



Aligning Social Housing with the National Housing Strategy

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Outline

- Brief review on evolution of social housing
- Key elements of the NHS
- Implementation and progress to date
- Current issues and trends
- Implications for redesign refocus of NHS

Legacy social housing – Public Housing

- Initially Public housing starting 1949 (Regent Park) but mainly after 1964
- Initially for working poor, but evolved to points rating and increase targeting – residualized and stereo typed
- Led to critique and phasing out in favour community based NP/Co-op

Created 206,000 homes thru to late 1970s

Ultimately 100% targeted RGI rents

Legacy social housing - NP and Co-op (phase 1)

- Experimentation in late 1960's early 70's
- Initially just low interest loans with 10% forgiveness
 - – no ongoing subsidy (sec 15,1/27) – breakeven rents affordable
- Mid 1970's inflation, rising costs and interest rates
 - - no longer affordable so added separate stacked rent supplement 1974 with RGI assistance on portion of units
- Replaced 1978 with Sec 56.1/95

Created 94,000 homes 1964 to 1978

Not Targeted (except small portion with rent supp RGI rents)

Legacy social housing - NP and Co-op (phase 2)

- 1978 Sec 56.1//95 Combined RGI and operating subsidy
- CMHC delivered (but option for PT involve, and varied)
- Introduced private finance (CMHC insured) and subsidy to enable repayment
- Income mixed, Minimum 25% RGI (in practice often as high as 60% when PT additional \$)
- Finite assistance based on 2% mortgage write down
- Ongoing subsidy 35 years, matching mortgage amortization
- So have now all reach end of subsidy agreements

Created 180,000 homes 1978 to 1986
Mixed income maybe 1/3 targeted RGI rents

Legacy social housing - NP and Co-op (phase 3)

- New era social housing Global agreements
- Mostly PT delivery/fed cost sharing
- Targeted to core need thresholds
 - (based on AMR so not as deep as PH)

Created 90,000 homes 1978 to 1986

Mostly targeted RGI rents

1994 termination of Social Housing



"We will end all new funding for social housing effective Dec 31st 1993"

Federal Budget Speech 1993

Termination a result of mounting federal deficits and fiscal retrenchment

Escalating costs associated with adding additional layer of 35 yr subsidies

Growth of Social Housing subsidy from \$400 million 1978 to \$1.8 billion 1994

Terminated by Mulroney conservative

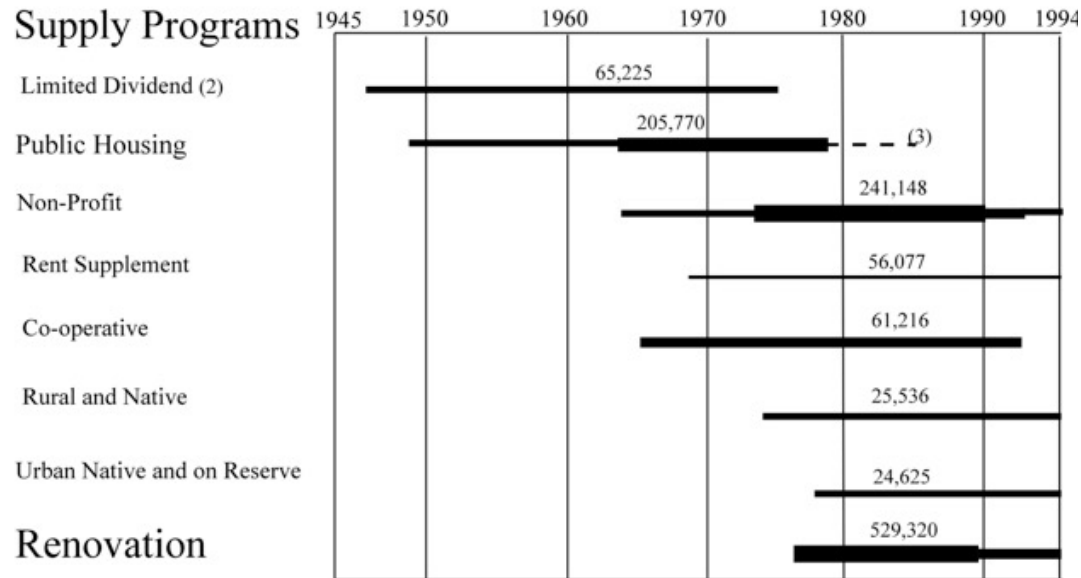
Broken promise of Chretien Liberal's to reinstate (1993 election) - instead pursued devolution and transfer agreements

