



Federal Program Spending on Housing Affordability



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The Parliamentary Budget Officer (PBO) supports Parliament by providing economic and financial analysis for the purposes of raising the quality of parliamentary debate and promoting greater budget transparency and accountability.

This report is intended to help parliamentarians understand federal program spending on housing affordability.

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Executive Summary

Canada's 2017 National Housing Strategy (NHS) provided new funding for housing affordability programs over its ten-year term from 2018-19 to 2027-28. Taking into account existing and subsequent commitments, Canada Mortgage and Housing Corporation (CMHC) plans to spend an average of \$2.8 billion/year on assisted housing programs over the ten-year term of the NHS. This represents a \$0.4 billion/year (15%) increase in nominal spending over the 10-year historical average. Employment and Social Development Canada (ESDC) plans to spend \$225 million/year on homelessness programs, which represents a \$86 million/year (62%) increase in nominal spending over the five-year historical average.

In the overall allocation of funding between CMHC's core responsibilities, there is a \$325 million/year (14%) reduction in funding for Assistance for Housing Needs programs intended to help low-income households compared with the 10-year historical average. Within the Assistance for Housing Need portfolio, there is a \$167 million/year (12%) reduction in funding for transfers to the provinces and territories and a \$175 million/year (30%) reduction in funding for federal community housing. These reductions are partially offset by \$200 million/year in new spending on rent subsidies. The decline in funding for Assistance for Housing Needs programs is offset, in terms of aggregate spending, by a \$664 million/year increase in funding for Financing for Housing programs which are not necessarily targeted to low-income households.

It is not clear that the National Housing Strategy will reduce the prevalence of housing need relative to 2017 levels. Overall, Canada's National Housing Strategy largely maintains current funding levels for current activities and slightly reduces targeted funding for households in core housing need. CMHC's assumptions regarding the impact of NHS outputs on housing need do not reflect the likely impact of those programs on the prevalence of housing need.

1. Introduction

1.1. Purpose of Report

This report is intended to help parliamentarians understand federal spending on affordable housing and the results that spending is likely to achieve.

This report is undertaken under the Parliamentary Budget Officers' mandate to prepare reports concerning the government's budget and estimates.¹ It was also undertaken under the Parliamentary Budget Officer's mandate to estimate the financial cost of a proposal over which Parliament has jurisdiction upon requests from a parliamentarian. In this case, a Member of Parliament requested an estimate of the incremental financial costs arising from Canada's National Housing Strategy and the cost to achieve the targets of that strategy.²

1.2. Scope of Report

The National Housing Strategy was announced in Budget 2017 and elaborated upon in a subsequent policy document. It was presented as an "ambitious \$40-billion plan to help ensure that Canadians have access to housing that meets their needs and that they can afford" by making "unprecedented investments" in housing.³ The *National Housing Strategy Act*, found in clause 313 of the 2019 Budget Implementation Act (Bill C-97) would require the government to maintain similar strategies and national goals.⁴

The National Housing Strategy focuses on program expenditures by the Canada Mortgage and Housing Corporation (CMHC) and Employment and Social Development Canada (ESDC). CMHC administers most program expenditures relating to housing affordability, while ESDC provides transfers to communities and service providers to help address homelessness. The focus of this report is direct federal expenditures by these two organizations outlined in the Strategy.

This report does not include federal tax expenditures. Details regarding federal tax expenditures related to housing can be found in the Department of Finance's [Report on Federal Tax Expenditures](#).

Expenditures by Indigenous Services Canada and Crown Indigenous-Relations and Northern Affairs Canada are not covered in this report. Expenditures of Infrastructure Canada were not examined since it does not provide significant funding for housing.⁵

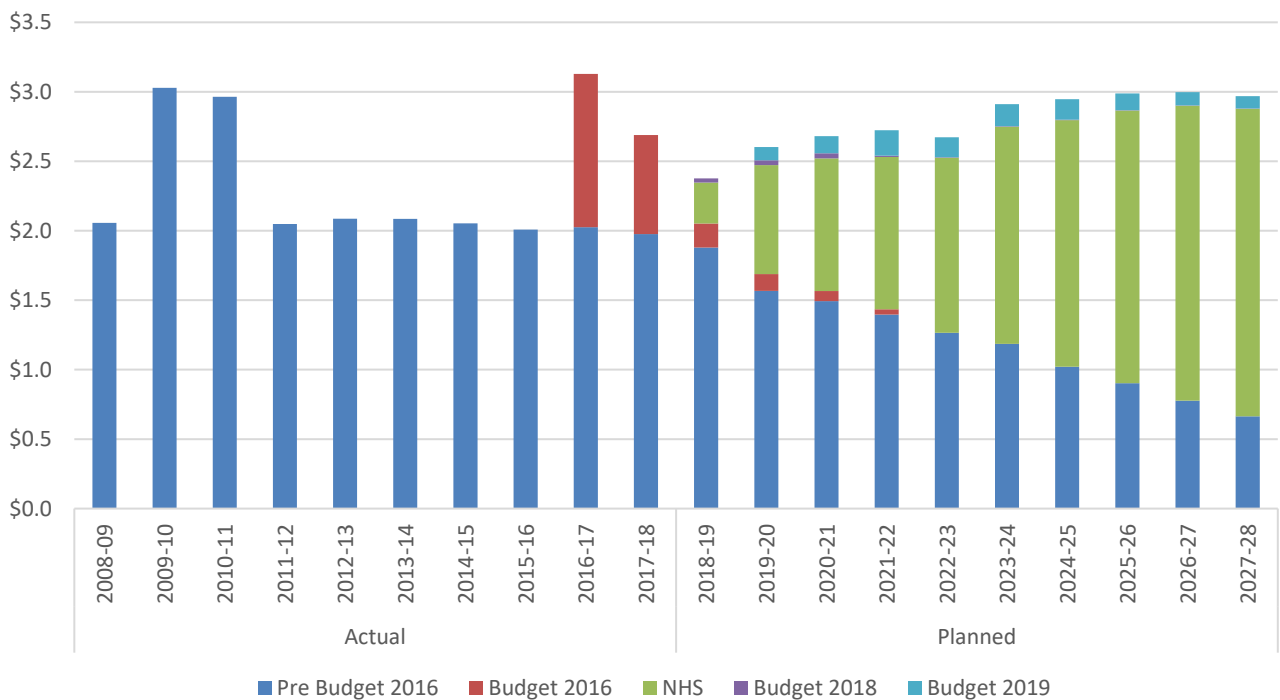
2. How Much Does Canada Spend on Housing Affordability?

CMHC Spending by Announcement

Absent the announcement of the National Housing Strategy in 2017, CMHC's funding to Assisted Housing programs would have declined by 73% by 2027-28 relative to the 10-year historical average as shown in Figure 2-1. This decline in pre-existing funding arises from the expiry of the time-limited Investment in Affordable Housing and a scheduled decline in payments to Provinces and Territories under Social Housing Agreements.⁶

Figure 2-1

CMHC Actual and Planned Nominal Expenditures on Assisted Housing by Budgetary Announcement (\$B)



Source: PBO based on Actual and Planned Spending provided by CMHC in response to IR0405.

CMHC Nominal Spending

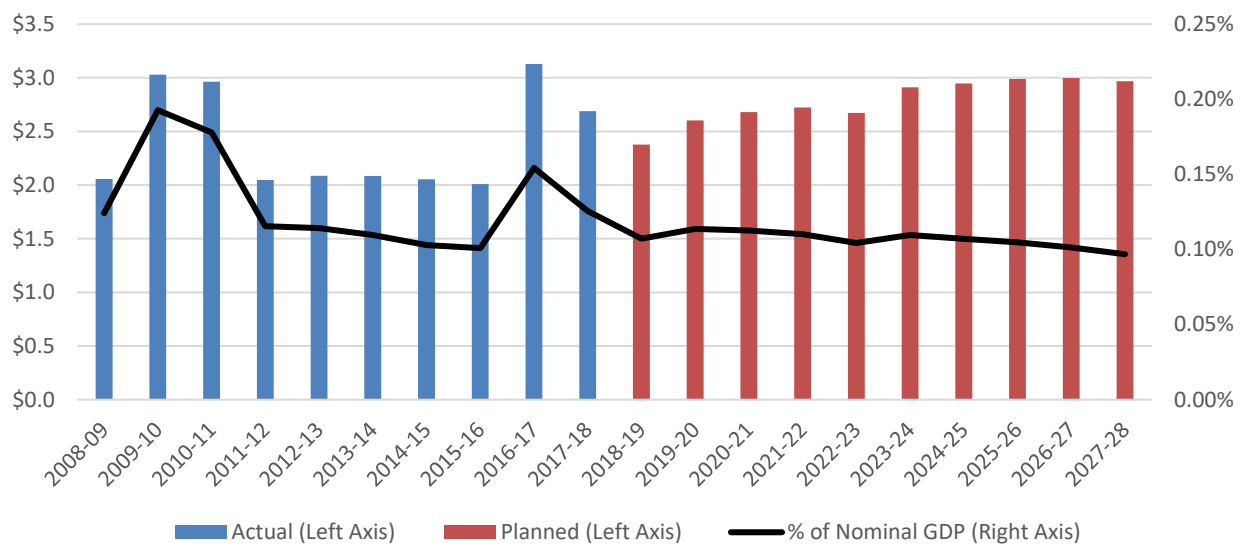
From 2008-09 to 2017-18, CMHC spent an average of \$2.4 billion/year on the activities now included in its "Assisted Housing" business segment. From

2018 to 2027-28, CMHC plans to spend \$2.8 billion/year on these same activities.⁷ This represents a 15% increase in spending in nominal terms.

CMHC Spending as a % of GDP

Measuring levels of support for social housing as a % of GDP provides greater comparability between countries and over time of expenditures relative to a country's available resources.⁸ Comparing the past 10 years to the 10-year term of the National Housing Strategy, federal spending on "Assisted Housing" is expected to decrease from 0.13% of nominal GDP to 0.11% of nominal GDP, which is a 19% decrease in the average proportion of GDP allocated to assisted housing. These trends are shown in Figure 2-2.

Figure 2-2 CMHC Spending on Housing Affordability (\$B and % of GDP)



Source: PBO based on Actual and Planned provided by CMHC in response to IR0405 and the PBO's April 2019 Economic and Fiscal Outlook GDP projection.

Real Purchasing Power of CMHC Spending

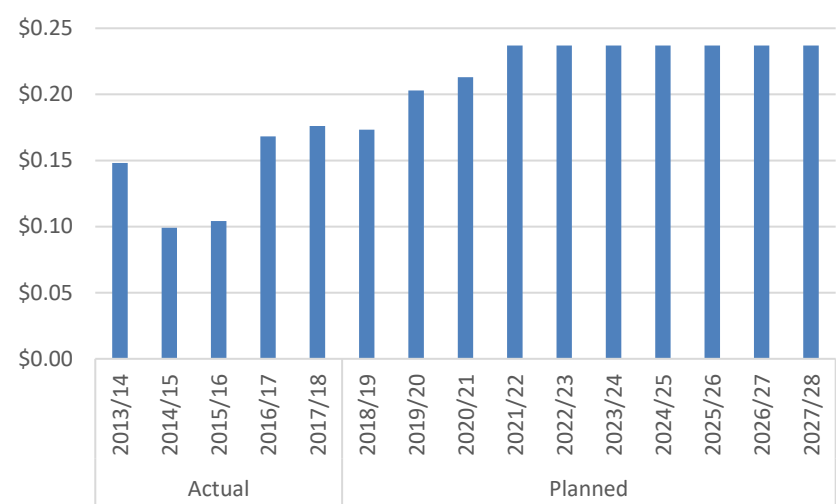
The real purchasing power of federal spending was estimated based on the Apartment Building Construction Price Index. From 2008-09 to 2017-18, CMHC's spending had a real purchasing power equivalent to \$2.7 billion/year in 2019 dollars. From 2018-19 to 2027-28, CMHC's spending is expected to have a real purchasing power equivalent to \$2.6 billion/year in 2019. This represents a 3% decrease in the real purchasing power of federal spending.⁹

ESDC Spending

The National Housing Strategy also includes new funding for Employment and Social Development Canada (ESDC). ESDC funds programs to address

homelessness under its Homelessness Partnering Strategy, now known as “Reaching Home”. Funding for this program has been renewed and increased substantially. Over the term of the National Housing Strategy, funding for “Reaching Home” averages \$224.8 million per year. This is \$85.6 million per year higher (62% higher) than the five-year historical average of \$139.2 million per year, as shown in Figure 2-3 below.¹⁰

