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## National Forum on Housing and the Economy

October 14, 2014

### Members:

Federation of Canadian Municipalities (FCM)  
Canadian Federation of Apartment Associations  
Canadian Alliance to End Homelessness  
Canadian Construction Association  
Canadian Home Builders Association  
Canadian Housing and Renewal Association  
Canadian Medical Association  
The Canadian Real Estate Association  
Co-op Housing Federation of Canada  
Insurance Bureau of Canada

### Shared Statement of Principles

The National Forum on Housing and the Economy was established by FCM in partnership with key housing stakeholder groups, including not-for-profit, industry and professional associations, and business groups, with representation across the country.

The Forum is to provide a place for these organizations to share information, exchange ideas and build consensus on Canada's current and future housing needs. The Forum is to act as an information-sharing resource for the housing sector as its members provide input into addressing the challenges facing Canada's housing sector.

As individual organizations and groups, we continue to hold a range of views on federal funding and programs affecting housing. At times and to varying degrees, those views may differ. However, these differences do not prevent taking a common stance on the broader objective of achieving lasting improvements in Canada's housing system, across the housing spectrum.

### WHY HOUSING MATTERS

We believe that housing is a major contributor to Canada's economic growth and that all Canadians benefit from a housing sector which provides secure, quality housing suitable for a range of needs and income levels.

Over 67% of Canadians own their homes, while 33% are renters, including 28% in the private rental market and 5% in rental housing which is subsidized. 1 in 4 Canadians pays more than 30% of their income on housing, which is beyond the accepted standard for affordability. When too large a proportion of household income is required to pay for

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housing, other necessities are often sacrificed. The Public Health Agency of Canada has indicated that 1 in 5 health care dollars are spent on issues related to social and economic circumstances such as housing.

### **The Challenge:**

- Record levels of household debt and high homeownership costs are keeping many Canadians out of the homeownership market, especially young people.
- Over the last four decades a limited amount of new purpose-built rental housing has been constructed in relation to demand. This has reduced the range of rental housing options that people can afford and has restricted labour mobility. Much investment in rental housing has been directed towards upgrading the existing stock. While required to maintain and enhance the existing rental stock, this has also resulted in less affordability in the rental market.
- Operating agreements that provide \$1.7 billion in annual federal funding for social housing are expiring over the period to 2036 with the largest number of agreements expiring in the next five years. Without appropriate reinvestment and support the loss of these funds will put the homes of as many as 200,000 low-income households at risk.
- Over 200,000 Canadians experience homelessness every year at an estimated annual cost of as much as \$7 billion to the Canadian economy

Housing options which are affordable for Canadians are shrinking, making it difficult for our cities and communities to grow local economies, attract new workers and meet the needs of vulnerable groups.

### **WHY A NEW APPROACH IS NEEDED**

Without leadership and a long-term plan to address the current housing affordability challenges and future housing needs, housing will likely become more expensive, housing markets less responsive and housing problems more difficult and costly to address in the future.

The federal government has a defined but vital role in furthering solutions which facilitate access to diverse housing options, including homeownership, rental housing, subsidized rents for those in need and support to address homelessness in our communities.

The Government of Canada announced the welcome renewal of two key federal housing and homelessness programs for five years in the 2013 budget. These programs, along with the federal operating agreements, have made a critical difference and assured affordable homes for many Canadians.

The Forum welcomes the opportunity to explore additional, innovative approaches that will engage federal capabilities and resources over the longer term, increasing the effectiveness of the expenditures in this field.

Canada's Minister of State for Social Development recently announced a commitment to the Housing First approach to end homelessness. Housing First is a proven model in reducing chronic homelessness over the long-term through permanent housing and critical supports.

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Such longer-term, evidence based approaches are essential to match investment better to the scope and nature of the challenges outlined above.

The Forum believes a longer-term approach should:

### **1) Protect at-risk households living in social housing and innovate in making federal investments in Canada's social housing.**

Social housing provides secure and affordable housing for many vulnerable households. Federal investments made over decades have provided Canada with valuable assets in the form of social housing that, if neglected, will be more costly to sustain in the long-run. While more detailed analysis of the comparative viability of the social housing stock on a project-by-project basis is required, the smart investment of adequate federal funding is still needed to ensure affordable and safe housing for lower-income Canadians.

The Forum recognizes that while federal investments are needed, the current operating agreements will not be renewed. The challenge to be addressed is how best to create a sustainable model for social housing operations, including long-term maintenance requirements, without crippling the achievement of affordability objectives for occupants.

The expiry of current social housing operating agreements provides an opportunity for new and innovative approaches to ensure affordable, safe housing for vulnerable Canadians whose incomes are insufficient to access housing affordably in the private market. The cumulative federal financial savings as operating agreements expire are very large indeed. From 2014-2019 the federal government's investments in social housing will decline by \$1.5 billion. This creates significant financial room for both ongoing income-tested support to residents and targeted capital reinvestment to protect needed assets.

Innovation in the next generation of social housing investment could take a variety of forms depending on local needs and circumstances, but could include funding to address gaps in operating costs and subsidized rents, direct financial assistance to low-income households, support for capital repairs and retrofits to reduce social housing provider operating costs, (which are passed on to tenants), and support to enable partnering between social housing providers and others, including the private sector.

