

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



**Brief to the
Standing Committee on
Finance
2010 Pre-Budget
Consultations**

**Co-operative Housing Federation of Canada's submission to the
2010 Pre-Budget Consultations**

**An Economic Case for Making Housing
More Affordable for Canadians**

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EXECUTIVE SUMMARY

Since 2006, the federal government has delivered strategic and forward-looking investments for Canada's existing social housing stock. For that reason, the Co-operative Housing Federation of Canada (CHF Canada) and its 900 member housing co-operatives have strongly, and publicly, supported its initiatives in the field of housing.

The 2011 federal budget will provide the Minister of Finance with an opportunity to continue to work on important economic policy challenges by taking measures to eliminate the fiscal deficit and building on the successful stimulus package that was delivered to Canadians through *Canada's Economic Action Plan*. It also affords the opportunity to ensure Canada's housing policy is complementary to, and may help facilitate, a strengthened and sound economy.

CHF Canada does not propose new affordable housing spending initiatives in the 2011 federal budget. Rather, what is required is ongoing federal leadership and an undertaking of accountability measures from the provinces and territories such that federal housing transfers lead to measurable reductions in housing need in Canada.

Parliamentarians can build upon the significant recent investment in affordable housing and help secure a sustainable future for Canadian housing co-operatives by adopting CHF Canada's recommendations:

Recommendations:

The Co-operative Housing Federation of Canada proposes that the federal government:

1. Develop a transparent accountability framework that links federal housing spending to measurable outcomes in housing need reduction;
2. Study the consequences of the end of federal housing assistance to low-income households, and the resultant loss of affordable homes in existing federally-administered housing co-operatives after their operating agreements end.

As an active member of the Canadian Co-operative Association (CCA), CHF Canada knows that investment in the co-operative business model results in new jobs for Canadians in a sector that has shown itself to be financially stable and resilient to economic change¹. The government should therefore:

3. Support two federal co-operative legacy projects – a Co-operative Investment Strategy and an expanded Co-operative Development Initiative (CDI) as part of the government's plans for the International Year of Co-operatives (2012).

¹ For further information on the success rates of co-operatives, refer to *Taux de survie des coopératives au Québec*, published by the Québec Ministry of Economic Development, Innovation and Export Trade, 2008.

INTRODUCTION

Thanks to *Canada's Economic Action Plan*, Canadians are experiencing the benefits of reinvestment in our country's stock of community housing. The federal government's balanced stimulus spending, including the \$1 billion Renovation and Retrofit Initiative that has helped to preserve the existing stock of affordable co-operative housing, is also paying dividends for our national economy through the creation of new construction jobs for Canadians.

The significant improvements resulting from stimulus spending should not forestall further action on housing. CHF Canada and its member co-ops would like to see a significant reduction in the 1.5 million households living in core housing need.² Federal spending under the Affordable Housing Initiative can make this possible.

Making housing more affordable, especially for those of work-force age, is good for Canadians *and* good for an economy that is fundamentally sound, but still highly susceptible to global uncertainty. As noted in *Building from the Ground Up: Enhancing Affordable Housing in Canada*, a comprehensive study by the Conference Board of Canada, those who are housed well, work well, and live healthier lives.³ The report found that the shortage of affordable housing across Canada is "having a detrimental effect on Canadians' health, which, in turn, reduces their productivity, limits our national competitiveness, and indirectly drives up the cost of health care and welfare."⁴ It stated that "rising shelter costs have a grave impact on low-income Canadians" and noted "[i]f shelter costs are exceedingly high, a household may not have enough disposable income left to afford good food, quality daycare [that permits their full participation in the workforce], educational opportunities, and the social and physical activities required to sustain personal health."⁵

THE ECONOMIC CASE FOR AFFORDABLE HOUSING INVESTMENT

The cost of inaction on housing is greater to the Canadian economy than the cost of a solution itself. This notion is widely supported by many credible studies and reports. A 2003 TD Economics report titled, *Affordable Housing in Canada: In Search of a New Paradigm* asserted that "an inadequate supply of housing can be a major impediment to

² This figure is based on 2006 census-based housing indicators and data from Canada Mortgage and Housing Corporation (CMHC). For a comprehensive report on 2001 and 2006 data, read CHF Canada's August 2009 report (authored by Will Dunning titled, *The Dunning Report: Dimensions of Core Housing Need in Canada*. CMHC describes "core housing need" as follows: **Affordable** dwellings cost less than 30% of before-tax household income. A household is considered to be in core housing need if its housing falls below at least one of these standards and it would have to spend 30% or more of its before-tax income in order to pay for accommodation that is acceptable.

³ The Conference Board of Canada. March 2010. *Building from the Ground Up: Enhancing Affordable Housing in Canada*. Ottawa, Ont. 3.

⁴ *Building from the Ground Up: Enhancing Affordable Housing in Canada*. 1.