Figure 2-3 **ESDC Actual and Planned Spending on Homelessness (\$B)**



Source: PBO based on data from ESDC

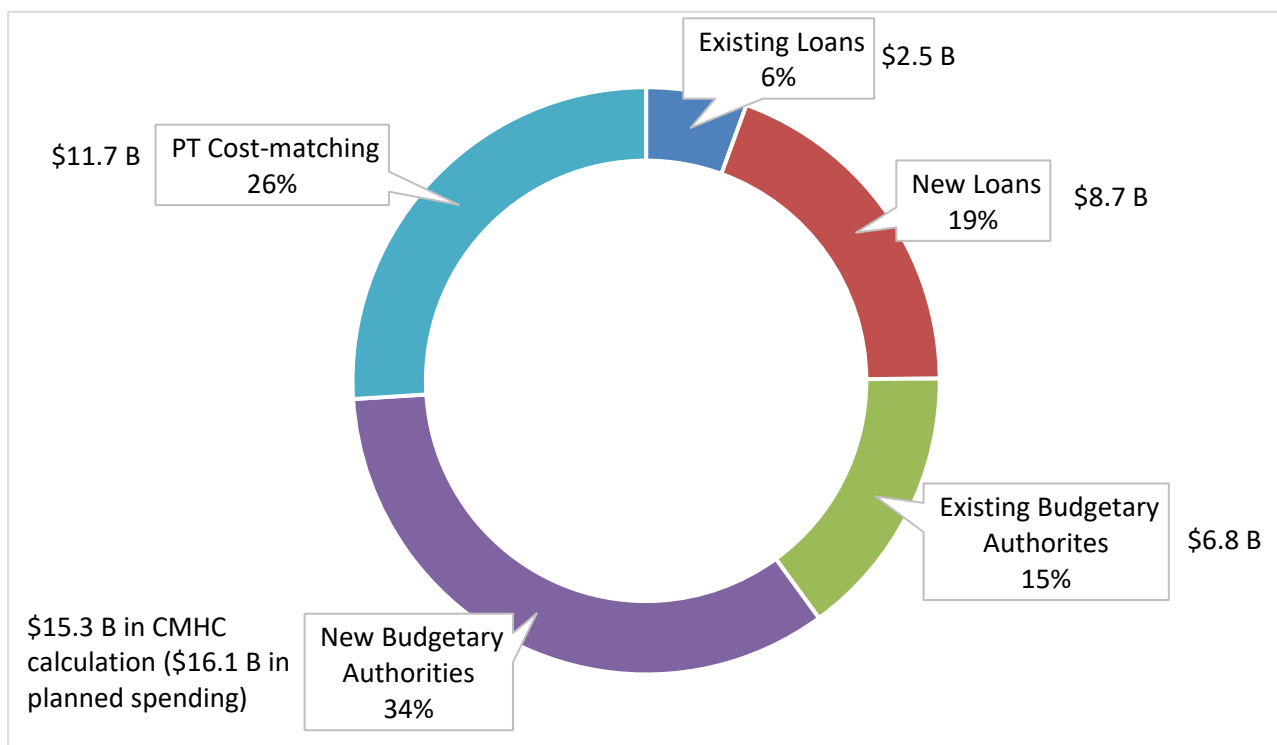
2.1. National Housing Strategy Breakdown

Explanation of Headline Commitment

As noted previously, the National Housing Strategy was marketed as a “\$40-billion plan”¹¹ or as a “\$40-billion federal investment”.¹² In reality, the Strategy committed to \$16.1 billion in new federal planned spending (\$14.0 billion for CMHC and \$2.1 billion for ESDC).¹³

As shown in Figure 2-4, the “\$40 billion” headline commitment in the National Housing Strategy policy document includes existing loans (\$2.5 billion), new loans (\$8.7 billion), existing planned spending (\$6.8 billion) and required Provincial-Territorial cost matching (\$11.7 billion). Together with the \$16.1 billion in new planned spending, this exceeds the “\$40 billion” headline commitment. A full breakdown is attached as Appendix A.

Figure 2-4 Breakdown of figures added by CMHC to produce headline commitment under the National Housing Strategy



Source: PBO based on figures provided by CMHC in response to IR0405

Since Budget 2019, CMHC has revised the “\$40 billion” headline commitment to “\$55+ billion” reflecting the \$10 billion in additional loans planned in Budget 2019.

Breakdown of Planned Spending by Source of Commitment

CMHC's total planned spending from 2018-19 to 2027-28 is \$27.9 billion. Of this figure, \$12.2 billion comes from commitments made prior to Budget 2016, \$0.4 billion from commitments in Budget 2016, \$14.0 billion from the National Housing Strategy set out in Budget 2017, \$0.1 billion from Budget 2018, and \$1.3 billion from Budget 2019 as shown in Table 2-1. A detailed breakdown of the programs funded under each commitment is found in Appendix B.

Table 2-1**CMHC Planned Nominal Spending by Source of Commitment**

Source of Commitment	CMHC Funding for 2018-19 to 2027-28	Share
Total from Pre Budget 2016	\$12.2 billion	43.6%
Total from Budget 2016	\$0.4 billion	1.4%
Total from NHS	\$14.0 billion	50.0%
Total from Budget 2018	\$0.1 billion	0.4%
Total from Budget 2019	\$1.3 billion	4.6%
TOTAL	\$27.9 billion	

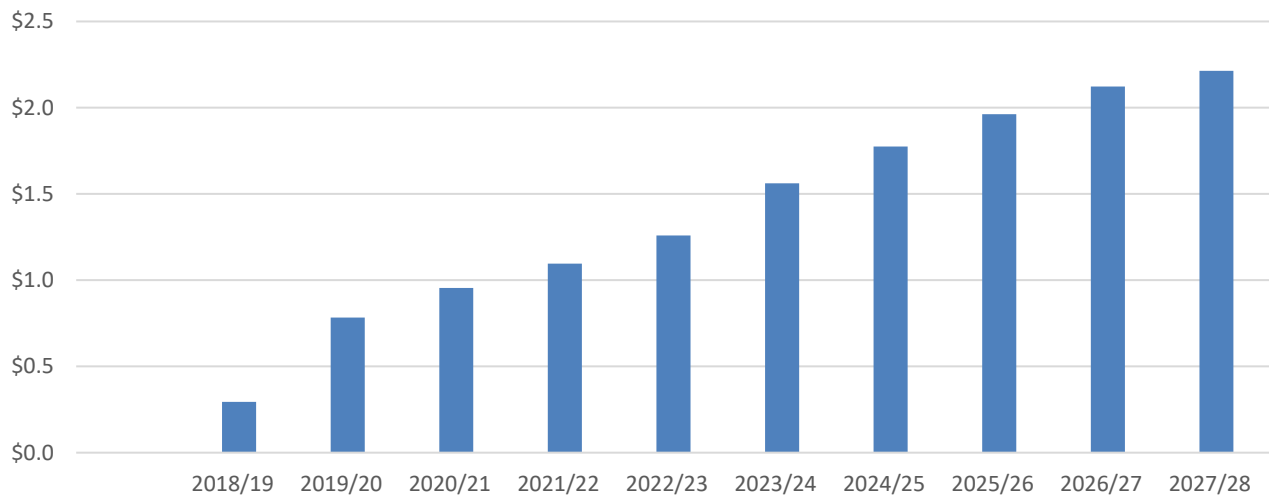
Source: PBO based on figures provided by CMHC in response to IR0405

Note: Excludes \$2.3 billion for ESDC's "Reaching Home" and \$1 billion contingency reserve for unplanned changes in interest rates and inflation.

Problems with totalling long-term commitments

Funding for the National Housing Strategy ramps up over time as pre-2016 funding decreases. Consequently, 92% of National Housing Strategy funding is allocated to 2020-21 and beyond, as shown in Figure 2-5. This means that National Housing Strategy funding could be rolled back by the government.

Figure 2-5 Allocation of new spending under the National Housing Strategy over time (\$B)



Source: PBO based on figures provided by CMHC in response to IR0405

Cost-matching by provinces and territories

Cost-matching by provinces and territories accounts for \$11.7 billion of the “\$40 billion” headline investment. Including this figure in the total investment under the National Housing Strategy implies that matching requirements will result in incremental provincial and territorial spending, which is unlikely to be the case.

For example, in British Columbia in 2017-18, BC Housing received \$209 million in federal funding and \$513 million in provincial funding, meaning about 29% of government funding was federal.¹⁴ In this context, British Columbia does not have to spend any more to meet matching requirements; it is also not reasonable to attribute the creation and maintenance of all units to the 29% federal share of funding.

Provinces and territories that already spend more than the federal government on housing could reduce funding for housing programs while still meeting the cost-matching requirements and having all outputs of their programs counted towards the positive impacts of the National Housing Strategy.¹⁵ For example, Ontario’s 2019-20 Main Estimates reduced operating spending on housing programs from \$944 million in 2018-19 to \$866 million in 2019-20, and capital spending from \$302 million to \$219 million, despite \$0.1 billion in additional funding provided to Ontario by CMHC in 2019-20 for which cost-matching was required.¹⁶ While matching funding was nominally committed in Ontario’s 2018 Budget, this was offset by other reductions, notably the expiry of the Provincial Affordable Housing Lands Program.¹⁷

The wording relating to cost-matching for the Canada Housing Benefit in the NHS is stricter, requiring that funding be “incremental and in addition to the level of provincial or municipal funding in place on or before March 31, 2016.”¹⁸ However, it is still not clear this would require a meaningful increase in spending as, for example, social assistance payments could be reclassified as matching funding.

For the Homelessness Partnering Strategy, ESDC found that the average spending per federal program dollar averaged \$13.02 in fiscal years 2015-16 and 2016-17.¹⁹ Among the 8 largest communities the lowest amount of spending per federal dollar was \$2.16.²⁰ In other words, cost-matching requirements are already more than surpassed before the coming into force of the strategy and should not be expected to result in communities contributing more than what they already spend.

Combining loan and contribution amounts

Contributions and loans are fundamentally different in their cost to government and ability to influence behaviour. Because loans must be repaid, they provide less of a financial incentive than a direct contribution of the same face value. The budgetary costs associated with loan programs arises from provisions for credit risks or insurance, interest timing mismatch and operating costs. For example, the budgetary cost of the \$3.75 billion in loans available under the Rental Construction Financing Initiative (prior to Budget 2019) is only \$0.3 billion.

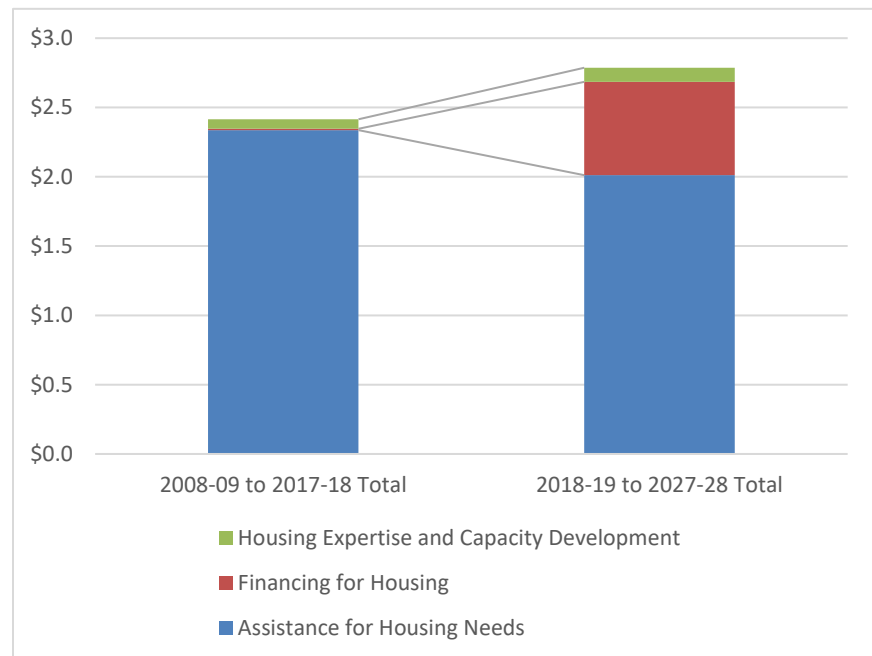
2.2. Reallocation Between Core Responsibilities of CMHC

The NHS also represents a significant shift in how CMHC support will be targeted.

Over the last 10 years, CMHC spent \$2.3 billion/year (97% of all spending) on **Assistance for Housing Need** programs under which CMHC provides funding to improve access to affordable housing for Canadians in housing need.²¹ Over the next 10 years, Canada will spend less on **Assistance for Housing Need** with spending declining 14% to \$2.0 billion/year, as shown in Figure 2-6.

Figure 2-6

CMHC Actual and Planned Nominal Spending by Core Responsibility (\$ B/year)



Source: PBO based on figures provided by CMHC in response to IR0405

The decrease in **Assistance for Housing Need** will be offset by the increase in spending on **Financing for Housing** under the National Housing Co-Investment Fund and Rental Construction Financing Initiative. These two programs do not require the new housing to be targeted to low-income households. CMHC plans to spend \$0.7 billion/year on financing for housing between 2018-19 and 2027-28.

