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CFAA HOUSING POLICY STATEMENT

Addressing housing and the needs of the homeless across Canada is a key issue for community leaders and policy-makers. Making sound decisions on housing policies depends on an understanding of housing markets and of Canadians' needs and preferences.

Housing affordability

Expectations about the price at which housing can be built or rented must be reasonable.

Because it is new, newly-built housing cannot be affordable without substantial subsidies. New housing has always been built at the expensive end of the market. The people who occupy this new housing free up older, more economical units for others, a process known as "filtering". Since the 1930s, vacancy chain studies document substantial movement through the housing market when new units are built. In fact, the more expensive the new housing, the longer the vacancy chains, and thus the more units are made available at various cost or rent levels.

Why does housing seem to cost more than it used to? Federal and provincial income tax treatment for rental properties is much less favourable than it was formerly, and in many cases is now less favourable than the treatment of commercial property, shares in companies or owner-occupied homes. In other words, rents have to be higher than they otherwise would be in order to provide the after-tax rate of return required for investments in rental properties. In addition, many cities now levy substantial development charges that drive up the cost of developing new housing.

The Canadian Federation of Apartment Associations (CFAA) believes that **the building of new housing is best left to private developers and landlords.** Where the private market is allowed to work, developers and landlords respond very efficiently to consumer preferences and to effective demand, i.e. the desire for the housing and the ability to pay for it. What governments need to address is the difficulty people with low incomes have in paying the full cost of the housing they need.

In most provinces the shelter allowance component of social assistance is insufficient to pay the cost of adequate housing, apart from rooms in rooming houses or by sharing small, economical units. **CFAA supports increases in social assistance, particularly in areas of high housing costs.** In addition, Canadian social assistance systems do not handle well the transition from welfare to work. Both money and other assistance is often withdrawn at such clawback rates that people are better off not to work, or to work less rather than more. Housing allowances for the working poor are an excellent way to bridge the step between welfare and work.

Portable housing allowance programs help tenants to pay their rent and the cost of other necessities. By making use of existing housing, portable housing allowances provide assistance at a lower cost than building new housing. Moreover, **tenants retain their ability to choose** the type and location of housing that best suits their needs and preferences. Low-income Canadians can obtain assistance with their housing costs without having to move, and can take the assistance with them if their circumstances change.

84% of Canadians are able to live in housing which is adequate, suitable and affordable. Another 13% of Canadians live in housing which is adequate and suitable but costs more than

30% of their incomes. An increase in housing affordability requires either a reduction in costs (such as lower income taxes on rental property) or an increase in the ability of low-income people to pay for low-rent housing, or both.

Less than 3% of Canadians live in housing which is inadequate in repair or unsuitable in size. Most of them do so because they lack the income to pay the full cost of better housing. In every housing market across Canada, the private sector has the ability to supply more housing; it is the household's low income which creates what is called a housing problem. **The best way to address affordability is through portable housing allowances.**

Supportive housing needs

Some people need more than just financial help to maintain a stable home. Just like other Canadians, people who need support services would prefer to continue to live in familiar surroundings where they have friends, and know the shopping places and transportation routes. Individuals may already have helpful neighbours, a subsidized daycare spot, family members or a job near where they live. **We believe that people should not be forced to move to gain a housing benefit or other support services;** and so, we advocate *in-situ* support services, *in-situ* rent supplements and portable housing allowances. When the only available support services or rental subsidies are attached to housing units (as they often are in social or public housing), having to move separates tenants from their communities and their existing support networks.

While the homeless make up a very small portion of the total population, a significant proportion of them require extensive supports other than money. **When extensive support services are needed, it can be better to provide those services in supportive housing environments.** Therefore, individuals with special needs, including addictions, mental illness, or serious physical disabilities, may be better served in public or social housing. Faith-based organizations and others who are dedicated to promoting the social good are well-suited to address the needs met by emergency shelters and special needs housing. In contrast, the private sector is best suited to provide housing choices at the lowest cost for the vast majority of Canadians who either require no help with housing at all, or who require only financial help.

CFAA Policy Prescription

Since the main cause of core housing need is low incomes, and since existing housing is more economical than new construction, CFAA suggests that governments will achieve the optimal housing result for the most people by:

- 1. Providing improved tax treatment for the rental-housing industry.**
- 2. Increasing funding for shelter allowances and portable housing allowances.**
- 3. Focusing funding for new construction programs on housing for special needs that cannot be met by the private sector.**

Conclusion

CFAA's policies would lead to a better situation for tenants, landlords and taxpayers. Tenants would gain more housing, and would see more choice and better maintenance and services through private competition. Landlords would see better after-tax returns, more investment opportunities, and a greater ability to buy or sell as their investment goals change. Taxpayers would save money, as the cost of helping tenants directly with their affordability problems is far less than the cost of subsidizing the building of new housing.

*The Canadian Federation of Apartment Associations (CFAA) represents the owners and managers of close to one million residential rental suites in Canada, through 17 organizations across Canada.
For more information, see our Website at www.cfaa-fcapi.org*