



## Federal government needs to target housing investments to Canadians who need the help

A submission from the Wellesley Institute to the federal government's housing and homelessness consultation

October 13, 2009

Thank you for the opportunity to make these submissions as the federal government reviews its housing and homelessness initiatives. The research of the Wellesley Institute, along with many other groups at the international, national and local levels, recognizes that adequate, affordable housing is fundamental for Canadians to live a healthy life.

We offer four observations and recommendations:

- **The federal government's investments in affordable housing and homelessness services are making a positive difference in the lives of many Canadians.** Some of these investments – in particular, the Homelessness Partnering Strategy and the Residential Rehabilitation Assistance Program – offer a good model in terms of effective and efficient delivery of federal funding to successful community-based initiatives. In addition to the social benefits of better housing, there are substantial economic benefits – including jobs – that flow from these investments.
  - Our first recommendation: *The federal government should recognize the successful practices among current federal initiatives, particularly the “community-up” approach of HPS and RRAP, and incorporate these models of delivery and partnership into ongoing housing and homelessness programs.*
- Housing insecurity and homelessness remain deep and persistent for millions of Canadians, and the scale of the federal investments in housing and homelessness fall short of the nationwide need. Over the past two decades, federal investments in housing and homelessness targeted to those with the greatest need have remained mostly stagnant, while provincial / territorial and municipal investments have increased substantially; shifting the governmental burden in affordable housing investments downward.
  - Our second recommendation: *Federal investments in housing and homelessness initiatives need to be scaled up to reflect a more accurate assessment of the national needs.*
- Although there are a variety of housing-related programs at the federal level, plus initiatives at the provincial / territorial and municipal levels, Canada does not have a comprehensive national housing plan that links and co-ordinates the various housing initiatives. **Canada has**

**no national targets and timelines on affordable housing and homelessness, no clear goals and objectives, no reliable national numbers, and no accountability for results.**

- Our third recommendation: *Canada needs a comprehensive national housing plan that links and co-ordinates initiatives at the federal, provincial/territorial and municipal levels, along with Aboriginal organizations, plus the non-profit and private sectors. The plan needs to have clear goals and objectives and accountability for results.*
- **Governments at all levels make substantial housing-related investments annually through direct subsidies and subsidies delivered in the tax system, but the biggest dollars go to those that need the help the least.** The biggest share of federal subsidies flow to homeowners, and most of those dollars are not targeted for income or housing need. A much smaller share of federal housing subsidies are targeted to low and moderate households who are suffering, including people who are homeless.
  - Our fourth recommendation: *Federal investments in housing, whether delivered through direct spending or tax subsidies, need to be better targeted to ensure that the greatest benefit flows to households with the greatest need.*

### **Federal investments are making a positive difference**

The Wellesley Institute is an independent research and policy institute. We know from our partnerships in Toronto, and across the country, that federal housing and homelessness dollars are helping to build new homes, repair existing homes, provide vital services for people who are homeless or insecurely housed and strengthen successful community-based housing collaborations. In almost every part of the country, there are innovative housing solutions. Recently, the Wellesley Institute created the Canadian housing and homelessness e-map<sup>1</sup> – an on-line and interactive forum that in its first phase lists more than 100 successful housing and homelessness initiatives across the country. Our e-map is continuing to grow. A number of these services receive some form of federal support, and the local initiatives are able to effectively use the federal dollars – combined with other funding – to assist people who are insecurely housed or homeless, as well as delivering a substantial set of economic benefits to their local communities.

The federal investments have made a difference, and the funding model has also set a strong example of how government can effectively partner with communities. The Homelessness Partnering Strategy and the Residential Rehabilitation Assistance Program are not “top-down” approaches, with remote officials making decisions for local communities. Each of the participating communities has created a local collaboration, which in turn designed the local homelessness plan. This delivery model ensures that real local needs are at the centre of federal investments, and that federal funding strengthens local communities.

