

Recommendations on the Financialization of purpose-built rental housing

Submission to the National Housing Council

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Thank you for the opportunity to provide a submission on the financialization of purpose-built rental housing. In our submission, we use the National Housing Council's definition of "the growing dominance of financial actors in the housing sector, which is transforming the main function of housing from a place to live into a financial asset and a tool for investor profits," while noting that **financialization is exacerbated by a critical affordable housing shortage, and we need both private and public investment to address this shortage.**

Fortunately, Canada is a rich country. Its GDP in 2021 was over \$1.7 trillion¹, and as we'll discuss below, many nations spend 0.5-1.5% of GDP on housing (in Canada, that would be an annual expenditure of \$35-70 billion). The market value of employer pension funds alone in Canada in 2022 was \$2.1 trillion, with public sector funds performing better than private sector.² In this submission, we will discuss transforming regulations to use this wealth to level the playing field between those who have gained windfall wealth from property speculation, including homeowners, and those who rent.

The Housing Assessment Resource Tool project (HART) is funded by the Canada Mortgage and Housing Corporation (CMHC) to research data-based solutions to Canada's housing crisis. The goal of the HART project is to develop standardized, replicable, and equity-focused tools, along with associated public information and training, to improve the quality of housing supply decision-making at all levels of government across Canada. In this submission, we will primarily discuss on our housing need assessment tool, but we are also working with all three levels of government on assessing government land for non-profit housing and assembling best practices on property acquisitions to maintain affordability.

Our comments will address:

1. The scale and nature of housing need in Canada, and the impossibility of relying solely on a private rental sector response to address this crisis;
2. Non-profit housing as a protective factor in avoiding evictions and other violations of renter rights exacerbated by financialization;
3. International best practice in combatting financialization of purpose-built rental through supporting non-profit supply, and lessons for a federally-led response.

¹ Statistics Canada. (2022). *Gross domestic product, expenditure-based, provincial and territorial, annual (x 1,000,000)*. Retrieved from <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610022201>

² Statistics Canada. (2023). *Employer pension plans (trusteed pension funds), third quarter 2022*. Retrieved from <https://www150.statcan.gc.ca/n1/daily-quotidien/230315/dq230315b-eng.htm>

The Scale and Nature of Affordable Housing Need in Canada

The National Housing Strategy (2018-28) has two headline goals: reduce core housing need by 530,000 households by 2028³, and end chronic homelessness by 2030⁴.

According to the CMHC:

A household is in core housing need if its housing does not meet one or more of the adequacy, suitability or affordability standards and it would have to spend 30% or more of its before-tax income to pay the median rent (including utility costs) of alternative local market housing that meets all three standards.

While chronic homelessness:

Refers to individuals, often with disabling conditions (e.g. chronic physical or mental illness, substance abuse problems), who are currently homeless and have been homeless for six months or more in the past year (i.e. have spent more than 180 cumulative nights in a shelter or place not fit for human habitation).⁵

HART's Housing Need Assessment Tool follows US best practice⁶ as well as CMHC practice⁷ in assigning income categories to assess affordable housing need. In doing so, we adhere to the **international standard definition of affordability, which is 30% of before-tax household income**⁸. The US calculates maximum 'fair rents', based on median metropolitan household income, for each income category, while the CMHC has traditionally focused on the lowest two national income quintiles, which it calls 'low' and 'moderate' income (Table 1).

³ Government of Canada. (2018). *Canada's National Housing Strategy: a place to call home*. Ottawa: Government of Canada Retrieved from <https://epndscrmssa01.blob.core.windows.net/cmhcprodcontainer/sf/project/placetocallhome/pdfs/canada-national-housing-strategy.pdf>

⁴ Government of Canada. (2020). *A Stronger and More Resilient Canada: Speech from the Throne to open the second session of the forty-third Parliament of Canada*. Retrieved from https://www.canada.ca/content/dam/pco-bcp/documents/pm/SFT_2020_EN_WEB.pdf

⁵ Canada Mortgage and Housing Corporation. (2023). *The National Housing Strategy Glossary of Common Terms*. Retrieved from <https://www.cmhc-schl.gc.ca/en/nhs/guidepage-strategy/glossary>

⁶ Office of Research and Policy Development, Housing and Urban Development (US Government). (2023). *Income Limits*. Retrieved from <https://www.huduser.gov/Portal/datasets/il.html>

⁷ Canada Mortgage and Housing Corporation. (2021). *Labour Market Outcomes and Incomes of Households in Core Housing Need*. Retrieved from <https://assets.cmhc-schl.gc.ca/sites/cmhc/professional/housing-markets-data-and-research/housing-research/research-reports/housing-needs/labour-market-outcomes-incomes-households-core-housing-need/socio-eco-labour-market-outcomes-incomes-households-chn-69763-en.pdf?rev=31efa84c-ec6b-4559-bf33-1ea48e9b06ea>

⁸ Organization of Economic Cooperation and Development. (2021). *OECD Affordable Housing Database: Overview of Affordable Housing Indicators*. Retrieved from <https://www.oecd.org/els/family/HC1-5%20Overview%20of%20affordable%20housing%20indicators.pdf>

Table 1. HART income categories

Income category	% of median income	Typical Income source	CMHC income quintile equivalent
Very low income	0-20%	Fixed income such as social assistance, pension	Low (1 st quintile)
Low income	21-50%	Minimum wage	Low (1 st quintile)
Moderate income	51-80%	Starting salary for professional such as nurse, teacher, construction worker	Moderate (2 nd quintile)
Median income	81-120%	Mid-range salary	Median (3 rd quintile)
Higher income	121+%	Higher-range salary	4 th and 5 th quintile

The 2021 census was enumerated in May 2020, when at least 250,000 very low-income households were temporarily lifted from core housing need because of a short-term ‘income bump’ related to the temporary measures such as the Canada Emergency Response Benefit⁹ (Figure 1). It thus represents a **significant underestimation** of census-derived core housing need.

