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Executive Summary

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# FEDERAL PROGRAM SPENDING ON HOUSING AFFORDABILITY IN 2021



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER  
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

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This PBO report includes the additional housing funding provided due to Covid. The Rapid Housing Initiative, for example, unlike most of the National Housing Strategy spending programs, will likely actually assist some people in serious housing need.

Even with this Covid funding, which is modest, the National Housing Strategy remains mainly a renter housing investor program, cheap loans for expensive rentals.

Actual spending on housing need is still lower than the very low levels being spent prior to the National Housing Strategy.

# Executive Summary

The Government of Canada's current plan to address housing affordability is the 2017 National Housing Strategy (NHS), which runs from 2018-19 to 2027-28. This plan is primarily administered by Canada Mortgage and Housing Corporation (CMHC) and Employment and Social Development Canada (ESDC). These department's planned spending under the National Housing Strategy is \$3.7 billion each year. This represents a \$1.2 billion per year (50%) increase in nominal spending, when compared with the 10-year historical average. Average planned spending is driven up by time-limited programs implemented in response to COVID-19, like the Rapid Housing Initiative.

**Table E-1 National Housing Strategy Funding and Responsibilities**

(\$ million each year) Responsibility	CMHC	ESDC	Total
	Housing Affordability	Homelessness	
<b>Average Funding 2018-19 to 2027-28</b>	3,310	357	3,666
<b>Historical Average 2013-14 to 2017-18</b>	2,326	118	2,444
<b>Change (\$)</b>	984	239	1,222
<b>Change (%)</b>	42%	203%	50%

David Hulchanski's notes:

- a 15% cut in spending on assisting low-income households (based on the prior to the National Housing Strategy very low levels of such spending)
- a 42% cut in the number of social housing units (again, a cut in already very low levels of social housing provision)
- less than 50% of funds for first 3 years in the housing strategy has been spent
- Funds for only 12,000 expensive rental housing units have been allocated over the first 3 years; 4,000 expensive rental units/year compared to 20,000 social housing units before the Liberal gov's 1990s budget and tax cuts; this furthers the financialization of Canada's rental housing, giving cheap loans to private investors; the temporary subsidies to a small % of such units help investors market (the initial rent-up) of these units
- for every \$1 #LPC gives to developers only 32 cents benefit tenants and only for a short term

Of the \$3.7 billion per year in average planned spending, \$221 million per year (6%) is dedicated to indigenous housing in urban, rural and northern areas.

Since our 2019 report, [Federal Program Spending on Housing Affordability](#), Canada's federal government has allocated \$672 million per year in additional funding to address housing affordability and homelessness.

Several factors have likely limited the impact of Canada's National Housing Strategy on housing need over its first three years.

First, despite the increase in overall spending, funding for CMHC's assistance for housing need programs intended to help low-income households increased only by \$192 million per year (9%) in nominal terms, which represents a 15% decline in the real purchasing power of federal spending.

Second, a significant portion of the community housing supported under CMHC's bilateral agreements with provinces reached the end of their operating agreements. This caused a 183,019 (42%) reduction in the number of low-income community housing units supported under bilateral agreements between 2015 and the baseline established by CMHC's new bilateral agreements.

**Third,** CMHC's capital contribution programs have faced implementation delays. Over the first three years of Canada's National Housing Strategy, CMHC spent less than half the funding allocated for two key initiatives, the National Housing Co-Investment Fund and Rental Construction Financing Initiative. As of 30 October 2020, CMHC had made financial commitments towards the creation of 4,270 units of affordable housing committing to charge an average maximum of 52% of median market rent under the National Housing Co-Investment Fund. CMHC had made financial commitments towards the creation of 7,960 units of affordable housing committing to charge an average maximum of 72% of median household income under the Rental Construction Financing Initiative.

This 4th point: for every \$1 given to developers intended to assist with tenant 'affordability,' tenants only gain 38 cents (38%) of that \$1. Furthermore, they do so on a temporary basis, for a set number of years. There seems to be great variability in the terms of these developer subsidies, that is, in the number of years and in the amount of the tenant benefit, which will make monitoring of these agreements difficult.

**Fourth,** CMHC's shift of funding towards capital contributions over affordability supports means that the benefits of current spending are spread over the life of the project. Even over their lifetime, capital contribution programs secure smaller reductions, with the National Housing Co-Investment fund securing an average of \$0.38 in discounts relative to market median rents for each dollar of total government capital contributions.

**Finally,** we project that in the absence of additional spending the number of households in housing need would have increased to approximately 1.8 million households with a \$9.3 billion aggregate affordability gap by 2025-26. Over the period of 2021 to 2025, incremental CMHC spending averages 16% of the projected affordability gap and about \$63/month per household in housing need.