### **Federal investments fall far short of national need**

No matter how you measure it, federal housing investments fall far short of the national need. In 2006, about 1.5 million Canadian households were in “core housing need”<sup>2</sup>, yet that year the

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<sup>1</sup> See <http://wellesleyinstitute.com/map/map.htm>

<sup>2</sup> The official definition from Canada Mortgage and Housing Corporation of the number of households living in unaffordable, substandard and/or over-crowded homes. Some experts believe that the CMHC definition undercounts the real number of households that are precariously housed.

federal government was able to assist only 633,000 households<sup>3</sup>. In 2007, about 1.3 million households were in dwellings that required major repairs, and 2 million in dwellings that needed minor repairs<sup>4</sup>; yet that year the federal government was only able to assist 18,644 households through its ownership and rental housing repair programs<sup>5</sup>. From 2001 to 2006, Canada added another 1.1 million households<sup>6</sup>, yet over that time, less than 800,000 new homes started construction<sup>7</sup>. Inflation and population growth have eroded the value of federal housing investments over the past 20 years. Adjusting for inflation and population growth, federal investments in housing were \$620 million less in fiscal 2008 than the amount required to equal federal investments in 1989<sup>8</sup>.

Looking ahead, the current recession is expected to make an already bad housing and homelessness situation even worse. As of July of 2009, a total of 486,000 Canadians had lost their jobs, and the numbers are expected to grow worse<sup>9</sup>. Yet the federal government will make further drastic cuts in its key housing programs over the next five years: Housing program expenses to assist existing affordable homes will be cut by 18% from 2009 to 2013; the affordable housing initiative will almost entirely disappear, dropping from \$164 million to \$1 million over the same time; and the estimated number of homes that will be assisted under repair programs will drop from 18,712 in 2009 to 719 by 2013<sup>10</sup>.

The financial cost of supporting government housing investments has shifted dramatically over the past two decades. In 1989, a total of 43% of the combined government housing investments were from the federal government, with 47% from the provinces and territories, and 11% from municipalities. By fiscal 2009, the federal contribution had shrunk to 29% of the total, with the provincial share falling to 44%. Canada's municipalities were forced to pick up 27% of the overall housing investments<sup>11</sup>. If the previous trend continues, municipalities will be outspending the federal government within two years, even though the municipal tax base is much less robust than the federal tax base.

### **Canada has no national plan with goals, objectives, accountability for results**

In 1948, Canadian housing expert Humphrey Carver set out a simple description of a national housing plan:

“The ultimate objective of the national housing programme should be the provision of a decent dwelling for every Canadian family. From this it follows that the crucial and ultimate test of the effectiveness of housing policy is the condition of the worst housed families in our communities.”<sup>12</sup>

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<sup>3</sup> Canada Mortgage and Housing Corporation

<sup>4</sup> Statistics Canada, Survey of Household Spending

<sup>5</sup> Canada Mortgage and Housing Corporation, CHS – Public Funds and National Housing Act (Social Housing)

<sup>6</sup> Canada Mortgage and Housing Corporation, Demography

<sup>7</sup> Canada Mortgage and Housing Corporation, Demography

<sup>8</sup> Wellesley Institute calculation, based on Statistics Canada and Bank of Canada figures

<sup>9</sup> Organisation for Economic Co-operation and Development, Employment Outlook 2009

<sup>10</sup> Canada Mortgage and Housing Corporation, Annual Report and Corporate Plan to 2013

<sup>11</sup> Statistics Canada, Survey of Government Revenues and Expenditures

<sup>12</sup> Carver, Humphrey, *Houses for Canadians*, Toronto: University of Toronto Press, 1948

The goal of a national housing plan is to ensure adequate housing for everyone – a commitment that the federal government has re-iterated in its 2008 and 2009 formal responses to the United Nations’ review of Canada’s performance in meeting its international housing obligation. The test of whether Canada is meeting that goal comes from not from examining the conditions of the two-thirds or so of Canadians who are adequately housed, but from the one-third or so of Canadians who don’t have a decent and affordable place to call home. In order to meet that test, a national housing plan should:

1. **effectively measure** the many dimensions of housing need (including, but not limited to, supply and affordability);
2. **create realistic and practical national targets and timelines** to meet the needs of those who are not adequately housed;
3. **effectively engage the many partners** (including all orders of government, the non-profit and private sectors, Aboriginal groups and others) in a co-ordinated set of initiatives, including adequate funding, effective regulations, and other programs and services; and,
4. **regularly monitor and evaluate** the roll-out of initiatives, and be **publicly accountable** for the results.