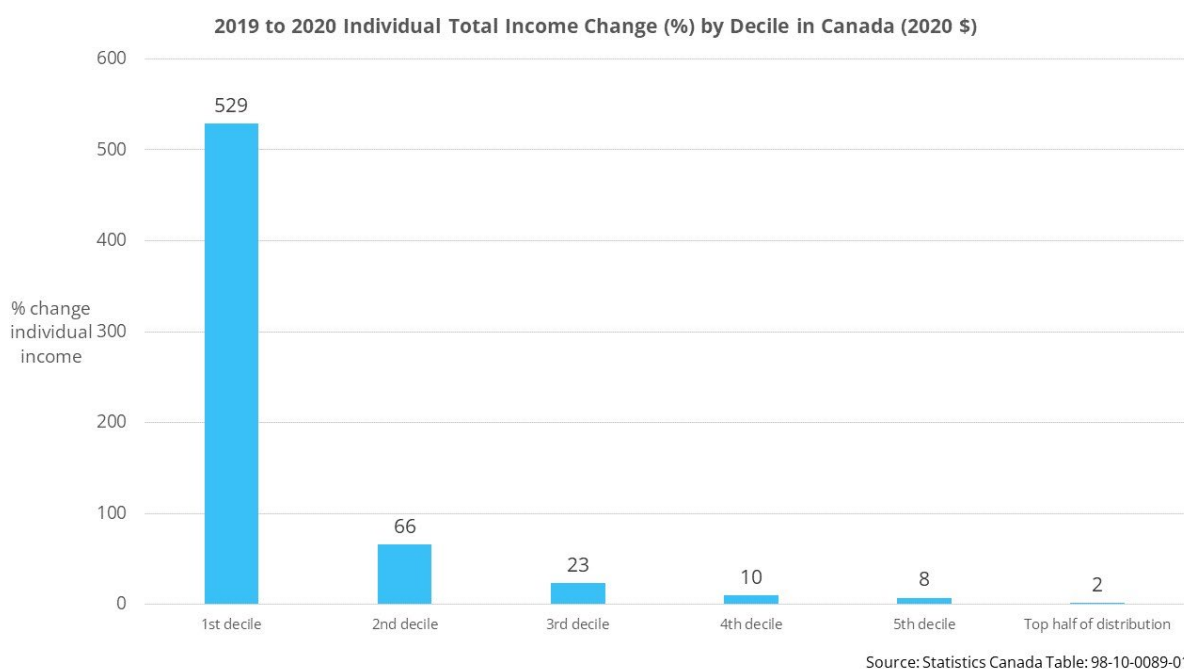


Figure 1. Percentage change in individual total income between 2019 and 2020 by income decile (HART 2023, based on Statistics Canada data)

⁹ Statistics Canada. (2022). *To buy or to rent: The housing market continues to be reshaped by several factors as Canadians search for an affordable place to call home*. Retrieved from <https://www150.statcan.gc.ca/n1/daily-quotidien/220921/dq220921b-eng.htm>

Even with CERB and other temporary income relief measures lifting many households out of deep poverty, 69% of very low-income households were in core housing need in 2021, with almost 200,000 households (Table 2) unable to afford more than \$420/month rent. There is no province or territory where welfare rates pay enough to afford even the least expensive private market room, let alone apartment, in any major city in Canada.¹⁰

We wish to stress the magnitude of aggregate affordable supply shortages. Almost 80% of households in core housing need are very low or low-income, a total of 1,120,000 households who can afford no more than \$1,050/month in rent. There are statistically zero apartments available in Toronto, Hamilton, and Ottawa at that price and only 1% of available apartments in Vancouver and Victoria meet the needs of the majority of those in core housing need.¹¹ Only three of the 27 most populous cities in Canada have sufficient rental housing to allow a household reliant on one full time minimum wage earner to afford a one-bedroom apartment, all in Québec. In Vancouver, Toronto, Kelowna, Victoria, Ottawa, and Halifax, two full time minimum wage workers can't afford a one-bedroom apartment.¹²

Table 2. Percent of households by income category 2021, with max income and shelter costs by national averages (HART analysis 2023 based on 2021 Canadian census)

Income category	% households	# households	Max income \$	Max shelter cost \$	% in CHN	# in CHN
Very low (0-20% median)	2	300,000	18,600	420	69	199,613
Low (21-50%)	18	2,700,000	42,000	1,050	37	921,093
Moderate (51-80%)	19	2,850,000	67,200	1,680	11	293,685
Median (81-120%)	21	3,150,000	100,800	2,520	1	35,260
Higher (121+%)	40	6,000,000	n/a	n/a	0	1,435
Total	100	15,000,000				1,451,030

Focusing on **1.1 million very low- and low-income households in core housing need** only tells part of the picture of missing housing supply at a price point of \$1,050 or less per month. The Statistics Canada definition of core housing need excludes people in 'non-private' households. This includes unsheltered people and those in emergency and transitional (non-permanent) housing as well as those in congregate housing (including those in rooming houses, student residences, long-term care

