21. A Pathway to Fixing the Affordable Housing Crisis in Canada

Description

Housing is an integral part of economic growth. The connections between affordable housing investment and economic growth have been well recognized in literature.[1 2 3]

And yet investment in affordable housing has been insufficient to meet demands. To ensure long-term community sustainability, local and regional economic development and growth plans must consider the role of affordable housing in the growing economy.

Background

Housing affordability and the housing supply challenge has been top of mind coast to coast. Housing is considered affordable when a household spends no more than 30% of its gross income on shelter.[4]

The housing and homelessness crisis in Canada are serious and widespread, covering each province and territory, hitting everyone from the middle class to our most vulnerable residents. In Alberta, as of 2021 there were approximately 57,000 households in government-subsidized housing, and more than 24,000 households are waiting for suitable subsidized accommodation. In order to meet growing demand, Alberta will need to use a variety of tools to support another 25,000 households.[5]

It is widely accepted that housing exists on a spectrum, generally referred to as The Housing Continuum, with homelessness and emergency shelters on one end and market rental and market home ownership on the opposite.

Market rental rates are not affordable for a large number of Canadian households, with stories regularly coming out of people being forced to choose between housing, utilities or food. Housing market changes do not align with shifts in household income or demographics, with housing prices and rental rates often lagging behind shifts in the economy and unique local conditions.[6]

Areas with job growth often experience population growth: adults stay in the area, migrants come to the area, and workers form families and have children. Workers need places to live, so demand for housing increases, either stimulating production or increasing market rates for housing.

Canada's population continues to grow. In the 12 months from Q1 2023 through Q1 2024, the country's population expanded by approximately 1,271,872 people, or 3.2%.[7] In the same time period, Canada had approximately 293,126 new housing starts. By comparison, for the 12 months preceding, Canada saw 308,700 housing starts,[8] with a population increase of only 930,442.[9]

The new stock of available homes has not kept pace with the increase in population and have priced many working people out of market home rental or ownership.

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[1] Skaburskis, A. "Decomposing Canada's Growing Housing Affordability Problem: Do City Differences Matter?" Journal of Urban Studies. Vol 41. Issue 1. 2004.
[2] Mao, F. "The Innovation Economy and the Housing Crisis." Master of Arts in Planning. 2017.
[3] Pinki, D. "Housing Affordability in Toronto: Low-Income Earners and Recent Immigrants." Master of Arts in Political Science. University of Windsor. 2017.
[4] Final Report of the Alberta Affordable Housing Review Panel – Government of Alberta (https://open.alberta.ca/dataset/26b06d34-4b03-488d-bed8-da5316b8b95c/resource/0fd7ae4e-568b-43d5-8480-c8d765b1e514/download/sh-final-report-of-alberta-affordable-housing-review-panel-2020-10-05.pdf
[5] Stronger Foundations Alberta's 10-year strategy to improve and expand affordable housing – Government of Alberta (https://open.alberta.ca/dataset/d17f3af6-fa5a-4cb0-b36e-248823cddff1/resource/d11b4795-763a-4221-b6f9-2f5769df50a5/download/sh-stronger-foundations-albertas-10-year-strategy-affordable-housing-2021.pdf
[6] Ibid
[7] Statistics Canada. Table 17-10-0009-01 Population estimates, quarterly
[8] Ibid
[9] Ibid

Developing one residential unit is estimated to generate between two and two-and-a-half new jobs.[10] In other words, each $1 million invested in residential housing development generates between 10 and 12 jobs. These jobs are overwhelmingly local, with most in the area where the unit is built.
In addition to the direct effects of housing investment on job creation, access to an affordable home means that Albertans will be healthier, more productive, and able to spend money in their local economies. There is strong evidence that quality affordable housing also generates improved social and economic outcomes for low-and-moderate income households.[11] It stands to reason that good quality affordable housing yields positive health and education outcomes by lowering household stress, enabling the purchase of nutritious food and supporting family stability.

Steve Douglas, Chief Executive of the Housing Corporation stated: Housing is often viewed as a barometer for the state of the economy . . . The type and quality of the housing offer can have a significant impact on the health and wealth of places. Their ability to attract and retain people and provide support for those who need it relies on good housing and attractive and inclusive neighbourhoods.[12]

A healthy and educated workforce can attract employers and job-related investment in communities.

