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**National Housing and Homelessness Network  
Toronto Disaster Relief Committee**

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# **Housing for all Canadians: *Federal budget must include financial commitment to new social housing***

*A submission to the House of Commons  
Standing Committee on Finance  
Pre-Budget Discussions for 2005  
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Submitted by:

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## **Four key recommendations to the Finance Committee**

Thank you for the opportunity to appear today. The National Housing and Homelessness Network, a network of groups and individuals from Vancouver to St. John's, and the Toronto Disaster Relief Committee, a community-based housing and homelessness group, are joining to make this submission. We are urging the committee to adopt these four recommendations:

First, **fully commit the \$1.5 billion** for new housing promised by the federal Liberals during the 2004 election campaign. This amount, which was promised over a three-year period, needs to be invested in new social housing starting with the federal budget of February of 2005.

Second, **fully commit the \$1 billion** for affordable housing promised by the federal government. The federal government promised \$680 million over three years in November 2001, then topped that up with an additional \$320 million in February of 2003. Most of this money has not yet been invested in new homes. The full \$1 billion should be invested in new social housing.

Third, in the next federal budget, implement the Throne Speech promise to **“extend and enhance” the federal homelessness strategy, Supporting Community Partnerships Initiative and the Residential Rehabilitation Assistance Program**. SCPI and RRAP are to expire in 2006. Both initiatives should be transformed into permanent programs and given secure funding.

Fourth, commit to spending **a full \$2 billion annually** for new social housing – what we call the One Percent Solution.

To support this new spending, the federal government can draw on three sources:

First, **reinvest the annual surplus** of Canada Mortgage and Housing Corporation, the federal government's national housing agency, in new social housing and related programs. The current CMHC annual surplus is almost two-thirds of a billion dollars and is slated to grow to almost three-quarters of a billion dollars in the next four years.

Second, allocate a significant portion of the **annual federal surplus** to new national social housing and homelessness programs.

Third, draw additional funds from the **general revenues** of the Government of Canada.

## **National homelessness disaster and affordable housing crisis:**

Since our last appearance before this committee, Canada's nation-wide homelessness disaster and affordable housing crisis has continued to grow worse. Just last week, the Federation of Canadian Municipalities issued their latest Quality of Life update for 20 communities across Canada. The FCM reported:

*This report points to the severe lack of affordable housing as a prime cause of economic hardship among children, single-parent families and seniors living in the 20 QOLRS communities. The shortage of affordable housing is among the most pressing issues*

*facing municipalities. It means too many people, particularly single-parent families, living in temporary shelter or crowded into sub-standard and sometimes unsafe housing. It also means more people living on the streets and straining the ability of social service agencies to help them.*

Quality of Life in Canadian Communities: Incomes, Shelter and Necessities  
Theme Report #1, Federation of Canadian Municipalities, November 2004

In our previous submissions to this committee, going back to the year 2000, we have provided extensive documentation about the nation-wide homelessness disaster and affordable housing crisis. Last week's report by the FCM is tragic confirmation of the depths of this disaster. Today, we want to add three observations:

First, housing and homelessness is **not just a big city issue**. In small towns, rural and remote areas, the crisis is hurting women, men and children. National social housing and homelessness programs need to be national in scale and scope, with national standards, to make sure that people in all parts of the country have access to the housing, supports and services they need.

Second, the nation-wide homelessness disaster and housing crisis has **grown worse over the past decade**, even as most indicators have pointed to a robust economy. Ten relatively good years for Canada have not translated into an easing of the crisis. The FCM reports:

*During the 1990s, the period under review—a period of general prosperity for many—specific groups of people fell further behind. If this can happen during an economic boom, we can only imagine what may happen when times are tough. Clearly, the systems and structures we have in place are not adequate to ensure all Canadians quality of life.*

Quality of Life in Canadian Communities: Incomes, Shelter and Necessities  
Theme Report #1, Federation of Canadian Municipalities, November 2004

It's not just housing and homelessness advocates and municipalities that are making this troubling observation. In 2003, TD Economics noted:

*Housing is a necessity of life. Yet, after ten years of economic expansion, one in five households in Canada is still unable to afford acceptable shelter – a strikingly high number, especially in view of the country's ranking well atop the United Nations human-development survey. What's more, the lack of affordable housing is a problem confronting communities right across the nation – from large urban centres to smaller, less-populated areas. As such, it is steadily gaining recognition as one of Canada's most pressing public-policy issues.*

Affordable Housing in Canada: In Search of a New Paradigm  
TD Economics, June 2003

Third, while the statistical indicators are grim, the **real tragedy is the human, social and financial cost** of this national disaster. People are suffering and dying. The toll on our streets and in our communities is devastating. In downtown Toronto in recent years, there has been a re-emergence of tuberculosis in homeless shelters that has led to at least two deaths and a growing number of active TB cases, not just among shelter residents but also in staff. Norwalk-like virus and bed bugs are rampant in some shelters.

The culprit is overcrowding – the huge increase in the number of homeless people in recent years as the national housing crisis has taken its toll. In Edmonton, for instance, the number of homeless people in shelters more than doubled from 1999 to 2002.

### **Root cause: Federal, provincial decisions to abandon housing**

The decisions by the federal government to stop funding of new social housing in 1993 and then to transfer the administration of most existing federal social housing programs to the provinces and territories in 1996 were key factors in the steady growth of housing insecurity during the 1990s. Housing experts have drawn the connection between the withdrawal by the federal government from housing programs in the 1990s, which was matched at the provincial level by significant cuts in their housing budgets, and the growing homelessness disaster and affordable housing crisis. This withdrawal by federal and provincial governments stands in sharp contrast to the policies of previous governments, and also in contrast to the policies of most other developed countries, which continue to fund national housing programs.

In the most current and comprehensive book on Canadian housing policy, authors Dr. David Hulchanski and Michael Shapcott note:

*The lack of federal and provincial commitment to housing for all Canadians during the past 15 years contrasts not only with housing policies in most other Western nations, but also with the philosophy of successive Canadian governments from the 1960s to the mid-1980s. Problems associated with urbanization, including the creation of affordable housing, were the focus of significant policy and program attention. There were very few homeless people and few, if any, homeless families in Canada before the mid-1980s.*

Finding Room: Options for a Canadian Rental Housing Policy  
Dr. David Hulchanski, Michael Shapcott; September 2004

Housing experts all agree that the federal government needs to reinvest in social housing and homelessness programs to ease the housing crisis and end homelessness. Our recommendations support this reinvestment.

### **Good for people, good for communities, good for the economy**

A new national social housing strategy and homelessness program are not only good for the one-in-five Canadians who are currently suffering, but these initiatives will create good homes, great communities, good jobs and other economic gains, plus generate tax revenues for government.

New York City is almost one-third of the way towards its six-year goal of funding 65,000 new subsidized homes. Mayor Michael Bloomberg knows that it is not just good for the people of his city, but also good for the economy of New York City. Winnipeg, under former Mayor Glen Murray, created almost 1,500 new homes with its tri-partite Winnipeg Housing and Homelessness Initiative and discovered the same multitude of benefits as New York City.

## **Growing number of housing and homelessness promises**

Effective political pressure from groups such as the National Housing and Homelessness Network, Toronto Disaster Relief Committee and our many partners and allies – along with the steadily worsening homelessness disaster and housing crisis – has prompted federal and provincial politicians to make a growing number of promises.

Three of the four political parties with seats in the House of Commons promised during the recent election to put substantial new funding into housing. Both the New Democratic Party and the Bloc Québécois have adopted the One Percent Solution - \$2 billion annually for new social housing. The Liberal Party promised to invest \$1.5 billion in new housing.

### ***Recommendation one: New housing funding in next federal budget***

Our first recommendation to this committee is to make sure that the next federal budget includes the funding commitment made by the Liberals for \$1.5 billion in new housing spending. It is critical that this funding is made right away. At the local level, it can take a year or more for a housing project to move from the drawing board to occupancy. **The funding needs to be committed now in order to get the desperately-needed new homes built as soon as possible.**

In addition to committing the new funding, the federal government needs to work to ensure that the funding already committed is actually spent on truly affordable housing.

