

The
**CO-OPERATIVE
HOUSING
FEDERATION**
of Canada

Co-operative Housing Federation of Canada's submission to the
2009 Consultations on Federal Housing and Homelessness Investments

**A National Housing Action Plan:
Effective, Straightforward Policy Prescriptions
to Reduce Core Housing Need**

October 2009



Nicholas Gazzard, Executive Director
Co-operative Housing Federation of Canada

October 2009

INTRODUCTION

Today, with the shortage of permanent, affordable housing options, Canada's non-profit co-operative housing sector is urging the federal government to develop a housing policy aimed at outcomes that will reduce the number of Canadian households in core housing need.

The Co-operative Housing Federation of Canada (CHF Canada), the national voice of the country's co-operative housing movement, seeks to be an integral part of a national housing action plan that provides low and moderate income Canadians with opportunities to access new-non market housing options, including non-profit housing co-operatives.

The purpose of this submission for the *2009 Consultations on Federal Housing and Homeless Investments* is to provide the federal government with effective, straightforward policy prescriptions that ensure that future funding investments in any redesigned Affordable Housing Initiative (AHI) – between 2011 and 2014 - and beyond – are targeted towards *increasing* Canada's affordable housing supply for its low and moderate income citizens and *reducing* the number of Canadian households living in core housing need in measurable amounts to established milestones.

CANADA'S NON-PROFIT HOUSING CO-OPS

For over 40 years, Canada's non-profit co-op housing sector has played an important role in creating more than 93,000 permanent affordable homes for over a quarter of a million Canadians in every province and territory across the country. Approximately 40 percent of these homes use federal or provincial assistance to help pay their housing charges, which are set at affordable levels according to household incomes. Other households pay the market rent.

Canada's 2,200 non-profit housing co-operatives have also created strong, inclusive, mixed-income self-directed communities that promote positive social values and build families. For its part, the federal government was instrumental in creating Canada's first co-operative programs in the 1970s. It continues to provide subsidies to non-profit housing co-op providers to help low-income Canadians to pay for their housing charges.

CORE HOUSING NEED IN CANADA

Canada Mortgage and Housing Corporation (CMHC), defines a household as in core housing need if its housing fails to meet one or more of the adequacy, suitability or affordability standards and it would have to spend more than 30% of its before tax income to pay the median rent of acceptable alternative housing in the area. Data from the most recent census (2006) indicates that approximately 1.5 million Canadian households are in core housing need, a slight increase on the 2001 figure in absolute terms, though as a percentage of households the figure declined slightly.

The 2006 data does not capture the impact of the current economic downturn and increase in unemployment. It is likely that these recent events have increased the extent of core need.

POLICY PRIORITIES

The fundamental purpose of federal housing expenditures should be to reduce the number of Canadians living in core housing need. This goal should be pursued in the context of a transparent national action plan focused on housing need reduction through cost-effective solutions with appropriate and well-defined contributions from all levels of government, non-profit and, where possible, private sector partners. Currently, this is not the case.

THE NEED FOR A FEDERAL HOUSING ACTION PLAN

Federal housing expenditures under AHI are not guided by any over-arching strategic plan. They are given to the various provincial governments, who are free to use them virtually as they see fit. The result is a patchwork of local policies that often respond to the political and budgetary priorities of the various provinces rather than the clear strategic objective of reducing core housing need.

While CHF Canada acknowledges that there are disparate policies across the country, the Alberta government has set admirable targets for its tranche of AHI funding. The province's 10-year plan to end homelessness¹ pledged to create 11,000 new homes by 2012. As a result, its 2009 budget committed \$100 million in capital grants to support the 10-year plan.² One of the plan's key priorities is to find permanent housing options for its homeless population.

ADDRESSING THE CONTINUUM OF NEED

The 1.5 million Canadian households in core need are a heterogenous group. They range from the absolutely homeless, who may have needs for support service, as well as housing to low and moderate income families who require nothing more than a home they can afford. Federal housing expenditures should address the full continuum of need by ensuring a supply of affordable housing appropriate to the varied requirements of Canadians in core need.

At present, there is no over-riding strategy to determine how to achieve this. Of particular concern is the lack of affordable housing supply for low and moderate income families. As it is often assumed that this group's needs will be met through the market sector (market developers), it is worth taking a few moments to consider the experience of recent years. A 2006 study³ for Metro Vancouver (formerly the Greater Vancouver Regional District) estimated that in coming years the region would require approximately 3,250 new affordable rental units per year to keep

¹ The Alberta Secretariat for Action on Homelessness. October 2008. *A Plan for Alberta: Ending Homelessness in 10 Years*. http://www.housing.alberta.ca/documents/PlanForAB_Secretariat_final.pdf (accessed October 7, 2009).

