

# Housing

In the past 14 months, the federal government has promised to spend \$1.9 billion over five years for various affordable housing and homelessness programs, and then, in the 2009 budget, promised an additional \$2 billion in housing investments over two years. Add to that the annual housing investments in tax incentives for homeowners (estimated at \$9.39 billion in 2009), plus the \$125 billion that the federal government has offered to banks to insure their faulty mortgage portfolios since October 2008, and the dollars really start to add up. The big dollars raise equally big questions:

- Is the federal government spending all the money that it has promised?
- Is the promised money being targeted to those with the greatest housing needs?
- Are more investments required in the 2010 federal budget?

Last year, the Alternative Federal Budget called for an additional \$2 billion in federal affordable housing investments. Since then, the federal government has made substantial promises, but almost all the dollars have gone to those

who need the help the least. Meanwhile, low, moderate, and middle-income Canadians are still waiting for the housing help that has been promised. For instance, one year after it promised \$242.8 billion for new affordable homes, the federal government reported that it has actually delivered zero of those dollars. And one year after promising the banks a record \$125 billion through the Insured Mortgage Purchase Program, the government has already given them \$66 billion. The banks, of course, have gotten plenty of housing help, even as they collectively declared multi-billion profits, while the waiting lists for affordable housing across the country grew longer.

Canada has massive, diverse, and growing housing needs. A record 1.5 million Canadian households (more than four million women, men, and children) are in “core housing need” — Canada Mortgage and Housing Corporation’s calculation of those facing the worst housing needs. More than 3.1 million households (about 8.4 million people) are paying 30% or more of their income on housing, which puts them in the affordability danger zone, according to Statistics Canada. More than 3.3 million households (almost nine

million people) are living in substandard housing that requires major or minor repairs, according to Statistics Canada. No one knows exactly how many Canadians suffer homelessness (the federal government estimates up to 300,000 annually, but academics and advocates believe the real number is higher); nor does anyone have an accurate estimate of the number of Canadians who require special physical or mental health supports and services to allow them to access and maintain adequate housing.

The federal government does a poor job of measuring housing need compared to other national governments around the world — and without reliable numbers, it's difficult to set proper targets and timelines, and measure progress. But the numbers that we do have all point to deep and persistent housing insecurity right across the country. The recession with its hundreds of thousands of lost jobs has made a bad situation worse, along with growing income inequality and poverty. In addition, cost increases in both the private rental and ownership markets (including ominous signs of an ownership price bubble emerging in several urban markets) mean that an increasing number of Canadians are literally being priced out of private housing markets. The disproportionate burden of precarious housing is experienced by Aboriginal people, people from racialized communities, and recent immigrants. Women, youth, and seniors experience housing problems arising from physical and sexual violence, along with economic issues, and require specific housing solutions.

The federal government has a fundamental responsibility to ensure that all Canadians have access to adequate, healthy homes. Canada has a legal obligation in international law to honour the right to adequate housing for all — and the federal government, in its formal response to the United Nation's Human Rights Council's Universal Periodic Review of Canada's human rights obligations on June 9, 2009, acknowledged that it needs to do more on housing and homeless-

ness and promised to take effective action with the provinces and territories.

The federal government also needs to realize that affordable housing investments are smart economic and fiscal strategies. Every dollar invested in housing directly generates and indirectly induces several dollars in additional economic activity, plus jobs. The housing investments can be linked to training and employment opportunities for groups who are excluded from the regular employment market. This would require a link between affordable housing and employment strategies. Affordable housing investments are smart economic stimulus at a time when the economy still requires urgent support. In addition, the dollars invested in affordable housing solutions are less expensive than the bigger dollars required to deal with the consequences of housing insecurity and homelessness, including higher health and social services spending. Investments in affordable housing strengthen communities, and they help families and individuals to lead healthier lives.

So how is the federal government doing when it comes to affordable housing investments?

**Much promised, little delivered:** Only 3% of the federal housing investments promised over the past 15 months has actually been committed to new or renovated homes, according to a government report tabled in Parliament on November 16, 2009. Zero dollars of the \$242.8 million promised through the federal Affordable Housing Initiative have been delivered. Only \$53.8 million of the \$1.475 billion promised in the 2009 federal budget has been delivered.

