CANADIAN HOUSING POLICY
2001 - PRESENT

Presentation by
Nick Falvo, Carleton University

Annual Conference of the European Network for
Housing Research

June 22, 2013
Tarragona, Spain
Note

- This presentation is based on forthcoming research that will appear in the 2013-2014 edition of How Ottawa Spends (McGill-Queen’s University Press).

- First author on the research is Steve Pomeroy.

- All errors are mine.
Overview

• Context

• AHI

• The Layton-Martin Budget Deal

• Housing Under Harper

• Summary

• Appendices
Context
Canada

- Population: 35 million

- One Canadian Dollar = 0.74 Euros

- Housing system is often compared to Australia’s

  → Dalton, 2009

  → Suttor, 2011
## Rates of Social Renting

<table>
<thead>
<tr>
<th>Country</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netherlands</td>
<td>34</td>
</tr>
<tr>
<td>Sweden</td>
<td>32</td>
</tr>
<tr>
<td>France</td>
<td>19</td>
</tr>
<tr>
<td>England</td>
<td>18</td>
</tr>
<tr>
<td>Canada</td>
<td>5</td>
</tr>
<tr>
<td>United States</td>
<td>3</td>
</tr>
</tbody>
</table>
Aboriginal Peoples

• Approximately 3% of Canada’s population consists of Aboriginal peoples

• Life expectancy for Aboriginal persons is lower

• Infant mortality is considerably higher.

• “First Nations” children are 8X “more likely to be removed from their homes than other Canadian children.”
### Aboriginal Peoples (cont’d)

<table>
<thead>
<tr>
<th>Core Housing Need in Canada</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Aboriginal Households</td>
<td>12%</td>
</tr>
<tr>
<td>Aboriginal Households</td>
<td>20%</td>
</tr>
</tbody>
</table>
Aboriginal Peoples (cont’d)

<table>
<thead>
<tr>
<th></th>
<th>Aboriginal Persons as a %age of Homeless Population</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Toronto</strong></td>
<td>26%</td>
</tr>
<tr>
<td><strong>Calgary</strong></td>
<td>16%</td>
</tr>
<tr>
<td><strong>Edmonton</strong></td>
<td>38%</td>
</tr>
<tr>
<td><strong>Vancouver</strong></td>
<td>32%</td>
</tr>
</tbody>
</table>
Figure 3: Urban Aboriginal Homeless as Percentage of Overall Homeless Population, Select Canadian Cities
Fiscal Context

Program Expenses (% of GDP)
Federal Government

1993-94
1994-95
1995-96
1996-97
1997-98
1998-99
1999-00
2000-01
2001-02
2002-03
2003-04
2004-05
2005-06
2006-07
2007-08
2008-09
2009-10
2010-11
2011-12
Recent Housing Policy
Affordable Housing Initiative

• Nov 2001 Framework for bilateral agreements was agreed to by the federal, provincial and territorial governments.

• Framework recognized that “Provinces and territories have primary jurisdiction for the design and delivery of housing programs within their jurisdiction.”
Federal Contributions

Phase 1  $680 million
Phase 2  $320 million

TOTAL  $1 billion (over 5 yrs.)
AHI (cont’d)

Phase 1  
No more than $25,000 in federal funding per unit, on average

Phase 2  
Up to $75,000 per unit of federal funding, on average (though not to exceed 50% of capital costs, on average).

→Phase 2 also allowed federal funds to go towards rent supplements.
AHI (cont’d)

• This would not be “conventional social housing.”

• The federal government would not be providing an ongoing subsidy to cover operating deficits of housing providers.

• The federal government would simply provide a one-time capital grant.

• Federal contribution is up-front.
• Provincial/territorial matching contributions would be required, but these could be made by provinces, territories or third parties (i.e. municipalities).

• Housing had to be meet “affordability” criteria for at least 10 years.

• Phase 1 stipulated that housing had to rent (or sell) “at or below average/median market rents.”
AHI (cont’d)

• Some jurisdictions are providing “long-term household or project based subsidies for up to 30 years.”
The AHI (cont’d)

• Funded programs under the AHI included home ownership, rental housing, new construction, renovation, “urban revitalization,” conversion, new rent supplements, and supportive housing programs.