In November of 2001, the federal government promised to spend \$680 million over five years for new affordable housing. In February of 2003, the federal government added \$320 million for a total of \$1 billion over five years.

The only public accounting of that spending was released by the former federal housing minister in December of 2003. He reported that in the first two years of the program, only \$88.48 million – or less than 9% of total funds – had been committed. Over the past year, there have been a number of announcements, but it is hard to estimate the exact amount of real commitments. In some provinces, including Ontario, there has been almost no progress in building new homes.

### ***Recommendation two: Immediately commit the existing funding***

Our second recommendation to this committee is to urge that the federal government use its powers under bilateral housing agreements signed with every province and territory to move ahead quickly in committing the existing funding and getting the new homes built. **If provinces or territories are unable or unwilling to meet the commitments that they made when they signed the Affordable Housing Framework Agreement, then the federal government should use the powers it has under the accountability framework to by-pass them and deal directly with willing municipalities and social housing developers.**

A fully-funded and comprehensive national social housing strategy is the long-term solution to our nation-wide homelessness disaster and housing crisis. In addition to the capital subsidies

offered under the Affordable Housing Program, the federal government needs to offer rent supplements or other forms of rent-geared-to-income subsidies tied to the new social housing supply to make sure that the units are affordable to low and moderate-income households.

The federal housing minister has spoken publicly in recent days about reintroducing federal rent supplements (subsidies paid to low-income households to bridge the gap between the amount a household can afford to pay and the actual cost of shelter). The NHHN welcomes a **new national rent supplement program as part of a national social housing strategy**. The rent supplements should be tied to the new social supply program. The current federal Affordable Housing Program offers only capital subsidies and no rent-geared-to-income assistance. In order to complete the program, rent supplements should be offered. But they must run for a minimum of 20 years, with the provision for renewal.

The federal government also needs to commit, in the next federal budget, to “extend and enhance” the federal Residential Rehabilitation Assistance Program – the national fund to support the renovation and rehabilitation of rundown and abandoned housing. The federal government has increased RRAP funding in recent years and has expanded the mandate of the program, but RRAP is still supported on a short-term basis. Funding for RRAP should be increased and made a permanent part of the federal housing program.

In addition, the federal government needs to commit, in the next federal budget, to “extend and enhance” its homelessness strategy, including the Supporting Community Partnerships Initiative. This program, launched as a three-year initiative in 1999, was funded for an additional three years in 2003. However, problems in the transition from SCPI One to SCPI Two meant that in some communities, vital services were suspended and staff were laid off.

A comprehensive national social housing strategy will, over time, reduce homelessness. At that point, the federal government can start to roll back homelessness funding. Until then, however, SCPI should be moved to permanent funding so that the many agencies across the country that are offering extremely critical services can be assured of ongoing support.

### ***Recommendation three: “Extend and enhance” RRAP and SCPI***

Our third recommendation to this committee is to urge that the next federal budget include the funds to follow through on the Throne Speech promise to “extend and enhance” RRAP and SCPI. **These are vital programs and deserve long-term and stable financial support.**

In adopting our first and second recommendations, the federal government will be spending, on average, about \$500 million annually for new social housing. This is about one-quarter of the goal set by the National Housing and Homelessness Network, Toronto Disaster Relief Committee and our many supporters and endorsers. Our national campaign launched in 1999, called the One Percent Solution, calls on the federal government to spend \$2 billion annually for new social housing and related programs.