¹⁰ Laidley, Jennefer, & Tabbara, Mohy. (2023). *Welfare in Canada 2022*. Retrieved from Toronto: Maytree Foundation https://maytree.com/wp-content/uploads/Welfare_in_Canada_2022.pdf; Rentals.ca. (2023). *Rentals.ca July 2023 Rent Report*. Retrieved from <https://rentals.ca/national-rent-report>

¹¹ Canada Mortgage and Housing Corporation. (2023). *Rental Market Report January 2023*. Retrieved from <https://assets.cmhc-schl.gc.ca/sites/cmhc/professional/housing-markets-data-and-research/market-reports/rental-market-report/rental-market-report-2022-en.pdf?rev=ff8ebfd2-961f-4589-8ae2-fac01d1aedac>

¹² Macdonald, David, & Tranjan, Ricardo. (2023). *Rental Wages in Canada 2022*. Retrieved from Ottawa: <https://policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2023/07/cant-afford-the-rent.pdf>

homes, and in health and correctional institutions). It excludes all students: “Non-family households with at least one maintainer aged 15 to 29 attending school are considered not to be in 'Core housing need' regardless of their housing circumstances. Attending school is considered a transitional phase, and low incomes earned by student households are viewed as being a temporary condition”.¹³

In Canada, **this represents a deficit of at least 1.6 million additional households** (mostly one-person households), most of whom require housing at less than \$420/month and the rest of whom require housing at less than \$1,050 per month (Table 3).

Table 3. Households in housing need who are excluded from current Statistics Canada definition of core housing need

Excluded Population	Estimated Number	Income category	Notes
Homeless	35,000-235,000 ¹⁴	Very low	35,000 on a given night in 55 of 725 municipalities with a population of over 5,000, 100% in inadequate conditions
Students	1,430,000 ¹⁵	Very Low-Low	2.2 million students, including temporary visa holders, only 35% of whom live with parents, many in inadequate conditions (unaffordable, overcrowded) ¹⁶
Congregate Housing	700,000 ¹⁷	Very Low	Group Homes, Health and Correctional Institutions, Long-Term Care – most have disabilities (mental, addictions, cognitive, etc.) – most in inadequate conditions (overcrowded, poor repair)
Farm Workers	70,365 ¹⁸	Very Low-Low	mostly Temporary Visa Workers, majority in inadequate conditions (overcrowded, poor repair) ¹⁹
Total	1,605,000-1,805,000		

¹³ Statistics Canada. (2017). Core housing need, 2016 Census. Retrieved from

<https://www12.statcan.gc.ca/census-recensement/2016/dp-pd/chn-biml/index-eng.cfm>

¹⁴ Infrastructure Canada. (2023). *Everyone Counts 2020-2022: Preliminary Highlights Report*. Retrieved from <https://www.infrastructure.gc.ca/homelessness-sans-abri/reports-rapports/pit-counts-dp-2020-2022-highlights-eng.html>

¹⁵ Statistics Canada. (2022). *Canadian postsecondary enrolments and graduates, 2020/2021*. Retrieved from <https://www150.statcan.gc.ca/n1/daily-quotidien/221122/dq221122e-eng.htm>

¹⁶ Tuey, Catherine, & Bastien, Nicolas. (2023). *Study: Non-permanent residents in Canada: Portrait of a growing population from the 2021 Census*. Retrieved from Ottawa: Statistics Canada <https://www150.statcan.gc.ca/n1/en/pub/75-006-x/2023001/article/00006-eng.pdf?st=t7yVYpRB>

¹⁷ Live Work Well Research Centre University of Guelph. (2021). *COVID's impact on people with disabilities in Canada: Impacts on Housing and Congregate Living*. Retrieved from https://liveworkwell.ca/sites/default/files/pageuploads/FS05_Impacts%20on%20housing%20and%20congregate%20living_AODA_protected.pdf

¹⁸ Statistics Canada. (2023). *Temporary foreign workers in the agriculture and agri-food sectors, by industry*. Retrieved from <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3210021801>

¹⁹ Centre for Equality Rights in Accommodation. (2022). *Older Persons Living in Long-Term Care Homes and the Right to Adequate Housing in Canada*. Retrieved from <https://www.ohchr.org/sites/default/files/documents/issues/olderpersons/2022-report-right-housing/ngos-csos/2022-08-03/submissions-older-persons-right-to-adequate-housing-CERA-en.pdf>; Live Work Well (2021); Goldstein, Melissa. (2020). *Fixing the Leaky Bucket: A Comprehensive Policy & Program Framework to Preserve Toronto's Supply of Deeply Affordable Housing*. Retrieved from Toronto: http://pnlt.ca/wp-content/uploads/2020/10/Fixing-The-Leaky-Bucket_Full-Report_V1.pdf

Adding these two populations up results in a deficit of at least 2.7 million very-low and low-income households, whose needs are not being met by market housing.

The unmet need for affordable housing also extends to moderate and median-income households. Aside from 329,000 moderate and median-income households who are in core housing need, a good federal needs assessment would include suppressed household formation: the growing number of people involuntarily living with family and room-mates because of absence of affordable well-located homes.²⁰ It would also include suppressed local demand, households “driving until they qualify” for suitably sized affordable homes, especially in BC and Ontario.²¹ **Studies that include these two factors suggest an additional deficit of at least 1.3 million moderate- and median-income well-located homes.**

That’s a total deficit of four million homes affordable to very-low to median-income households, even before net loss of affordable housing and population growth through immigration is accounted for.