3. How Much Will Canada Spend on Different Program Groups?

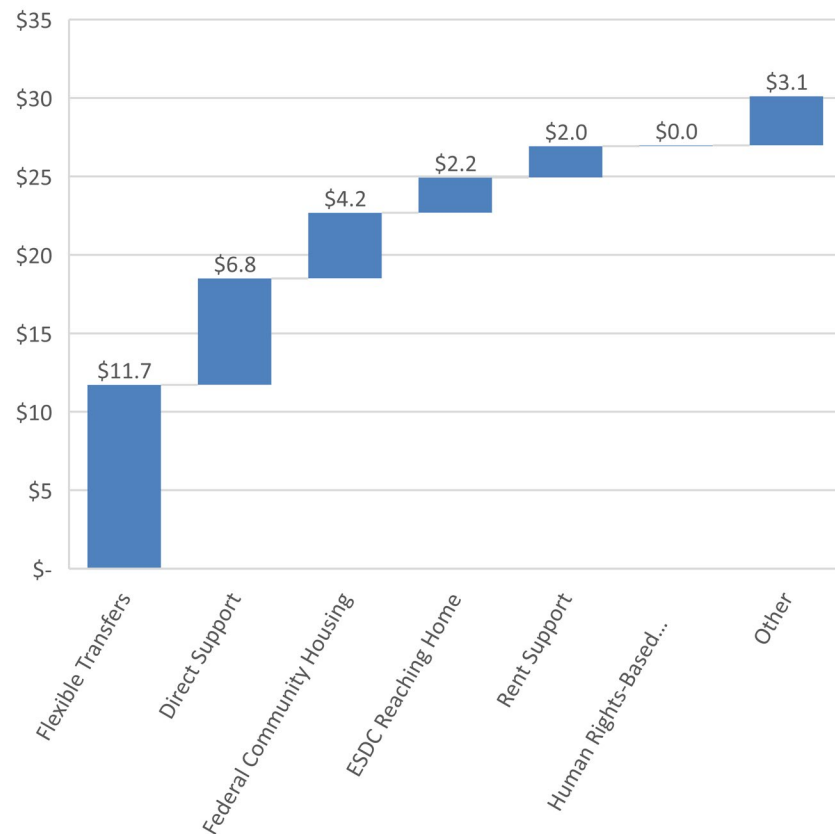
As noted above, many new federal programs support similar activities to existing programs with declining or expiring funding. As a result, it is helpful to look at spending trends by groups of federal programs supporting similar activities.

The PBO identified six major groups of federal programs accounting for \$27.0 billion of the \$30.1 billion in total planned spending over the term of the NHS. These include:

1. Transfers to Provinces and Territories (\$11.7 billion);
2. Support for federal community housing (\$4.2 billion);
3. Direct support for new construction and renovation (\$6.8 billion);
4. Rent subsidies (\$2.0 billion);
5. Homelessness programs (\$2.2 billion); and
6. The "Human Rights Based Approach to Housing" (\$0.05 billion).

The waterfall chart below provides a breakdown of CMHC and ESDC housing affordability programs based on these groupings.

Figure 3-1 Overview of Planned Spending 2018-19 to 2027-28 by Program Group (\$B)



Source: PBO based on figures provided by CMHC in response to IR0405

Additional charts showing the breakdown of program groups are attached as Appendix C.

3.1. Transfers to Provinces and Territories

This first group of programs is flexible transfers to the Provinces and Territories. It consists of the Social Housing Agreements, the Federal-Provincial Territorial Partnership in Housing and the Investment in Affordable Housing.²²

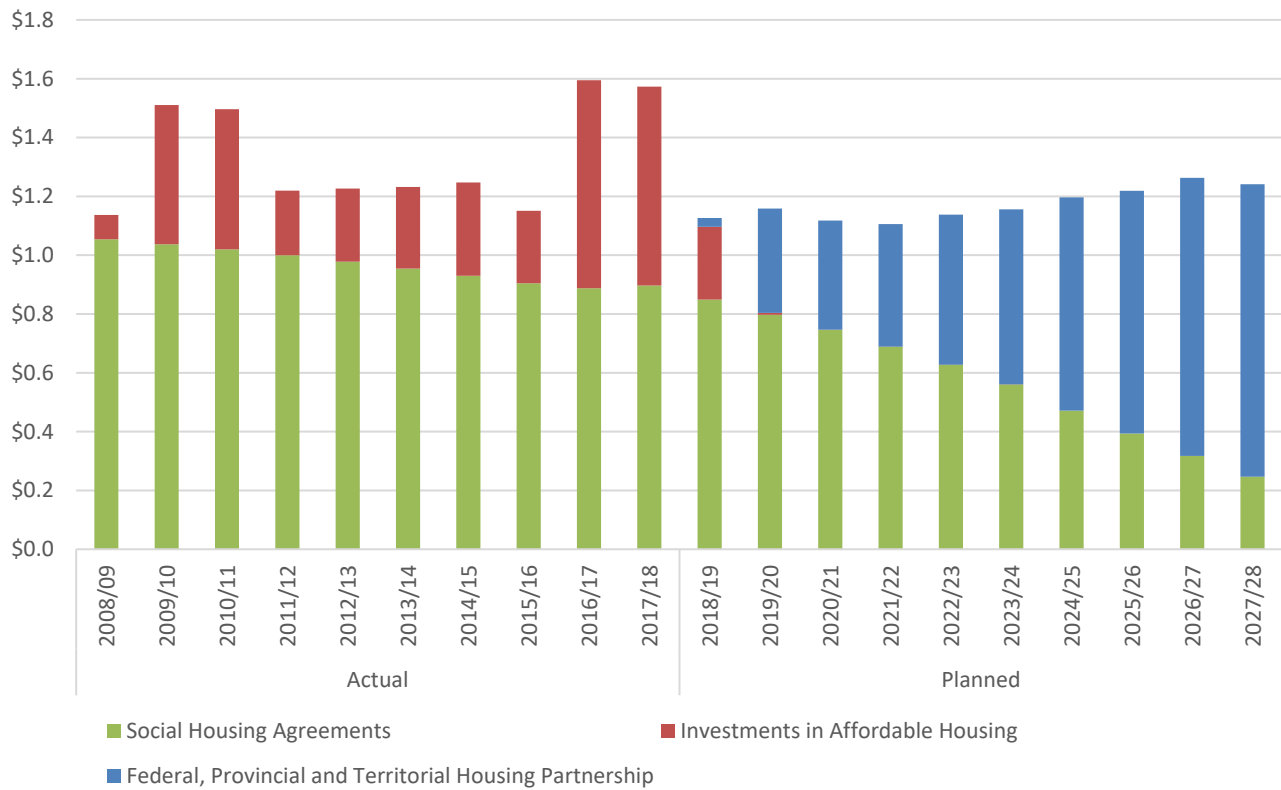
Change in total spending

As shown in Figure 3-2, funding for transfer programs is slightly lower over the 10-year term of the National Housing Strategy than the preceding decade. Canada spent on average \$13.4 billion on these programs over the last 10 years and will spend on average \$11.7 billion over the 10-year term of the National Housing Strategy. Funding for the Investment in Affordable

Housing expires after 2019-20. Funding under the Social Housing Agreements declines in line with the expiry of existing operating agreements. These declines are largely offset by new funding under the Federal, Provincial and Territorial (FPT) Partnership agreements.

On a net basis, planned spending over the next 10 years for transfers is expected to be \$1.7 billion (12%) lower than actual spending over the prior 10 years.

Figure 3-2 CMHC Actual and Planned Nominal Spending on Transfers to Provinces and Territories (\$B)



Source: PBO based on figures provided by CMHC in response to IR0405

Spending under Social Housing Agreements

Between 1997 and 2016 CMHC signed Social Housing Agreements with all provinces and territories except Quebec and Prince Edward Island. The Social Housing Agreements allowed provinces and territories to assume control of community housing that were created through a variety of federal programs. CMHC provided \$9.7 billion under these agreements over the last 10 years and will provide \$5.7 billion over the 10-year term of the National Housing Strategy, consistent with the schedule of payments set out in those agreements.

Spending under Investment in Affordable Housing

The Investment in Affordable Housing provided \$3.7 billion over the last ten years (including some funding from the prior Affordable Housing Initiative). Funding essentially ended in 2018-19, with only \$0.3 billion in planned expenditures for 2019-20. The Investment in Affordable Housing supported construction, renovations and affordability assistance. Between 2011 and 2017, 51% of Investment in Affordable Housing funding was spent on new supply, 16% on renovation, 24% on housing affordability, and 9% on renovations specifically intended to support independent living.

Spending under Federal/Provincial/Territorial Partnership in Housing

Although funding for the Investment in Affordable Housing is ending and support for existing community housing under Social Housing Agreements is declining, these same activities will continue to receive federal financial support under the Federal/Provincial/Territorial (FPT) Partnership in Housing. The FPT Partnership in Housing provides \$5.8 billion in funding over the term of the National Housing Strategy (excluding the Canada Housing Benefit). Funding under the Partnerships is divided between three streams:

1. The Canada Community Housing Initiative;
2. Provincial-Territorial Priority Funding and Targeted Northern Funding for the Territories; and
3. The Canada Housing Benefit (discussed later).

The Canada Community Housing Initiative provides \$4.3 billion over 10 years, matched by the provinces and territories, for community housing administered by provinces and territories and supported by former federal programs. It also supports the repair, renewal and expansion of this community-based housing.²³ The Initiative performs essentially the same role as funding provided under the Social Housing Agreements, which was also given to the provinces and territories to maintain and support community housing.

With Provincial-Territorial Priority Funding, each province and territory can design and implement its own programs in accordance with its own

priorities. Funding can be used for construction, renovation, or affordability supports, much like under the Investment in Affordable Housing.²⁴ Targeted Northern Funding differs only in that it does not have to be matched.

There is some uncertainty regarding the design of initiatives under the FPT Partnership because that design is subject to ongoing bilateral negotiations. There is uncertainty regarding how the framework will be implemented in Quebec because Quebec has not endorsed the FPT Partnership Framework.²⁵

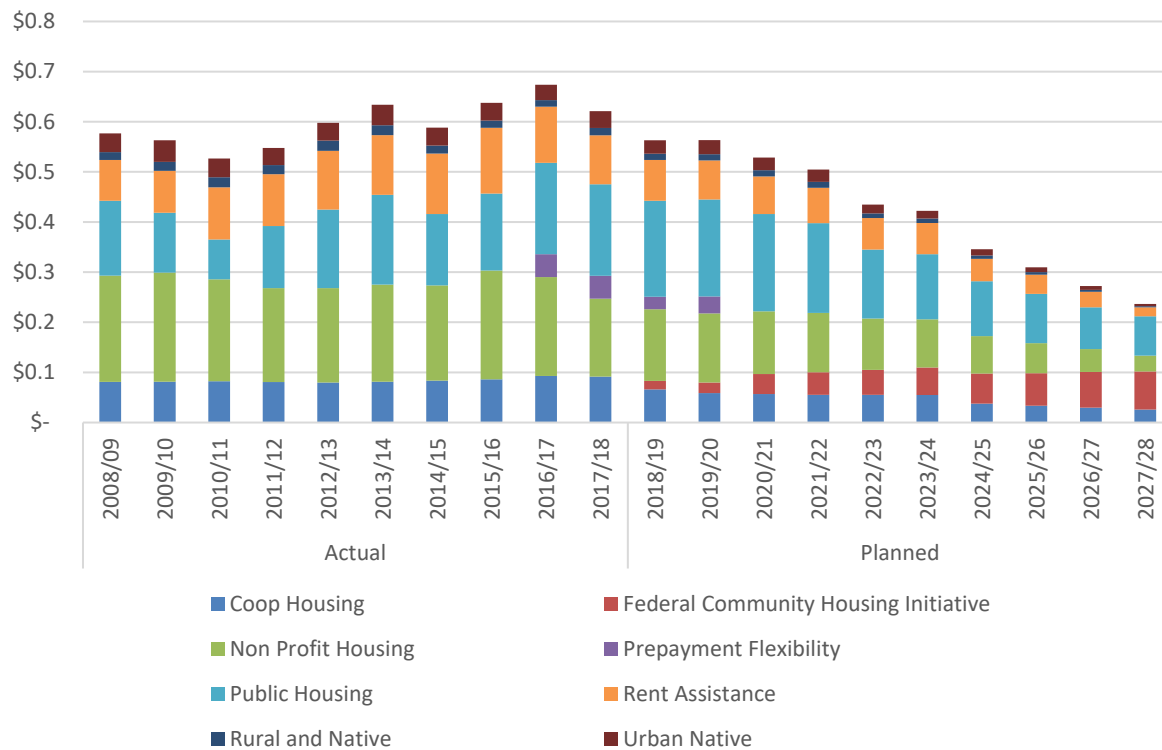
3.2. Support for federal community housing

While control over most community housing was transferred to the provinces and territories, some community housing remains administered by CMHC. This includes social housing created with federal funding in Prince Edward Island and Québec who never signed Social Housing Agreements. It also includes some units in other provinces and territories that were not transferred under their Social Housing Agreements.