The “Affordable Housing” era 2002-2019

- Federal re-engagement
 - 1999 National Homeless Strategy (later Homeless Partnership Strategy)
 - 2001 Affordable Housing Framework Agreement
- PT cost matching, modest in scale and scope
- No more RGI deep subsidy – replaced with upfront capital grants and targeted rents < 80% AMR (some PTs did add ongoing RGI subsidy)
 - Created 82,000 homes plus further 15,000 PT unilateral (BC/QC)
 - Few targeted RGI rents)mostly some version of “affordable”

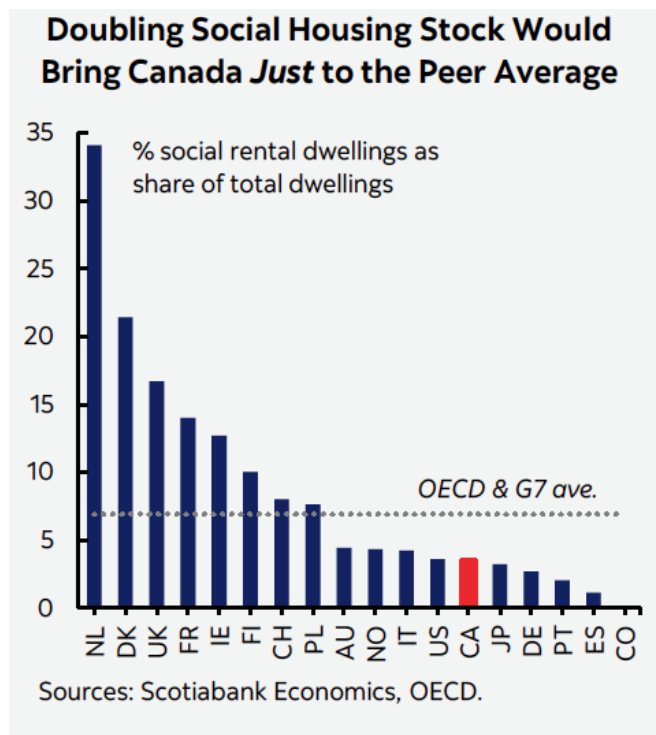
Program evolution by 1996 = 6% all housing

Evolution of Federal Social Housing Programs 1949-94 ⁽¹⁾



- Federal termination – effective Jan 1994 (Void to 2001)
- 1999 Re-entry via National Homeless Initiative/HPS (ongoing to 2014)
- 2001 reengage via AHP/IAH – primarily capital grants
- Housing Trusts 2006-2008
- Stimulus CEAP 2009-11

Relative scale of social housing can we grow to 10% all housing?



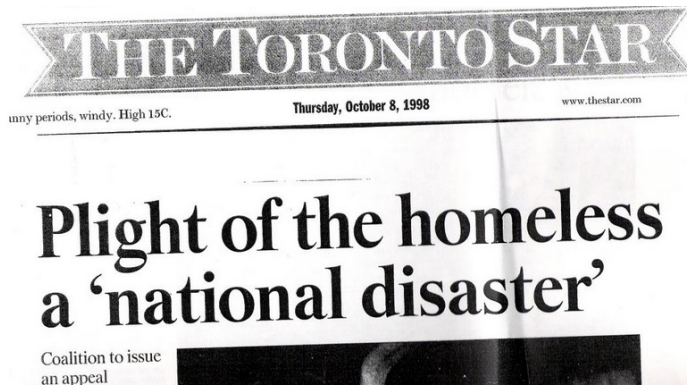
- Peaked at 6% 1996, but as overall stock grew relative size fell now 4.2%
- Very different contexts across OECD
- Canada not out of line re Anglo colonies
- Aspiration to double scale of non-market sector (to 10% all)

Advocating for a national strategy 1994-2015

The Rallying Cry

“We will end all new funding for social housing effective Dec 31st 1993”

Federal Budget Speech 1993



National Housing Day | Canadian Centre for Policy Alternatives
<https://www.policyalternatives.ca/publications/.../national-housing-day>

Nov 21, 2012 - Canada is the only country in the G8 that does not have a national housing strategy. ... While a long-term strategy remained out of sight, social housing ... agreements were about to expire starting in 1999 through to 2032.