### **Recommendation four: Adopt the goal of \$2 billion annually**

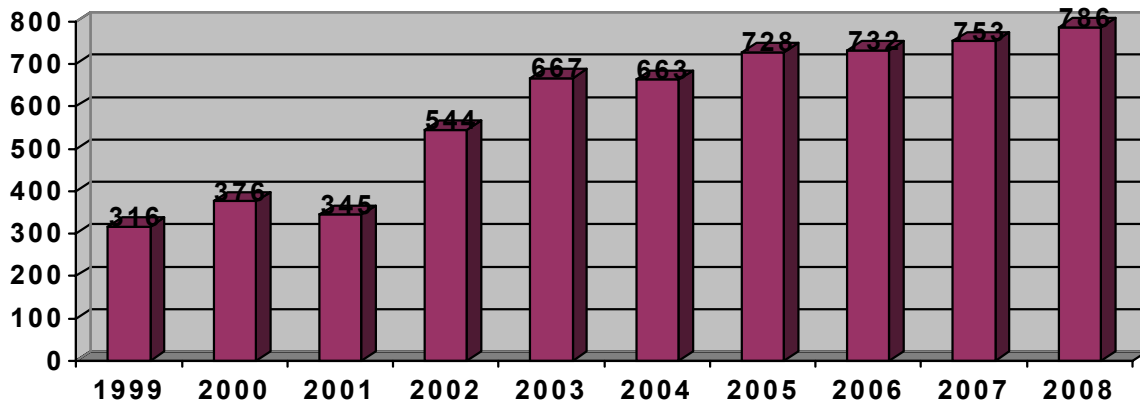
Our fourth and final recommendation to this committee is to urge that the next federal budget, and succeeding budgets, ramp up federal housing spending to meet the target of \$2 billion annually for new social housing and related programs.

### **Funding a new national social housing strategy**

This committee has asked witnesses to consider not only new spending priorities, but also to propose possible sources of revenue to fund these priorities. We want to make three recommendations.

Canada Mortgage and Housing Corporation, the federal government's national housing agency, is generating a substantial annual surplus. CMHC ran a surplus last year (income after taxes) of \$667 million. This surplus is projected to grow (according to CMHC's own calculations) to more than three-quarters of a billion dollars by the year 2008. One important source of revenue for a new national social housing program is to ensure that the **surplus from CMHC is reinvested in new social housing supply and rent supplements.**