Despite clear evidence as to who needs affordable housing most, the federal government provides absolutely no data on affordable housing completions by income category or price point, including from its \$89 billion *National Housing Strategy*²². It also doesn’t track net loss of affordable housing at this price point (adjusted for inflation), or future population needs by income category, household size, or priority populations. There is sometimes federal data on ‘starts’ or ‘contributions’, but people cannot live in housing starts, only in completed homes. We simply do not know how the *National Housing Strategy* is performing in relation to a “focus on improving housing outcomes for persons in greatest need”, as outlined in the National Housing Strategy Act,²³ a point that has been made in multiple recent federal studies.²⁴

What we do know is that the private development sector is not producing new homes at these price points and except for the Rapid Housing Initiative, the federal government is not supporting production of non-market homes at that price point. The Rapid Housing Initiative is not a continuing

²⁰ Moffatt, Mike, Dudu, Alison, & Hosseini, Maryam. (2022). *Ontario's Need for 1.5 Million More Homes*. Retrieved from Ottawa: Smart Prosperity Institute <https://institute.smartprosperity.ca/sites/default/files/Ontario%27s%20Need%20for%201.5m%20More%20Homes-SPI%20August%202022.pdf>; von Bergmann, Jens, & Lauster, Nathanael. (2022). Still Short: Suppressed households in 2021. Retrieved from <https://doodles.mountainmath.ca/blog/2022/10/03/still-short-suppressed-households-in-2021/>

²¹ Moffatt, Mike. (2021). *Baby Needs a New Home: Projecting Ontario's growing number of families and their housing needs* Retrieved from Ottawa: Smart Prosperity Institute <https://institute.smartprosperity.ca/sites/default/files/Baby-Needs-a-New-Home-Oct-1.pdf>

²² Parliamentary Budget Office. (2023). *Federal Program Spending on Housing in 2022*. Retrieved from <https://distribution-a617274656661637473.pbo-dpb.ca/2bde3f9189ca47e9fa2aaaf0fd141a1561e77b5c5d724f8f0c4ee41e329be0c8>

²³ Government of Canada. (2019). *National Housing Strategy Act*. Retrieved from <https://laws-lois.justice.gc.ca/eng/acts/N-11.2/FullText.html>

²⁴ See for instance: Standing Committee on Human Resources Skills and Social Development and the Status of Persons with Disabilities. (2023). *National Housing Strategy*. Retrieved from <https://www.ourcommons.ca/DocumentViewer/en/44-1/HUMA/report-11/>; Blueprint. (2022). *Analysis of Affordable Housing Supply Created by Unilateral National Housing Strategy Programs*. Retrieved from <https://assets.cmhc-schl.gc.ca/sites/place-to-call-home/pdfs/analysis-affordable-housing-supply-created-unilateral-nhs-programs-en.pdf>; Auditor General of Canada. (2022). *Chronic Homelessness*. Retrieved from https://www.oag-bvg.gc.ca/internet/English/parl_oag_202211_05_e_44151.html.

program, and it represents only \$3.5 billion of the \$89 billion being spent as part of the National Housing Strategy. As a key factor in addressing the impacts of financialization, affordable non-market supply must be scaled up.

Furthermore, all signs point to the huge net loss of inexpensive rental homes that has occurred since 2011 continuing under the National Housing Strategy. Steve Pomeroy has calculated that 552,000 homes renting at \$750 or less have been lost in Canada between 2011-2021, and higher-rent cities like Vancouver, Toronto, Ottawa, and Hamilton have lost much of their stock renting at between \$750 and \$1000.²⁵ Simultaneously, the end of operating agreements has caused a 183,019 (42%) reduction in the number of low-income non-market homes²⁶, many of which have been sold to private market providers or had rents increased so that they are out of reach of low-income households.²⁷ Finally, the largest stock of low-cost private market homes, at least 700,000 rental units in high-rise apartment towers, are in immediate threat of being lost because of long-overdue repairs and the need to upgrade these buildings to reduce GHG emissions.²⁸

To conclude, Canada needs rights-based targets to enable at least four million new and acquired low-cost homes renting at less than \$1,050/month (adjusted for inflation in coming years) to end homelessness and address core housing need, considering the three factors of deficit, net loss, and population growth. Canadians also need at least two million homes renting at between \$1,050 to \$2,500/month to address supply shortages for moderate- and median-income households.

Non-Profit Housing as a Protective Factor for Financialization

Scaling up non-profit housing is important to address financialization, **for reasons of tenure security as well as affordability**. A recent report on evictions across Canada²⁹ found that 5.9% of renters were forced to move in the five years between the 2016 and 2021 census, with a much higher rate (10.5%) in BC. Eighty-five percent of evictions in BC, and 65% nationally, are ‘no fault’ evictions, that is, caused by the landlord wanting to sell the property, use it for themselves, renovate, repair, or demolish it. Only about one in 20 evictions were caused by late or non-payment of rent, and only two in ten nationally were caused by other reasons related to tenant behaviour. Most evictions are because of rental property sales, owners wanting secondary rentals to live in, renovation and demolition. Among purpose-built rental housing, about 20% of units in Canada are owned by financial

²⁵ Pomeroy, Steve. (2022). *Updating analysis on erosion of lower rent stock from 2021 census*. Retrieved from <https://chec-ccl.ca/wp-content/uploads/2022/10/Updated-Analysis-on-Housing-Erosion-from-2021-Census-Steve-Pomeroy.pdf>

