Written submission for the pre-budget

Consultations in Advance of the

Upcoming federal budget

By Bill Johnston

Recommendation 1: That the government create a program stream in the National Housing Strategy to provide pre-approved financing and capital funding to allow government and not-for-profit organizations to buy private-sector land or buildings to be used for not-for-profit housing that will be kept permanently at low rents, starting with this year's budget. This would include financing and funding to buy hotels or motels that have temporarily been used during the COVID emergency to house homeless people.

Recommendation 2: That the government provide funding of $7 billion a year (roughly triple the current funding), starting in this year's budget, to Canada Mortgage and Housing Corporation to expand and broaden the National Housing Strategy to implement the right to housing through adoption of the goal that by 2030, every Canadian has a home that meets their needs and is affordable.

Recommendation 3: That as part of Recommendation 2, the government commit the resources, starting in this year's budget, to eliminate homelessness by 2030. Specifically:

- That Budget 2020 include a homeless housing benefit for 10,000 new beneficiaries to facilitate immediate housing rather than a post-COVID return to shelters, with an additional 5,000 beneficiaries to be funded in each subsequent year, for 10 years. The cost for the current year is estimated at $50 million, rising incrementally to $290 million by 2030. This would be financed by targeting the Canada Housing Benefit to homeless people.
- That Budget 2020 include $950 million to build 5,000 new units of permanent supportive housing, with a commitment to continue this annual program for 10 years. The federal government would assume 100 per cent of capital costs, with the province's paying for support services.
- That Budget 2020 include $3.8 billion to acquire about 7,500 existing buildings and build 17,000 new buildings (including 3,000 developed, owned and managed by Indigenous providers), with a commitment to continue this annual program for 10 years.

Recommendation 4: That the government amend the criteria of the National Housing Strategy Co-Investment Fund to require a significant proportion of units to rent for well below the current requirement that rents by at 80 per cent or less of median market rent.

Recommendation 5: That the government ensure that money that's available through the National Housing Strategy Co-investment Fund is approved and flows much more quickly than it has, especially now when jobs and economic stimulus are so badly needed.

Recommendation 6: That the government increase the amounts of seed money available for the early expenses involved in getting local approval of affordable housing projects and allow money to flow much earlier in the development-approvals process.

Recommendation 7: That the government stop the planned gradual increases in the Basic Personal Amount. Instead, simply include a provision on the tax form where taxes are calculated that if a person's income is less than $15,000 or the government's calculated poverty line, they pay no taxes.

Rationale for recommendations

This submission is based on knowledge gained as co-chair, Affordable Housing Team, First Unitarian Church of Hamilton, Hamilton, Ontario, but the views are mine alone.

General comment: Your committee faces the practical challenge of recommending budget measures that help speed the recovery of our economy. But I believe it also has a moral responsibility, to ensure that all Canadians share in the recovery, with priority on those who suffered the most and/or faced the highest risks from the pandemic. My focus is on measures related to housing. The COVID crisis has driven home the message that secure, adequate, affordable housing is essential to public health—indeed, it is a matter of life and death. That's is why housing is recognized as not just a foundational need but a right. The COVID crisis has underlined the urgency of eliminating homelessness—so that long-term shelters stays and encampments are a relic of the past—and the elimination of core housing need.

The case for recommendation 1: Between the 2011 and 2016 Censuses, Canada lost 322,600 units that rented for $750 or less a month. A rent of $750 is affordable for someone earning $30,000. There are 3.1 million households across Canada that earned less than $30,000 in the 2016 Census. Likely many more of these low-rent units have been lost since. Some were torn down, some became condos, most saw their rent increase. Such huge losses of affordable-rent homes will overwhelm even the most ambitious program to build new affordable units. We need to allow government or not-for-profit organizations to compete with private-sector firms to buy land and buildings, especially existing relatively low-rent buildings. That requires quickly-approved or pre-approved financing so not-for-profits can move quickly when buildings come up for purchase and then capital funding to complete the purchase.

There will likely be landlords facing financial distress as a result of the COVID crisis who will be willing to sell. Unless not-for-profits are in a position to bid on those buildings, the buildings will likely be purchased by investors who will raise rents as rapidly as possible.

There are successful, if small, examples in Canada that can be copied and scaled up for the whole country. The Société locative d'investissement et de développement social (SOLIDES) now has more than 500 units it has purchased from the private sector (plus a few it built) since 1997. Real estate funds under the Fonds de solidarité FTQ have provided financing to acquire or build more than 4,000 units. The Parkdale Neighbourhood Land Trust, using money from a City of Toronto pilot project, has acquired at least one rooming house to keep rents affordable. The British Columbia government has recently bought two hotels in Vancouver and two in Victoria to create permanent affordable, supportive housing.