Investments are no longer being evaluated strictly based on potential financial returns. Increasingly, investors are seeking to work with companies and jurisdictions that demonstrate a genuine and actionable commitment to responsible ESG policies. Investors considering Alberta for business opportunities are looking for evidence that managing ESG risk and identifying solutions is integrated into the province's overall strategy and operations.[13]

Major national and foreign business investors want to invest in jurisdictions where their employees can afford to live and raise a family.

While companies seldom base their site-selection decisions solely on quality-of-life issues - housing, schools, healthcare, amenities, crime - these factors do play an increasingly important role in this decision-making process, especially for those dependent on the talents of highly educated workers.[14]

For children living in inadequate or unaffordable housing, a secure home improves their likelihood of academic achievement and the completion of post-secondary education. Post-secondary graduates earn nearly $5000 more annually than those with a high school education – a number likely to increase as workers advance their careers. The result of this increased earning potential is greater contributions to economic growth.

A final connection between housing affordability, investment and job creation is the economic effect that results from increased renter income. When renter households move from unaffordable to affordable housing, the percentage of their income that they spend on housing decreases. This results in more spending on goods and services and because low-income households and because low-income households tend to spend their discretionary income primarily within their community, they can help stimulate the local economy and spur job creation.

Reducing barriers to accessing borrowing for buyers — particularly first-time buyers — and assisting in developer financing could help as a way to reduce the housing affordability gap. This could be accomplished by improving access to finance for low-income households by reducing the cost of mortgage funding and the risk of lending, as well as leveraging collective saving. Governments could help by cutting costs for developers by making affordable housing projects less risky and guaranteeing buyers or tenants for finished units. In addition, adjustments to the "mortgage stress test", particularly for first time home buyers, would make home ownership a reality for more Canadians, and remove them as competition within a bloated rental market.

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[10] Zon, N, Molson, M and Oschinski, M. Building Blocks: The Case for Federal Investment in Social and Affordable Housing in Ontario. Mowat Centre. Ontario's Voice on Public Policy. 2014.
[11] Mueller, E and Tighe, R. "Making the Case for Affordable Housing: Connecting Housing with Health and Education Outcomes. Journal of Planning and Literature. Vol: 24. Issue 4. 2007.
[12] Housing and economic development: Moving forward together – Centre for Cities (https://www.centreforcities.org/wp-content/uploads/2014/09/08-11-06-Housing-and-economic-development.pdf)
[13] Invest Alberta 2022-2023 Annual Report (https://investalberta.ca/2022-annual-report/dist/files/investalberta2022-23-annualreport.pdf)
[14] Area Development. Quality of Life Factors into Business Location Decision (https://www.areadevelopment.com/siteselection/dec08/quality-of-life-business-location017.shtml)

When it comes to housing, there is little alignment between the three levels of government. The municipal, provincial, and federal governments need to get better at listening to each other and finding ways to collaborate.

It is very evident how each level of government has a perspective on this issue and is doing what they believe is best to address the challenges. There doesn't seem to be a desire for intergovernmental conversation and action to address this challenge with piecemeal band-aid solutions being implemented on a project-by-project basis with little consideration and overall strategy that sees alignment from all levels of government.

The Federal Government is Canada's largest landowner. Budget 2024 calls for investments to use currently owned public land owned by the Government of Canada to develop housing.[15] In addition to the lands currently being considered, such as decommissioned post office and RCMP detachment buildings in situations where those lands and buildings are wholly owned by the federal government.

The Lethbridge Chamber is a proponent of innovative solutions to address the housing supply and affordability crisis. Promising practices from jurisdictions within Canada and abroad should be balanced, identified, and considered. Any housing policy options identified through this exercise must balance the needs of communities, while ensuring public safety.

The sentiment not in my backyard often contributes to local opposition to new development which can lead to delays in approval timelines and slow down the construction of new builds. There is a role for the federal government to play to support provincial and municipal governments in gaining public acceptance for new affordable housing developments. Public education can change this culture and support new developments.

Recommendations

That the Government of Canada:

1. Convene with provincial governments and municipalities to develop a cohesive strategy to address housing affordability, clearly defining roles and responsibilities, and how each will work in tandem with the others.

2. Reduce costs for developers through grants and/or tax incentives to make affordable housing projects more economically sound.

3. Grow the Canada Public Land Bank by evaluating additional federal real property holdings for affordable housing projects and develop a strategy for attracting the development of these projects.

4. Reduce barriers to home buyers on housing that will be their primary residence.

5. Reassess the criteria for the mortgage stress test.

6. Support increased productivity, including modular and factory-built construction.

[15] Government of Canada. More Affordable Homes (https://budget.canada.ca/2024/report-rapport/chap1-en.html)