²⁶ Segel-Brown, Ben. (2021). *Federal Program Spending on Housing Affordability in 2021*. Retrieved from Ottawa: <https://distribution-a617274656661637473.pbo-dpb.ca/c14c97d8ca19d3036782918415de2bd3c976a66ed53e0030daf83b206c8d36e1>

²⁷ Deng, Aijia, Leviten-Reid, Catherine, & Thériault, Luc. (2023). Can They Build or Not? Nonprofit Housing Development in an Era of Government Re-Engagement. *Canadian Journal of Nonprofit and Social Economy Research* 14(1), 39-55. doi:10.29173/cjnser586

²⁸ Tower Renewal Partnership. (2020). *Supporting Canada's Climate Resilience, Housing Affordability and Economic Recovery Through Deep Retrofit and Housing Renewal*. Retrieved from http://towerrenewal.com/wp-content/uploads/2020/07/20200629_Recommendations-Primer.pdf

²⁹ Xuereb, Silas, & Jones, Craig. (2023). *Estimating No-Fault Evictions in Canada: Understanding BC's Disproportionate Eviction Rate in the 2021 Canadian Housing Survey*. Retrieved from Vancouver: https://housingresearch.ubc.ca/sites/default/files/2023-05/estimating_no_fault_evictions_in_canada_0_2.pdf

firms. Among houses and condominiums, about one in five are owned by investors (those who own at least one property that is not their primary residence). Landlords whose primary purpose is to make a profit rather than to maintain a property may be more likely to evict tenants. Canada is an international leader in eviction rates, trailing only the US among 20 OECD countries.

The same study found that the five-year eviction rate was 2.5 times lower for households with co-operative, non-profit, government, or other non-market landlords. This may be due to housing being provided at lower rents, meaning tenants are at reduced risk of rent arrears. Mission-oriented housing providers may also engage in a range of practices to reduce the risk of falling behind on rent and evictions and are less likely to evict as the process of demolition or renovation.

It is thus essential that federal measures to scale up non-market and private sector housing – tax concessions, recommended zoning and building code changes, land and low-cost financing as part of enabling new non-market housing³⁰ – be accompanied by conditions related to affordability, accessibility, and low GHG emissions. As the recent ‘accord’ created by both non-profit and private developers notes, CHHC’s MLI Select provides a precedent for linking reduced mortgage insurance premiums for these three conditions.³¹ What is needed is a consistent definition of affordability by income category- related to these concessions.

International Best Practice in Redressing Financialization

Six million affordable homes in a decade may sound like an impossible goal. But Sweden enabled one million mostly non-market homes between 1965 and 1974 when it was much poorer as a nation than Canada today³². Equivalized to Canada’s current population, that would be six million new homes in a decade, with at least four million of those homes low-cost. Singapore built 147,000 new public homes over the decade following independence, when it was a very poor fledgling state – again, the equivalent of six million homes today in Canada. This not only transformed the nation into an economic powerhouse but forms the basis for its successful housing system today³³. In both cases, there were four elements in success: (1) income and size-based targets informing coordinated government-industry policy; (2) acquisition and leasing of free government land; (3) effective low-cost, long-term conditional finance; (4) an industrialized building process which led to innovative new construction technologies.

The OECD separately calculates spending on social non-market housing through three mechanisms: (1) direct spend on creating non-market housing; (2) housing benefits or allowances; (3) renovation. In 2020-21, most industrialized OECD countries spent between 0.5-1.5% of GDP on non-market housing through some combination of these three mechanisms (Figure 2-4). In contrast, Canada

³⁰ Canadian Alliance to End Homelessness, Place Centre, Smart Prosperity Institute, & REALPAC. (2023). *The National Housing Accord: A Multi-Sector Approach to Ending Canada’s Rental Housing Crisis*. Retrieved from <https://www.nationalhousingaccord.ca/>

³¹ Canada Mortgage and Housing Corporation. (2023). MLI Select. Retrieved from <https://www.cmhc-schl.gc.ca/professionals/project-funding-and-mortgage-financing/mortgage-loan-insurance/multi-unit-insurance/mliselect>

³² Turner Center for Housing Innovation University of California Berkeley. (2017). *Housing in Sweden: An Overview*. Retrieved from https://turnercenter.berkeley.edu/wp-content/uploads/2020/11/Swedish_Housing_System_Memo.pdf

³³ Jha, Abhas. (2018, January 31). “But what about Singapore?” Lessons from the best public housing program in the world. *World Bank Blogs*. Retrieved from <https://blogs.worldbank.org/sustainablecities/what-about-singapore-lessons-best-public-housing-program-world>

spends between 0.1-0.2% of GDP on all subsidized housing, with the majority on unaffordable market housing (Figure 5). Even if provincial and municipal government expenditure was included (as it should be in a national policy), this quantum would not be enough to redress three decades of under-investment in the non-market housing so necessary to ending homelessness and core housing need, even if it was focused (as it should be) on those most in need. A starting point would be doubling the non-market rental stock to the OECD average of 7% (Figure 6).

