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

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# **Housing for all Canadians:**

**An additional \$2 billion for a  
comprehensive national housing strategy**

*A submission to the House of Commons  
Standing Committee on Finance  
Pre-Budget Discussions for 2003*

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## **One Percent Solution: \$2 billion for housing**

The National Housing and Homelessness Network, a network of groups and individuals from Vancouver to St. John's, and the Toronto Disaster Relief Committee are jointly making this submission to the House of Commons Standing Committee on Finance. We are urging the committee to endorse the One Percent Solution: an additional \$2 billion for housing. This new money, along with existing federal housing and homelessness spending, will create a funding envelope to cover the five elements of a renewed national housing strategy:

- **supply,**
- **affordability,**
- **supports,**
- **rehabilitation,** and
- **emergency relief.**

Provinces, territories, municipalities, community-based organizations and the private sector all have a role to play in this new strategy. Each can bring additional money and other resources to the table. But leadership needs to come from the national government:

*“The federal government has abandoned its responsibilities with regards to housing problems. . . The federal government’s role would be that of a partner working with other levels of government, and private and public housing groups. But leadership must come from one source; and a national vision requires some national direction. . . The Task Force does not believe that the national government, the private housing sector or the non-profit sector can, in isolation, resolve the tremendous housing deficiencies facing this country. Nor does the Task Force believe that solutions relevant to Toronto, Montreal or Vancouver will necessarily work in Charlottetown or Regina. Policy initiatives must respect the regional character of housing. This imperative does not, however, preclude the development of a new national housing strategy.”*

**Paul Martin, MP, Liberal Task Force on Housing, 1990**

This joint submission:

- examines federal housing and homelessness initiatives,
- sets out the scale of the national housing crisis and homelessness disaster,
- examines the failure of public programs to stimulate affordable private rental supply, and
- sets out the framework for a renewed national housing strategy.

## **A sharp drop in federal support**

The Trudeau government announced plans for an ambitious new federal housing program in 1973 with these words: “*Good housing at a reasonable cost is a social right of every citizen of this country. . . This must be our objective, our obligation and our goal.*” By the early 1980s, the federal government was funding about 20,000 new units of community-based co-op and non-profit housing annually. Several hundred thousand social housing units were funded under post-1973 federal programs, and these continue to provide good quality, cost-effective homes.

However, about \$1.8 billion was cut from national housing programs from 1984 to 1993. The federal government cancelled all funding for new housing in 1993. In 1996, the federal government announced plans to transfer the administration of national housing programs (except for federally-funded co-ops and on-reserve Aboriginal housing) to the provinces and territories.

Most of Canada's provinces and territories joined the downward slide in the 1990s. The two provinces with the worst records are two of the richest – Ontario and Alberta. Together, they cut \$498 million from their housing budgets from 1993 to 2000. The housing cuts in British Columbia started with the election of the Campbell government in 2001. And now, even Quebec, the only province with a committed social housing program, is faltering.

*“Responsibility for social housing has been devoluted from the federal government to the provincial and territorial governments, who in turn shift administration and management to regional and municipal agencies. And while the proportion of needy families is increasing, the deficit-minded Federal government only maintains its financial commitments to existing projects with no new funds presently available. Market solutions are being promoted by both the public and private sectors through a wide range of activities. The result is no single housing policy, but a patchwork of provincial and local initiatives. . . However, it is only in Canada that the national government has, except for CMHC loans, withdrawn from the social housing field. . . Social housing policy in Canada now consists of a checker-board of 12 provincial and territorial policies, and innumerable local policies. It is truly post-modern.”*

**Prof. Jeanne M. Wolfe, Canadian Housing Policy in the Nineties, January 1998**

The federal government has taken several positive steps in recent years. In December of 1999, it announced the federal homelessness strategy (including the Supporting Community Partnerships Initiative) - \$753 million over three years. Using SCPI and other funding, innovative projects have created transitional housing in several cities. This program is due to expire. We believe that the federal government should maintain this program and double the annual spending.

In November of 2001, the federal government signed the Affordable Housing Framework Agreement with the provinces and territories. The federal government agreed to provide \$680 million over five years. Provinces and territories agreed to match the federal dollars. However:

- most provinces are not paying their matching share. For instance, the federal government is contributing \$245 million in Ontario, but the province is only providing \$20 million.
- the definition of “affordable” has been changed to “average market rents”, so the new housing will be rented at existing market. However, as many as two-thirds of renters cannot afford average rents, which puts the housing out of the reach of those who need it the most.
- even if the framework agreement was fully funded, the total number of units would be well short of the amount need to meet the massive and growing need for affordable rental housing.