**CMHC surplus (net income after taxes) in millions of dollars**

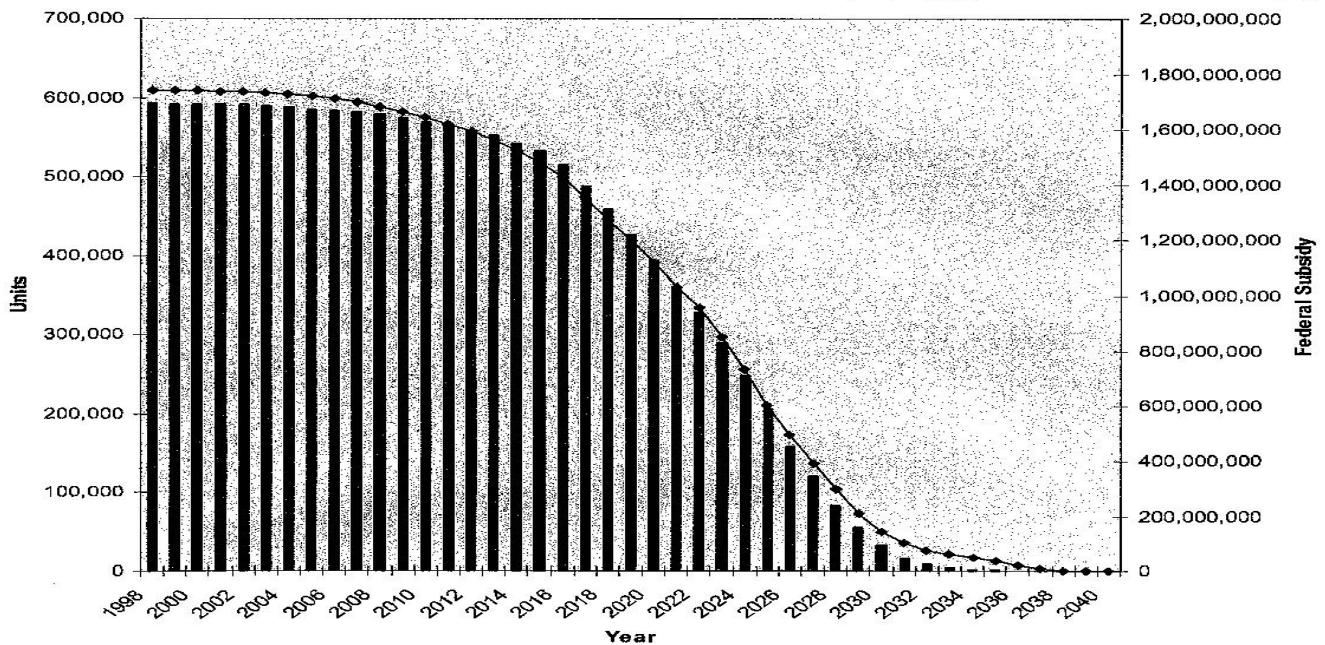


Source: CMHC

In addition, the federal funding agreements covering hundreds of thousands of social housing units funded from 1973 to 1993 are due to expire over the next two decades. As these agreements step-out, there will be substantial housing dollars freed for re-investment in new social housing.

The financial design of the federal social housing programs from the 1970s to the 1990s allows for a gradual "step-out" of federal financing as the projects mature. This step-out will increase dramatically as more projects near the typical 35-year life of their operating agreements. The funding that is freed as the existing **social housing agreements step-out should be reinvested in new social housing supply and rent supplements.**

## Annual step-out of federal social housing programs



Source: Canadian Housing and Renewal Association

### **Revenue recommendation one: Reinvest CMHC surplus / step-out**

Our first revenue recommendation to this committee is that the federal government **reinvest the annual surplus of CMHC, plus the annual “step-out” from the expiry of social housing agreements, back into new social housing and related programs.**

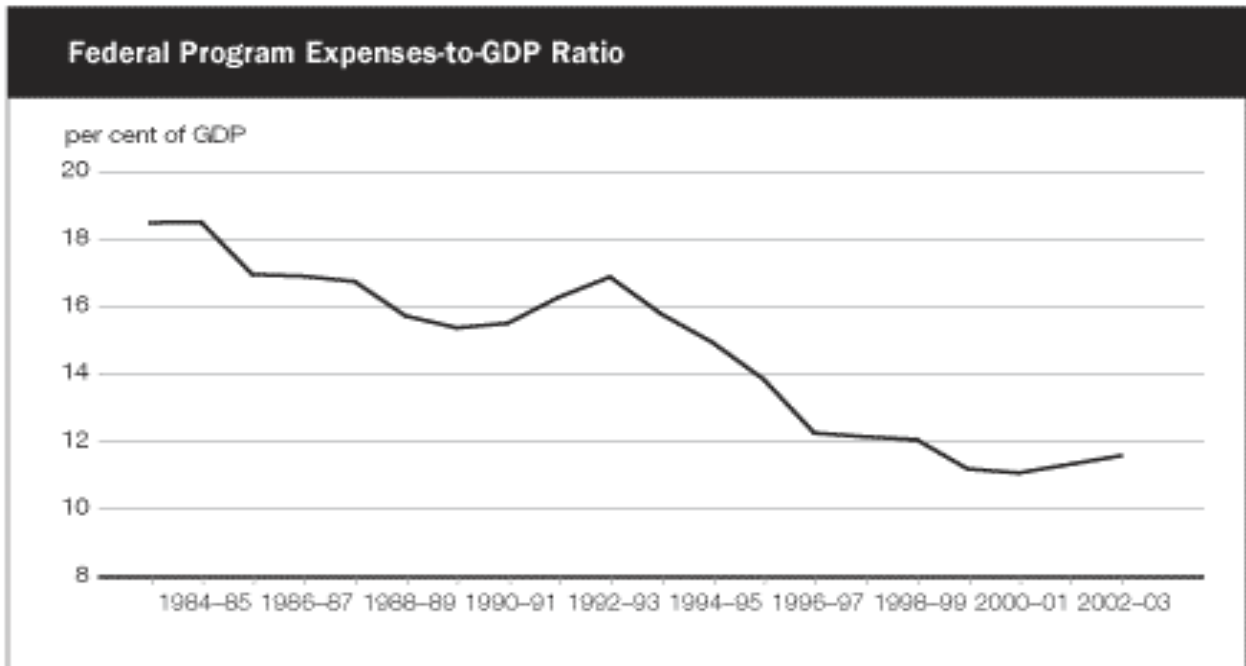
### **Revenue recommendation two: Federal surplus**

Another source of funding for a new national housing strategy is the annual surplus of the federal government. The most recent federal fiscal update estimates the current year’s surplus at \$8.9 billion. We urge this committee to recommend that a **portion of the federal surplus be invested in a new national social housing program.**

This committee has asked witnesses to consider the big picture, including the relationship of taxation, program spending and the overall economy.