The case for recommendation 2: This is an estimate of the cost of fulfilling the right to housing. The National Housing Strategy Act doesn't set a timeframe for achieving the right to housing but Canada Mortgage and Housing Corporation has, with its goal that by 2030, everyone in Canada right to housing that they can afford and that meets their needs. This aligns with the United Nations Sustainable Development Goals, which Canada has adopted, specifically Goal 11.1: "By 2030, ensure access for all to adequate, safe and affordable housing …"

What would that cost? The National Housing Strategy aimed to move 530,000 Canadian households out of core housing need, less than a third of the 1.7 million Canadian households (Census 2016) in core

housing need. So eliminating core housing need would require a rough tripling of the current CMHC budget of about $2.7 billion a year (or at least of the $2 billion for assistance for housing need). Alternatively, I have been advised by a CMHC official that it would cost about $7 billion a year to close the gap between actual housing costs and affordable costs (at 30 per cent of gross household income) for all 1.7 million Canadian households in core housing need.

The case for recommendation 3: The solution to homelessness is housing, with appropriate supports as needed to help people stay housed. Housing First is a proven, successful model. Through Housing First programs, we have housed more than 21,000 individuals, most of them chronic homeless, between 2015 and 2019. However, there has been no reduction in the chronic homeless population because people who are precariously housed keep losing their fight to stay housed in a time of rapidly rising rents, disappearing low-rent buildings and limited new construction of affordable units. It is time to commit the resources needed to eliminate homelessness—not just cut it in half—by 2030. Homelessness is a crisis, including a physical and mental health crisis, for those experiencing it and it is a huge cost to the Canadian economy. That cost was estimated at $7.05 billion in 2013, up from $4.5 to $6 billion in 2007. It is likely well above $7 billion today.

Consultant Steve Pomeroy, in a July 2020 report for the Canadian Alliance to End Homelessness, outlined and costed steps that would eliminate homelessness by 2030, which I have summarized in Recommendation 3. I endorse his entire proposal and urge the government to adopt it.
https://caeh.ca/wp-content/uploads/Recovery-for-All-Report-July-16-2020.pdf

The case for Recommendation 4: There is a large need for deeply affordable units, as shown by a 2019 Statistics Canada housing survey that found 283,000 households in Canada with at least one member on an affordable housing wait list. Roughly 40,000 households in Hamilton earn too little to afford rent at 80 per cent of the 2018 median local market rent. The Parliamentary Budget Officer concluded that the government's funding to help low-income Canadians is actually reduced from the 10-year historical average. The government should require a larger percentage of units in proposed projects to be affordable than it does now and to require deeper affordability.

The case for Recommendation 5: Hamilton-area social housing providers told me that the process for approving National Housing Strategy money needs to be simplified, streamlined and expedited. It is slow, cumbersome and uncertain. One housing provider received its Letter of Intent but had not had a signed agreement for funding by the time the project was half built. Speed is particularly important right now, when we need jobs and economic spinoffs to fuel an economic recovery. Every million dollars spent on residential construction produces an estimated 4.7 direct jobs and another 5.6 indirect and induced jobs. The annual impact of the proposed investments in Recommendation 3 is 45,000 construction jobs.

The case for Recommendation 6: The upfront costs for affordable housing projects are steep and challenging for non-profits to afford and finance. One Hamilton coop spent more than a half million dollars for all kinds of studies yet was still eight to 10 months away from a possible construction start on a project of fewer than 20 units. CMHC's website says that "Advances will be processed once invoices are provided, activities are completed and supporting documentation is received." That is late. Advancing part or all of the seed money in stages and starting much earlier would encourage new projects, speed up that preliminary work, and save non-profits and co-ops the costs of bridge financing that can be challenging to arrange with conventional lenders, thus encouraging them try to build more badly-needed units.

The case for Recommendation 7: This recommendation is one answer to the question, how will we pay for the above recommendations. The Parliamentary Budget Officer has estimated that raising the Basic Personal Amount to $15,000 will cost the federal treasury $6.8 billion by 2023-24. And the report shows that it provides almost no benefit to those earning less than $15,000 and the largest benefit goes to those earning more than $103,000. https://www.pbo-dpb.gc.ca/web/default/files/Documents/LEG/LEG0001/LEG0001_en.pdf The benefit per person is small while the cost is large and, as indicated in the recommendations above, spending $6.8 billion a year on housing would create huge benefits in moving Canadians out of core housing need.

Note as well that the costs for the first six recommendations are investments that will yield economic benefits and taxes, as a result of spinoffs as housing is built or repaired but also from lower social and economic costs and new economic activity as better-housed people have the foundation needed to thrive and contribute.

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