Designing and implementing the NHS

- Initiated in Election Platform 2015
- Extensive consultations thru 2016-17
 - What we heard report Oct 2016
- Announced November 2017 as
 - “first ever... and largest ever... federal investment in affordable housing”
 - 10 year \$40 billion announcement
 - (now \$84Bill+)



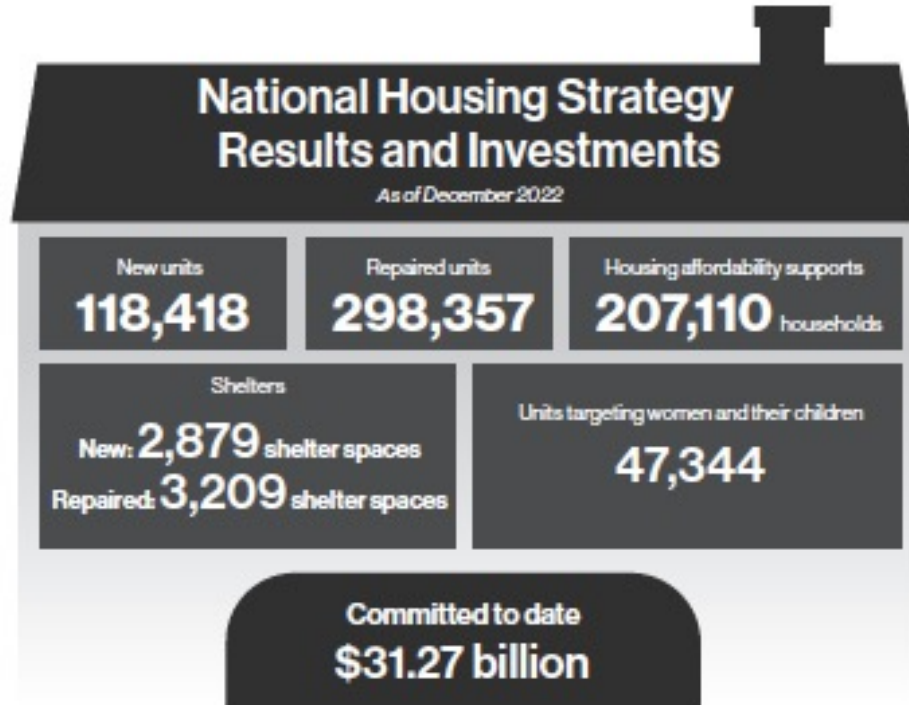
NHS Objectives and targets

- Two key objectives
 - Reduce renter housing need by 50%
 - Reduce chronic homelessness by 50% (now 100%)
- Series of targets related to
 - Preserving (affordability and condition) and expanding existing legacy stock
 - Building new affordable housing
 - Introduce new housing allowance (Canada Housing Benefit)
- Two delivery streams
 - Via Prov/terr bilateral agreements
 - Direct unilateral federal initiatives



Progress to date (as reported in Budget 2023)

Figure 1.1
National Housing Strategy Results and Investments



Assessment: Be careful what you wish for!

Avoid underfunded short-term initiatives

- ✓ Long term predictable funding
- ✓ Significant increase in quantum of funding (yes but... loans)

Return to/re-engage federal government

- No federal expertise of capacity to design/deliver
- Very slow and onerous application and processing – especially for federal unilateral programs
- Process and design precludes many of the smaller community-based providers and creates a bias in who gets funding (including a geographic bias favouring Ontario and larger usually municipal providers)

Overlooked and dismissed P/T capacity, programs and funding

Some critical issues

- Rhetoric and announcement focused on most vulnerable (although form of funding-loans inconsistent with that focus) while overlooking broader housing system weakness and challenges (excessive home price increases) and how to nurture a more-healthy housing system
- In implementation, focus has morphed more to market rental supply (RCFI now biggest funding element at \$25.25B) with poorly designed affordability requirement.
- Design of initiatives lacks deep RGI mechanisms of legacy era – now more general affordability and requires mixed income, less RGI
- New definitions of affordable – inconsistent and varied (RCFI, NHCF, MLI select)



Some critical issues (cont'd)

- Layering in other federal objectives (energy efficiency and accessibility requirements) creates challenges in retrofit projects
- Requirement for “co-funding” precludes many smaller groups, limits impact and distorts geographic allocation of funding
- Despite promise to develop a parallel indigenous housing strategy, (only now 5 years on announced in budget 2023 with implementation and investment deferred to 2024/25)
- No authority and programming to fund acquisitions and address damaging impacts of financialization and erosion of lower rent stock
- Underemphasized response to affordability issue (Canada Housing Benefit – insufficient quantum of funding)



Rethinking and redesigning the NHS

- Some key insights/lessons
 - Take a broad comprehensive perspective
 - Balance right to housing with need to strengthen housing system
 - Carefully assess nature of need (household and system) and use this evidence to design appropriate initiatives
 - Build on and augment strengths in existing eco-system
 - Transparently monitor and report on outcomes