² Government of Alberta. *Budget 2009: Building on Strength*. April 7, 2009. <http://budget2009.alberta.ca/> (accessed October 9, 2009).

³ Prepared by McClanaghan & Associates for the GVRD Policy and Planning Department. March 2006. *Affordable Housing Supply Analysis Final Study Results*. http://www.metrovancouver.org/planning/development/housingdiversity/AffordableHousingWorkshopDocs/Affordable_Hsng_Supply_2006.pdf (accessed October 8, 2009).

up with demand. In the past decade, the market sector has delivered fewer than 700 units per year.

The Federation of Canadian Municipalities (FCM) estimates that while nationwide 90,000 new rental units were built between 2001 and 2006, there was no net gain, and indeed a small loss, of rental units overall due to demolition or conversion to ownership. They further estimate that about half of this loss – some 45,000 units – were from the older and more affordable stock.⁴

The reason for the lack of new supply is simple. New rental housing costs more than low and moderate income households can afford to pay: their demand for housing is not effective demand and as a result calls forth no response from the market in the form of new supply. The Metro Vancouver report estimated that for it to be worth a market developer's while to build such units, they would require subsidies equivalent to free land and \$50,000 per unit. Needless to say, in the absence of such subsidies, no such units are produced.

There is a further problem with relying on the market sector. While the economic or break-even rent is set by debt service and operating costs, the market rent is set by the balance of supply and demand and can rise quickly when demand is strong and supply weak. In recent years, the tendency has been for market rents to rise faster than household incomes, eroding the affordability of the existing stock. Non-profit housing providers, such as co-ops, have no incentive to follow this trend and provide greater certainty of maintaining affordability over time. For these reasons, public funds are better directed towards co-ops and non-profits than used to subsidize market developments.

It is worth emphasizing that none of this is a criticism of Canada's market developers. It is not reasonable to expect them to build housing that they know will lose them money and then operate it at less revenue than they could command. This is a classic case of market failure and government intervention is essential.

For low and moderate income families, co-ops offer a proven model of stable, secure, affordable, mixed income housing and should be a key part of an action plan designed to offer this group the housing they need.

THE NEED FOR LONG TERM THINKING

Building housing takes a long time, three to five years for many projects. It also requires effective development delivery capacity in terms of experienced and qualified non-profits, development consultants and industry professionals accustomed to working within government funding frameworks. While such networks cannot be built overnight, they can be quickly dissipated or even fail to be built up if programs are short term in nature. As FCM has said, "actions and funding must be both long-term and predictable and sustained."⁵

⁴ Federation of Canadian Municipalities. January 2008. *Sustaining the Momentum: Recommendations for a National Action Plan on Housing and Homelessness*. Ottawa, Ont. 13-14.

⁵ Ibid., 5.

ROLES

Developing housing is a complex, challenging and expensive endeavour. Without the partnership of all levels of government and the non-profit and co-op community, we are unlikely to meet our goal of ensuring all Canadians have access to secure and affordable housing.

THE FEDERAL ROLE

The federal government has two primary roles in solving Canada's affordable housing shortage: as a national leader and funder.

In the former role, the federal government should bring together all the major stakeholders to develop a national housing action plan to reduce core housing need across the entire continuum of those in need. This need was described above.

The federal government should also continue to provide real leadership by building on its important housing investments through *Canada's Economic Action Plan*. This role also requires that it serve as an accountability watchdog for federal housing spending. In this regard, it would have more control over its spending priorities.

Further, new housing initiatives, such as a renewed capital grants program and a new low-cost lending program (as a program feature of AHI),⁶ would provide the federal government with additional opportunities to safeguard the value of its existing social housing assets.

THE PROVINCIAL ROLE

Provincial governments, in addition to committing their own funds, should be responsible for program design and delivery. While objectives should be set by a national action plan, the task of how best to achieve them should be a provincial responsibility.

THE MUNICIPAL ROLE

Municipalities are important partners in developing new affordable housing. Most importantly, they can provide land on long term leases. They can also waive fees, provide staff co-ordination and develop plans and community support for new projects. Capital grants may sometimes be available, but as the municipalities have fewer and smaller sources of revenue than senior levels of government, this should not be a condition for projects to go ahead.