Change in Total Spending

As shown in Figure 3-3, despite \$0.5 billion in new funding under the Federal Community Housing Initiative, total funding for federal community housing will decline substantially over the next 10 years. An average of \$597 million/year was spent between 2008-09 and 2018-19, but CMHC plans to spend \$418 million/year between 2019-20 and 2027-28. This represents an average reduction of \$179 million/year or 30%. The reduction in planned spending grows larger over the term of the National Housing Strategy, reaching 60% by 2027-28 relative to average spending between 2008-09 and 2017-18.

Figure 3-3 CMHC Actual and Planned Spending on Federal Community Housing Programs (\$B)



Source: PBO based on figures provided by CMHC in response to IR0405

Note: A minor factor contributing to this reduction is that up to 8,600 of the 95,650 CMHC administered units (as of 2015) were transferred to Alberta under Alberta's 2016 Social Housing Agreement.

Sustainability of Federal Community Housing with Declining Support

Federal community housing is generally targeted to low-income households, although CMHC was not able to provide a precise breakdown of targeted and non-targeted units; its last survey to verify targeting was published in 1996.²⁶

Some federal social housing providers will be able to continue operating after the end of their existing operating agreement as this coincides with the term of their mortgage. However, other federal community housing, particularly indigenous off-reserve housing, is unsustainable without ongoing subsidies because a large portion of tenants are charged rents based on their incomes, which are not sufficient to cover operating costs and capital reserves.²⁷ Without subsidies, these providers will have to select higher-income tenants, charge higher rents, or progressively sell off assets to sustain their operations.

CMHC states that Phase I of the Federal Community Housing Initiative provides transitional support for federally administered community housing with long-term agreements ending before April 1, 2020 so that they can continue to offer service until that date and prepare for “modernization and transition to a new Phase II rental support program beginning April 1, 2020.”²⁸ Because Phase II rental support has not yet been announced, it is not possible to determine its implications for provider sustainability or tenant affordability.

Spending on Housing for Indigenous People not Living On-Reserve

The planned level of funding for federally administered community housing for Indigenous households not living on reserves (\$257 million) is less than half the level of funding provided over the prior 10 years (\$534 million).

Budget 2017 included a commitment to invest \$225 million over the next 11 years to provide financial support to housing providers serving Indigenous households not living on-reserve. On 20 February 2019, ESDC announced that \$200 million was dedicated to housing for urban Indigenous households within the Canada Community Housing Initiative (4.7% of the \$4.3 billion in planned spending under that program) and \$25 million was dedicated to Indigenous housing projects within the National Housing Co-Investment Fund (0.5% of the \$5.4 billion in planned spending under that program).²⁹

These set asides are not expected to result in any additional funding for housing providers serving Indigenous households not living on-reserve. Indigenous housing providers are eligible and receive funding under such programs even without specific set-asides. A set-aside within programs which already support Indigenous housing results in incremental spending only to the extent the commitment exceeds the funding level which would have otherwise been provided. Since the funding for the Canada Community Housing Initiative is intended to support Indigenous households currently living in community housing, it can reasonably be inferred that the \$20 million per year (4.7% of funding) is no more than those housing providers were previously receiving in the absence of a set-aside. Of the 34 new construction projects funded under the National Housing Co-Investment Fund as of April 2019, three projects targeted indigenous peoples. Together, those projects received \$3.9 million (4% of allocated funding) and provided 50 affordable units. This share substantially exceeds the 0.5% of funding explicitly set-aside for such providers. As a point of confirmation regarding the level of support which would be provided to Indigenous housing providers by chance alone, 118,500 of 1,693,775 (7%) of households in core housing need were Indigenous people not living on reserve.

Because the above-noted set asides are not expected to result in any additional funding for Indigenous housing providers, total spending on indigenous housing is expected to be substantially lower than over the prior 10 years.

3.3. Direct support for renovation and new construction

Canada has provided support for the construction and renovation of housing for decades under a variety of programs, including transfers to provinces and territories and support for federal community housing noted above. However, Canada has occasionally also provided direct financial support to housing providers to support renovation and new construction.

Direct support for renovations

Prior to the National Housing Strategy, CMHC provided direct financial assistance for renovations under a variety of renovation programs. Funding for these programs is almost entirely eliminated and is replaced by the Repair and Renewal component of the National Housing Co-Investment Fund which will amount to \$2.3 billion.

Direct Support for New Construction

The main form of federal financial support for new construction over the last 10 years was the Investment in Affordable Housing, which supported new construction and was delivered through transfers to provinces and territories. The Affordable Housing Innovation Fund also provided direct financial support for new construction, but it is a relatively small program, with total spending of \$85.7 million up to the end of 2017-18, and \$122.7 million in planned spending remaining. Likewise, the Budget 2019 Housing Supply Challenge is only allocated \$250 million in planned spending.

The National Housing Strategy introduced new direct funding programs for the construction and renovation of housing under the **National Housing Co-Investment Fund**, the **Rental Construction Financing Initiative**, and the **Federal Land Initiative**. These programs are administered by CMHC.

The **National Housing Co-Investment Fund** provides low-interest loans and contributions to support the construction of new housing as well as the repair and renewal of existing housing. The program aims to provide \$4.7 billion in financial contributions, of which \$2.26 billion is allocated for new construction, and \$2.26 billion is allocated for repair and renewal. The program also provides \$11.2 billion in low-interest loans, with the fiscal cost of those loans increasing total budgetary program costs to \$5.2 billion.

The **Rental Construction Financing Initiative** (RCFI) similarly provides low-cost loans to encourage the construction of rental housing. The main differences are that the RCFI has more relaxed affordability criteria, only provides loans, and does not require the support of another level of government. The RCFI was authorized to distribute \$2.5 billion in loans under Budget 2016, which was increased to \$3.75 billion in Budget 2018.³⁰ Budget

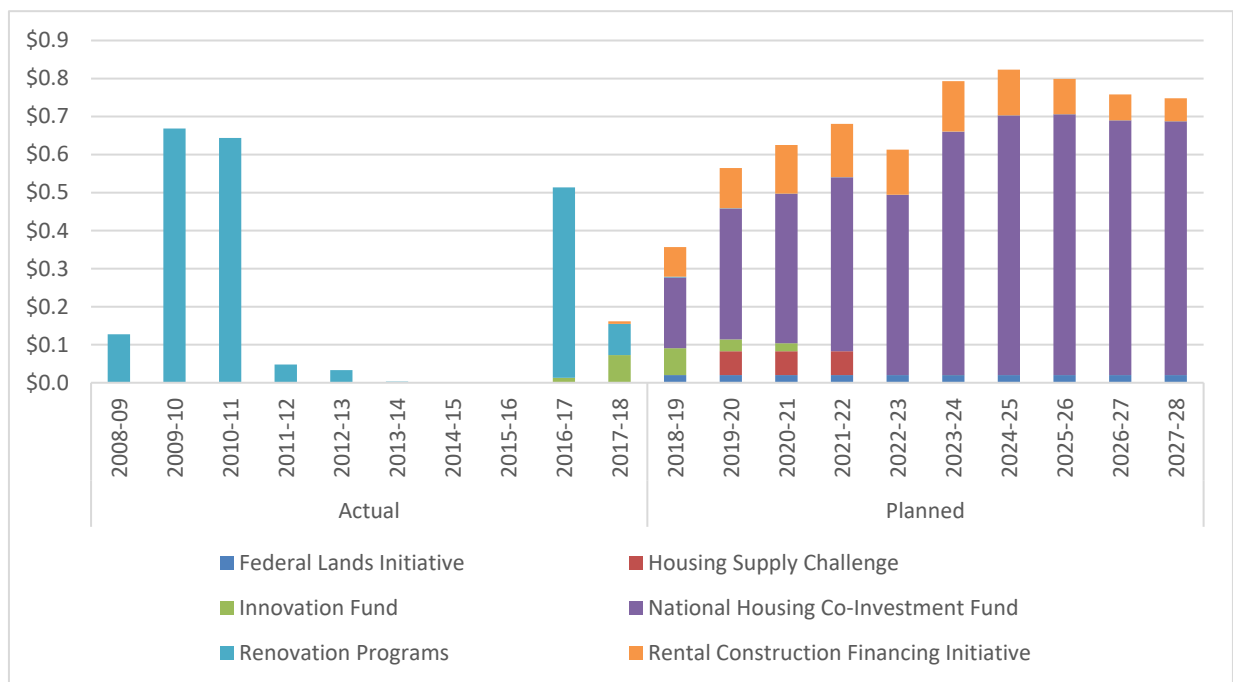
2019 provided additional loan authority for the RCFI to distribute an additional \$10 billion in loans over 9 years, entailing a fiscal cost of \$727.1 million over the term of the National Housing Strategy and bringing the total budgetary cost of the RCFI over the term of the National Housing Strategy to \$1.0 billion.³¹

The **Federal Land Initiative** proposes to transfer surplus federal land and buildings to affordable housing providers at little to no cost. It replaces the Surplus Federal Real Property for the Homelessness Initiative (SFRPHI), which transferred surplus federal land and buildings to Housing First programs to address homelessness for a nominal sum of one dollar.³² The Federal Land Initiative is administered by CMHC, whereas SFRPHI was administered by Public Works and Government Services.

Change in total spending

As shown in Figure 3-4, spending on direct support for new construction and renovations is \$4.6 billion higher (207%) over the 2018-19 to 2027-28 period than over the previous 10 years.

Figure 3-4 CMHC Actual and Planned Spending on direct support for new construction and renovations (\$ B)



Source: PBO based on figures provided by CMHC in response to IR0405

Change in Program Design

The eligibility and prioritization criteria for the **National Housing Co-Investment Fund** and **Rental Construction Financing Initiative** suggest an

intention to fund mixed-income housing. Unlike predecessor programs, they do not require units to be targeted to low-income households, and provide financial support based on total costs.³³ The scoring criteria rewards allocating up to 51% of units to vulnerable populations which include, but are not limited to, low-income households.

Under the **National Housing Co-Investment Fund**, units must remain affordable for 20 years, but contributions are provided upfront. This differs from the approach used in some provinces and territories and historical CMHC programs, where affordable housing was supported through subsidies or loan forgiveness spread over the life of the building. Upfront funding requires that projects funded charge sufficient rents to be sustainable (or have their operating losses covered by another level of government). Commitments under the RCFI are half the length at 10 years, meaning the unit must meet the affordability criteria for 10 years.

Even units which have affordability requirements may not be affordable for tenants, at least according to CMHC's definition of less than 30% of household income. This is particularly the case for units funded under the **Rental Construction Financing Initiative**, which can be priced up to 30% of median before-tax total income of families in the area, which can substantially exceed average rents.³⁴

Change in Program Implementation

A defining characteristic of the **National Housing Co-Investment Fund** is that every project must have support from another level of government (such as municipalities, provinces and/or territories, Indigenous government).³⁵ This gives other levels of government a key gatekeeping function.

As a result, most projects will likely have to meet the criteria of other levels of government (which could include targets for low-income households) in addition to the federal criteria. A similar strategy was used for the Phase One of the Affordable Housing Initiative, a Budget 2001 announcement. Under that program, funding was provided to provinces and territories, who used most of that money to build targeted units.³⁶

As of March 2019, the **National Housing Co-Investment Fund** has supported 39 projects, of which 36 were proposed by non-profits or co-operatives, and 3 by municipalities or indigenous groups. These proponents have committed to making, on average, 79% of units affordable, substantially in excess of the 30% required by CMHC's eligibility criteria.

Of the 24 projects funded under the **Rental Construction Financing Initiative** so far, 6 were proposed by non-profits, 2 by municipalities, and 16 by for-profits. These proponents have committed to making 94% of units "affordable" by the definition used for the purposes of the RCFI. These early results may not be representative of the long-term pattern in the allocation

of funding, but rather the profile of “shovel-ready” projects that were able to respond to the creation of these financing programs in a timely manner.