• Most AHI units consist of new, rental housing
AHI (cont’d)

• By Sep 2006, $691 million in federal funding had been “committed or announced.”

• This represented 30,300 units.
The Layton-Martin “Budget Deal”
Layton-Martin “Budget Deal”

- Three trust funds totalling $1.4B (original amount was $1.6B) over three years.

- Unlike AHI, these did not require P/T cost-sharing.

- Money transferred from federal finance department to provincial/territorial finance departments.

- Passed in Parliament (Bill C-48) in summer of 2005. Housing Trusts created during same year.
## Layton-Martin “Budget Deal” (cont’d)

### Housing Trust Funds

<table>
<thead>
<tr>
<th>Name</th>
<th>Amount</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable Housing Trust</td>
<td>$800M</td>
<td>• allocated across P/Ts on a per capita basis</td>
</tr>
<tr>
<td>Off-Reserve Aboriginal Housing Trust</td>
<td>$300M</td>
<td>• allocated based on per capita off reserve population, and to be administered by the provinces.</td>
</tr>
<tr>
<td>Northern Housing Trust</td>
<td>$300M</td>
<td>• allocated across the territories with $50 million each to Yukon and NWT, and $200 million to Nunavut</td>
</tr>
</tbody>
</table>
The Harper Years
The Harper Years (cont’d)

“The prime minister is a complicated man. He is at heart deeply ideological, a Margaret Thatcher conservative who believes firmly in the primacy of markets. However, on broad issues, Harper has been willing to demonstrate a surprising streak of flexibility.”

— Tom Walkom, Toronto Star
May 2013
2006

- Allocation of housing trust money
- No significant spending cuts to housing
2006 (cont’d)

Change in mortgage insurance policy

→ max. amortization on insured mortgages increased from 35 to 40 yrs.

→ Elimination of any down payment minimum for qualifying buyers (subsequently reversed).
Canada’s Economic Action Plan
2009: Canada’s Economic Action Plan

- $2B in federal spending on social/affordable housing over 2 yrs.

  → ½ of this was directed to retrofitting and upgrading existing social housing properties.

  → The other ½ was directed to new construction or renovation across specific groups – seniors ($400M), Aboriginal On-Reserve ($400M), persons with disabilities ($75M) and northern housing ($200M).
2009: Canada’s Economic Action Plan (cont’d)

- New tax credit to assist first-time homebuyers, providing up to $750 in federal tax relief for an eligible individual.

→ $385 million over two years
2009: Canada’s Economic Action Plan (cont’d)

• The limit on amount that individuals could borrow from their RRSP plans for a down payment on a home ↑d from $20K to $25K.

• Home Renovation Tax Credit ($3 billion total) and home energy retrofit program ($400 million).
2009: Canada’s Economic Action Plan (cont’d)

• Between fall 2008 and end of 2010, CMHC purchased $69B of mortgages from Canada’s banks to keep them afloat.

• This was done via CMHC’s Insured Mortgage Purchase Program.
The Harper Majority Era (i.e. post-2011)
The Harper Majority Era (cont’d)

• Budget 2011 extended the $1.9B “housing and homeless program suite” (i.e. HPS, RRAP and AHI).

• Ergo: these programs were confirmed through March 2014.

• **Note**: AHI was renamed the Investments in Affordable Housing (IAH).
The Harper Majority Era (post-2011)

- Max. amortization period for a mortgage was lowered from 35 yrs. to 30 yrs. in the summer of ’11.

- In July ‘12, it was further reduced 25 yrs.

- Max loan-to-value ratio for refinancing (and equity withdrawal) was reduced from 85% to 80% of home value—an attempt to rein in use of home equity that was supporting excessive spending and growing debt.
Budget 2013

• Unexpected renewal and extension of IAH and HPS through 2019

  • HPS new focus on Housing First ($119M/yr, 5 yrs)

  • IAH $253Million/year, 5 years
Summary

• Context matters, especially Canada’s ‘fiscal climate.’

