Wellesley Institute
advancing urban health
10 Alcorn Avenue, Suite 300, Toronto, ON Canada M4V 3B2
tel 416-972-1010 fax 416-921-7228 www.wellesleyinstitute.com

Federal affordable housing investments: Critical to national social and economic investment plans

Pre-budget 2012 submission to House of Commons Standing Committee on Finance

3 August 2012

The House of Commons Standing Committee on Finance has set out five questions to frame its 2012 pre-budget consultation process. The Wellesley Institute, in our 2012 pre-budget submission, recommends that the federal government reverse the current and planned cuts to national affordable housing investments and maintain investments at the 2009 level. In our submission, we set out how a housing-based investment strategy would intersect with each of the five areas identified by the Standing Committee. The Wellesley Institute is an applied research and public policy institute that focuses on building strong, healthy and equitable communities. Our long-established housing and homelessness practice includes initiatives with partners at the international, national and local levels.

A good home: Key to individual and population health

Housing is one of the most important requirements for a healthy life. Part one of the Wellesley Institute's ***Precarious Housing in Canada***[1] sets out the research evidence that links poor housing and poor health. Other research, including the ***Street Health***[2] report, documents the devastating health impact of homelessness. The health impact of precarious housing is called "***Canada's hidden emergency***"[3] by a powerful research initiative from the Centre for Research in Inner City Health at Toronto's St Michael's Hospital, which sets out the data and analysis from Vancouver, Ottawa and Toronto.

The Wellesley Institute's Precarious Housing in Canada charts the steady erosion of federal housing investments since the late 1980s. There have been a few upward blips as short-term housing investments were announced in 2001, 2006 and 2009. However, each of these temporary infusions of funding were cut by what the federal government calls the "scheduled termination" of the investments – continuing the downward trend.

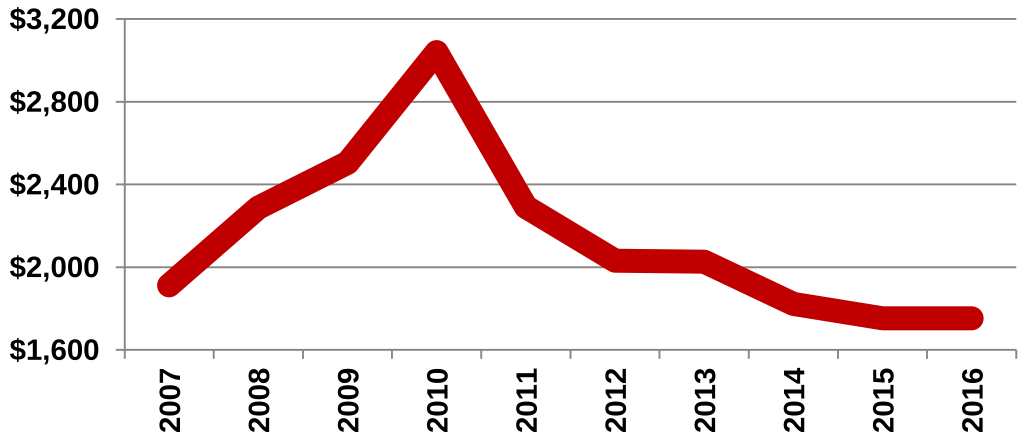
Federal affordable housing investments: Continuing the downward trend

The latest corporate report from Canada Mortgage and Housing Corporation[4], the federal government's housing agency, confirms that the two-decade erosion of federal affordable housing investments is continuing to grow worse. The CMHC report includes actual results from 2008 to 20010, and plans or estimates for 2011 to 2016. The latest numbers show that federal housing program expenses, including the affordable housing initiative, were $3.6 billion in 2010 as the short-term affordable housing investments from the 2009 stimulus budget reached their peak. However, funding was cut by more than one-third in 2011, and those cuts will continue to get worse through 2016.

[1] Available at http://www.wellesleyinstitute.com/wp-content/uploads/2010/08/Precarious_Housing_Part_One.pdf
[2] Available at http://www.wellesleyinstitute.com/publication/the-street-health-report/
[3] Available at http://www.stmichaelshospital.com/pdf/crich/housing-vulnerability-and-health.pdf
[4] Available at http://www.cmhc-schl.gc.ca/en/corp/about/anrecopl/upload/2012-2016CPSCMHC_5e-2.pdf

Consolidated federal affordable housing investments (in millions)