3.4. Rent subsidies

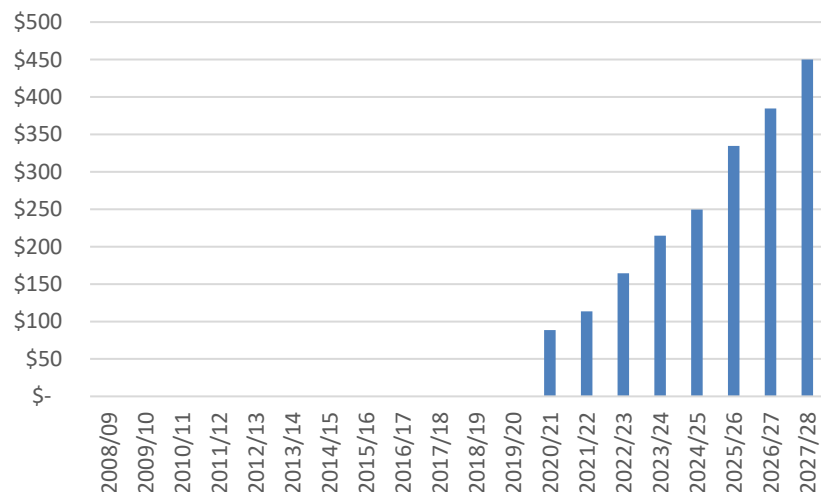
Canada’s National Housing Strategy announced new funding for the provinces and territories to provide a Canada Housing Benefit. CHB will be an affordability support provided to low-income households, but its specific parameters have yet to be determined.³⁷

Canada’s National Housing Strategy indicates that the program is intended to be launched in 2020 and could aim to provide up to \$2,500 per year to 300,000 households.

As shown in Figure 3-5, the funding allocated to the CHB will be phased in over the term of the National Housing Strategy.

Figure 3-5

CMHC Actual and Planned Spending on Canada Housing Benefit (\$M)



Source: PBO based on figures provided by CMHC in response to IR0405

The federal government is assuming that provinces and territories will meet the matching requirement, so the federal government is only budgeting to cover about half the cost of this benefit.³⁸

3.5. Homelessness programs

The National Housing Strategy includes a homelessness program known as “Reaching Home”.³⁹ Reaching Home provides transfers to other levels of

government to address homelessness, much like the Homelessness Partnering Strategy.

Funding for this program has been renewed and increased substantially. Over the term of the National Housing Strategy, funding for homelessness programs is \$225 million per year. This is \$86 million per year higher (62%) than the five-year historical average of \$139 million per year.⁴⁰

The top priority of the predecessor Homelessness Partnering Strategy was Housing First initiatives which move individuals who are chronically or episodically homeless from the streets or homeless shelters directly into permanent housing.⁴¹ Under “Reaching Home” there are no longer targets for investments in Housing First programs.⁴² ESDC also announced that \$413 million was dedicated to address Indigenous homelessness in urban centers within Reaching Home.⁴³

3.6. Human Rights Based Approach to Housing

The National Housing Strategy committed to establishing a human rights-based approach to housing, consisting of: new legislation, a new federal housing advocate, a national housing council, a community-based tenant initiative, and a public engagement campaign.⁴⁴

The National Housing Strategy included \$49.2 million for this purpose, and the same amount was included in the \$3.2 billion for other national housing strategy initiatives set out in Budget 2018 and CMHC’s planned spending. This costing reflects that the proposed approach focuses primarily on reporting, oversight, and participation in decision-making.

Budget 2019 Implementation Act, Bill C-97, Division 9 of Part 4, enacts a *National Housing Strategy Act*. The *National Housing Strategy Act* does not have any fiscal impact beyond the administrative costs associated with maintaining a National Housing Strategy and supporting the National Housing Council and Federal Housing Advocate. It does not create any enforceable individual rights that would give rise to future statutory spending, nor does it bind future parliaments to commit voted spending to housing programs.

4. What will the NHS achieve?

The primary outcome target of the National Housing Strategy is “530,000 households removed from housing need” or “up to 50% reduction in the housing need of renters.”⁴⁵ However, it is not clear that the National Housing Strategy will reduce the prevalence of housing need relative to 2017 levels.⁴⁶

As shown above, the NHS largely maintains current funding levels for current activities in nominal term and slightly reduces targeted funding for households in core housing need.⁴⁷ Furthermore, CMHC’s assumptions regarding the impact of NHS outputs on housing need do not reflect the likely impact of those programs on the prevalence of housing need.

Table 4-1 An Analysis of Targets of Certain CMHC Planned Spending

Program group(s)	Output target	Contribution to outcome target under CMHC assumptions⁴⁸	Factors limiting impact on prevalence of housing need
Rent subsidies \$2 B in planned spending ⁴⁹	300,000 households receive affordability support ⁵⁰	300,000 households removed from housing need	Few households receiving affordability support will be removed from housing need given the program design. ⁵¹
PT Transfers and federal community housing \$15.9 B in planned spending ⁵²	385,000 community housing units protected, and another 50,000 units created through an expansion of community housing	199,300 households removed from housing need ⁵³	Asides from rent subsidies, there is no plan or change that would be expected to reduce core housing need in social housing. ⁵⁴ The target represents a reduction in community housing. ⁵⁵ Not all community housing is affordable or allocated to low-income households. ⁵⁶
Direct support for construction and renovation \$6.8 B in planned spending ⁵⁷	82,000 housing units created ⁵⁸	27,600 household removed from housing need ⁵⁹	Units with affordability commitments are not necessarily allocated to low-income households, or affordable by CMHC’s definition, and may have been built anyways. ⁶⁰

Source: PBO. Spending, targets and contributions from CMHC response to IR0405.

Appendix A: National Housing Strategy \$40 B breakdown

EOA = End of Operating Agreement

Program All figures in Billions	Existing loans	New loans	Existing Spending	Existing Spending (repurposed)	Existing Spending (Other)	New Spending	New Spending (EOA)	Existing in-kind contributions	PT cost matching	Total
National Housing Co-Investment Fund	2.5	8.7	0.2	0.1	0.0	4.5	0.5			16.6
Federal Lands (CMHC)						0.2				0.2
Federal Lands (PSPC)								0.0		0.0
FPT Flexible funding						1.1			1.1	2.3
Canada Housing Benefit						2.0			2.0	4.0
Canada Community Housing Initiative				0.6		0.2	3.5		4.3	8.6
Northern Funding						0.3				0.3
FPT framework - CMHC admin						0.0				0.0
IAH baseline 2018-19			0.2						0.2	0.5
Federal Community Housing Initiative				0.1		0.5	(0.0)			0.5
Technical Resource Centre						0.1				0.1
Social Housing Baseline for PTs			4.1						4.1	8.2
Social Housing Baseline for CMHC			1.4							1.4
Data, Research and Demonstrations						0.2				0.2
Human Rights-based Approach				0.0			0.0			0.0
Reaching Home						2.1				2.1
HPS baseline 2018-19			0.1							0.1
Total	2.5	8.7	6.0	0.8	0.0	11.3	4.0	0.0	11.7	45.1

Source: PBO adapted from CMHC response to IR0405

Appendix B: Planned Spending by Program

Note that housing programs supported by multiple budgetary announcements appear multiple times.

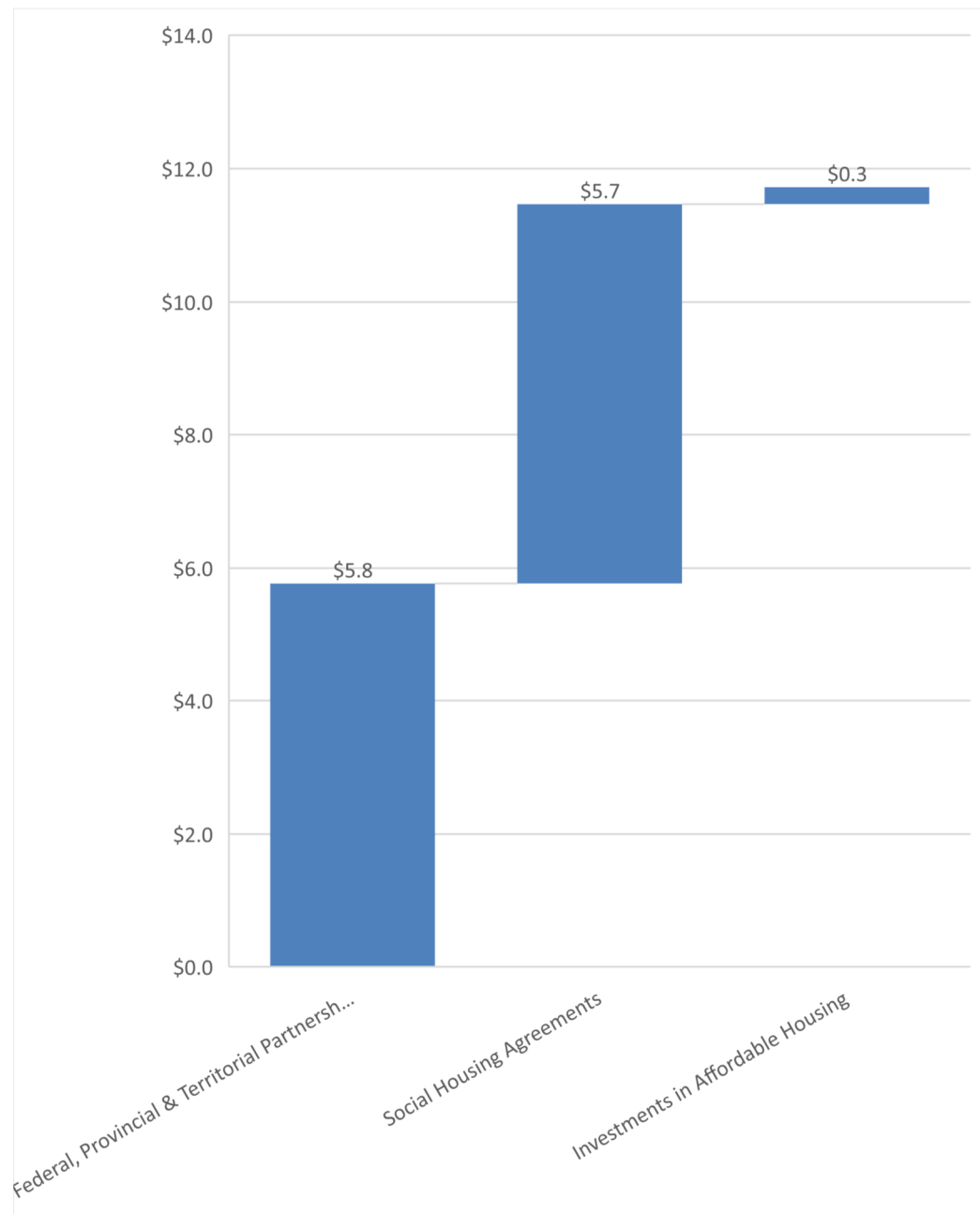
Housing Programs	Budget Announcement	Total
Federal, Provincial & Territorial	NHS	\$5,770,000,000
Social Housing Agreements	Pre Budget 2016	\$5,697,611,183
National Housing Co-Investment Fund	NHS	\$5,201,100,000
Canada Housing Benefit	NHS	\$2,000,000,000
On Reserve Housing	Pre Budget 2016	\$1,705,027,696
Public Housing	Pre Budget 2016	\$1,394,758,897
Non Profit Housing	Pre Budget 2016	\$934,424,936
Rental Construction Financing Initiative	Budget 2019	\$727,100,000
Rent Assistance	Pre Budget 2016	\$562,006,684
Housing Policy, Research and information Transfer	Pre Budget 2016	\$551,532,404
Federal Community Housing Initiative	NHS	\$500,000,000
Coop Housing	Pre Budget 2016	\$474,234,426
Investments in Affordable Housing	Pre Budget 2016	\$253,799,280
Housing Research and Data Initiative	NHS	\$241,000,000
First-Time Home Buyer Incentive	Budget 2019	\$241,000,000
Federal Lands Initiative	NHS	\$200,000,000
Market Housing Other	Pre Budget 2016	\$199,955,738
Rental Construction Financing Initiative	Budget 2016	\$189,579,609
Housing Supply Challenge	Budget 2019	\$250,000,000
Urban Native	Pre Budget 2016	\$172,441,664
Rental Construction Financing Initiative	Budget 2018	\$127,831,403
Innovation Fund	Budget 2016	\$122,725,000
On Reserve Housing	Pre Budget 2016	\$103,738,504
Rural and Native	Pre Budget 2016	\$84,542,029
Technical Resource Center	NHS	\$64,200,000
Prepayment Flexibility	Budget 2016	\$58,552,911
Human Rights-Based Approach to Housing	NHS	\$49,200,000

Limited Dividend	Pre Budget 2016	\$14,261,783
On Reserve Housing	Budget 2016	\$12,516,174
Pyrrhotite	Budget 2016	\$10,000,000
On Reserve Housing	Budget 2016	\$8,719,824
Renovation Programs	Pre Budget 2016	\$3,366,991
Renovation Programs	Budget 2016	\$1,082,371
Investments in Affordable Housing	Budget 2016	\$731,942
Student Housing	Pre Budget 2016	\$189,121
Housing Policy, Research and information Transfer	Pre Budget 2016	\$102,000
CMHC TOTAL		\$27.9 billion
Reaching Home	NHS	\$2,129,000,000
HPS Baseline		\$119,000,000
ESDC Total		\$2.3 billion
Grand Total		\$30.1 billion
Excluded CMHC Contingency: Long Term Investments in Affordable Housing		\$1,088,817,821

