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**Canadian
Home Builders'
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**Association canadienne
des constructeurs
d'habitations**

**Opening Remarks to
Housing of Commons Standing Committee on Human Resources, Skills and
Social Development and the Status of Persons with Disabilities
on Poverty Reduction Strategies**

**Kevin Lee, Chief Executive Officer
February 21, 2017**

Thank you.

I commend the Committee for making housing a priority in this study on poverty reduction.

As the basic underlying principle of “Housing First” dictates: people are better able to move forward with their lives if they are first housed.

The CHBA and our eight-thousand five-hundred member companies are the voice of the residential construction industry in Canada, a vital partner in developing and implementing housing policy as part of an overall Poverty Reduction Strategy.

As you know, the Government is also creating a National Housing Strategy, and much of what I will say here today we have recommended there too. After all, a National Housing Strategy and a Poverty Reduction Strategy should go hand in hand.

What may not be so obvious, and what I must emphasize today, is that addressing the entire housing continuum, right up into market-rate rental and homeownership, is critical to both the housing strategy and the poverty reduction strategy. The ripple effects of deteriorating market-rate affordability and barriers to homeownership cascade right down to those in housing need, and impede progress in poverty reduction if not addressed.

I should also note that I am the chair of the International Housing Association, and meet regularly with housing experts from around the world. I can tell you that international experts too remark that you cannot fix social housing challenges without fixing market-rate housing affordability too.

With finite resources to address any public policy issue, we need innovative solutions. There are hundreds of thousands of Canadians in housing need that require help. To be successful, we need to find the tools to house more people, in better housing, for less public dollars.

This can only be achieved if the Housing Strategy addresses issues across the entire housing continuum, from homelessness to social and supportive housing right through to affordability for market-based rental and homeownership.

Overall, we need to keep Canadians moving across the housing continuum towards market-rate housing. People need to keep moving along the continuum to make space available for those less fortunate. And even more importantly, we need to ensure people are not sliding back in the wrong direction. If affordability problems in market-rate housing push those who would otherwise be self-sufficient into a requirement for public support instead, our system has truly failed.

CHBA is very concerned that ignoring wider market-rate affordability and restricting opportunities for market-based housing will put more pressure on resources better used to help Canadians who truly need housing support.

With this principle in mind, let me now focus on some innovative approaches to housing Canadians in need.

CHBA is part of the National Housing Collaborative, a cross-sectoral group of national housing stakeholders— public, private and non-profit – supported by foundations and charities. The collaborative was formed to develop transformative, durable and innovative policy proposals.

The collaborative landed on four priorities. I'm sure you've heard much about the need for more social housing, so today instead I'd like to focus on the Collaborative's priority that would ease the burden on social housing: and that is a Portable Housing Benefit.

The majority of Canadians in "Core Housing Need" do not have a "housing problem" - they have an income problem. As many on the front lines of anti-poverty organizations would agree, simply building and offering more and more social housing will be too slow, too expensive and not achieve the desired results. Yes, we need social housing—we need more of it and much of what we have needs to be improved—but social housing is not the answer in a majority of cases.

Most families in core housing need are already properly housed—the problem is income. Rent is the largest item in the family's budget and simply leaves too little for other essentials. A Portable Housing Benefit would alleviate this basic challenge.

The design put forth by the Collaborative, can be implemented in steps to first meet those most in need. However, if and when fully scaled up, it would move a massive 800,000 people out of housing need. And contrary to myth, it would not cause rent inflation, nor would it reduce rental availability.

A portable housing benefit is probably the single most cost-effective and far-reaching anti-poverty measure open to the federal government.

It will move people into or keep them in market-rate rental housing, freeing up social housing for those who need more comprehensive support.

One of the greatest strengths of portable housing benefits is that they promote individual autonomy and choice because they are not tied to a particular housing unit. People choose where they want to live and find accommodations that meet their specific needs. This flexibility has the potential to improve labour market mobility and promote mixed-income neighbourhoods.

To make this system work, it is also essential that we keep homeownership within reach of would-be first time homebuyers. This is because over 80% of rental units that become available each year for rent are those units vacated by people buying their first home. Thus keeping entry-level homeownership accessible makes more rental stock available.

Moving people along the housing continuum from rental properties into homeownership—for those that want it—percolates back to those most in need.

With market-rate affordability in jeopardy in our most successful cities, action is required to support access to homeownership. CHBA has many recommendations on how the government can help with market-rate affordability that we have submitted for the National Housing Strategy (from mortgage rules to transit oriented development to development taxes and more)—I won't go into all those here, but it is important for the Poverty Reduction Strategy that upstream affordability be addressed.

For today though, I'll focus on an innovative measure that can help both typical first-time homebuyers, as well as responsible hard-working lower-income families for whom affordable homeownership programs provide an excellent hand up.

I'm talking about Shared Equity Down Payment Plans, an approach already used in small scale by some forty organizations across Canada.

These initiatives provide access to homeownership for lower-income families through a third-party financial equity interest in the home that either reduces the amount of the required down payment, or the size of the first mortgage (or both). The third party then shares in any house value appreciation, or depreciation, as the case may be.

There are many successful home ownership assistance programs across the country. They should now be facilitated in scaling up their efforts, in particular to unlock private capital to invest in entry-level housing and support first-time homebuyers.

Before I finish I would also like to turn briefly to housing supply.

It is worth noting that we estimate that given current demographics compared to current construction trends, we will be 300,000 family-oriented units short over the next decade, further driving up home prices and rents. Supply shortages are already driving up home prices in our largest urban centres.

With respect to rental properties, there has been a significant lack of purpose-built rental being constructed over the past few decades, and tax policy has been part of the problem, but if amended could be part of the solution.

First, we need to amend the tax regime to avoid GST being applied to new “purpose-built” rental developments. This increases rents for tenants and renders the business model for investing in purpose-built rentals less attractive, hence discouraging the construction of affordable rental properties.

Second, we need to fix the tax rules for accessory suites, such as granny flats and laneway housing, as the current tax system, which incorporates land value rather than just construction costs, and is discouraging this important form of infill housing that is favoured by more and more municipalities. These innovative infill projects increase the number of affordable homes in established neighbourhoods.

Finally, the government needs a national NIMBY (not in my backyard) to YIMBY (yes in my backyard) campaign. New developments (especially densification and mixed-income housing) are often met with local public opposition even when aligned with community plans. A national NIMBY-to-YIMBY campaign can facilitate a smoother transition into the communities of tomorrow.

I’ll conclude by reiterating that a National Housing Strategy that addresses the full housing continuum is an essential part of a successful Poverty Reduction Strategy.

Thank you.