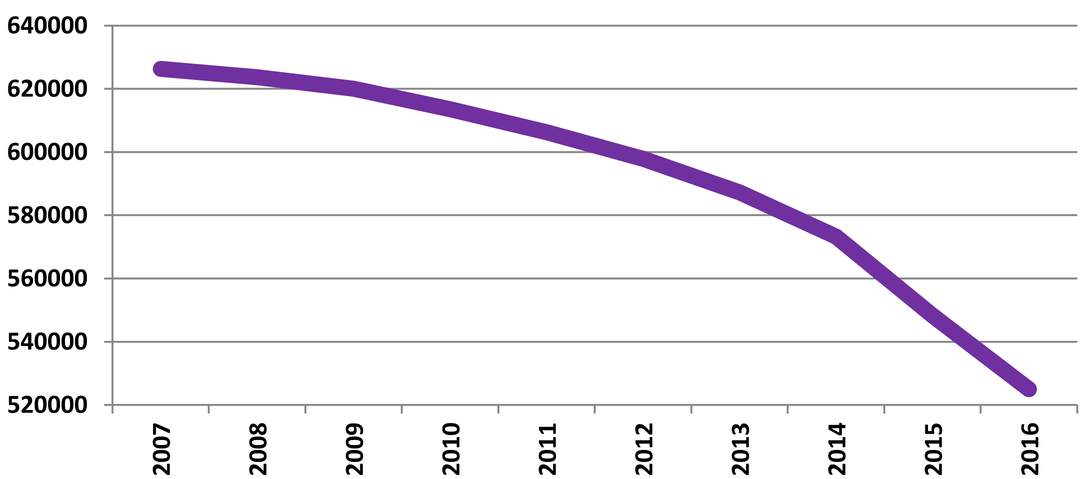
Source: CMHC Corporate Report 2012



By 2016, consolidated federal housing investments will have been cut to $1.8 billion – a cut of 52 percent in just six years. The planned housing cuts come at the same time that CMHC is reporting that its net income will rise to $1.6 billion annually by 2016.

Number of federally-supported affordable homes to 2016

Source: CMHC Corporate Report 2012

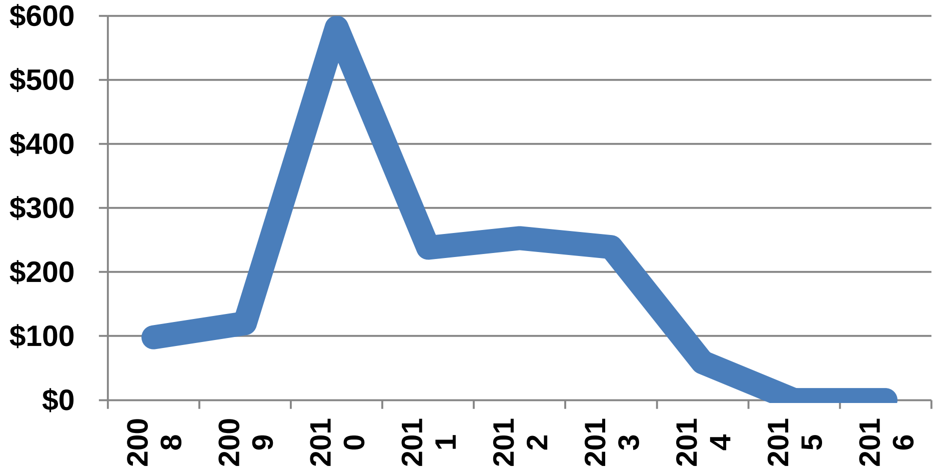


The CMHC corporate plan confirms that the number of households assisted under federal housing programs will be cut by almost 100,000 to fall from 623,700 households in 2008 to 525,000 households in 2016. That cut of 16 percent in the number of federally-subsidized households comes at a time when most communities across Canada report that the after-shocks from the 2008 recession are continuing to cause deep housing and homelessness distress. For instance, the central affordable housing wait list for the City of Toronto hit an all-time record of 85,578 households in June of 2012.[5] Toronto's affordable housing wait list has set a new record every month, year after year, since the fall of 2008.

[5] Available at: http://www.wellesleyinstitute.com/news/toronto-housing-wait-list-hits-new-record-underlining-folly-of-selling-off-tchc-homes/

Federal investment in Affordable Housing Initiative (in millions)

Source: CMHC Corporate Report 2012



The federal government's affordable housing investments are delivered through the Affordable Housing Initiative. CMHC reports that funding for this initiative will fall from $582 million in 2010 to zero in 2015. By 2016, consolidated federal housing investments will have been cut to $1.8 billion – a cut of 52 percent in just six years. The planned housing cuts come at the same time that CMHC is reporting that its net income will rise to $1.6 billion annually by 2016. CMHC generates revenues from commercial activities, including premiums from the sale of mortgage insurance. The net income is generated after expenses are deducted from revenues.

The financial impact of the federal housing cuts is large. Many of the federal dollars leverage a dollar or more from provincial and municipal governments, and a dollar or more from affordable housing providers – which adds up to an annual loss of $5.6 billion in affordable housing investments in 2016 and every year after. That cumulative total in lost funding could fully finance the entire development of more than 22,000 affordable homes annually across Canada.

As noted in Precarious Housing in Canada, the federal government stopped permanent funding for new affordable housing in 1993. In 1996, the federal government announced plans to transfer the administration of most national housing programs to provincial or territorial jurisdiction. That left Canada virtually alone among the nations of the world without a national housing plan.

Canada: In violation of its international housing rights obligations

In 2009, the United Nations Special Rapporteur on the Right to Adequate Housing delivered a scathing final report on his fact-finding mission to Canada[6] (which was made on the invitation of the federal government) to the United Nations Human Rights Council in 2009 at the same time that the council was conducting its Universal Periodic Review of Canada's compliance with its international housing and other human rights obligations. The Special Rapporteur concluded that while Canada has a long history of housing successes, the housing cuts starting in the late 1980s have effectively prevented Canada from meeting its international housing obligations.