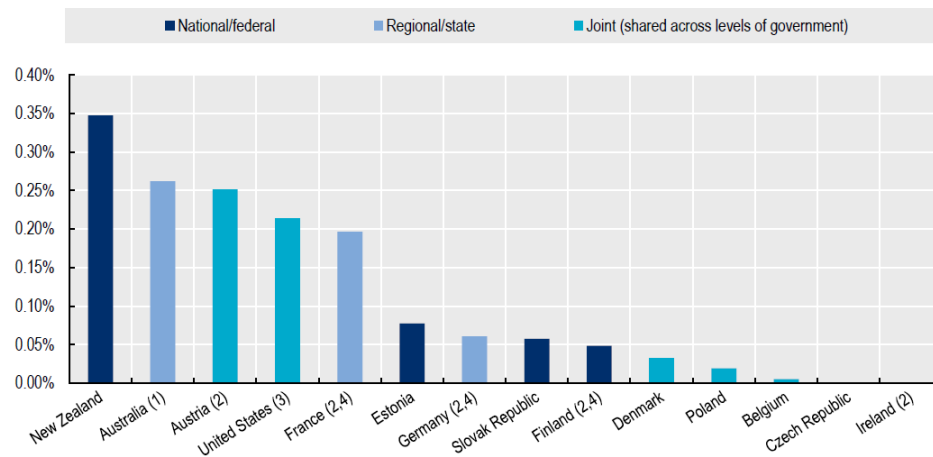


Figure 2. Selected OECD countries' share of GDP on non-market housing development³⁴

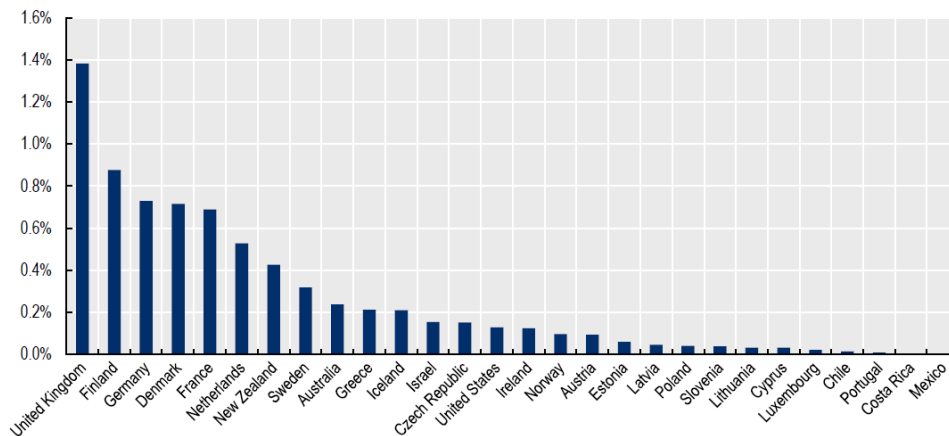


Figure 3. Selected OECD countries' share of GDP on housing allowances (ibid)

³⁴ Organization of Economic Cooperation and Development. (2021). *OECD Affordable Housing Database*. Retrieved <https://www.oecd.org/housing/data/affordable-housing-database/>

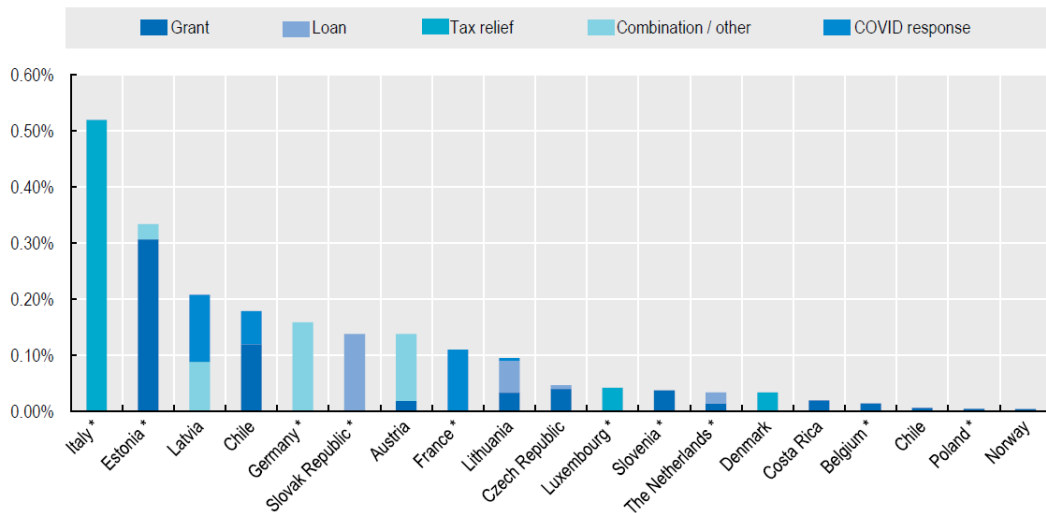


Figure 4. Selected OECD countries' share of GDP on renovations, energy retrofits (ibid)