The British Columbia auditor-general released an independent review of that province’s homelessness initiatives in 2009<sup>13</sup> and concluded the provincial government:

“...has not been successful in reducing homelessness. Clear goals and objectives for homelessness and adequate accountability for results remain outstanding. Government also lacks adequate information about the homeless and about the services already available to them — this hampers effective decision making. Finally, government has not yet established appropriate indicators of success to improve public accountability for results.”

“We found significant activity and resources being applied to homelessness issues but there is no provincial homelessness plan with clear goals and objectives. The foundation of many best practices appears to be in place. However, the absence of clear goals and objectives raises questions about whether the right breadth and intensity of strategies are being deployed. This is further complicated by the lack of good comprehensive information about the nature and extent of homelessness in the province. Homeless counts identify only the ‘visible’ homeless; those in shelters and those found on the streets. The ‘hidden’ homeless, those staying temporarily with friends or family, are not counted. The continuing increase in the number of homeless counted suggests a lack of success in managing homelessness, let alone reducing it. When there are no clear goals or performance targets, accountability for results is missing. How will we know we are successful if we have not identified success?”

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<sup>13</sup> Available at <http://www.bcauditor.com/pubs/2009/report16/homelessness-clear-focus-needed>

His observations could be echoed at the national level: **There is significant activity and resources, but no national plan with clear goals and objectives, and no accountability for results.**

Canada does not have a comprehensive national housing plan, despite commitments that were made by federal, provincial and territorial housing ministers at national housing summits in 2001, 2005 and 2009. The federal government has refused to participate in the last two national housing summits. The federal government's decision in 2006 to transfer administration of most federal affordable housing programs, following a decision in 2003 to cancel funding for new affordable homes, effectively ended the national housing plan that was launched with amendments to the *National Housing Act* in 1973. A number of provinces followed the federal lead, cutting housing investments and – in the case of Ontario – downloading the administration and financing of housing programs to municipalities. By the end of the 1990s, visible homelessness was on the rise throughout Canada, along with growing housing insecurity.

The federal government launched its national homelessness initiative, and ramped up investments in the national housing repair program, in December of 1999, initially for three years. Federal funding has been renewed, sometimes at the very last minute, at various intervals since then – most recently for five years, as announced in September of 2008. The dollars have been virtually the same over the past decade, even as inflation eroded the value of the dollars, and a growing national need has put additional pressure on the frozen dollars.

The federal government joined with the provinces and territories in November of 2001 to sign the Affordable Housing Framework Agreement<sup>14</sup>, a five-year initiative. Federal, provincial and text of the new deal stated: “This short term initiative in no way diminishes federal, provincial and territorial governments' commitment to continue to examine the need for long term sustainable improvements to the business and tax climate for affordable housing.” In September of 2005, federal, provincial and territorial housing ministers held another national housing summit and in their final communiqué noted: “We've heard from Canadians, and what they've told us is that there is a need for more housing support for the homeless, supported and transitional housing, affordable housing, assisted home ownership, and market housing. Working together, Federal, Provincial and Territorial Ministers are committed to addressing these pressing needs... Ministers have strengthened their partnership and are accelerating work on a Canadian Housing Framework in consideration of the approach adopted by PT Ministers and the discussion held by FPT Ministers today.”<sup>15</sup>

In February of 2008, there was another national housing summit with provincial and territorial housing ministers, but the federal government refused to attend. In their final communiqué, provincial and territorial housing ministers underlined “the urgency of responding quickly to support the four million Canadians in need”, adding “ministers were disappointed the federal minister was not present at the forum.”<sup>16</sup> The federal housing minister had an informal meeting with his provincial and territorial counterparts two months later, but no formal action was taken. In June of 2009, the federal government, in its formal response to the United Nations' Human

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<sup>14</sup> Available at [http://www.scics.gc.ca/cinfo01/83073904\\_e.html](http://www.scics.gc.ca/cinfo01/83073904_e.html)

<sup>15</sup> Available at [http://www.scics.gc.ca/cinfo05/830853004\\_e.html](http://www.scics.gc.ca/cinfo05/830853004_e.html)

<sup>16</sup> Available at [http://www.scics.gc.ca/cinfo08/860548004\\_e.html](http://www.scics.gc.ca/cinfo08/860548004_e.html)

Rights Council's Universal Periodic Review of Canada's housing rights record, promised to do a better job on housing, stating: "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>17</sup>. Less than two months later, the federal government once again refused to meet with provincial and territorial housing ministers at a national housing summit in St. John's, Newfoundland and Labrador, on August 19.