THE CO-OP ROLE

Housing co-operatives sponsor projects, participate in their design and development and select their members according to establish program agreements. On completion of the project, the co-op takes responsibility for paying the mortgage, operating the project according to the terms of the operating agreement and ensuring the upkeep of the property. Co-ops have over 40 years of experience in these roles.

⁶ See page five under "The Need to Preserve Existing Assets."

PROGRAM DELIVERY AND FUNDING MECHANISMS

EFFECTIVENESS OF GAPS

As described above, CHF Canada believes that the current framework is inadequate in that it does not have a clear set of strategic objectives and appropriately defined outcomes. A clearly articulated national housing action plan should be developed to replace the current patchwork of delivery systems and funding mechanisms. This will enable outcomes to be better monitored, gaps identified and the effectiveness of public funding to be better measured.

A large gap in the current approach is that the needs of low and moderate income families are not being adequately addressed. A national housing action plan should address the needs of all populations across the continuum of those in core need. At present, as suggested above, the determination as to which populations are targeted is a matter of local politics and budgetary considerations. Key populations and growing areas of concern, such as the lack of new rental housing, remain unaddressed as a result and will become harder, not easier, to deal with in the future.

THE NEED TO PRESERVE EXISTING ASSETS

As the consultation paper notes, “there is still need among low-income households for renovation assistance.” Much of Canada’s existing stock of non-profit and co-op housing is more than 20 years old and in need of rejuvenation. FCM estimates that as much as one third or 220,000 units of the existing stock is at risk.⁷ The recent response to the federal government’s request for renovation proposals under the Renovation and Retrofit Initiative, as part of *Canada’s Economic Action Plan*, was overwhelming, far exceeding the allotted funds. The need for upgrading and modernization is clear.

Given the clearly demonstrated magnitude of the need, it is unlikely ever to be met through capital grants. Another mechanism must be found. CHF Canada proposes the expansion of CMHC’s Direct Lending program. This would enable housing providers’ access to new long term loans at low rates of interest. As is common in the private sector, both existing debt and the cost of new repairs could be rolled into a single, new, long term Direct Lending loan. This would lower the monthly payments and enable many providers to renovate their buildings while maintaining affordability. Furthermore, this measure would come at *no net cost* to the federal government as CMHC would expand its bond issue to raise the required capital and would ensure the mortgages to hedge the risk to the tax payer.

Subsidies allocated through AHI to low-income Canadians in provincially-administered co-ops should come in the form of rent supplements that are available to new development (non-profit and co-op).

In addition to assisting co-ops and non-profits with a new lending program and successor subsidies, the federal government should also continue its Residential Rehabilitation Assistance Program (RRAP) funding. Not only does RRAP significantly assist the renovation of much private rental stock it also, by tying the loan to an agreed rent level, is, in effect, a form of rent

⁷ *Sustaining the Momentum: Recommendations for a National Action Plan on Housing and Homelessness*, 4.

control. This mitigates the effects of market rent inflation and helps maintain some affordability within the current privately held stock.

Finally, the non-profit co-op housing model must be part of the solution to address the shortage of affordable housing across Canada. For its part, the federal government should strongly encourage its provincial and territorial counterparts to employ the non-profit co-op form of tenure – among other solutions – as the type of model that should be increasingly used. In this regard, the value of mixed tenure, mixed-income communities should be promoted as an innovative approach to effective affordable housing delivery.

CONCLUSION

In summary, this submission has outlined how federal housing expenditures can be allocated to reducing the number of Canadians in core housing need. It has also provided guidance on how to protect the existing stock of affordable co-operative housing across Canada. The preservation of these assets should not be squandered as operating agreements expire between federally-administered co-ops and CMHC.

A transparent national action plan also *cannot* afford to ignore the need for a direct link between federal housing spending and reducing core housing need across every province and territory across Canada. In this regard, a new housing action plan also needs to be developed to ensure that all major stakeholders, including Canada's non-profit co-operative housing sector, are *consulted directly* as the consultation process moves forward.

Contact:

David Granovsky, Government Relations Co-ordinator
Co-operative Housing Federation of Canada
311 – 225 Metcalfe Street
Ottawa, ON K2P 1P9
Tel: (613) 230-2201, ext. 222
Fax: (613) 230-2231
dgranovsky@chfcanada.coop