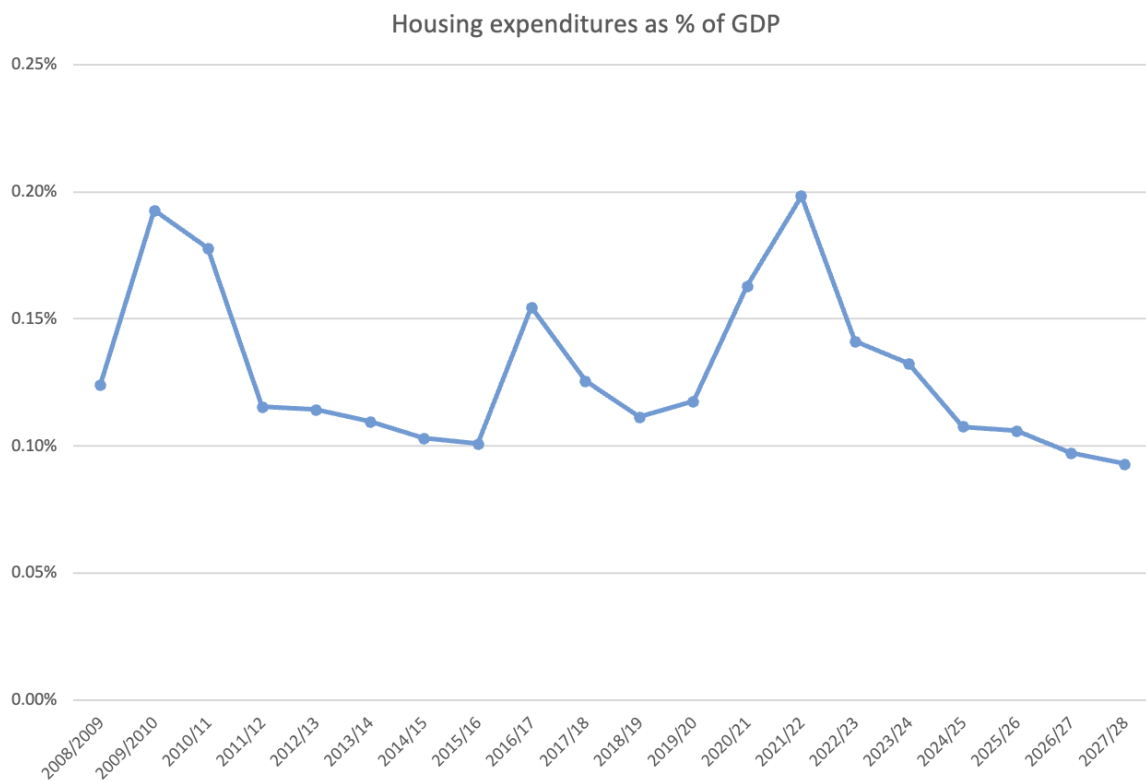


Figure 5. Total federal housing expenditures, 2008-2028 (projected as of 2019)³⁵

³⁵ Segel-Brown, Ben. (2019). *Federal Program Spending on Housing Affordability*. Retrieved from Ottawa: https://www.pbo-dpb.gc.ca/web/default/files/Documents/Reports/2019/Housing_Affordability/Federal%20Spending%20on%20Housing%20Affordability%20EN.pdf

Social Rental Housing Stock

Social rental dwellings as share of total dwellings, 2020 or l...

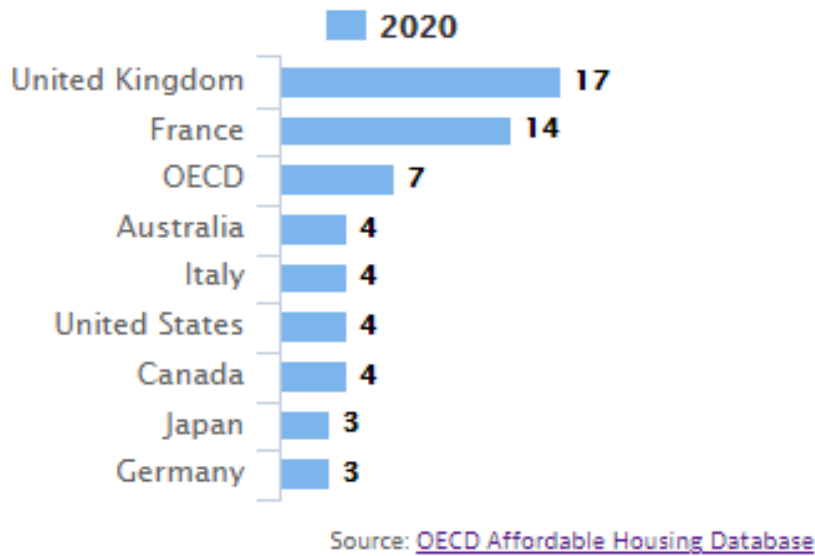


Figure 6. Social Housing Rental Stock (see source of Figures 2-4)

How are other countries doing better? France, which requires every municipality to have a minimum of 25% non-market housing (with more expensive cities like Paris required to have a minimum of 30% non-market housing), finances homes through a federal retirement savings bank and an employer surtax³⁶. Finland, which has eradicated chronic homelessness over 15 years of a Housing First policy, finances deeply affordable non-market supportive housing through similar pension-based guaranteed low-cost financing³⁷. Denmark, which introduced legislation in 2020 to limit the opportunities for property investors to claim an exemption from rent controls by renovating older dwellings because policy makers were concerned that abuse of this provision was driving up rents, also has a pension-based revolving finance fund.³⁸ The German state bank converts energy-efficiency loans to grants, if landlords maintain affordability, instead of renovating tenants³⁹.