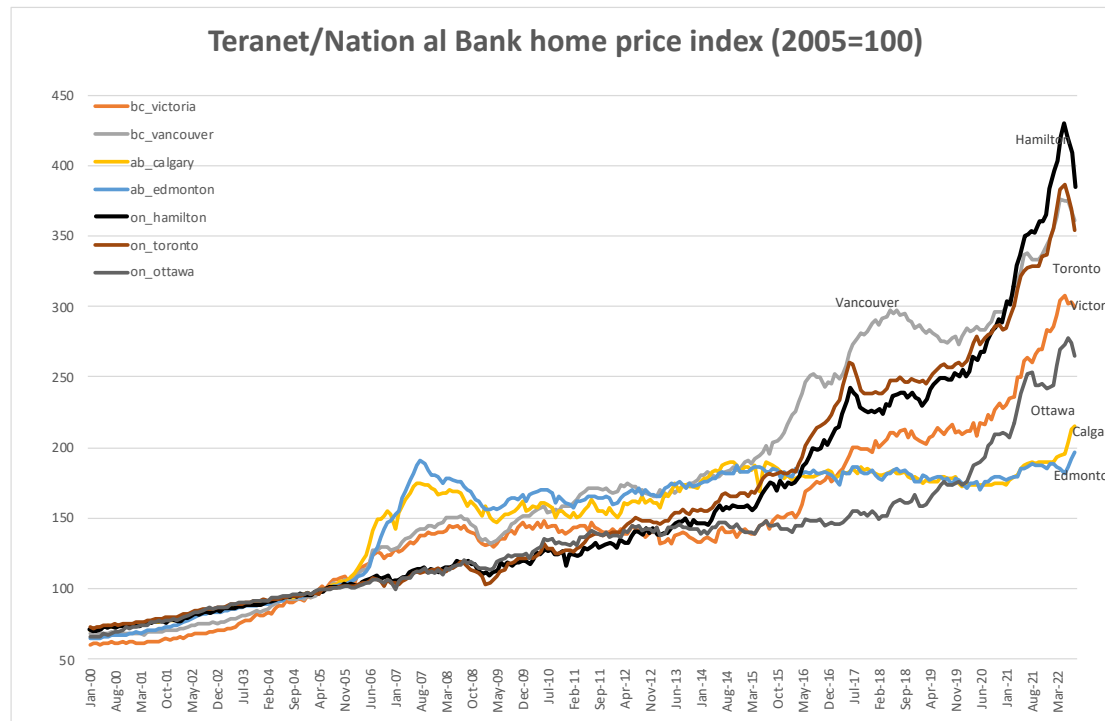


Review of critical issues in Canada's housing system

- Housing affordability
 - young generation cannot afford ownership
- Rapidly escalating rents and related affordability challenges
 - Exacerbated by erosion of lower rent stock (financialization)
- Persisting and growing homelessness
 - insufficient affordable housing and “economic homelessness”

Rising home prices and owner affordability

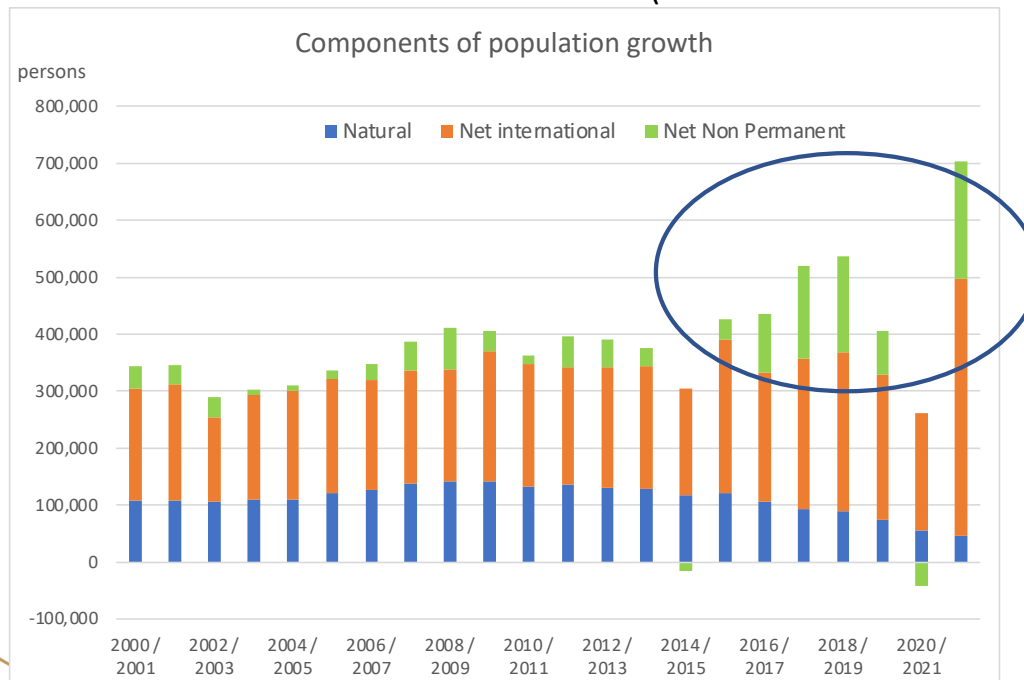
Hamilton fastest increase in Canada since 2015



