

**GOVERNMENT RESPONSE TO THE FOURTH REPORT OF THE STANDING COMMITTEE ON
HUMAN RESOURCES, SKILLS AND SOCIAL DEVELOPMENT AND PERSONS WITH DISABILITIES,
ENTITLED: HOUSING ACCELERATOR FUND**

Mr. Robert J. Morrissey, MP
Chair
Standing Committee on Human Resources, Skills and Social Development and the Status of
Persons with Disabilities
House of Commons
Ottawa, Ontario K1A 0A6

Dear Mr. Morrissey,

I would like to begin by thanking the Committee for their extensive work in gathering viewpoints and offering recommendations in support of the Housing Accelerator Fund (HAF) and the Federal Lands Initiative (FLI). Both initiatives figure prominently in my mandate letter as Minister of Housing and Diversity and Inclusion. The Government is committed to bring forward policies and programs that will significantly contribute to housing affordability in Canada in the years and decades ahead.

I would also like to thank the many witnesses that contributed to your hearings and helped shape the Committee's report and recommendations. Many of the insights and themes echo what officials have heard over the last several years, including through consultations on the design of the HAF earlier this year. The Government continues to be motivated by Canada's affirmation of housing as a fundamental human right, and that the changes envisioned by the HAF will reduce systemic barriers that impede the realization of those rights:

The 2019 National Housing Strategy Act declared that the right to adequate housing is a fundamental human right affirmed in international law. The Act affirmed that the right to adequate housing without discrimination is a fundamental human right for everyone in Canada.

I would like to share with you the Government's rationale for implementing the HAF as an important complement to the current suite of programs under the National Housing Strategy (NHS) that more directly fund housing units.

Canada faces a severe shortage of homes. Analysis conducted by the Canada Mortgage and Housing Corporation (CMHC) indicates Canada would need approximately 3.5 million additional homes over and above what is currently produced (roughly a doubling of annual starts) by 2030 to balance supply and demand and return to 2003 levels of housing affordability, a period when the economy was stable and housing costs were a relatively low share of household spending. If Canada does not increase the pace of housing construction, we will continue to see upward pressure on housing prices and rents.

Over the long term, increased supply is needed to reduce the upward pressure on house prices. Increasing housing supply should occur across the housing continuum to improve affordability. Denser housing structures, such as condominiums, duplexes and row houses are more sustainable long-term supply solutions, provided they are large enough to accommodate families. Such supply responses are also particularly likely to benefit the middle class as they are generally more affordable than single-detached housing.

Budget 2022 proposed \$4 billion over five years, starting in 2022-23, to the Canada Mortgage and Housing Corporation to launch a new Housing Accelerator Fund (HAF) that is intended to result in an additional 100,000 net new homes across Canada, recognizing that more housing needs to be built to improve housing affordability:

To make housing more affordable, more housing needs to be built. Building more

housing will require investments, but it will also require changes to the systems that are preventing more housing from being built. The federal government's goal is to incentivize the cities and towns that are stepping up to get more housing built, while also ensuring that municipalities are able to get the support they need to modernize and build new homes. -- Budget 2022

The HAF will support local jurisdictions in speeding up housing development and indirectly increase housing supply. It will achieve this through supporting lasting systemic changes that reduce barriers to housing supply and development approval processes and, over the long run beyond the life of the HAF, make more housing more affordable to more Canadians.

Through the HAF, provided terms and conditions are met, it is anticipated local governments will be able to use incentive funding to support costs of implementing changes to streamline approval processes and support housing of all types within their communities, including affordable housing projects, as well as other housing-related investments within their community.

RESPONSES TO RECOMMENDATIONS

The Government would like to address each of the 17 recommendations in your report, including those addressing the enhancement to the existing Federal Lands Initiative. The Government largely supports the objectives of these recommendations, though it believes the HAF is not suited to meet all the challenges or issues cited. As you know, our Government has pursued an ambitious housing agenda since 2015, with specific programs to address a variety of housing challenges under the banner of the NHS. The HAF is an important complement to the suite of programs, but it is not the right tool to address every housing objective or issue.

The HAF adds to NHS tools by focusing on a critical opportunity to support and improve municipal system controls over land use and development permitting. With this focus on local government process comes a need to recognize which aspects of the housing system are primarily within local control, and which are dependent on other actors in the housing system – including both market and non-market developers, provincial and territorial governments for both funding and legislation, and other actors in the federal government such as Infrastructure Canada – as well as the need for improved coordination among all these key actors.