## **Nation-wide housing crisis – bad for everyone**

Canada's nation-wide housing crisis and homelessness disaster is killing individuals:

*“Homelessness affects tens of thousands of Canadians and has important health implications. Homeless people are at increased risk of dying prematurely and suffer from a wide range of health problems, including seizures, chronic obstructive pulmonary disease, musculoskeletal disorders, tuberculosis, and skin and foot problems. Homeless people also face significant barriers that impair their access to health care.”*

**Dr. Stephen Hwang, Homelessness and Health, January 2001**

Communities are suffering:

*“Across Canada, our communities are experiencing the affordable housing crunch. Some have rapidly growing numbers of homeless community members. Others see too many of their citizens badly housed or struggling with housing costs beyond their means. The past two years have seen more and more communities performing triage in the face of the growing crisis. . . In the fall of 1998, the situation reached the point where the FCM Big City Mayors Caucus endorsed a resolution, brought forward by Toronto Mayor Lastman, that described the homelessness and affordable housing situation as a national disaster.”*

**Federation of Canadian Municipalities, June 1999**

And it is bad for business:

*“Homelessness is a Toronto crisis that requires the attention of every level of government. . . For Toronto’s business community, homelessness affects the size of our productive and motivated workforce. . . Unless it is addressed, homelessness will reduce Toronto’s global competitiveness. . . The Board believes there is a direct relationship between homelessness and the shortage of affordable housing.”*

**Toronto Board of Trade, policy report, June 2000**

This national crisis requires a national solution:

*“Our cities – once a source of national pride – are deteriorating from a lack of infrastructure investment and an increase in poverty and homelessness. The production of rent-assisted housing units has dropped from about 6,000 per year in Ontario to almost zero. . . No one disputes, for example, that there is a dire lack of social housing in our cities, but the problem will not be solved while each level of government views it as another’s responsibility.*

**Charles Baillie, Chairman and CEO, TD Bank Financial Group, August 2002**

## **Rental housing – a “hidden” crisis. . .**

There is a sharp divide between owners and renters in Canada. Two-thirds of Canadians – 7.4 million households – live in owned housing. Their conditions for owners are favourable: growing supply, affordable prices, low interest rates. The median income of owners has increased from \$41,380 in 1984 to \$43,478 in 1999. Their median net worth increased by 24% from 1984 to 1999, rising to \$145,200 from \$116,845. Governments support owners with many programs, including grants and tax measures. There is no current estimate of the value of these subsidies. In 1979, the federal government estimated the cost of the capital gains exemption for principal residence at between \$1.35 billion and \$3 billion. Provincial governments paid half as much again. The federal government stopped accounting for this and other tax expenditures in 1985.

But the story is different for other one-third of Canadians: 4.6 million renter households. By any measure, the rental housing crisis has grown to desperate proportions. Supply is dwindling, rents are increasing. Median incomes for renters (which, in real dollars, are only half of owners) fell by 3% from \$21,554 in 1984 to \$20,947 in 1999. Renters' median net worth dropped by 48% to \$2,060 in 1999 from \$3,985 in 1984. That barely covers two months rent in Toronto.

The crisis affecting the 12 million people who rent their homes is largely hidden:

- statistics on ownership are released by government and industry groups on a monthly basis, and covered extensively in the media. Canada Mortgage and Housing Corporation's rental market survey is only released annually and tends to get little media attention. Rental market numbers used to be released twice annually before funding cuts in 1995.
- aggregates and averages obscure or minimize the circumstances of renters. With two-thirds of Canadians in owned units, their numbers tend to overshadow the one-third in rental units.
- many renters live in the secondary market (rented condominiums, accessory units, basement apartments). CMHC measures conventional units, not secondary units. Ontario has 614,000 conventional and 894,000 secondary units. Many secondary units are illegal under zoning rules and outside of building standards or tenant protection laws. Even in this "gray" market, there is no relief for renters. The Starr Group in 2000 reviewed Ontario's secondary market: "Our analysis shows that the supply of various forms of secondary rental housing in many communities has declined significantly at various times. . . . Because of the lack of expansion of these markets, vacancy rates for such forms of housing are quite low in most centres. Rents for most forms of secondary rental housing have been rising sharply in most areas, consistent with the low vacancy rates in both the secondary and conventional markets."

## **A rental crisis of national proportions. . .**

Dwindling government support and declining private sector investment have combined to create a rental housing crisis of national proportions.