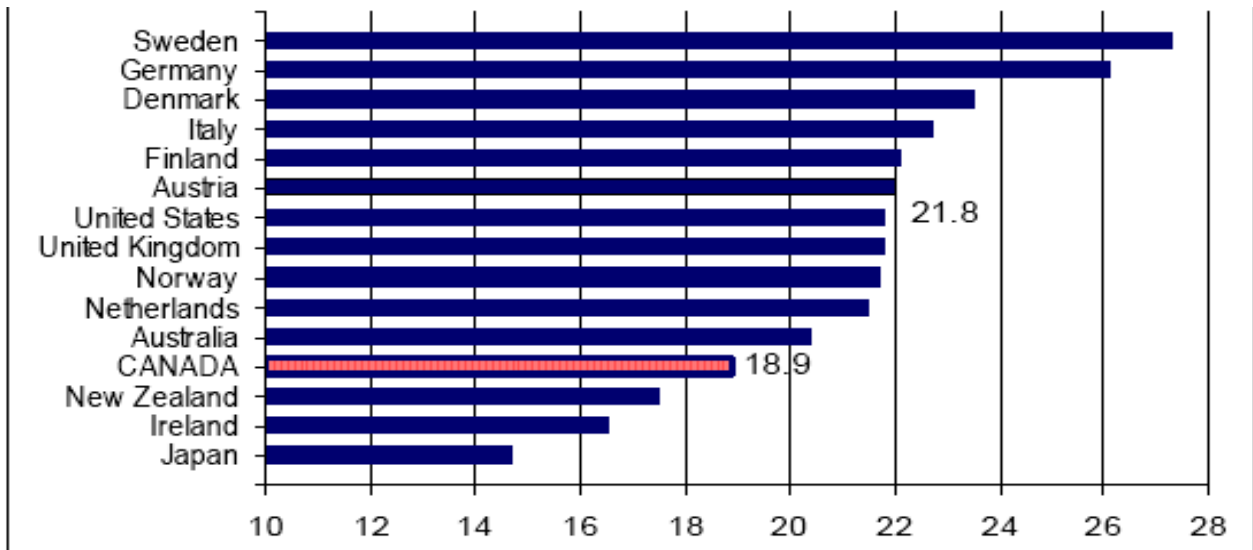
The National Housing and Homelessness Network and Toronto Disaster Relief Committee believes that the combination of spending cuts in the 1990s in a variety of social programs (including health, welfare and housing) plus the \$100 billion in tax cuts starting in the year 2000 have combined to make the nation-wide housing crisis and homelessness disaster worse.

The federal government reported, in its 2003 fiscal update, that federal spending relative to GDP dropped substantially from 1994.



Source: Finance Department, 2003

In 1997, after four years of major spending cuts, Canada's net social spending as a percentage of GDP was very low compared to other developed countries.



Source: Willem Adema, *Net Social Expenditure*, 2nd Edition, Labour Market and Social Policy - Occasional Papers No. 52, Paris: OECD. August 2001.

Spending cuts have a dramatic and immediate impact on low and moderate-income households. They lose income, services and housing. Many low-income households are too poor to pay income taxes, so they don't experience any benefit from tax cuts. The main benefit of tax cuts goes to higher-income households.

### ***Revenue recommendation three: Increase spending relative to GDP***

Our third, and final, revenue recommendation to this committee is to urge the federal government **to increase social spending (including housing spending) relative to GDP**. The spending cuts of the 1990s reduced the share of federal spending relative to GDP to low levels and put Canada near the bottom of developed countries in terms of social spending as a percentage of GDP.

The federal government needs to address the social deficit created by its actions, and those of most provinces and territories, during the 1990s by reinvesting in new social spending.

All of which is respectfully submitted,



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