Source: PBO based on figures provided by CMHC in response to IR0405

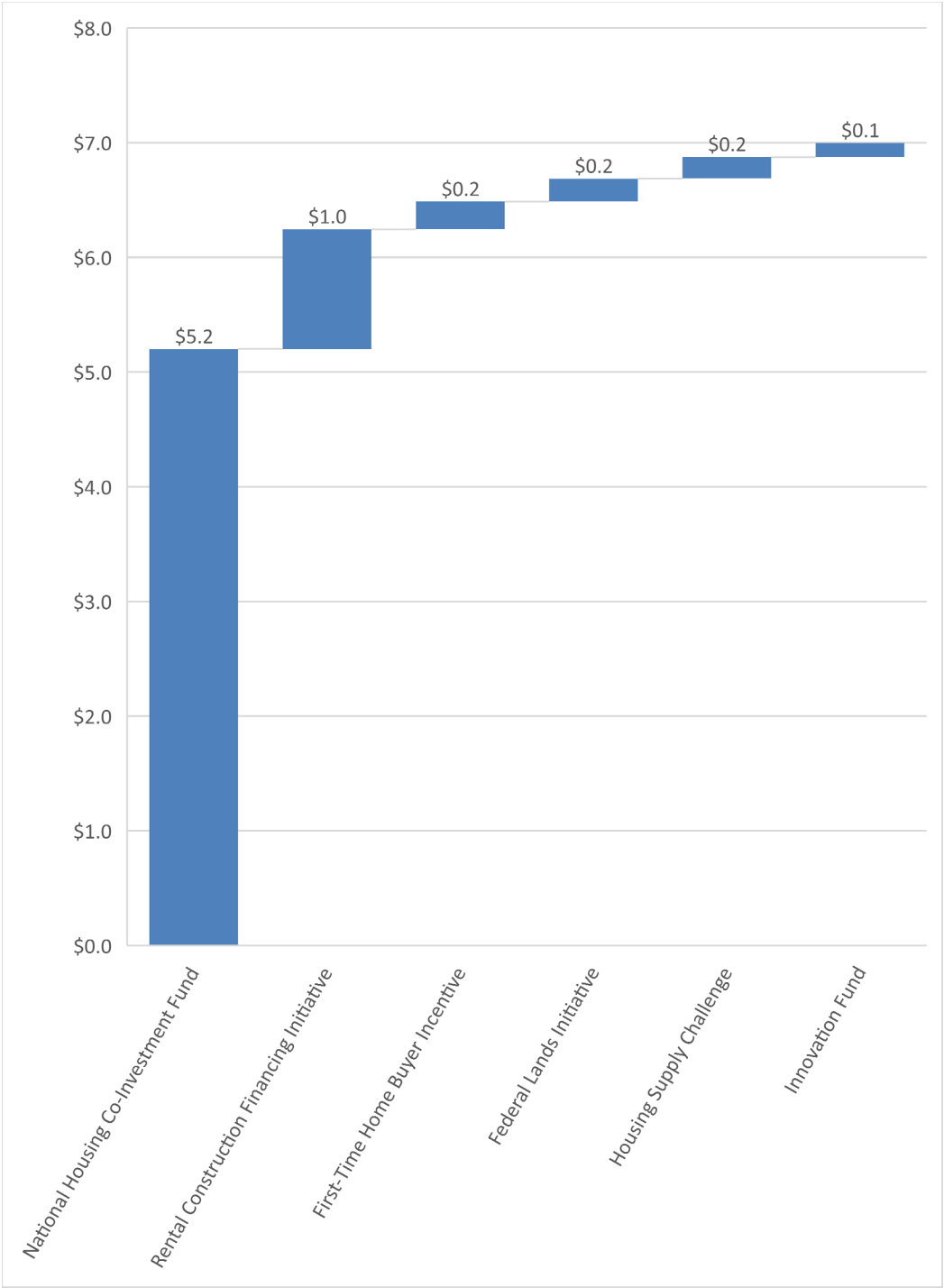
Appendix C: Composition of Program Groups

Figure C-1 Breakdown of Transfers to Provinces and Territories 2018-19 to 2027-28 by Program (\$B)



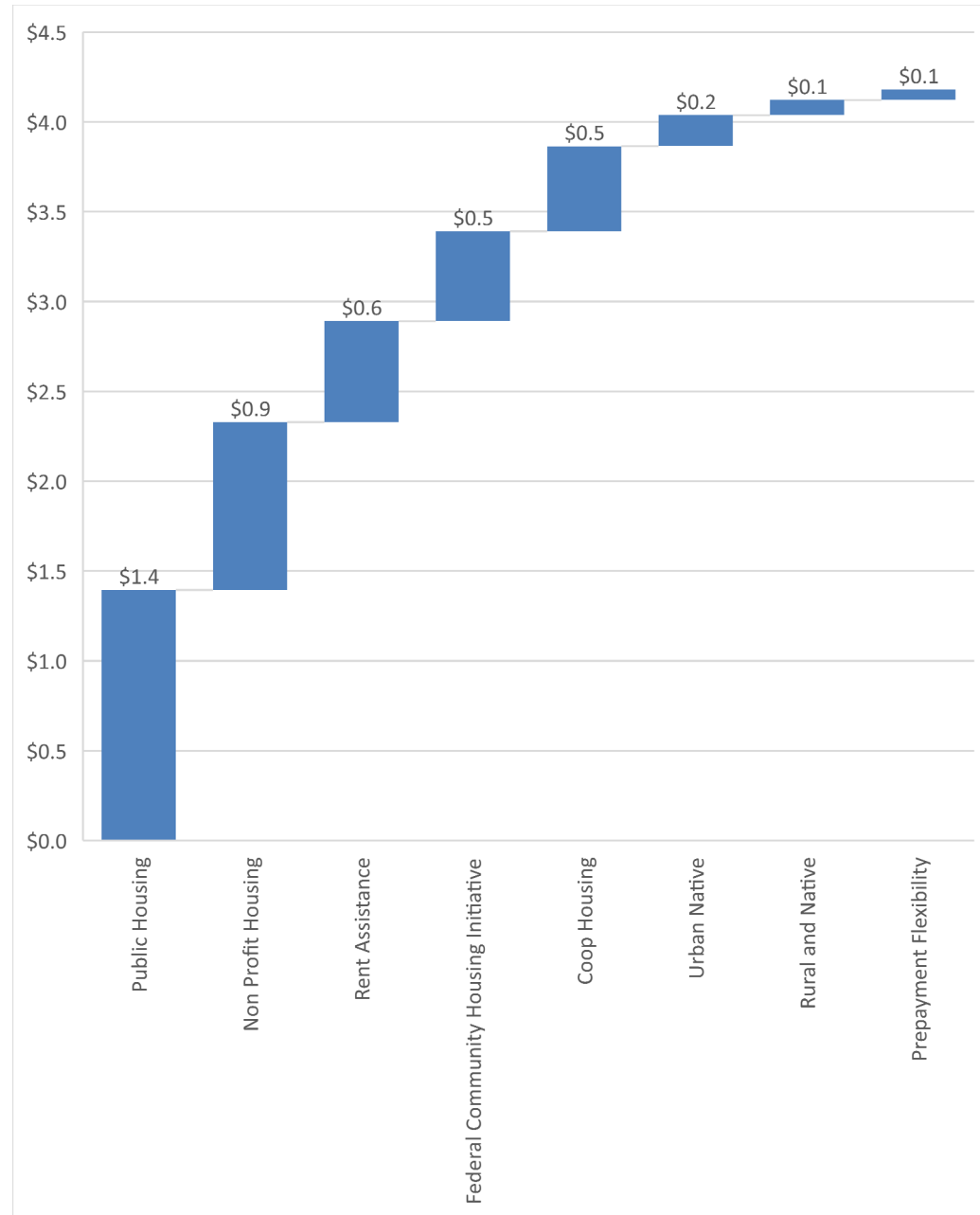
Source: PBO based on figures provided by CMHC in response to IR0405

Figure C-2 Breakdown of Direct Support for Construction and Renovation 2018-19 to 2027-28 by Program (\$B)



Source: PBO based on figures provided by CMHC in response to IR0405

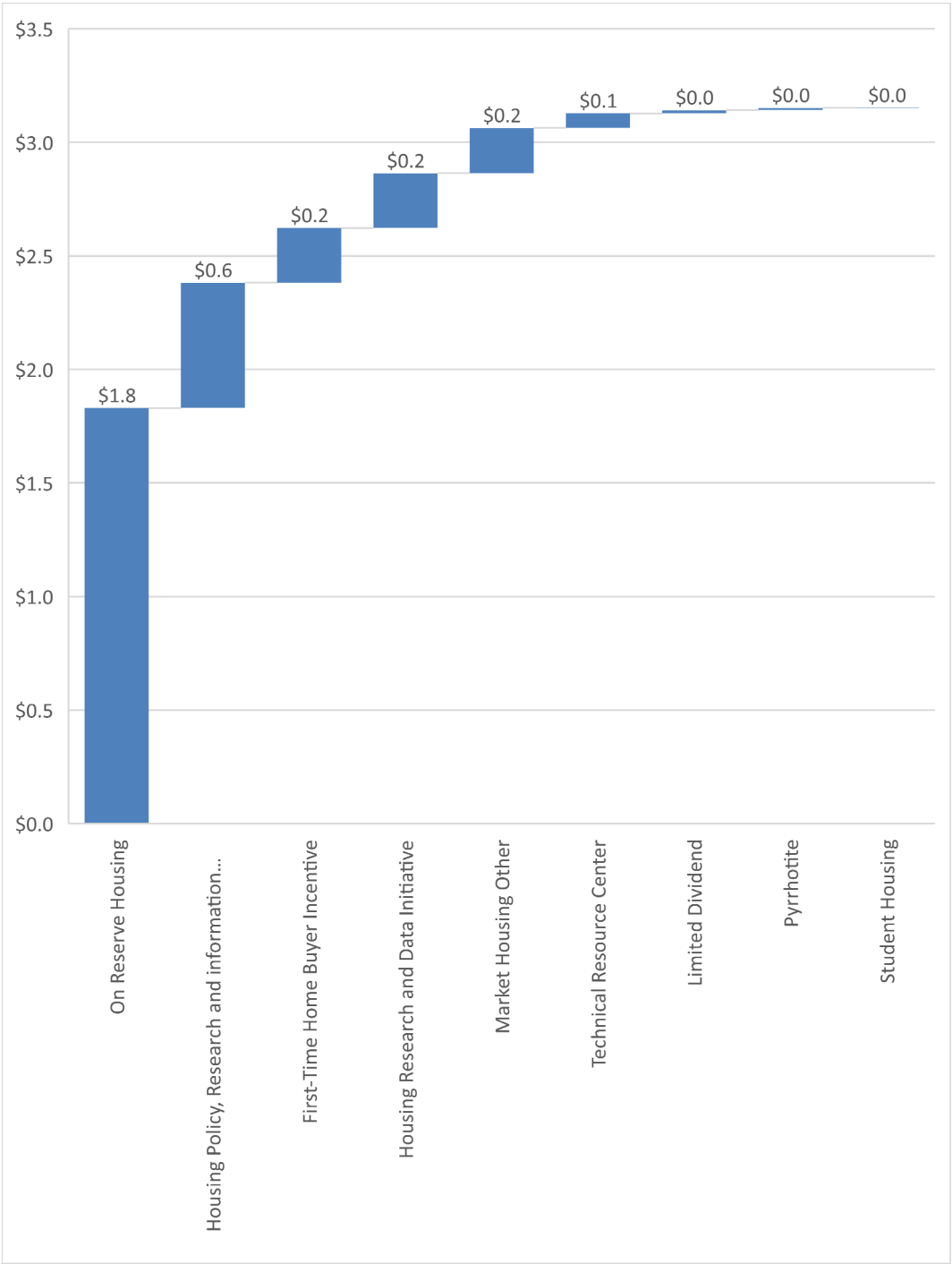
Figure C-3 Breakdown of Support for Federally Administered Community Housing 2018-19 to 2027-28 by Program (\$B)



Source: PBO based on figures provided by CMHC in response to IR0405

Note: This chart relates only to funding for federally administered housing. For example, funding provided to the provinces and territories for public housing administered by the provinces and territories is not included.

Figure C-4 Breakdown of Other Programs 2018-19 to 2027-28 by Program (\$B)



Source: PBO based on figures provided by CMHC in response to IR0405

Note: First-Time Home Buyer's Incentive costs beyond 2023-24 were assumed to be equal to costs in 2023-24. The contingency reserve "Long-term Investments in Affordable Housing" is excluded because it is not planned spending.