[6] Available at: http://daccess-dds-ny.un.org/doc/UNDOC/GEN/G09/115/02/PDF/G0911502.pdf?OpenElement

The 2009 Universal Periodic Review adopted these critical concerns in its final set of recommendations to Canada[7], which included a number targeted to the cuts to housing funding and programs. In June of 2009, the federal government issued its formal response[8] to the UN Universal Periodic Review. It accepted the housing and homelessness recommendations, and promised to work more closely with provinces and territories. However, the latest CMHC corporate report shows that the federal government is not planning to honour the promises that it has made to the UN Human Rights Council. Canada faces its second Universal Periodic Review at the UN Human Rights Council in 2013, and will be called to account for its housing record by civil society organizations and UN HRC member countries.

Housing investments and the five questions from FINA Standing Committee

1. Economic Recovery and Growth and 2. Job Creation

The federal government has confirmed in its Seventh Economic Action Plan Report[9] to Canadians that the economic and jobs impact of affordable housing investments are among the highest of all government investments. Using the federal government's multiplier, its $3.04 billion in housing investments in 2010 leveraged $4.56 billion in jobs and economic benefits. Add in the additional leverage from provincial, municipal, non-profit and private dollars that were added to the federal dollars, and the growth and job creation impact from federal housing investments in 2010 were impressive. The $1 billion cut in federal housing investments in 2012 from 2010 contributed to a $1.5 billion cut in growth and job creation, using the federal government's own multiplier.

With the latest preliminary housing starts data[10] from Canada Mortgage and Housing Corporation showing a 5% drop in June 2012 from June 2011, sustained federal housing investments would help pick up a growing slump in the domestic housing markets.

3. Demographic Change

Canada's national housing program from 1973 to 1993 placed an important emphasis on affordable housing for seniors and many of the 600,000+ homes that were funded with federal housing investments were geared to elder Canadians. The 2009 federal housing investments included specific funding for seniors' housing. However, with the 'scheduled termination' of that spending after two years, there is no longer a targeted national seniors' housing program.

4. Productivity

A significant part of Canada's productivity challenge is that businesses are not investing enough dollars in new jobs and economic activity. A targeted national housing investment plan would deliver the financial incentives for private and non-profit housing developers to invest in housing and jobs, which would boost the country's productivity.

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[7] Available at: http://www.pch.gc.ca/pgm/pdp-hrp/inter/wrk_grp-eng.pdf
[8] Available at: http://www.pch.gc.ca/pgm/pdp-hrp/inter/101-eng.cfm
[9] Available at: http://www.fin.gc.ca/pub/report-rapport/2011-7/ceap-paec-a-eng.asp
[10] Available at: https://www03.cmhc-schl.gc.ca/catalog/productDetail.cfm?cat=58&itm=1&lang=en&fr=1344017846906

5. Other Challenges

Rising income inequality is widely recognized by international and Canadian authorities as a significant challenge for Canadians. From a housing perspective, income inequality is a particular challenge in that approximately 95% of Canadians are required to find their housing in the private ownership or rental markets. There is deteriorating affordability in both the ownership and rental housing markets across Canada, and this has a sharp impact on low and moderate-income Canadians who are literally priced out of rental and ownership housing markets. Many parts of the country also report that key workers – teachers, nurses, police officers, construction workers and others – who earn reasonably good income from their professions are finding it harder and harder to afford the high cost of housing.

Canada urgently needs a comprehensive national housing plan that engages all orders of government, Aboriginal people, the community and business sectors. The federal government needs to take leadership on housing because affordable housing issues are a truly pan-Canadian concern. The development of a national housing plan is not entirely a budgetary issue, although there are fiscal implications.

The federal government can finance its participation in a national housing plan through a variety of sources, including:

- Tax-supported revenues of the federal government;
- Re-allocating part of the annual surplus of Canada Mortgage and Housing Corporation; and
- Federal support for innovative financing measures, including tax-exempt housing bonds, social impact housing bonds and other financing instruments that support the development of affordable housing.

Bill C-400[11], a private member's bill to create a national housing plan for Canada that meets the growing national need and also Canada's international housing obligations, was introduced in the Commons in February of 2012. The bill calls on the federal government to convene a process that engages provincial, territorial, municipal and Aboriginal governments, along with the community and private sectors, to create a comprehensive national housing plan within six months. We urge all-party support for this important draft legislation.

All of which is respectfully submitted by:

Michael Shapcott, Director, Housing and Innovation, **The Wellesley Institute**
10 Alcorn Avenue, Suite 300, Toronto, Ontario, Canada, M4V 3B2
T – 416-972-1010, x231 // F – 416-921-7228
michael@wellesleyinstitute // www.wellesleyinstitute.com

[11] Available at: http://www.parl.gc.ca/LegisInfo/BillDetails.aspx?Language=E&Mode=1&billId=5353445