Conclusion and Recommendations

Canada has the highest rate of personal debt in the world, driven largely by high housing costs. The OECD and the Bank of Canada, like many other international and national economic forecasters, have warned that this level of housing debt, combined with high housing costs, is acting as a brake on economic productivity and innovation. Both bodies have recommended a combination of

³⁶ Freemark, Yonah. (2021). *Mandating Access to Affordable Housing, City by City: Is France's Fair-Share SRU Law a Model for U.S. Metropolitan Areas?* Retrieved from Cambridge MA:

<https://www.lincolnst.edu/publications/working-papers/mandating-access-affordable-housing-city-city>

³⁷ MuniFin. (2022). Finnish system for affordable social housing supports social mixing and brings down homelessness. Retrieved from <https://www.munifin.fi/whats-new/finnish-system-for-affordable-social-housing-supports-social-mixing-and-brings-down-homelessness/>

³⁸ Norris, Michelle, & Lawson, Julie. (2023). Tools to tame the financialisation of housing. *New Political Economy*, 28(3), 363-379. doi:10.1080/13563467.2022.2126447

³⁹ Tower Renewal Partnership. (2017). *German Retrofit Financing*. Retrieved from http://towerrenewal.com/wp-content/uploads/2017/04/20170331_Case-Study_KFW.pdf

infrastructure investment in low-cost housing and “paring back constraints on densification in urban areas” that must be pursued to reduce risk of a severe economic downturn⁴⁰.

We know there are other submissions that will focus on essential recommendations around renter protections and tenure security rights. We focus on supply issues related to financialization, namely the huge and growing deficit of homes that are affordable to very low to median-income households. While the level of investment required to redress three decades of federal inaction on low-cost housing (including during the National Housing Strategy) is daunting, so too are the social, economic and environmental costs of ‘business as usual’. Homelessness, high rates of evictions, and the growing inability of households across the country to afford an adequate home near work, family and services has become a crisis no federal government can afford to ignore.

The three main foci of this submission are (1) the need to scale up low-cost housing supply through permanently affordable non-market housing; (2) the importance this non-market housing has as a protective factor against financialization-driven evictions; and (3) the need for a new set of guidelines around investing Canada’s considerable individual and collective wealth.

Numerous reports have argued that the federal government can take a far more active role in steering positive ESG outcomes from investment funds, especially pension funds⁴¹. Guaranteeing long-term low-cost finance, as well as direct infrastructure grants, will be necessary to protect Canadians from the excesses that financialization has wrought.

We end with four recommendations:

1. The long road to housing for all begins with the adoption of one definition of affordable housing (30% of pre-tax household income) and one set of income categories (either the HART categories or income quintiles) in targets, policies, programs and evaluation at all levels of government. The federal government must lead by providing consistent data on affordable housing need by income category, household size and priority population. It must also provide consistent data on completion outcomes, using these definitions of affordability, as well as accessibility and GHG emission conditions and data.
2. The federal government must create income category-based targets that inform agreements with provinces/ territories and municipalities/ regions. To begin to address homelessness and core housing need, at least 2 million of the 5.8 million homes recommended by the CMHC to alleviate housing supply by 2030 should be non-market homes aimed at very low and low-income households. Scaling up social housing may require an interim target of doubling non-profit homes by 2030, or 655,000 new and acquired homes. This would be 11% of scaled up housing targets, a proportion that was met or exceeded every year from

⁴⁰ Organization of Economic Cooperation and Development. (2023). *Economic Outlook- Canada*. Retrieved from <https://www.oecd.org/economy/canada-economic-snapshot/>; Bank of Canada. (2022). *Release of the Financial System Review*. Retrieved from <https://www.bankofcanada.ca/2022/06/opening-statement-090622/#:~:>

⁴¹ August, Martine. (2022). *The Financialization of Housing in Canada: A Summary Report for the Office of the Federal Housing Advocate*. Retrieved from <https://www.homelesshub.ca/sites/default/files/attachments/august-financialization-summary-report-ofha-en.pdf>; Shareholder Association for Research and Education (SHARE). (2021). *Investors for Affordable Cities*. Retrieved from <https://share.ca/wp-content/uploads/2021/10/SHARE-InvestorsForAffordableCities-2021.pdf>; Farha, Leilani, Freeman, Sam, & Gabbare de Sus, Manuel. (2022). *The Shift Directives: From financialized to human rights-based housing*. Retrieved from <https://make-the-shift.org/wp-content/uploads/2022/05/The-Directives-Formatted-DRAFT4.pdf>

- 1965 to 1985.⁴² If the lesser target is chosen, the federal government should explore land, finance, and taxation mechanisms to increase non-market proportion of supply after 2030.
3. Scaling up social housing requires free government land, direct federal grants covering 50-100% of construction costs, low-cost long-term financing, and operating subsidies from provinces and territories (and/or significant increases in welfare, or a national guaranteed liveable income). To build housing quickly, a national recommended zoning code and changes to the national building code should be linked to federal housing infrastructure funding to provinces/ territories and municipalities.
 4. The federal government can learn from France in setting tenure-based targets for municipalities and provinces/ territories. It must require annual reporting by completions (not 'housing starts' or 'funding committed'), broken down by tenure, income categories, household sizes and priority populations, as a condition of infrastructure funding.
 5. The federal government can learn from Denmark and Finland in expecting ESG considerations to fuel investment decisions by banks, pension funds, and other investors, including REITs. Affordable, energy-efficient and accessible housing must be the outcome of the billions of dollars of investment made annually, with France and Germany offering other models of improving social returns on infrastructure investment.

Thank you for the opportunity to speak today.

⁴² St. Denis, Jen. (2022, April 22). Why Can't We Build Like It's the 1970s? Retrieved from <https://thetyee.ca/Analysis/2022/04/22/Why-Cant-We-Build-Like-1970s/>