- the leading indicator, Canada Mortgage and Housing Corporation's annual rental vacancy rate for the country's 26 metropolitan areas where most renters live has dropped from 2.6% in 1999 to 1.6% in 2000 and then a dangerously low 1.1% in 2001 (the most recent year). The two most recent years were back-to-back "worst-ever" lows.
- construction of new affordable housing is low in every part of Canada outside of Quebec – the only province that still funds new social housing. Almost all of the new rental units that are being built are rented at the high-end of the income scale.
- almost one-in-five tenant households are living in substandard housing (either the unit is too small for their family size, in need of major repairs, or both).
- the loss of affordable units due to demolition or conversion is growing. Vancouver lost 1,200 rooms in the 1990s. Edmonton has lost more than 1,800 units since 1990. About 3,500 rental units were converted to condominium in Calgary from 1995 to 1998. Kitchener lost 682 rental units between 1994 and 1998. Ottawa lost 1,740 rental units from 1996 to 1998. St. John's has seen 300 units converted since 1997.
- CMHC's annual rent survey shows rents are climbing across the country, often at double the rate of inflation or higher, even as renter incomes are falling. Half the renters in Canada can

only afford to pay \$525 per month or less for rent. As the squeeze grows, more renters are forced into foodbanks. During 2001, almost 61,000 households faced eviction in Ontario, more than 80% of them because they couldn't afford to pay the rent. An average of 250 Ontario households face eviction every working day of the year.

- more than 40% of renter households are paying more than 30% of their monthly income on rent, which leaves them little money for food, transportation or other basics.
- growing homelessness is seen in overcrowded shelters from Vancouver to St. John's. A youth shelter in Cambridge is so full that it has a waiting list. There are more than 1,200 homeless people in Edmonton, and more than 100 people are turned away from shelters there every night because there is no room.

### **Public investment has failed to create affordable private housing. . .**

The private sector developed a considerable amount of rental housing from the 1950s to the early 1970s, most of it geared to middle and upper-end renters. New private construction dramatically fell off in the early 1970s in Ontario and other provinces. Some areas (such as Hamilton, Ottawa and St. Catharines-Niagara) have seen a net loss in rental stock in recent years as demolition and conversion of existing private rental stock has outpaced new construction. In most parts of Canada, new private investment is limited to the upper end of the rental scale.

Senior levels of government funded new private rental housing starting in the late 1940s with programs such as the Assisted Rental Program (1975), Canada Rental Supply Plan (1981) and Ontario's Renterprise (1985). These plans, and a variety of others, used tax measures, interest-free loans and direct grants to stimulate new supply.

One major initiative was the Multiple Unit Residential Building plan, created in 1974 to give tax breaks to investors in new buildings. By the time it was rolled up eight years later, investors had realized about \$2.5 billion in tax savings. Most rents were at the high end of the market. In addition, developers were allowed to register MURBs as condominiums, and many units were flipped into the ownership market. The high initial rents and flip into ownership put these units out of the reach of the renter households that needed the new housing the most.

Another problem with MURBs, and other initiatives geared to the private sector, has been lax or non-existent oversight by governments. Investors and developers were able to double or triple up by using two or more programs to fund a single building. As a result, many of programs created fewer units than projected, the housing was not affordable to lower-income renter households and there was no long-term affordability.

Toronto Housing Commissioner Dan Burns examined eight private rental subsidy programs, including MURBs, in 1990. Burns, who later became deputy minister of housing under both the New Democratic Party and Progressive Conservative governments in Ontario, concluded: "Our review has shown that private sector programs have been the least regulated of the housing programs put in place by senior levels of government, both from the conversion and targeting point of view. . . the question raised about who benefits under these programs is a fair one."

Private sector lobbyists are urging the federal government to bring in tax schemes that are aimed at subsidizing new supply, but the new proposals simply repeat the errors of the past: there is little or no accountability for the significant public benefits; and there is little or no targeting to ensure that the new supply is affordable to low and moderate-income renter households.

Some private sector lobbyists are also recommending rent vouchers be paid to poor households. Vouchers have been a key rental subsidy in the United States since the early 1980s. The Ontario government introduced a voucher-style scheme in August of 2002 when it announced changes to a previously announced rent supplement plan.

A study by New York University researcher Scott Susin in the *Journal of Public Economics* earlier this year found that vouchers increase rents for all tenants: “The main finding is that low-income households in metropolitan areas with more vouchers have experienced faster rent increases than those where vouchers are less abundant. In the 90 biggest metropolitan areas, vouchers have raised rents by 16 percent on average, a large effect consistent with a low supply elasticity in the low quality rental housing market. Considered as a transfer program, this result implies that vouchers have caused an \$8.2 billion increase in the total rent paid by low-income non-recipients, while only providing a subsidy of \$5.8 billion to recipients, resulting in a net loss of \$2.4 billion to low-income households.”

Federal and some provincial governments have used rent supplements to assist both private and social housing tenants with considerable success over the years. Rent supplements, unlike vouchers, are based on a contract with the landlord. In return for receiving the supplement, the landlord agrees to properly maintain the building and to cap rents at an affordable amount.

