in non-market housing. The Government should also consider waiving the GST for all new rental housing units to be made available to households earning less than median income.

CHRA recommends that the government create a “Team Canada” housing industrial strategy, leveraging federal spending and taxation powers, and improving intergovernmental coordination to address Canada’s affordable housing shortage.