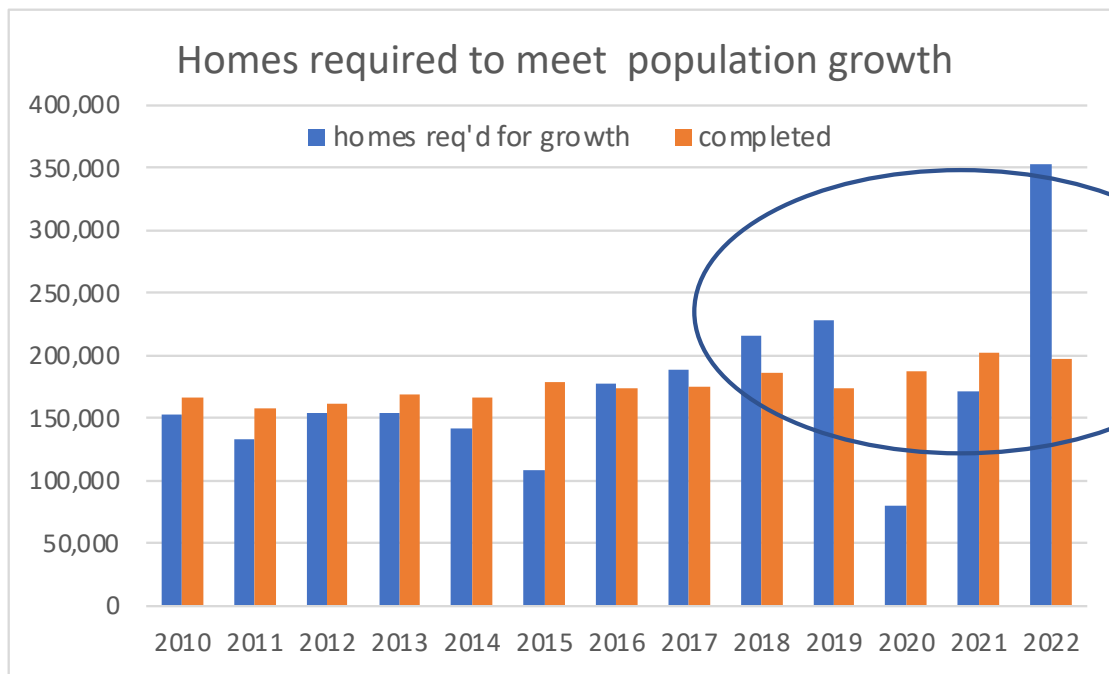
Key cause: increased demand after 2015

Demand increasing a lot

Note significance of international and NPR (= international students)