Appendix D: Contributions to the Output Targets of the National Housing Strategy by Program

NHS Target	Program Group and Program	Program Target
100,000 new housing units created	Direct support for new construction and renovation group: National Housing Co-Investment Fund	60,000
	Transfers to Provinces and Territories group: Housing Partnership Framework	18,500
	Direct support for new construction and renovation group: Federal Lands Initiative	4,000
	Direct support for new construction and renovation group: Affordable Rental Housing Innovation Fund	4,000
	Direct support for new construction and renovation group: Rental Construction Financing Initiative	14,000
	Transfers to Provinces and Territories group: Northern Housing	1,500
300,000 existing units repaired and renewed	Direct support for new construction and renovation group: National Housing Co-Investment Fund	240,000
	Transfers to Provinces and Territories group: Housing Partnership Framework	60,000
385,000 community units protected	Support for federal community housing: Federal Community Housing Initiative	55,000

	Transfers to Provinces and Territories group: Housing Partnership Framework	330,000
50,000 unit expansion of community housing	Transfers to Provinces and Territories group: Housing Partnership Framework	50,000*
300,000 households provided affordability support through the Canada Housing Benefit	Affordability supports: Canada Housing Benefit	300,000
50% reduction in chronic homelessness	Homelessness programs: Reaching Home	50% reduction in chronic homelessness

Source: PBO based on figures provided by CMHC in response to IR0405

Appendix E: Contributions to the Outcome Targets of the National Housing Strategy by Program According to CMHC

Target of 530,000 household whose housing need is reduced or eliminated			
Program	Program Target	Program Contribution to 530K	Assumptions
Federally and Provincially Delivered Initiatives			
National Housing Co-Investment Fund & P/T Priority Funding	300,000 units repaired (240,000 and 60,000 units respective)	10,000 households removed from housing need	3% of the repaired units will reduce housing need for a household
Federally Delivered NHS Initiatives			
National Housing Co-Investment Fund	60,000 new units built 240,000 units repaired 2,400 new affordable units created for people with developmental disabilities 4,000 shelter spaces 7,000 new affordable units created for seniors	17,400 new affordable units + 2,000 shelters beds	30% of new units will be affordable
Federal Lands Initiative	4,000 new units built	1,200 new affordable units	30% of new units will be affordable
Federal Community Housing Initiative	55,000 social and community housing units maintained	20,900 households whose housing need is eliminated (Aspirational target)	No households in social and community housing should be in need. The 2011 National Households Survey estimated that 38% of social and community housing units were in housing need

Affordable Rental Housing Innovation Fund	4,000 affordable housing units built	4,000 new affordable units	All new units will be affordable
Rental Construction Financing Initiative	10,000 new units built	3,000 new affordable units	30% of new units will be affordable
Provincially and Territorially Delivered Initiatives			
Canada Community Housing Initiative and P/T Priority Funding	50,000 households whose housing need is significantly reduced or eliminated through a combination of new units and rental supplements (Aspirational)	50,000 households whose housing need is significantly reduced or eliminated (Aspirational Target)	Based on an analysis of IAH historical data which included an application of assumptions on efficiency gains. All units created will be affordable.
Canada Community Housing Initiative	330,000 social and community housing units maintained	125,400 households whose housing need is eliminated. (Aspirational target)	No households in social and community housing should be in need. The 2011 National Household Survey estimated that 38% of households living in subsidized housing were in housing need.
Targeted Northern Housing Fund	3,000 housing affordability supports provided	3,000 households whose housing need is reduced or eliminated	Housing need will be reduced or eliminated for all households supported
Canada Housing Benefit	300,000 housing affordability supports provided	300,000 households whose housing need is reduced or eliminated	Housing need will be reduced or eliminated for all households supported

Source: CMHC in response to IR0405

Notes

- 1 [Parliament of Canada Act](#) s 79.2(1)(a)(i, iv).
- 2 [Parliament of Canada Act](#) s 79.2(1)(a)(f).
- 3 CMHC, [Canada's National Housing Strategy](#).
- 4 [Bill C-97 An Act to implement certain provisions of the budget tabled in Parliament on March 19, 2019 and other measures](#), 42nd Parliament, 1st Session, 8 April 2019.
- 5 Although Infrastructure Canada funding can be used for affordable housing, it does not provide significant funding in practice. Outside of CMHC funding, only 12 affordable housing projects have been approved since 2002. Of those projects, 11 occurred under the Infrastructure Stimulus Fund which expired in 2012. The remaining project dates back to 2005.
- 6 Payments under Social Housing Agreements decline because social housing providers are reaching the end of their existing operating agreements.
- 7 A \$1 billion contingency reserve for unplanned changes in interest rates and inflation rates impacting existing long-term agreements known as "Long Term Investments in Affordable Housing" is excluded for the purposes of this analysis for the purposes of comparability to historical actual spending.
CMHC, Response to PBO IR0405.
- 8 OECD, [Public Spending on Support to Social Rental Housing](#).
- 9 A linear projection was used.
Statistics Canada, Table 18-10-0050-01 Non-residential building construction price index, by type of building and major sub-trade groups, quarterly.
- 10 The five-year historical average is used because reliable comparable data was available for this period. The ten-year historical average appears to be similar to the five-year historical average.
- 11 CMHC, [Canada's National Housing Strategy](#).
- 12 CMHC, [Speaking Notes for the Honourable Jean-Yves Duclos Minister of Children, Families and Social Development at the National Housing Conference 2018](#) (21 November 2018).
- 13 The \$14.0 billion figure is based on a breakdown of planned spending, broken down by spending announcement, provided by CMHC in response to PBO IR0405. The figure used by CMHC in compiling the \$40 billion figure was actually \$13.2 billion in new budgetary authorities, with most of the difference attributable to the Federal Provincial & Territorial Partnership Framework. The National Housing Strategy set out in Budget 2017 directly commits \$9.2 billion in new budgetary authorities to CMHC from 2018-19 to 2027-28. Through Budget 2017, the NHS also committed to re-investing social housing baseline funding after the end of operating agreements (EOA). The effect of this commitment was to increase budgetary authorities

by \$4 billion relative to the reduction in previously committed funding, for a total of \$13.2 billion in new program budgetary authorities for CMHC under the NHS.

- 14 BC Housing, [2017/18 Annual Service Plan Report](#).
- 15 CMHC funding must “not replace or displace any level of provincial or municipal spending in place on or before March 31, 2018.” Furthermore, cost-matching for the Canada Housing Benefit must be “incremental and in addition to the level of provincial or municipal funding in place on or before March 31, 2016.” However, for all other cost matching requirements, any spending on social and affordable housing that is outside the existing CMHC cost-sharing requirements and contributes to the same goals can be counted as cost matching after 1 April 2018.

CMHC, [CMHC-Ontario Bilateral Agreement Under the 2017 National Housing Strategy \(1 April 2018\)](#).
- 16 Ontario, [Budget 2019](#).
- 17 Ontario, [Budget 2018](#); Correspondence from Ministry of Municipal Affairs and Housing staff.
- 18 CMHC, [CMHC-Ontario Bilateral Agreement Under the 2017 National Housing Strategy \(1 April 2018\)](#).
- 19 ESDC, [Evaluation of the Homelessness Partnering Strategy](#).
- 20 ESDC, [Evaluation of the Homelessness Partnering Strategy](#).
- 21 Evidence of the Standing Senate Committee on National Finance, 22 May, 2018 (Kathleen Devenny, Vice-President, Financial Planning and Analysis, Canada Mortgage and Housing Corporation)
- 22 Funding from the previous Affordable Housing Initiative is rolled into the Investment in Affordable Housing spending line.
- 23 CMHC, [Canada’s National Housing Strategy](#).
- 24 Canadian Intergovernmental Conference Secretariat: [Housing Partnership Framework](#).
- 25 Canadian Intergovernmental Conference Secretariat: [Housing Partnership Framework](#).
- 26 According to a 1996 evaluation, 78% to 93% of tenants had incomes below core need income thresholds.

CMHC, [Evaluation of the Non-Profit Housing Programs \(1996\)](#).
- 27 Steve Pomeroy, [Envisioning a Modernized Social and Affordable Housing Sector in Canada](#).
- 28 CMHC, [Federal Community Housing Initiative Phase 1](#).
- 29 ESDC, [The Government of Canada announces significant investments to address Indigenous homelessness and housing](#).
- 30 Finance, [Budget 2018](#).
- 31 Finance, [Budget 2019](#).
- 32 ESDC, [Program Guidelines for the Surplus Federal Real Property for the Homelessness Initiative](#).

- 33 The National Housing Co-Investment Fund and Rental Construction Financing Initiative do not require units to be targeted to low-income households. However, incentive scoring, prioritization scoring and requirements to show support from another level of government may continue to favour targeting of a portion of units.

The National Housing Strategy also favours mixed-income housing.

The National Housing Co-Investment Fund only requires that 30% of units to be offered at 80% of median market rent. And, its prioritization and incentivization scoring provides no reward for offering more than 51% of units at 80% of median market rent. Loans and contributions are based on a percentage of total costs including costs for market units, which creates a financial incentive to include more market units, at least up to 49% of all units.

The Rental Construction Financing Initiative requires total rental income to be at least 10% below gross achievable residential rental income, so it actually requires units to be sold for less than their market value. It also requires that 20% of units have rents at or below 30% of median total income for all families in the area, but “30% of median total income for all families in the area” is generally higher than the rent for new private market rental developments. This affordability criterion also does not have to be met if the proposal is approved under another affordable housing program or initiative.

Steve Pomeroy, [Assessment of the CMHC Rental Construction Financing Initiative: A New Opportunity for Non-Profit Providers](#).

- 34 Taking the single approved Rental Construction Financing Initiative project in Vancouver as an example, the applicable median before-tax total income of economic families was \$82,510 per year, which puts 30% of median total income for families at around \$2,063 per month. This “affordable” rent under the RCFI is substantially more than the median monthly shelter cost for rented dwellings, which was \$1,206 per month. For the single approved RCFI project in Toronto (specifically Etobicoke) the applicable median before-tax total income of economic families was \$80,310 per year, which puts 30% of median total income for families at around \$2,008 per month, whereas the Median monthly shelter cost for rented dwellings in the area was \$1,270 per month. RCFI units must also be offered at 10% below gross achievable rent, which will likely be slightly more restrictive. For example, the median rent for units constructed since 2012 in Toronto is \$2,100 for a two-bedroom unit. This suggest 10% below gross achievable rent would be about \$1,890/month. Note that these requirements do not have to be met for projects approved under another affordable housing program or initiative.

Statistics Canada Table 11-10-0009-01.

Statistics Canada, 2016 Census of Population.

- 35 CMHC, [National Housing Co-Investment Fund - New Construction Stream](#).
- 36 CMHC, [Evaluation of the Affordable Housing Initiative](#) (September 2009).
- 37 CMHC, [Canada's National Housing Strategy](#).
- 38 CMHC, [Canada's National Housing Strategy](#).
- 39 ESDC, [Reaching Home](#).

- 40 The five-year historical average is used because reliable comparable data was available for this period. The ten-year historical average appears to be similar to the five-year historical average.
- 41 ESDC, [Terms and Conditions of the Homelessness Partnering Strategy](#).
- 42 ESDC, [Reaching Home](#).
- 43 ESDC, [The Government of Canada announces significant investments to address Indigenous homelessness and housing](#).
- 44 CMHC, [Canada's National Housing Strategy](#).
- 45 CMHC defines housing need as follows "Housing Need: A household is in housing need if its housing falls below at least one of the standards of Affordability, Suitability and Adequacy, and the household would have to spend at least 30% or more of its before-tax income to access acceptable local housing."

However, for the purposes of counting households removed from housing need, CMHC counts "the number of housing interventions that are expected to be delivered to reduce or eliminate housing need for a household under the NHS through affordability supports, new housing units, and repaired units."

CMHC, Response to PBO IR0405.

This approach is slightly more substantive than the approach taken under the Investment in Affordable Housing, which merely counted households assisted, as there is some unspecified threshold level of assistance which must be provided and some attempt to exclude households not currently in housing need. Under the Investment in Affordable Housing, Provinces erroneously reported the number of households assisted as a "number of households no longer in housing need as a result of the investment in affordable housing" without any assessment of whether households were actually removed from housing need or likely to have been removed from housing need given the characteristics of the programs. This error was compounded by totalling across years the number of people assisted under all programs, including affordability subsidies which only provide in-year benefits.

See for example, Ontario, [Investment in Affordable Housing \(IAH\) Program Year Five Report \(2015-16\)](#).

Of 982,099 households assisted as of 2018, 776,233 were households receiving affordability support, often of small amounts. This likely includes many of the same families receive assistance in multiple years. It does not reflect a number of persons who now have an affordable home due to the Investment in Affordable Housing.