Bill C-304, *The Secure, Adequate, Accessible and Affordable Housing Act*<sup>18</sup>, passed second reading in the House of Commons on September 30, 2009, on a vote of 148 to 137. The bill, which has been referred to the HUMA committee of the Commons, sets out a process for creating a national housing plan with all the key partners. This draft legislation has the support of Members of Parliament from all the political parties in the House of Commons.

### The federal government needs to more effectively target its housing spending

The federal government will make substantial investments in housing in fiscal 2009, including:

#### *Investments targeted to low, moderate, middle-income households:*

Housing program expenses <sup>19</sup>	\$2,247,000,000
Affordable housing initiative <sup>19</sup>	\$164,000,000
Homelessness Partnering Strategy <sup>20</sup>	\$134,800,000
Renovation of social housing <sup>21</sup>	\$500,000,000
Housing for low-income seniors <sup>21</sup>	\$200,000,000
Housing for persons with disabilities <sup>21</sup>	\$25,000,000
First Nations' housing <sup>21</sup>	\$200,000,000
Northern housing <sup>21</sup>	\$100,000,000
<b>Total</b>	<b>\$3,570,800,000</b>

#### *Investments not targeted:*

Home renovation tax credit <sup>21</sup>	\$2,500,000,000
Various home buyers' tax subsidies <sup>21</sup>	\$190,000,000
Capital gains exemption for principal residence – full inclusion rate <sup>22</sup>	\$11,235,000,000
<b>Total</b>	<b>\$13,925,000,000</b>

#### *Other federal housing-related investments:*

Insured Mortgage Purchase Program <sup>23</sup>	<b>\$64,000,000,000</b>
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<sup>17</sup> Available at <http://www.pch.gc.ca/pgm/pdp-hrp/inter/101-eng.cfm>

<sup>18</sup> Available at

<http://www2.parl.gc.ca/HousePublications/Publication.aspx?DocId=3660878&Language=e&Mode=1&File=27>

<sup>19</sup> Canada Mortgage and Housing Corporation corporate plan 2009.

<sup>20</sup> Consultation Paper, Federal Housing and Homelessness Consultation, August 2009

<sup>21</sup> Government of Canada, Federal Budget 2009

<sup>22</sup> Federal Department of Finance, Tax Expenditures Report, 2008

<sup>23</sup> Government of Canada, Canada's Economic Action Plan, Third Report to Canadians, 2009

An estimated 3.4 million Canadian homes need repairs, including 224,310 low-income households living in substandard housing (unhealthy, unsafe, dangerous). The federal government invests \$128 million annually in its Residential Rehabilitation Assistance Program, but that reaches only a fraction of the homes that need assistance. Meanwhile, in its 2009 budget, the federal government agreed to subsidize home renovations for wealthier Canadians (such as re-paving the driveway or building a new sundeck). The final price tag remains to be calculated, but the federal government estimates the bill will be \$2.5 billion in the current fiscal year. **That's \$19.53 in public subsidies for renovations to homes owned by wealthier Canadians for every dollar invested in repairs for lower-income housing.**

Canada's housing supply deficit was 317,000 homes in 2006 – that's the difference between the 1.1 million households that needed a home in the previous five years, and the 795,805 new construction starts during that time. Add the other indicators of growing housing need, and the urgent requirement for new affordable homes is acute. The federal government will target \$3.6 billion to low, moderate and middle-income households through a variety of initiatives in 2009. In the same year, the federal government will offer \$11.4 billion in tax subsidies to home owners, with no targeting based on housing need. **In fiscal 2009, for every dollar invested in affordable housing targeted to lower-income households, the federal government will spend \$3.16 in subsidies that isn't targeted to need.**

The expensive reality of developing affordable housing means that housing sponsors need a mix of funding, including access to private investment funds. However, affordable housing developers don't have access to the single biggest federal housing-related investment. The Insured Mortgage Purchase Program has been set at an unprecedented \$125 billion and is available only to banks and other mortgage lenders. As of September, financial institutions had drawn down \$64 billion. **The one-time federal investment in IMPP to assist mortgage lenders is the equivalent of more than 32 years of government investments in affordable housing.**

Respectfully submitted by:

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