**Eroding value of federal housing investments:** The federal government invested \$1.6 billion in affordable housing in fiscal 1998 (ending March 31, 1999) and \$2.2 billion in fiscal 2008, ending March 31, 2009). Over those two decades, inflation rose by 51% and Canada's population grew by 24% — which more than outpaced the 39% increase in housing investments. Over that same period, Canada's economy grew by 232% — yet

**TABLE 10 Federal Housing Investments Promised In September, 2008, and January, 2009, and Total Amounts Actually Committed as of the End of September, 2009**

	Promised	Committed by September 2009	% of promised
Repairs	\$251,290,000	\$7,300,000	3%
Affordable Housing Initiative	\$242,800,000	0	0%
Total September 2008	\$494,090,000	\$7,300,000	1%
Provincial Affordable Housing Renovations	\$850,000,000	\$46,060,000	5%
Federal Affordable Housing Renovations	\$150,000,000	0	0%
Seniors	\$400,000,000	\$7,660,000	2%
Disabled	\$75,000,000	\$100,000	0%
Total Budget 2009	\$1,475,000,000	\$53,820,000	4%
Total	\$1,969,090,000	\$68,420,000	3%

**SOURCE** Government of Canada, November 2009

federal investments in affordable housing as a percentage of the GDP dropped sharply.

**No national housing framework:** Canada, unlike other developed countries, doesn't have a national housing framework that allows for the quick and orderly flow of funding from governments to the affordable housing sector. When federal, provincial, and territorial housing ministers last met in September of 2005, they promised quick work on development of a new framework — but nothing has been achieved since then. In June 2009, in its formal response to the United Nations' Universal Periodic Review of Canada's compliance with its international human rights obligations, the federal government accepted several detailed critiques of Canada's rights failures, and stated: "Canada acknowledges that there are challenges and the Government of Canada commits to continuing to explore ways to enhance efforts to address poverty and housing issues, in collaboration with provinces and territories."<sup>24</sup> The federal government finally agreed to meet with provincial and territorial housing ministers on December 4, 2009 (the first meeting during the term of the Harper government), but the final communiqué from the session offered no plan or commitment to move towards a national housing framework.

The federal government has created a patchwork of funding and initiatives in recent years as the political pressure has mounted for an effective response to growing homelessness. It has promised to make substantial investments in housing in fiscal 2009, including:

In 1935, during the depths of the Great Depression, Prof. Percy E. Nobbs, dean of architecture at McGill University and a leading housing scholar, offered this withering criticism of the then federal government's misdirected housing policies:

"[The Dominion Housing Act] is a comedy of errors, composed by gentlemen who ignored the parliamentary committee's report and so produced an act to facilitate the financing of houses for the middle class who were not in the market... The larger problem of financing future low-rent housing that will pay its way, in fact, must be pursued. Large blocks of three per cent money must be forthcoming for this, if not today, then tomorrow. I am sure it is not beyond the art of man to bring this about, even in Canada, even after five years of desperate depression... Our unemployed are largely quartered in the poorest accommodations we have... These householders are paying far more rent than they can afford, hence they are underfed,

TABLE 11 Federal Affordable Housing Investments 1999–2009

Date	Federal Housing Investments (\$millions)	GDP (\$millions)	Housing Investment as % GDP
1989	1,598	657,728	0.24
1990	1,702	679,921	0.25
1991	1,965	685,367	0.29
1992	1,904	700,480	0.27
1993	1,980	727,184	0.27
1994	1,945	770,873	0.25
1995	1,962	810,426	0.24
1996	1,940	836,864	0.23
1997	1,964	882,733	0.22
1998	1,862	914,973	0.20
1999	1,865	982,441	0.19
2000	1,928	1,076,577	0.18
2001	1,885	1,108,048	0.17
2002	1,910	1,152,905	0.17
2003	1,979	1,213,175	0.16
2004	2,092	1,290,906	0.16
2005	2,072	1,373,845	0.15
2006	2,119	1,449,215	0.15
2007	3,502	1,532,944	0.23
2008	2,155	1,600,081	0.13
2009	2,220	1,527,512	0.15
<b>Percentage Change Over Time</b>			
1989–2009	39%	232%	-38%
1989–1999	17%	149%	-21%
1999–2009	19%	155%	-21%

under-clothed, unhappy and are, more or less, on the road to destruction as human beings.”<sup>7</sup>

While the federal government of 1935 rushed to the aid of middle-class home owners, largely ignoring the housing needs of unemployed Canadians and others in desperate conditions, the federal government of 2009 rushed to the aid of the financial sector — handing out \$66 billion (so far) for mortgage relief to the banks without asking them to spend even one penny of that money on housing help for people who are homeless or precariously housed. The federal government has made some significant promises to ramp up hous-

ing investments geared to low- and moderate-income households, but most of those promises remain unrealized — largely because the federal government dismantled its national housing programs in the 1990s, leaving no effective national framework to ensure that dollars promised are invested in real brick and mortar.

