



Front d'action populaire en réaménagement urbain
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Brief on the 2021 Pre-Budget Consultations
from the Front d'action populaire en réaménagement
urbain
to the House of Commons Standing Committee on
Finance



Montreal, Thursday, July 9, 2020

Commented [TB1]: \$\$\$ FOR SOCIAL HOUSING!

List of recommendations

- **Recommendation 1**
That the federal government redirect the investments provided for in its housing strategy to prioritize the development of new social housing, while respecting Quebec's jurisdictions.
- **Recommendation 2**
That the 2021 budget increase investments for the development of new social housing.
- **Recommendation 3**
That the budget provide the necessary funds for the immediate rehabilitation and rental of all social housing units at the end or approaching the end of their agreements with the Canada Mortgage and Housing Corporation.
- **Recommendation 4**
That federal subsidies to low-income tenants in social housing units at the end or approaching the end of their agreements with Canada Mortgage and Housing Corporation be fully maintained.

I. FRAPRU: Who we are

The Front d'action populaire en réaménagement urbain (FRAPRU) is an association of some 140 organizations established throughout the regions of Quebec. Founded in 1978, it mainly addresses issues associated with the right to housing and defends social housing.

II. Introduction

The current environment is difficult for low- and modest-income renter households. Simultaneous crises are rolling back their right to housing (housing crisis, health crisis, economic crisis, environmental crisis). However, those in core housing need are the worst off. Their needs are acute. According to Statistics Canada (Census 2016), even before the crises mentioned above, 1.12 million renter households in Canada were in core housing need, meaning that they lived in housing that was too expensive, too small and/or unsanitary.

Unfortunately, the National Housing Strategy (NHS) launched in 2017 will not be of much help to them. For one thing, the affordable rents being targeted are well beyond their ability to pay, and no mechanism is in place to control rent increases over the next 10 to 20 years, despite subsidies from Ottawa. Moreover, the NHS doesn't guarantee federal subsidies beyond 2028 in social housing that is already built and under agreement with the Canada Mortgage and Housing Corporation. In the long run, the cost of these units will again increase beyond the ability to pay of the most poorly housed tenants, if only because money will need to be borrowed to get them back to suitable condition.

In this context, the federal government has a crucial role to play: it must finance new social housing, especially since, in Quebec alone, its withdrawal in the early 1990s deprived tenants of at least 65,000 units, which has undoubtedly helped exacerbate the shortage that is worsening in most major cities.

III. Federal roles and responsibilities in housing

A. Before 1994

The federal government's role in housing dates back to 1938, when the House of Commons passed the *National Housing Act*. The goal was to provide housing for workers and families in need, as well as veterans.

The Central Mortgage and Housing Corporation (later to become the Canada Mortgage and Housing Corporation) was established with a mandate to administer various low-income housing programs. In the 1980s and early 1990s, Ottawa spent, year after year, some \$1.7 billion on social housing and helped build 80% the social housing that Quebec has today (low-cost housing, cooperatives and housing managed by non-profit organizations), as well as other forms of housing assistance for low-income households.

B. 1994 to 2017

On January 1, 1994, the federal government discontinued long-term funding for new social housing. In Quebec, the community sector took action and, in 1997, obtained the provincial government's support – at least in part. Subsequent federal investments in housing, through various affordable housing initiatives, have not improved things. Quebec's new funding will provide for the construction of up to 3,000 new units per year, whereas before the federal withdrawal up to 8,000 social housing units were built annually in the province.

C. Since the introduction of the National Housing Strategy

In 2017, the federal government launched the National Housing Strategy (NHS), with investments of \$55 billion through 2029. However, by focusing on affordable housing, the NHS fails to achieve its goal of providing adequate housing for households in core housing need.

1. Affordable housing not so affordable

The NHS is a myriad of programs and initiatives that are problematic in several respects:

- The “affordability” of housing is defined in different ways and is most often determined by the market, not by households' ability to pay. What is affordable for one is not necessarily affordable for another. Moreover, the housing provided through various funds is not so affordable. Take the case of the Rental Construction Financing Initiative. Under this initiative, rent must not exceed 30% of the median income of families (renters and owners) in the Census Metropolitan Area (CMA). In Quebec, this supposedly affordable rent should be between \$1,877 and \$2,241 per month, depending on the CMA. This means that the “affordable” housing units built could even be more expensive than existing market rents – far from meeting the needs of households in core need.
- There is no mechanism to ensure that the “affordability” of housing built under the NHS will be maintained over the 10 to 20 year time horizon as promised.
- None of these funds provide the subsidies needed to sufficiently reduce rents for low-income households, particularly those on social assistance.