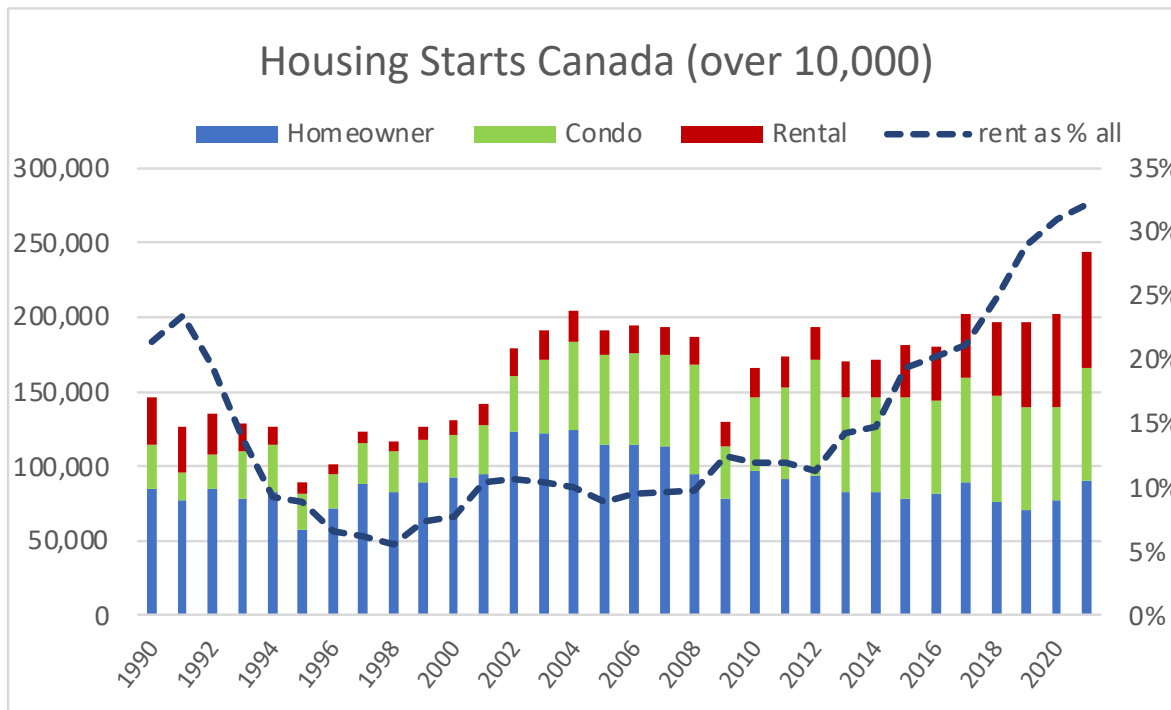


Recent shortage in new supply, vs pop growth; But larger cause of price escalation is low interest rates



Recall NPRs (students)
= rental pressure

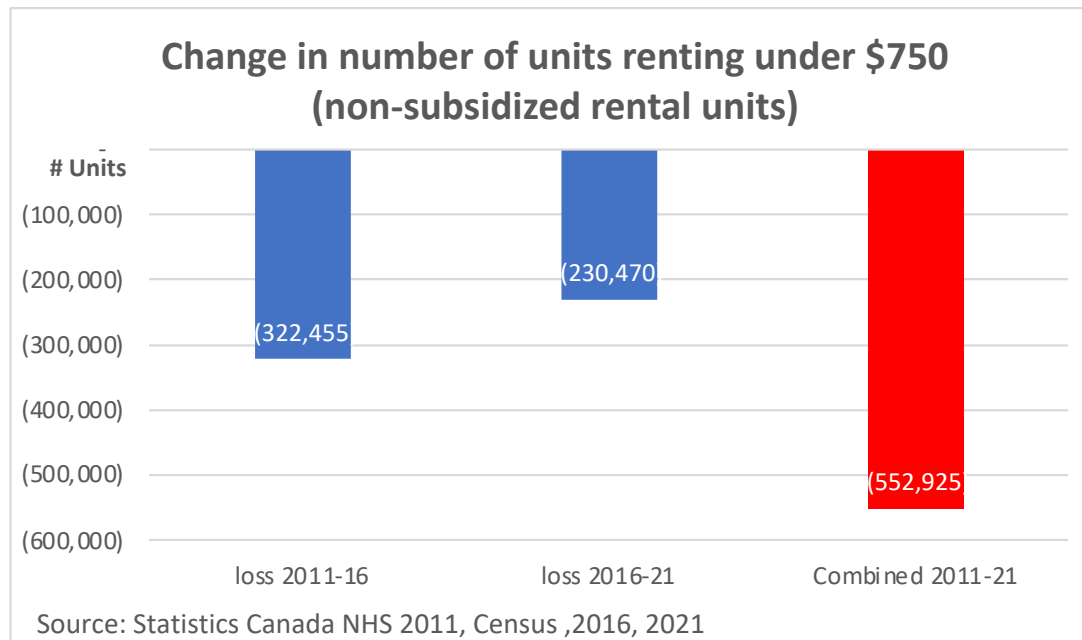
Low level of “purpose built” rental starts



32% households are renters. But 2 decades fewer than 5% new starts for rental; (bumped up in 2021/22)
 None of the new rental at affordable rents (except non-profits)
 Newly constructed rentals since 2016 average 144% of the AMR
 Moves into ownership 1996-2006 offset lack rental construction