The latest national report from RBC Economics on affordability in Canada’s ownership markets offers the grim news that: “All provinces and major metro markets shared in the deterioration in affordability in the third quarter.”<sup>8</sup> While Canadians were struggling with rising housing prices (even when offset with low inter-

TABLE 12 Federal Housing Investments (\$millions)

<b>Investments Targeted to Low, Moderate, Middle-Income Households</b>	
Housing Program Expenses <sup>2</sup>	\$2,247
Affordable Housing Initiative <sup>8</sup>	\$164
Homelessness Partnering Strategy <sup>3</sup>	\$134
Renovation of Social Housing <sup>4</sup>	\$500
Housing For Low-Income Seniors <sup>5</sup>	\$200
Housing For Persons With Disabilities <sup>5</sup>	\$25
First Nations' Housing <sup>5</sup>	\$200
Northern Housing <sup>5</sup>	\$100
<b>Total</b>	<b>\$3,571</b>
<b>Investments Not Targeted</b>	
Home Renovation Tax Credit <sup>5</sup>	\$3,000
Various Home Buyers' Tax Subsidies <sup>5</sup>	\$160
Capital Gains Exemption For Principal Residence — Full Inclusion Rate <sup>5</sup>	\$6,230
<b>Total</b>	<b>\$9,390</b>
<b>Other Federal Housing-Related Investments</b>	
Insured Mortgage Purchase Program <sup>6</sup>	\$66,000

est rates, the ownership affordability barrier is growing higher for low, moderate, and middle-income households), the bulk of federal housing investments on the ownership side (\$66 billion) are geared to the banks, which have allocated \$11.2 billion to those who already own a home, and only a relatively modest \$190 million in subsidies for first-time home buyers.

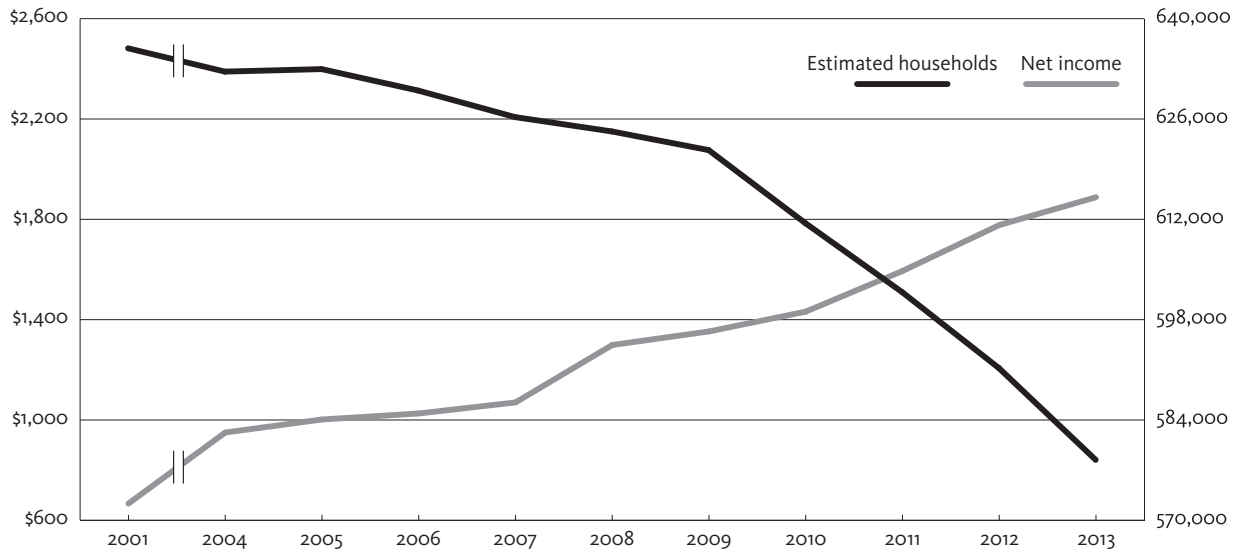
The dollars are also skewed when it comes to repairs and renovation. The federal government estimates that it will spend \$3 billion on subsidies to wealthier homeowners through the home renovation tax credit (owners must spend up to \$10,000 of their own money to access the federal credit — which leaves out lower-income home owners), while offering only \$628 million (\$500 million for social housing repairs and \$128 million for the residential rehabilitation assistance program) to the 3.3 million households living in substandard housing. The federal RRAP program — the major ongoing repair initiative of the federal government — manages to renovate about 20,000 new homes annually. At this rate,

it will take the federal government 150 years to fund the repairs of all the homes that are currently substandard.