• In fact, context (rather than ideology or campaign promises) appears to have driven federal housing policy in Canada since Prime Minister Harper came to power, just as it seems to have done so before he was in power.
The role of Canada’s national government seems crucial with respect to affordable housing (broadly defined) across Canada.

Notwithstanding some claims that housing is a provincial (i.e. subnational) responsibility, vastly more subsidized housing gets built when Canada’s national government leads than when it does not lead.
Summary (cont’d)

• It is likely that political advocacy by grassroots groups—many of whom mobilized around visible homelessness—played an important role in bringing Canada’s national government back to the table with respect to subsidized housing throughout Canada.

• But how many newly-built affordable units have gone to “homeless” persons, on the other hand, is not clear.
Summary (cont’d)

• It is important to remember that Canada’s rate of ‘social renting’ (i.e. %age of households who live in social housing), remains considerably lower than in most other OECD countries.

• The rate in both France and England is more than 3X ours.

• The rate in both Sweden and the Netherlands is more than 6X ours.
Summary (cont’d)

• This presentation did not discuss the tens of thousands of ageing public housing units across Canada that face significant adequacy challenges.

• Likewise, the presentation did not discuss “expiring operating agreements” (i.e. declining funding for operating costs of existing units), which are looming. This means that many social housing authorities are facing very difficult decisions about already-existing stock.
Summary (cont’d)

• Geographically, expiring operating agreements will hit Canada’s northern territories harder than the rest of Canada.

• This is in part because the northern territories have a larger proportion of public units than they do private non-profit units

• Housing in the North also has higher operating costs.
Thank You
Contact Info

Steve Pomeroy
Research Associate
Carleton University
Centre for Urban Research and Education
Email: steve@focus-consult.com

Nick Falvo
PhD Candidate (Public Policy)
Carleton University
Email: falvo.nicholas@gmail.com
APPENDIX 1: Core Need

Explanation of Core Housing Need, as defined by Canada Mortgage and Housing Corporation
## Core Need Standards

<table>
<thead>
<tr>
<th>Adequacy</th>
<th>Does not require major repairs, according to residents of the unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suitability</td>
<td>Unit has sufficient bedrooms for the household type*</td>
</tr>
<tr>
<td>Affordability</td>
<td>Housing costs less than 30% of before-tax household income**</td>
</tr>
</tbody>
</table>

*According to National Occupancy Standards. one bedroom for each cohabiting adult couple; unattached household member 18 years of age and over; same-sex pair of children under age 18; and additional boy or girl in the family, unless there are two opposite sex children under 5 years of age, in which case they are expected to share a bedroom. A household of one individual can occupy a bachelor unit (i.e., a unit with no bedroom).

**For renters, shelter costs include rent and any payments for electricity, fuel, water and other municipal services. For owners, shelter costs include mortgage payments (principal and interest), property taxes, and any condominium fees, along with payments for electricity, fuel, water and other municipal services.
Core Need (cont’d)

• A household is in core housing need if its housing does not meet one or more of these three standards

    and

• …if 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.
Core Need (cont’d)

• “The origins of the core housing need indicator date back to joint Canada-U.S. research published in the early 1980s. That research featured a 25 per cent affordability standard, which originated in an early twentieth century rule of thumb of ‘a week’s wages for a month’s rent’.”

• “The affordability standard was modified in the mid-1980s to 30 per cent in both countries.”
Main Reason for Core Need

• More than 3/4 of Canadian households in core need are in core need exclusively because they do not meet the affordability standard.
Adequacy Standard

• Not meeting the adequacy standard does not mean the household has a leaky faucet.

• It generally refers to defective plumbing, faulty electrical wiring, or structural problems with walls, floors or ceilings.
Appendix 2: Acknowledgements

- I would like to thank Carleton University’s School of Public Policy and Administration, along with Carleton’s Faculty of Graduate and Postdoctoral Affairs, for financial assistance towards my participation at this conference.

- The following individuals provided helpful feedback on an earlier version of this presentation: Dallas Alderson, Greg Finnegan, David Hulchanski, Brian MacLean, Mike McCracken, Michael Mendelson, Steve Pomeroy and Ray Sullivan. All errors are mine.