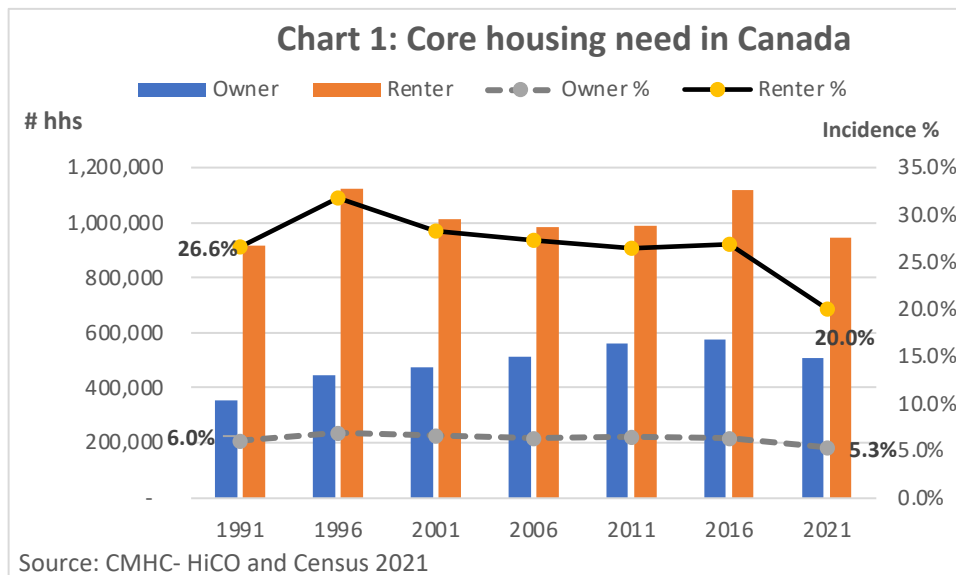
Erosion of lower rent stock

While not building enough – also losing affordable



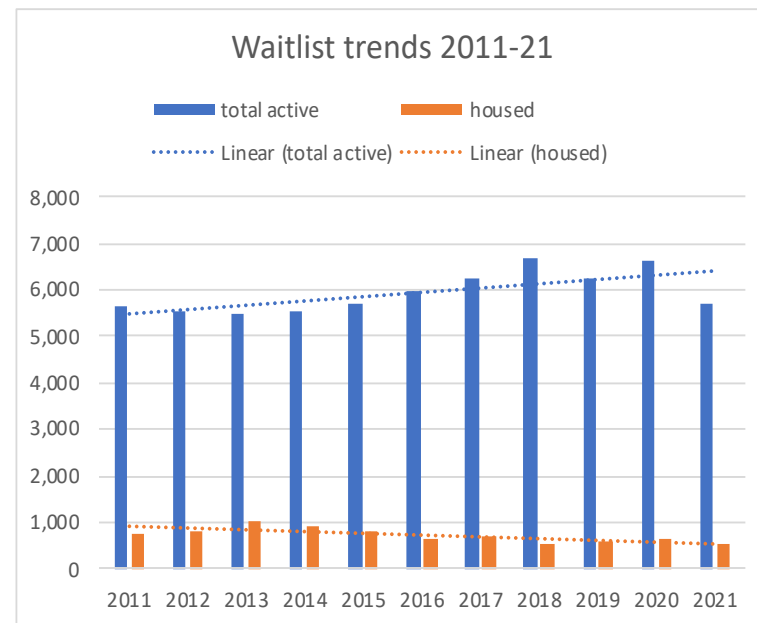
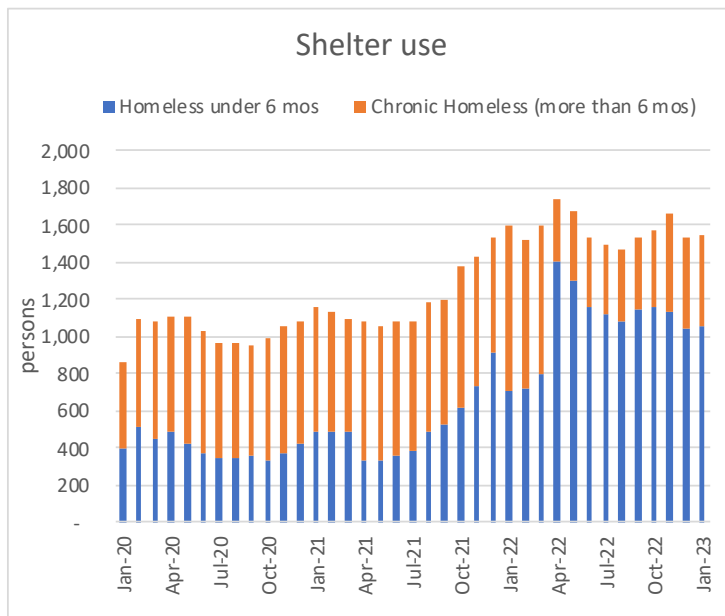
Compared to new affordable development: lost 12 for every 1 new affordable added!

2021 affordability and core housing need: Has improved – but has it?