The federal government urgently needs to develop a more reliable measure of the diverse housing needs of Canadians, and use that to set targets and timelines, and develop a comprehensive national affordable housing framework that includes the provinces, territories, municipalities, Aboriginal communities, the non-profit sector and the private sector. Bill C-304, a private member's bill from MP Libby Davies, would require the federal government to launch a national consultation and create a new national affordable housing plan within 180 days. The bill has passed second reading in the Commons with the support of the NDP, Bloc and Liberals — plus a lone Conservative. The bill is due back in the Commons in its amended form shortly.

During the 1980s and 1990s, the federal government shifted the funding and responsibilities of Canada Mortgage and Housing Corporation (Canada's national housing agency) away from

CHART 8 CMHC's Surplus Will Rise as Number of Assisted Households Drops (\$billions)



SOURCE Canada Mortgage and Housing Corporation, 2009

affordable housing and towards commercial activities, such as mortgage insurance. These changes were formalized in amendments to the National Housing Act in 1998–99. In addition, the federal decision in its 1996 budget to transfer the administration of most federal housing programs to the provinces and territories locked in place an automatic “step-out” (annual funding cut) to overall affordable housing spending.

The effect of these two decisions is becoming increasingly alarming: The overall number of households that will get federal housing help will drop by 9%, or more than 57,000 households, from 2001 to 2013, even though Canada’s population will increase during that time, and the number of households in “core housing need” will also grow; and federal funding for the affordable housing initiative (to finance new homes for low and moderate income households) will drop from \$166 million in 2001 to a mere \$1 million in 2013. Meanwhile, over that same time, CMHC’s surplus will triple from \$667 million to \$1.9 billion.

As a down payment on a long overdue national housing plan, the Alternative Federal Budget will

add \$2 billion to its current and promised affordable housing investments. This funding will be used both to enhance existing federal initiatives that are not adequately funded (doubling the federal homelessness initiative, doubling Residential Rehabilitation Assistance Program), and also to provide funding for new homes, repairs, and housing services for the diverse housing needs of Canadians who are not currently getting support. This including a dedicated portion for Aboriginal people living off-reserve through a new national Aboriginal housing strategy that ensures that Aboriginal housing is under Aboriginal control.

The federal government’s Homelessness Partnership Strategy provides services for the homeless, but it is limited to only 61 communities. It funds items like food, health care, and other services for the homeless, temporary shelters, and transitional housing. The Residential Rehabilitation Assistance Program is a repair program for low-income housing. Currently, it funds repairs to about 20,000 homes annually.

There needs to be specific targets to ensure that the new housing is truly affordable for low and moderate-income households. The new spending could be allocated as shown in Table 12.

The AFB will utilize housing rehabilitation and construction projects to provide training, apprenticeship, and employment opportunities for marginalized people who have barriers to employment and are still excluded from the economy. Funding for this kind of program or service will be provided through Labour Market Agreements. This will strengthen Canada's economy and help bolster us against a future downturn.

Some of the revenue to support the new investments can be drawn from the operating surplus of Canada Mortgage and Housing Corporation. The federal government also needs to re-profile existing housing subsidies and tax expenditures to ensure that federal housing dollars are going to those with the greatest need.

**TABLE 13 AFB 2010 Housing Initiatives**

Homelessness Partnering Strategy	\$135 million
Residential Rehabilitation Assistance Program	\$128 million
New Housing Supply and Supports	\$1.7 billion

**Notes**

- 1 See official federal response at <http://www.pch.gc.ca/pgm/pdp-hrp/inter/101-eng.cfm>
- 2 Canada Mortgage and Housing Corporation corporate plan 2009.
- 3 Consultation Paper, Federal Housing and Homelessness Consultation, August 2009
- 4 Government of Canada, Federal Budget 2009
- 5 Federal Department of Finance, Tax Expenditures Report, 2009
- 6 Government of Canada, Canada's Economic Action Plan, Fourth Report to Canadians, 2009
- 7 See <http://www.urbancentre.utoronto.ca/pdfs/policyarchives/1935PercyNobbs.pdf>
- 8 RBC Economics, November 2009: <http://www.rbc.com/economics/market/pdf/house.pdf>