### **A national crisis requires a national solution. . .**

Many national organizations, local groups and housing advocates have called on the federal government to adopt the One Percent Solution. This plan, conceived by Dr. David Hulchanski of the Centre for Urban and Community Studies at the University of Toronto on behalf of the Toronto Disaster Relief Committee, is based on the observation that in the mid-1990s, the combined spending on housing by all levels of government was about one percent of their combined budgets. The One Percent Solution calls on all governments to double their housing spending (adding an additional one percent).

The enhanced funding envelope (combined with existing housing spending) would allow the federal government to adopt a comprehensive national housing strategy with these key elements:

- supply (increase the number of rental units),
- affordability (ensure the new units are affordable to the households that need the new housing the most),
- supports (programs for those that require special services),
- rehabilitation (funding to maintain housing to a proper standard),
- emergency relief (special support for people who are already homeless).

The first four are prevention strategies, aimed at ensuring that everyone has access to good quality, affordable housing. The fifth is relief, aimed at providing a basic level of comfort for those who are on the streets and also assistance to help them secure permanent homes. Details of programs aimed at these five elements need to be developed in consultation with public, private and non-profit experts. New programs would have to be targeted to make sure that the housing and services meet the needs of low and moderate-income households.

### **. . . supply**

*“New York University researchers, following poor and homeless New Yorkers for five years, found that the main cause of family homelessness is the scarcity of affordable housing. . . We found that subsidized housing succeeds in curing homelessness among families, regardless of behavioral disorders or other conditions. Whatever their problems – substance abuse, mental illness, physical illness or a history of incarceration – nearly all the families in our study became stably housed when they received subsidized housing.”*

**Marybeth Shinn, Predictors of Homelessness, November 1998**

New housing supply is key to ending the housing crisis. While the social housing programs of the 1970s to the 1990s produced hundreds of thousands of good-quality, affordable units that continue to provide good homes to many Canadians, the programs were administratively cumbersome. A large staff was required to oversee complicated capital subsidy formulas. Few governments, and even fewer social housing providers, want to return to these programs. But there are options that would use one-time only capital grants to stimulate new supply. These would be administratively efficient while still ensuring proper accountability for public funds.

New units have to be targeted to those that need the housing the most (low and moderate-income households). The private sector has been unable, or unwilling, to develop rental housing for these households. A key problem for the private sector is that while the costs of developing and operating rental housing are steep, the income of renter households has fallen. As of 1999, half the renter households in the country could afford to pay about \$500 or less in rent. The split between what low and moderate-income tenants can afford to pay, and what the private landlord needs to collect to cover costs plus a reasonable return on investment is substantial and growing.

Ontario’s Housing Supply Working Group, composed mainly of private interest groups, conceded this in 2001. Even with tax breaks and other subsidies, the working group said almost all new rental housing in the province will be high end. But it added: “As this paper will argue, even rental development at the high end increases affordability, because it adds to the overall stock, putting downward pressure on rents and freeing up more affordable units as higher income tenants move into the new supply.” But there is no evidence that public subsidies to high-end rental units will create benefits that trickle-down to low and moderate-income renter households.

### **. . .affordability**

In addition to new supply, there is an urgent need to increase the rent supplements available to low and moderate-income households. The rent supplements would be available to both private and non-profit housing providers, based on a contract with the landlord that ensures the property is well-maintained and remains affordable over time. A number of recent major studies on

housing and homelessness, including the Federation of Canadian Municipalities National Housing Policy Options Paper and the Toronto Mayor's Homelessness Action Task Force (the Golden report), recommend an expanded program of rent supplements. A rent supplement program to assist about 160,000 tenant households would cost about \$500 million annually.

### **. . . supports**

Some homeless people, and renter households, require specialized social supports to assist them in accessing or maintaining their housing. Many provinces, including Ontario, maintain modest supportive housing programs for those with special needs. About 10,000 units of supportive housing could be funded with \$125 million annually.

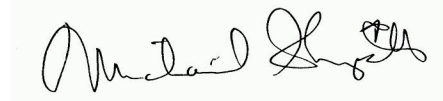
### **. . . rehabilitation**

The federal government's Residential Rehabilitation Assistance Program has been effective over the years in providing funds to upgrade properties and maintain them to proper standards. In recent years, the RRAP mandate has been expanded to include rental and homelessness initiatives. RRAP is due to expire, and the federal government has started a consultation process on extending RRAP. An amount of \$125 million would allow the federal government to double the amount of RRAP assistance, which would provide help to 30,000 households annually.

### **. . . emergency relief**

The federal homelessness strategy is due to expire, and the federal government has announced a consultation process on renewing this important program. An amount of \$250 million would allow the federal government to double the amount of homelessness strategy money available annually, which would increase the funding for services and programs that provide immediate relief and transitional housing for homeless people and those at risk of homelessness. Matching funds from the provinces and territories (an additional \$2 billion annually) would allow a doubling of these housing and homelessness initiatives.

All of this is respectfully submitted by:



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on behalf of the National Housing and Homelessness Network