- 2021 census data suggest substantial improvement in renter core housing need
 - Canada decline by 243,000 HH
 - Decline of 177,000 renters in need
- Statistical aberration (driven by pandemic wage subsidies)
- **BUT – reveals potential impact of income assistance/rental assistance to address sole issue of affordability**
- 89% in core need have ONLY affordability problem (live in adequate and suitable housing) – do we need to build them a house?

Homelessness and need persisting * (despite strong efforts and \$ to reduce) Is lack of low rent availability causing these trends?



*Illustrative City, but similar trend to many others

Insights for resetting NHS

- Recent and growing shortage of new home construction relative to pop growth
 - Need to expand overall supply
 - Long-term undersupply purpose built rental
- Erosion of existing lower rent units
- Excess pressure (new pop plus renters not accessing ownership) = low vacancies, rising rents – exacerbates affordability issues
- Minimal (insufficient) options for low income and those seeking to exit homelessness

Framing the solutions: three parallel approaches

Persisting homelessness:
develop comprehensive plan to maximize prevention and diversion and build permanent supportive housing for high need with goal to end chronic homelessness

Affordability:
lack of income vs cost of homes
= expand housing allowance
/rent supplement
and augment via acquisitions

Insufficient Supply:
Pipeline to expand in areas that require least amount of capital subsidy (students, intermediate market)

(Opportunistic use of affordable proactively pursue F/P program \$)

Implications for NHS

Prioritize ending homelessness (CAEH - HPHB)

(extends to helping those at risk, in core need)

- Maximize investment in prevention/diversion
 - slow/stop inflows into homelessness
- Use rental assistance to address short term emergencies and rapid rehouse Direct limited capital \$ to build new permanent supportive and affordable (and max use RHI)
 - (and redeploy existing support \$ from shelters)

Implications for NHS

Address affordability by augmenting income

- Substantially expand and enhance demand side rental assistance (CHB?) for 90% renters in core need with only affordability problem
- Examine and reform historic minimal rents for income assistance recipients in social housing (housing budget should not cross-subsidize inadequate welfare benefits)
- Strengthen and target counselling and support for financial literacy, improving labour market skills and potential – help folks earn more \$ so they can better afford housing & become self-sufficient
- **INCOME ASSISTANCE IS HOUSING ASSISTANCE**

Implications for NHS – growing the NP sector

Strategic and opportunistic new builds and growth of non-market sector via acquisitions

(recognizes limited and insufficient capital subsidy and high cost per unit if deep affordable)

- Consider and include elements directed to the market part of the system that require little, or no subsidy? – Potential roles for community partners?
 - Affordable ownership
 - Intermediate rental
 - Student housing (to avoid displacement effect)
- Slow or manage erosion issue
 - Role of NP in acquisition of existing moderate market

Observation on the Right to Housing

To be adequate, housing must include the following:

- Legal protections against forced evictions and harassment;
- Availability of essential services and infrastructure such as clean water and energy for cooking and heating;
- Habitability, meaning the housing offers protection from the elements ,disease and other factors which could impact one's health; and
- **Affordability, defined so that 'the attainment and satisfaction of other basic needs are not threatened or compromised'**

(Committee on Economic, Social and Cultural Rights, 1991, para. 11).

Is this asking too much from housing?

Parting thoughts

- “Insanity is doing the same thing over and over and expecting different results.”
- Legacy approach depending almost entirely on supply approaches
- We can’t build our way out of a homeless and affordability problem, so need to broaden and change approaches, including income/rental assistance
- Outcome measure: how many people (households) are assisted versus how many homes are built
- But a good goal is to grow the scale and scope of non-market sector to 10% of all housing (from current 4%)

Thank you!

- Additional background reports available at
- www.focus-consult.com
- and
- <https://chec-ccrl.ca/>
- Email: steve@focus-consult.com
- Phone 613-799-3104



About the McMaster Canadian Housing Evidence Collaborative (CHEC)

- CHEC is the lead central coordinating hub of a joint initiative between CMHC and the Social Sciences and Humanities Research Council or SSHRC - the Collaborative Housing Research Network (CHRN)
- The Collaborative Housing Research Network is an independent, Canada-wide collaboration of academics and community partners. It's focused on holistic research of housing conditions, needs and outcomes in support of the priority areas of the National Housing Strategy.
- The Collaborative Housing Research Network provides objective, recognized, and high-quality research that can support housing policy decision-making and inform future program development.
- **CHEC's mission is to accelerate evidence-based solutions that advance Canada's National Housing Strategy to ensure every Canadian has "housing that meets their needs and that they can afford".**