Recommendation 1

That all regions of Canada be eligible for Housing Accelerator Fund resources— including rural and northern communities, Indigenous communities, mid-size municipalities, and large urban centres.

The Government agrees that the HAF should have broad eligibility, though allocation of HAF resources needs to be guided by communities demonstrating sufficient demand for housing and making a commitment to address systemic barriers that impede timely housing development as housing demand and prices and rents rise.

As noted in the 2022 Budget announcement

To make housing more affordable, more housing needs to be built. Building more housing will require investments, but it will also require changes to the systems that are preventing more housing from being built. The federal government's goal is to incentivize the cities and towns that are stepping up to get more housing built, while also ensuring that municipalities are able to get the support they need to modernize and build new homes... The federal government will ensure that the program also takes into account smaller and rural communities that are growing quickly...

Recommendation 2

That the Government of Canada build on the lessons learned from the successful rapid delivery of funding through the Rapid Housing Initiative to ensure that funding through the Housing Accelerator Fund is delivered to municipalities as quickly as possible, including to

allow for the completion of time-sensitive real estate transactions.

The Government agrees that the HAF design should recognize that program results depend on making funds available early to support local system changes. Canada Mortgage and Housing Corporation has learned valuable lessons from the Rapid Housing Initiative which includes first and foremost being focused and committed to timely delivery. This will allow the HAF to fund as quickly as possible once a community submits their application and an agreement is finalized.

Helping affordable housing providers acquire land and buildings to build and provide more units is one of the Government's priorities. While it may support these activities, this is not the focus of the HAF. The diversity of arrangements for supporting affordable housing across the provinces and territories of Canada means that other NHS programs such as the National Housing Co-Investment Fund (NHCF) and the Federal Land Initiative (FLI) are better positioned to support projects that require time-sensitive real estate transactions. The NHCF provides capital to organizations that have secured capital from another level of government for new affordable housing and the renovation and repair of existing affordable and community housing. Funds are provided as low-interest and/or forgivable loans and contributions. The FLI supports the transfer of surplus federal lands and buildings to eligible proponents. This is available at discounted to no cost to be developed or renovated for use as affordable, sustainable, accessible, and socially inclusive housing.

Recommendation 3

That the Housing Accelerator Fund be as flexible as possible in order to address the diverse barriers to speeding up the construction of housing in communities across the country.

The Government supports this recommendation and aims to ensure that the HAF is designed to be as flexible as possible in how local governments address the diverse barriers to speeding up construction that are under municipal control. Recognizing the diversity of housing needs, tools, and varying experiences of Canada's communities, the HAF will maintain a strong degree of flexibility to enable local decision-making as well as respecting jurisdictional authority. While the Government is aware that many communities are experiencing construction labour shortages, high materials costs, and supply chain disruptions as barriers to construction, they are not generally considered within the purview and control of local governments. The Government therefore anticipates that local governments will focus on systemic reforms in the early stages of the program and anticipate that many of these issues will be resolved in later years, allowing the expected program outcomes in increased housing supply to be achieved.

Recommendation 4

That in order to increase the depth of affordability, funding provided through the Housing Accelerator Fund be stackable with other National Housing Strategy programs—including the National Housing Co-Investment Fund, Rapid Housing Initiative, Rental Construction Financing Initiative, and the Federal Lands Initiative—as well as provincial, territorial, municipal, and Indigenous government funding programs.

The Government agrees that the HAF will support increased housing supply across the housing spectrum and would not exclude housing development supported by other NHS or other government funding programs. Given that non-market development can often face greater approval obstacles than market housing, the Government would expect local governments to facilitate, prioritize, and accelerate land use changes and development approvals to facilitate housing the most vulnerable residents of Canada supported by such programs.

Recommendation 5

That the Government of Canada coordinate with federal, provincial, territorial, municipal and Indigenous governments to achieve better alignment of policies and funding programs impacting the supply of affordable housing.

This issue of misaligned programs across jurisdictions was also noted in the *Opening Doors*

report of the Canada-BC Expert Panel on the Future of Housing Supply and Affordability. CMHC has and continues to work with all stakeholders to look for opportunities to better coordinate across programs and orders of government. On HAF, CMHC has held two workshops with provincial and territorial housing representatives to seek their input on supply issues in their jurisdictions and to inform the overall design details for the program. CMHC also worked bilaterally to align HAF with initiatives already being undertaken by some provinces and territories. The feedback received through these engagements is informing the ongoing design and development work for the HAF in order to create the greatest level of alignment between all orders of government.

