



# Housing affordability: Five investment ideas for Canada

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The current funding and delivery system for housing in Canada is simply not sustainable at its current levels and is in need of a new approach.

At the local level, the municipal property tax base cannot cover the costs of capital repairs, operations, administration, and the development of much-needed new housing, in addition to the rest of their responsibilities.

Solving the affordable housing crisis requires both demand and supply side interventions – a mix of capital injections, market incentives, policy and planning amendments, and better infrastructure and land use planning.

Parallels to Australia?

*"In all of this, it is vital to keep in mind that Australia's social housing system remains grossly underfunded. Currently, available resources are inadequate even to properly maintain the existing portfolio, let alone to underpin the new supply needed to keep pace with growing need."*(The Conversation, September 2016)

## The Federal Budget and affordable housing investments

In 2017, the Canadian Federal Budget proposed to invest more than proposed to invest more than \$11.2 billion over

11 years. If the funds were used exclusively to build affordable houses, it would provide between approximately 32,000-37,000 dwellings (based on an average construction cost of \$300k-\$350k per dwelling) – a somewhat simplistic equation of total funding divided by construction cost.

When this is compared to the more than 171,000 people that are on wait lists for social housing in Ontario alone (ONPHA waitlist Survey 2016), it does highlight the magnitude of the issue. And it also highlights the fact that capital grants alone won't get anywhere near addressing the totality of the affordability issue.

Governments on their own cannot afford to continue providing capital grants to solve this critical issue!

## What will \$11.2 billion in government funding actually buy?

The latest Federal Budget announced a list of initiatives to include:

- A renewed partnership between the Federal Government and Provinces and Territories to better support shared housing priorities (\$3.2 billion).
- Targeted support for northern housing to address higher needs and costs (\$300 million).
- Targeted housing support for Indigenous Peoples living in social housing off-reserve (\$225 million).
- Renewed and expanded federal investments to combat and prevent homelessness (\$2.1 billion).
- Making surplus federal lands available for the development of affordable housing.
- Expanded funding to strengthen housing research and data collection (\$241 million).



In addition, the Government announced a new \$5 billion National Housing Fund to address critical housing issues and better support vulnerable citizens, which will be administered by the CMHC.

This fund is supposed to encourage investment and collaboration, expand direct lending for new rental housing supply, provide capital grants, and continue to preserve the current social housing stock and technical and transformation fund for the social housing sector.

As always, the devil will be in the detail as to what this will lead to, but it does raise the question: what else can be done to assist our Governments in delivering more affordable housing?

### Potential ideas to support governments

If you were building a shopping list of initiatives to help support current investment efforts at the federal and provincial level, what else can be added to that list? Here's a small selection of examples to consider:

1. Expansion of [shared equity home ownership initiatives](#). Allows moderate income-earners to gain a foot-hold into the red-hot property market. These schemes allow a person to purchase a smaller portion of a property (i.e. 50 percent), while an institution (such as a Government, bank, not-for-profit organization) holds the remaining portion.
2. [Expand Loan guarantees](#) for not-for-profit housing organizations. Backed by Governments, loan guarantees can be useful tools to lower the financing costs for affordable housing providers and allow them to provide more affordable houses.
3. [Social housing estate](#) redevelopments. While this will require capital injections, redeveloping social housing estates to increase density and integrate better land use can deliver new and improved affordable housing options – particularly when the procurement process is designed to generate partnerships between developers and affordable housing providers, where one of the 'tickets to redevelop the land' is increasing the number of affordable housing dwellings.
4. [Mandating inclusionary zoning](#) practices on all public land developments. A useful tool to ensure new developments on public land (at the very least) include a mix of housing and community facilities.
5. [Housing Finance Corporation](#). The UK (and now Australia is jumping on board this concept) have a well-developed housing finance corporation dedicated to responsibly coordinating investment into the affordable housing market. This would necessitate an active and capable not-for-profit affordable housing sector.

The \$5 billion National Housing Fund will likely cover some of these initiatives; however, it is:

1. A question of scale – is half a billion dollars per annum, when shared across Provincial Governments, enough to make a dent in the affordability issue?
2. A question of capability – is the current system capable of transformation and what happens if providers are not capable? Will new partnerships and collaborative relationships form, or will it be more of the same?
3. A question of incentives – will new providers and players be incentivized to deliver new supply? How will developers/builders be incentivized to deliver more supply, and more efficiently? How will the private sector be incentivized to assist make vibrant communities?

This list is by no means exhaustive but is part of a wider set of initiatives, reforms, investments and policy changes that could be included in the broader toolkit to address housing affordability.

Cities and communities in Canada are reaching an interesting crossroads regarding affordable housing. There are choices and priorities that need to be outlined, detailed, and acted upon. Governments at all levels are facing increasing pressures to act on sky-rocketing housing prices, they face funding pressures to deliver the services that citizens expect, and they face pressures on the choices they make to continue to make cities and communities vibrant and liveable.

When it comes to issues of housing affordability in Canada, we live in interesting times indeed.

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