⁵ *Building from the Ground Up: Enhancing Affordable Housing in Canada*, 3.

business investment and growth ... [and] any successful efforts to alleviate the problem of insufficient income/and or increase the supply of affordable housing will help relieve homelessness – particularly among the working poor and people who have the capacity to work but cannot find employment.”⁶

CHF Canada and its member co-ops believe that effective action will come in the form of a policy environment which favours the following measures: cost effective housing programs; sound job market strategies; greater emphasis on vocational training and retraining; and the elimination of the so-called welfare trap. All these measures, coupled with new housing development, will both strengthen the Canadian economy and make housing more affordable for working families. As for the latter, the Federation of Canadian Municipalities has indicated that new housing construction has a multiplier effect on the economy as “each new home creates four-to-six person years of direct and indirect employment and associated incomes, which are recycled through the economy.”⁷

The federal government has an opportunity to continue to take effective action *without increasing spending* on its housing programs in the 2011 federal budget. CHF Canada encourages the federal government to pursue dialogue with its provincial and territorial counterparts in an effort to eliminate barriers to the workforce, and to develop better policies that create incentives for low-income Canadians to find educational opportunities and better paying jobs.

CHF CANADA’S PROPOSALS

Cost-effective and transparent ways to safeguard and expand Canada’s existing social housing stock

The federal government has a vested interest in protecting Canada’s legacy of some 630,000 units of social housing. The following proposals aim to form part of the federal government’s housing policies and practices in the coming fiscal year and beyond.

1. Create a transparent accountability framework linking federal housing spending to measurable outcomes in housing need reduction

The present government has made significant investments in housing since it first took office in 2006. Among those investments is the \$1.9 billion announced in 2008 to fund the Affordable Housing Initiative (AHI) for the years 2009-2014 to support housing and homelessness programs. Housing transfers earmarked for years three, four and five (2011-14) of the AHI present the government with a timely opportunity to create

⁶ TD Economics. June 17, 2003. *Affordable Housing in Canada: In Search of a New Paradigm*. Toronto, Ont. i.

⁷ Federation of Canadian Municipalities. January 2008. *Sustaining the Momentum: Recommendations for a National Action Plan on Housing and Homelessness*. Ottawa, Ont. 8.

structures that ensure better *value for money* and *timely delivery* through measurable reductions in housing need from their provincial and territorial counterparts. There is currently **no** direct link between federal housing spending and reducing the number of households (most of whom are working families) paying more than they can afford for suitable, adequate and affordable housing.

CHF Canada recommends that as a condition of AHI transfers to the provinces and territories, the federal government should require that:

- measurable reductions in core housing take place in every region across Canada, and
- matching long-term, predictable funding is provided to build new affordable rental homes across Canada. This should include new non-profit housing co-op development (especially new units within existing co-ops) as a proven community-building and cost-effective model.

A successful accountability framework will demonstrate that federal housing transfers are generating value for money *and* positive housing outcomes for Canadians in housing need.

2. Study the consequences of the loss of rent-geared-to-income assistance for households living in federally-administered co-op and non-profit projects

There is a great deal of concern among federally administered housing providers as funding agreements for thousands of units of co-operative and other non-profit housing begin to expire in the next five to ten years, and many sooner than that. When federal operating agreements end, the rental assistance provided to low-income Canadians will also end. Many of these individuals will be seniors - one of the groups that are most vulnerable to the coming loss of federal housing subsidies.

There are some 630,000 units of social housing, which include federally-administered co-ops and non-profits, across Canada. A significant percentage of these households (consisting of the working poor, single-parent families, seniors on fixed-incomes and new immigrants) rely on federal rent-geared-to-income (RGI) assistance to help pay for their housing. This assistance provides an extremely low-cost and effective form of housing support. For example, the average annual assistance for a low-income household is approximately \$3,600 for federally-administered Section 95 housing co-ops⁸ – a considerably less costly form of accommodation in comparison to building new affordable housing.

⁸ CMHC's Section 95 housing co-op program was the second, and largest, of the three federal co-op housing development programs that were active from 1973 to 1991. Between 1979 and 1985, the Section 95 program delivered some 39,000 homes in 1,000 co-operative projects across Canada.

CHF Canada and its member co-ops encourage the federal government to study the consequences of the end of federal housing assistance programs and the resultant impact on the affordability on the affected housing, and urge the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities to commission a study on this critical issue.

3. Support two co-operative legacy projects as part the International Year of Co-operatives in 2012

CHF Canada is supporting two co-operative legacy projects which have been proposed by CCA and the Conseil canadien de la coopération et de la mutualité (CCCM). Federal support for the following projects⁹ in the next budget (the 2011 budget is the first of two federal budgets that will cover that year) would ensure the growth and sustainability of co-operatives in Canada.

1. **A Co-operative Investment Strategy:** Would create jobs at the community level for every type of co-op in Canada: including agricultural, financial, insurance and worker co-ops.
2. An expanded **Co-operative Development Initiative (CDI)**, a federal program which provides grants and technical assistance to new and emerging co-operatives. An expanded CDI would identify specific communities and determine goals for job creation through co-operative and social enterprise development.

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CHF Canada is the national voice of the Canadian co-operative housing movement. Its members include nearly 900 non-profit housing co-operatives and other organizations across Canada. More than a quarter of a million Canadians live in housing co-ops, in every province and territory.

⁹ For further details about both projects, read CCA's 2010 pre-budget consultation brief to the Standing Committee on Finance.