For real progress in the right to housing for households in core housing need, a reorientation of the NHS is urgent – given the housing crisis in Quebec and elsewhere in Canada – and necessary. The investments provided for in the NHS must be clearly dedicated to social, non-market housing to permanently protect the households that live in them from phoney reposessions, “renovictions” and, more broadly, the devastating effects of real estate speculation. NHS investments should also respect Quebec's jurisdiction. Despite the fact that the NHS was announced in 2017, no agreement has yet been signed between the governments of Ottawa and Quebec City.

2. The end of agreements, not the end of subsidies to poor tenants

The renovation of existing housing by the federal government – in partnership with the provinces and territories – is also an issue. The social housing that it helped build before 1994, and which were still under agreement with the CMHC or the Société d'habitation du Québec (SHQ) as of April 1, 2016, are in poor condition; 21% of Quebec's low-cost housing is described as "dilapidated" by the Société d'habitation du Québec. The Office municipal d'habitation de Montréal alone has 12 barricaded buildings, or almost 300 low-cost housing units, because they have become uninhabitable. The SHQ estimates that it will need at least \$100 million more than what the federal government has planned to restore its low-cost housing to a suitable state. According to the Fédération des locataires de HLM du Québec, \$420 million more per year will be needed.

The federal government is extending assistance to lower the rents of low-income tenants living in social housing built before 1994 until 2028, but plans to end it after that. If Ottawa stays the course, the burden of rent assistance for poor tenants will be shifted to their neighbours. In response to this eventuality, co-ops and NPOs have already stopped allocating their vacant units to low-income households.

IV. State of housing need in Canada and Quebec

A. Before the pandemic

We mentioned in the introduction that there is a great need for housing in Canada, and this was the case long before the COVID-19 pandemic:

- Among renter households in core housing need, 244,120 lived in Quebec in 2016 and had a total income of just \$17,612 in 2015. For them, the average market rent of \$800 per month (\$9,600 per year)¹ is **54% of their income**. This is a far cry from the 30% threshold set by the CMHC.
- In 2019, the vacancy rate for rental units was only 1.8% in Quebec,² far from the equilibrium threshold of 3%. Landlords, in a position of strength, "choose" their tenants, exercising discrimination and demanding abusive rent increases.
- About 40,000 tenant households in Quebec are on a waiting list for low-rent housing, in addition to hundreds of others who want to live in a co-op or NPO housing project.
- According to the Organisation for Economic Co-operation and Development, Canada's social housing stock represents only 4% of the total available housing stock, placing the

¹ Rental market data for the province of Quebec published by the Canada Mortgage and Housing Corporation (January 15, 2020).

² Ibid.

country in 16th place among OECD countries.³

B. Since the pandemic

Since the end of the winter, the health crisis and lockdown measures have pushed up the unemployment rate. There's no doubt that more households are now in need of housing.

The suspension of construction activity in April has slowed housing starts. Although it has since resumed, it probably won't help them since new housing is small and expensive, especially in large urban centres.

V. Post-crisis thinking

The Government of Canada has just proven that it can spend hundreds of billions of dollars to contain a crisis. The housing crisis requires at least as much attention, given the proven impact of poor housing conditions on people's health.

Investing in social housing is therefore an opportunity not to be missed as part of its post-pandemic economic recovery plan. What's more, social housing is a lasting, collective heritage, meeting needs for generations. Finally, government investments in social housing have proven economic benefits:

- According to a study by the SHQ, for every dollar paid in subsidies, \$2.30 is injected into the economy.
- The savings that low- and modest-income tenants realize, thanks to rents that finally meet their ability to pay, are immediately reinvested in local businesses; there's no danger that they will move to tax havens.

³ Data collected by the Organisation for Economic Co-operation and Development in 2018. See: <http://www.oecd.org/els/family/PH4-2-Social-rental-housing-stock.pdf>.