Recommendation 6

That the Canada Mortgage and Housing Corporation develop data collection mechanisms to track the impact of the Housing Accelerator Fund, including the number of net new units created as a result of municipal zoning and development policy reforms and capacity building funded through the program and the affordability of net new units created as a result of funding allocated through the program; that this data be released publicly; and further, that the Canada Mortgage and Housing Corporation be prepared to provide updates regarding this data to the committee as the Fund is rolled out.

CMHC will collect permit data from local jurisdictions that participate in the HAF. This data will be combined with other existing in-house data to calculate the number of new units created as a result of the reforms that the HAF will support. However, as the HAF is not directly building new units and is funding growth more generally it will not control the price nor rent of new units permitted as a result of the program and municipalities do not control the price or rent of units they permit as market pricing relies on local market conditions during the life of the project.

As with all NHS programs, CMHC will publicly report on the impact of the program through such methods as the Place to Call Home website and CMHC's Annual Report. CMHC will make themselves available to the Committee as the Committee sees fit to report on the progress of the HAF as it is rolled out and beyond.

Recommendations 7, 14, and 17 address similar issues related to support of affordable housing units.

Recommendation 7

That the Housing Accelerator Fund be largely devoted to the acquisition, renovation, and construction of off-market affordable rental housing units.

Recommendation 14

That the Housing Accelerator Fund support public and non-profit acquisition of vacant land and existing buildings, including rental housing stock, for the purpose of creating net-new affordable housing units.

Recommendation 17

That the Government of Canada consider additional measures through the National Housing Strategy that will level the playing field for municipalities and non-profits in purchasing existing rental buildings and vacant land in order to protect the long-term affordability of existing rental housing stock and ensure that vacant urban land is used for the development of affordable housing where it is needed and not speculation.

As noted in the previous responses to recommendations 2 and 3, a key objective of the HAF is to support timely delivery of essential local government functions – notably land use decisions and issuing building permits -- in the housing supply chain. It is not intended to directly fund the provision of new affordable housing units. However, as noted in the response to recommendation 4, the Government expects that municipalities will act to facilitate such supporting efforts as a matter of urgency, by providing flexible funding to cities to support

these objectives. CMHC is considering additional measures to promote affordable housing across other NHS programs.

Recommendation 8

That, as part of the implementation of the Housing Accelerator Fund, the federal government adopt an updated definition of the concept of affordable housing based on household income; and further, that the Fund account for differing definitions of affordability in Indigenous communities.

The Government expects municipal governments to prioritize the development of non-market housing, including all housing developments receiving support from any order of government. We encourage all urban and rural communities to define affordable housing in ways that acknowledge local differences, challenges, and opportunities.

Recommendation 9

That the Government of Canada ensure that the Housing Accelerator Fund adheres to the criteria of Canada's National Housing Strategy relating to affordability, accessibility, and energy consumption and emissions.

The HAF, while not directly fund the construction of new units, is broadly supporting federal priorities to support housing affordability, inclusion, and climate resilient communities through system-wide reforms. The Government is developing an illustrative list of reforms and eligible activities which local governments can endorse and implement that support each of these criteria. These include but are not limited to promoting high-density development in proximity to transit stations; promoting infill developments; encouraging alternative forms of construction such as modular housing; and waiving public hearings for affordable housing projects that conform to official community plans.

Recommendation 10

That the Housing Accelerator Fund seek to accelerate the creation of new units by providing resources to municipalities and Conservation Authorities to improve the development approvals process with investments that support a broad list of eligible improvements that include but are not limited to the hiring of additional staff dedicated to increasing housing supply, digital e-permitting, Lean Sigma methodologies, and other automated improvements.

Improvement of local development approval systems and processes is a key aspect of the HAF. While Conservation Authorities are not specifically eligible for funding, local jurisdictions will be encouraged to integrate IT systems to allow access across all authorities involved in issuing housing development approvals.

Recommendation 11

That the Government of Canada support municipal zoning and development policy reforms and capacity building funded through the Housing Accelerator Fund to help accelerate the construction of adequate safe and affordable housing for vulnerable populations, including women, racialized people, Indigenous people, and barrier-free housing for persons with disabilities.