New approaches should ensure the protection of at-risk social housing -units as needed and overall affordability levels, and should consider federal priorities such as Housing First.

### **2) Preserve and add to Canada's rental housing stock including private, non-profit and co-operative rental housing.**

One in three Canadians rent their homes, with five out of every six of those making their homes in the private sector, yet purpose-built rental construction has accounted for just 10 per cent of new residential construction over the past 15 years. The Canada Mortgage and Housing Corporation (CMHC) estimates the growth in tenant households in the next decade to be up to 50,000 annually, especially as the population of those aged 65 and over increases. The type of housing needs of seniors will also have to be considered.

While in some major urban centres more rental units are being made available in the condominium stock, these may not offer the same locations, unit types, on-site services or security of tenure as do purpose-built rental housing. Similar issues may apply to the

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other units in the secondary rental market, including rented single family homes, duplexes, doubles, triplexes and accessory units, which accommodate many renters, and in particular many low-income renters.

All governments in Canada play critical roles in establishing the business climate for private sector investments in purpose-built rental stock. Investments in rental stock are subject to tax and regulatory requirements of the Government of Canada, and provincial and municipal governments.

A flexible and dynamic rental housing market targeted to a range of income levels will support a mobile labour force, households with low-incomes and those who prefer to rent rather than owner-occupy. With 156,000 families and individuals on social housing waiting lists in Ontario alone, reforms to the federal tax system to reduce taxes on rental housing are essential to retain existing private rental housing and to encourage the development of more rental housing, thus moderating rent increases and increasing labour mobility.

Where appropriate, using financial assistance to low-income households in the private sector will also support the private sector by increasing effective demand. Attaching financial support to households, rather than to rental units, will increase their ability to move, either to address their changing circumstances or to pursue job opportunities.

### **3) Improve opportunities for homeownership for the next generation of potential homeowners.**

Many Canadians, particularly young people, new Canadians, and first-time homebuyers, are finding it difficult to access homeownership due to higher entry costs and other factors. A full 42 per cent of young Canadians (20-29 years) lived with their parents in 2011 compared to 26 per cent in 1981.

In addition, each dollar spent on housing equals a \$1.4 increase in Gross Domestic Product. For renovations and new housing construction, an expenditure of \$1 million on housing generates roughly three full-time-equivalent direct jobs, and a further ten indirect and ancillary jobs. Each re-sale housing transaction produces an average additional expenditure of \$51,275 in spin off activity. This means that between 2010 and 2012 home purchases and sales conducted through the Multiple Listing Service® (MLS®) generated over \$22.5 billion in economic spin-off benefit annually.

Improved opportunities for homeownership by younger people and new Canadians will reduce pressure on the rental market and reduce the need for housing assistance in key urban markets, where affordability is a rising problem.

### **4) Reduce homelessness**

The federal government made a bold commitment in Budget 2013 to shift its Homelessness Partnering Strategy (HPS) priorities toward Housing First, an evidence-based approach to permanently reducing chronic homelessness. Of the 200,000 families and individuals who experience homelessness during an average year, an estimated 30,000 Canadians are chronically homeless or spending more than 180 days a year without permanent shelter.

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Many of these individuals suffer from mental health and addiction problems and consume a great deal of public services from policing to emergency health care and shelters. North American studies have consistently shown that when the chronically homeless are provided unconditional permanent housing with access to supportive services (Housing First), they will usually remain housed, improve their personal outcomes and significantly reduce the use of costly emergency services.

A significant challenge to achieving the goal of reducing chronic homelessness will be accessing a sufficient stock of lower-rent housing, especially in regions with low vacancy rates. Long-term investments in Canada's social housing from all levels of government, as well as increased investment in making for-profit rental housing in a variety of forms more affordable to people will be needed to meet these goals.

### 5) Provide leadership

By engaging all orders of government, non-profit and private housing providers, developers, homebuilders, renovators and real estate professionals to learn about and apply existing best practices and to explore new and innovative approaches, the federal government can play a leading role in ensuring that Canadians can access quality housing that they can afford.

In the immediate future, federal-provincial consultations on the future of social housing should be opened up to permit consultations with a range of relevant groups on the alternatives under consideration.

All orders of government should work together to examine and address the impact which existing government-imposed costs, and development, zoning and other policies and regulations have on overall housing affordability. As part of that review, governments should examine and address the impact of taxation, zoning rules and other regulations on the secondary rental market, including accessory suites and rooming houses. These provide important housing options at rents that people with low incomes can afford. With such a comprehensive review, governments, the not-for-profit and private sector will be better able to provide more housing options for all Canadians that are affordable.

Solutions exist. Through leadership, collaboration, and improved policies and practices we will continue to grow Canada's economy and support the security, health and well-being of individuals and communities.

Going forward, innovative federal investment can be anticipated to provide substantial benefits outside merely housing including job creation, skills training, advances in building retrofit practices and technologies, increasing labour mobility, positive health outcomes and stronger communities.

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