CMHC, [Government of Canada Provides Housing Support for Almost 1 Million Canadian Families](#).

For the purposes of this analysis, the PBO assesses whether CMHC is likely to achieve reduction in the prevalence of housing need relative to 2017 levels. CMHC's definition would be too vague to support a cost estimate because the requisite reduction is not defined. Furthermore, looking for reductions relative to 2017 levels better accords with the plain meaning of the target established by CMHC, particularly in the formulation as a "50% reduction in core housing need of renters."

A secondary outcome target is a 50% reduction in the number of chronic or episodically homelessness shelter users. Shelter users are tracked through a Homeless Individuals and Families Information System.

While this output target is defined in a meaningful way, it's difficult to draw any conclusion regarding whether it is achievable and what achieving it might cost. In brief:

- The NHS provides a \$86 million per year (62%) increase in federal spending;
- The NHS pursues Housing First strategies which have been proven effective at placing homelessness persons in stable housing (among other outcomes) in various evaluations; but
- There is only a 4% increase in total spending on homelessness as municipalities, provinces and territories contributed an average of \$12.90 per federal dollar.

- 46 The share of household in core housing need is very stable over time which casts doubt on the achievability of changes of the magnitude contemplated in the National Housing Strategy without major changes in funding levels or program design. Over the last 25 years, core housing need ranged between a low of 12.5% in 2011 to a high of 15.6% in 1996.

	% of Households in Core Housing Need					
	1991	1996	2001	2006	2011	2016
Canada	13.6	15.6	13.7	12.7	12.5	12.7

Source: CMHC Canadian Housing Observer, updated with Statistics Canada results from 2016 Census.

- 47 Current levels of the housing need reflect the impact of current and historical expenditures to address housing need so only incremental spending would be expected to give rise to reduction in the prevalence of housing need.

Between 2011/12 and 2015/16, for example, CMHC invested \$2.1 billion/year in housing programs. Over that period, core housing need increased by 0.2 percentage points (1.6%).

Over the term of the National Housing Strategy planned spending is \$2.8 billion/year, which is an 16% nominal increase over the prior 10 years, but 3% less in terms of real purchasing power based on the Apartment construction price index. Spending on Assistance for Housing Need programs declines 14% from \$2.3 billion/year to \$2.0 billion/year.

- 48 See Appendix E for CMHC's full analysis.

- 49 CMHC plans to spend \$2 billion on the Canada Housing Benefit over the term of the NHS. As noted previously, funding is phased-in.

Planned spending on Canada Housing Benefit (\$ M)									
2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
0.0	0.0	88.6	113.5	164.4	214.6	249.6	334.6	384.6	450.1

- 50 CMHC, [Canada's National Housing Strategy](#).

- 51 The maximum 2027/28 funding level of \$450 million would, if equally matched by provinces and territories, permit an average subsidy of \$3,000 to be offered to 300,000 households.

The Federal/Provincial/Territorial (FPT) Housing Partnership Framework indicates that the Canada Housing Benefit will be paid to households with severe housing need. A \$3,000/year subsidy to the 300,000 households in core housing need with the largest gap between shelter costs and market median rent would not remove those households from housing need because the gap between their shelter costs and an affordable level exceeds \$3,000/year. The average gap between what renter households in core housing need currently pay and 30% of their household income is approximately \$4,000/year and approximately 586,000 renter households have gaps between shelter costs and 30% of income which exceed \$3,000/year.

Source: PBO, Based on custom analysis of Census 2016 Data.

The Federal/Provincial/Territorial (FPT) Housing Partnership Framework suggests that households in community housing may be prioritized under the Canada Housing Benefit. Households in subsidized housing have smaller gaps between shelter costs and 30% of income. About 195,000 persons in subsidized housing have shelter costs of more than 30% than their household income. The average gap is \$2,350/year. The Canada Housing Benefit could theoretically cover the affordability gap for these already subsidized households. However, for community housing there is a particular risk of the Canada Housing Benefit being absorbed in rent increases. As noted above, Canada is providing less funding for community housing, particularly federal community housing, creating pressures to increase rents to achieve sustainability. At the same time, rents to households are often already tied to the rent benefits provided under government programs so there is already a mechanism in place to be used to capture increases in the ability of low-income tenants to pay for their housing.

Assuming recipients are not required to demonstrate they are in housing need and eligibility is instead determined based on factors like income and family structure, the Canada Housing Benefit will likely go to some families who are not currently in housing need and therefore cannot be removed from housing need. Allocating the Canada Housing Benefit to households in community housing increases the risk that the Canada Housing Benefit will be paid to households who would not otherwise have been in housing need.

Under the CMHC Federal/Provincial/Territorial (FPT) Housing Partnership Framework funding must "not replace or displace any level of provincial or

municipal spending in place on or before March 31, 2018.” Furthermore, cost-matching for the Canada Housing Benefit must be “incremental and in addition to the level of provincial or municipal funding in place on or before March 31, 2016.” However, displacement is still possible. Provinces and Territories, might, for example, reduce support for community housing in excess of their cost-matching requirements as tenants will be able to pay more. Or, they might choose not to renew time-limited commitments, like affordability supports funded through the recently expired Investment in Affordable Housing or recently launched Provincial and Territorial priority funding. CMHC does not systematically gather information regarding provincial, territorial or municipal housing expenditures outside of that required under bilateral agreements.

If the Canada Housing Benefit is paid to households, as the Housing Partnership Framework indicates it will be, it will have less impact on housing need due to the technical definition of core housing need. Core housing need is defined based on shelter costs, not out-of-pocket shelter costs. In order to remove a household from core housing need, a rent subsidy paid to a household would need to increase their income to the point where their shelter costs are affordable. The income increase required to address a gap between shelter costs and 30% of income would be 3.3 times the rent reduction required to address the same gap.

SCICS, [Federal/Provincial/Territorial \(FPT\) Housing Partnership Framework](#).

- 52 CMHC plans to spend \$4.2 billion on federally administered community housing and \$11.7 billion on transfers to the provinces and territories which are primarily used for community housing and affordability support, for a total of \$15.9 billion in planned spending over the term of the NHS.

	Planned spending on Social Housing (\$ M)									
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Trans	1,126.4	1,158.6	1,117.9	1,105.5	1,138.1	1,155.9	1,196.8	1,218.7	1,263.0	1,241.3
Fed	563.1	563.5	528.6	504.7	434.7	422.1	345.8	309.7	272.3	236.6
Total	1,689.5	1,722.1	1,646.5	1,610.2	1,572.8	1,578.0	1,542.6	1,528.4	1,535.3	1,477.9

- 53 As shown in Appendix E, CMHC reasoned that:

No households in social and community housing should be in need. The 2011 National Households Survey estimated that 38% of social and community housing units were in housing need.

The assumed contribution is 38% of the targeted number of Community Housing units maintained plus 100% of the number of Community Housing units created.

- 54 There are variety of reasons why households in community housing remain in core housing need, but the predominant reason is that their shelter costs still exceed 30% of their household income. In the 2016 Census, of the 575,830 persons in social housing, 54,300 lived in dwelling in need of major repairs (inadequate), 48,835 lived in dwellings without enough rooms for

their family (unsuitable), and 238,825 were spending more than 30% of their household income on shelter costs. Accounting for overlap, 304,675 out of 575,830 households living in social housing (53%) were still in core housing need as defined by CMHC.

Statistics Canada, 2016 Census of Population, Statistics Canada Catalogue no. 98-400-X2016230.

As noted above, under the National Housing Strategy there is \$1.7 B (12%) less funding for transfers to provinces and territories (which support community housing in those provinces and territories) and \$0.2 B (30%) less for federal community housing.

- 55 The targeted number of community housing units created and maintained (435,000), is 12% less than the number of community housing units which existed in 2017, and 27% less than the number of community housing units which existed in 2008.

Number of Social Housing Units Supported by CMHC (units)

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
595,208	590,850	583,850	574,600	564,500	565,850	553,700	531,100	510,500	493,700

Source: PBO based on CMHC Annual Reports 2009-2012, National Housing Statistics 2013-2015, Assisted Housing Business Supplements 2016-17.

Comparing the targeted number of federal community housing units to historical actuals is complicated by a variety of factors. CMHC indicated that the target relating to federal community housing relates only to units supported under the Federal Community Housing Initiative. Furthermore, some social housing was transferred to Alberta in 2016. Also, some community housing providers may continue to offer affordable housing for low-income households without ongoing federal subsidies.

- 56 In Ontario, 95,109 of 131,063 social housing units are offered to low-income households.

CMHC, [CMHC-Ontario Bilateral Agreement Under the 2017 National Housing Strategy](#) (1 April 2018).

It is also not clear that all the social housing units reported to CMHC actually exist. For example, CMHC reported that 190,450 households in Ontario were assisted through existing agreements in 2015, but the Auditor General for Ontario reported that only 174,241 social housing subsidies were actually provided in that year.

Ontario Auditor General, Annual Report 2017: Section 3.14 Social and Affordable Housing.

- 57 CMHC plans to spend \$4.2 billion in direct support for construction and renovation programs over the term of the NHS. This new construction target includes new community housing constructed using P/T transfers, overlapping with the community housing target above in table 4-1.
- 58 CMHC targets the creation of 60,000 units under the National Housing Co-Investment Fund, 14,000 units under the Rental Construction Financing

Initiative, 4,000 units under the Affordable Rental Housing Innovation Fund, and 4,000 units under the Federal Lands Initiative. The NHS target of 100,000 units created also includes 18,500 units to be created under the Housing Partnership Framework and 1,500 to be create with Norther Funding.

- 59 CMHC targets the creation of 17,400 new affordable units and 2,000 shelters beds under the National Housing Co-Investment Fund, 4,000 new affordable units under the Affordable Rental Housing Innovation Fund, 3,000 new affordable units under the Rental Construction Financing Initiative, and 1,200 new affordable units under the Federal Lands Initiative.

As noted above, the National Housing Co-Investment Fund only requires that 30% of units to be offered at 80% of median market rent. And, its prioritization and incentivization scoring provides no reward for offering more than 51% of units at 80% of median market rent. Loans and contributions are based on a percentage of total costs including costs for market units, which creates a financial incentive to include more market units, at least up to 49% of all units.

The Rental Construction Financing Initiative requires total rental income to be at least 10% below gross achievable residential rental income, so it actually requires units to be sold for less than their market value. It also requires that 20% of units have rents at or below 30% of median total income for all families in the area.

Other programs are more targeted.

- 60 CMHC's assumed contribution to reducing housing need only if units with affordability commitments are affordable for their tenants, targeted to persons who would have otherwise been in housing need, and would not have be built or offered at the particular price without federal contributions.

Affordability

As noted above, the National Housing Co-Investment Fund requires that 30% of units be offered at 80% of median market rent. The Rental Construction Financing Initiative requires that units be offered at "30% of median total income for all families in the area."

Taking a Rental Construction Financing Initiative project in Vancouver as an example, the applicable median before-tax total income of economic families was \$82,510 per year, which puts 30% of median total income for families at around \$2,063 per month. This "affordable" rent under the RCFI is substantially more than the median monthly shelter cost for rented dwellings, which was \$1,206 per month. For a RCFI project in Toronto (specifically Etobicoke) the applicable median before-tax total income of economic families was \$80,310 per year, which puts 30% of median total income for families at around \$2,008 per month, whereas the Median monthly shelter cost for rented dwellings in the area was \$1,270 per month.

Targeting

The National Housing Co-Investment Fund and Rental Construction Financing Initiative do not require that units be targeted. While there are incentives for prioritizing target groups, some of those groups (like seniors) are not necessarily low-income households likely to be in housing need.

Causality

Federal contributions may be a small share of total contributions, in which case the federal government is essentially allowing provinces and territories funding to be stretched a bit further, rather than being causally responsible for all units created. As an example, under the Affordable Housing Innovation Fund CMHC contributed \$1.5 million towards a movable housing project expected to create 606 affordable units, but BC Housing had already contributed \$66 million, and the City of Vancouver was contributing the land to use for the project.

There is a risk that federal funding displaces private development or shapes private development. This risk of displacement is most obvious in the case of the Rental Construction Financing Initiative whose eligibility criteria would capture some private market activity with little to no adaptation of the project. In response to PBO inquires, CMHC indicated that “When CMHC provides funding to a project, we do not have information on how our programs have impacted or influenced the project proposal presented by the housing provider.”

Non-profit developments may also have occurred anyways. CMHC provided a \$6 million loan to a for-profit equity loan fund and is claiming responsibility for an expected 2,500 affordable units created by the fund. That same fund claims total “investments” of \$1.48 billion in affordable housing over the last decade to create 2,907 units. The large number of units financed through this private fund cannot be causally attributed to the small federal loan.