As noted in the response to recommendation 4, housing developments geared to supporting vulnerable populations often face greater permitting challenges than market housing. The HAF will support communities that prioritize housing that meets the needs of our most vulnerable populations in Official Community Plans, land use planning, and permitting processes.

Recommendation 12

That the Housing Accelerator Fund support municipalities with the goal of creating new affordable units below established price or rent targets. That the grant allow municipalities to incentivize new development by waiving or substantially lowering development fees, including, but not limited to, development charges, application fees, permits and levies, and supplementing current municipal programs (including brownfield development programs,

zero-interest loans, renovate to rent programs and property acquisition programs) that incentivize the creation of new housing units.

The Government agrees that the HAF should provide municipalities flexibility to support local housing priorities, including off-setting development charges. Funds derived from commitments to reforms and permit acceleration would be used in ways local governments believe will best support local housing needs, subject to reporting on how funds are spent.

Recommendation 13

That investments provided to municipalities to incentivize the creation of net new affordable housing units give weighted importance to funding that supports higher densities, long-term affordability, transit-oriented development, inclusionary zoning policies, climate-friendly and energy efficient units, and increasing the supply of affordable family-oriented units and deeply affordable units for women, gender-diverse people, Indigenous people, and persons with disabilities.

As noted previously, the Government recognizes the importance of facilitating supply across the housing spectrum, notably including affordable housing, and broadly in support of federal housing priorities. The Government agrees that transit-oriented development that is inclusive and accessible will help address the needs of vulnerable populations, such as persons with disabilities, and therefore should be a priority. Providing greater density around rapid transit will improve housing choices for Canadians who cannot afford private vehicles or who prefer to live without them, improve affordability by reducing the cost of creating parking spaces, and support operations and viability of our rapid transit investments. The HAF intends to support and reward cities that prioritize the kinds of development indicated to the extent appropriate within their jurisdiction.

Recommendation 15

That the Government of Canada reform the process through which vacant or unused federal properties are made available to the Canada Mortgage and Housing Corporation to be made available for the construction of affordable housing through the Federal Lands Initiative in order to ensure municipalities and affordable housing organizations are able to rapidly acquire vacant or unused federal lands and buildings in order to create affordable housing units.

The Government agrees with this recommendation and has already included updating and expanding the FLI in the Minister of Housing and Diversity and Inclusion's mandate letter. The Government is exploring and considering options to deliver on this mandate commitment.

As of September 30, 2022, CMHC has committed over \$111 million through the Federal Lands Initiative to support the creation of more than 3,700 units on federal lands that have been declared surplus, of which close to 1,600 will be affordable.

Recommendation 16

That the Canada Mortgage and Housing Corporation explore options to increase the transparency of the Federal Lands Initiative to ensure stakeholders are able to access detailed information on available lands.

The Government will consider this recommendation as part of its efforts to enhance the Federal Lands Initiative. Inventories of surplus and underutilized properties exist in various platforms such as the Treasury Board's Directory of Federal Real Property, Public Services and Procurement Canada's list of Federal properties for sale and in the Infrastructure Ontario's surplus properties sale program. These inventories of properties ready for disposal will be leveraged to promote information and transparency the Federal Lands Initiative.

Recommendation 17

That the Government of Canada consider additional measures through the National Housing

Strategy that will level the playing field for municipalities and non-profits in purchasing existing rental buildings and vacant land in order to protect the long-term affordability of existing rental housing stock and ensure that vacant urban land is used for the development of affordable housing where it is needed and not speculation.

While data indicates that there is a strong need for additional housing supply across the housing continuum and especially affordable housing, the federal government also plays a role in protecting affordability for Canadians. With NHS programs like the Federal Community Housing Initiative, former federal community housing investments are being protected through the continuation of rent supplements for low-income tenants. In addition, the provincially administered Canada Housing Benefit provides direct-to-household affordability assistance to households in need based on local priorities. The Government will continue to explore opportunities to support the development and preservation of community housing through the NHS.

Once again, the Government would like to thank the Committee, its witnesses, and all those involved in preparing the report of the Committee. We remain committed to working with you and the wider community of Canadians to seek short- and long-term solutions to ensure that housing is affordable for all residents of Canada.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ahmed Hussen', written in a cursive style.

The Honourable Ahmed Hussen, P.C., M.P.
Minister of Housing and Diversity and Inclusion