

A BRIEF HISTORY OF THE FEDERAL ROLE IN HOUSING

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Session Objectives

You will be able to...

- Have some appreciation of the historical context for current practice and programs
- Appreciate the things that influence housing policy
- Understand how the federal role and funding influence provincial activities



Key influences for housing policy

- Health effects of housing conditions
- Poverty and housing as a basic necessity and merit good (externalities)
- Urbanization and general housing demand
- Housing in the context of place – a fixed asset with relationship to neighbourhood and cities
- Economic concerns - role of housing in the economy
- Housing as an interactive system and continuum (tenure trends and issues)
- Political and constitutional considerations (housing a political orphan)



1940's post war reconstruction

- *Key influences: 1940/50's: Post war reconstruction; quantitative need, institutional capacity*
 - Dominion Housing Act (1918, 1935, 1938)
 - PostWar reconstruction, institution building (CMHC, NHA, CD Howe – wartime Housing Ltd – direct and pro-active fed role (except social)
 - Direct loans for homeownership
 - 1944 National Housing Act; 1946 CMHC
 - Focus on supply and slum clearance/urban renewal
 - **Tentative role in Public Housing** (Regent Park ph 1, 1947)



1950's maturing policy expertise

Key Influences: expanding post war economy and demographic/migration boom

- Facilitating development and consumption via direct lending
- Introduced mortgage loan insurance (1954) – for consumers (ownership)
- Land assembly, infrastructure financing
- Debate of federal role in assisted/public housing (constitutional considerations) – but still minimal uptake on public housing



Tumultuous 1960's

Key influences: Demographics, Rising inflation; US civil unrest and urban reform movement, reaction to Public Housing

- Slowing of post war growth (1st post war recession)
- Place based policy – urban renewal, slum clearance;
- **1964 NHA amendments – expansion of public housing – 50 year loans and agreements**
- Creation of provincial housing corps to develop own manage PH
- Financing for **Low income rental (LD) + first coop** (Willow Park Winnipeg)
- 1968 Fed Task Force Housing Urban Dev (Hellyer) – followed by Dennis and Fish (Programs in Search of a Policy)
 - = scathing indictment on absence of clear vision and objectives



1970's Major watershed

Key influences: Response to Fed TF; Legislative change, high inflation; demographic pressures , growing federal deficit

- Fallout from Hellyer - Minority (Lib-NDP govt)
- \$200m innovative housing fund
- AHOP homeownership program started 1971 Major NHA amendments (1974) – shift to community based models – **NIP/RRAP; NP, Co-op** – unilateral federal roles
- MSUA 1971-79 a failed national urban policy (legacy housing divorced from urban policy, diff from other countries)



(1970's cont'd) Active program development

- Tax reform (removed favourable treatment of rental)
- Rental stimulus via MURB, ARP /CRSP
 - Response to employment and demographics
- Introduced the Sec 56.1/95) NP and Co-op and concept of ongoing operating subsidy;
- 1978 shift from direct to insured loans (private lenders)
- 1978 first Aboriginal programs (Urban Native and on reserve)
- Strata title (condo) legislation all provinces (69-70)



1980's Mulroney and Provinces

Key influences: Constitutional, Cooperative Federalism, Spending constraints

- Commencement of constitutional debates and responsibility for housing.
- Major recession – social housing as part of stimulus package – still mainly federal unilateral
- Change in government (Mulroney) – 1984 Neilsen Review – New Directions
- **1985 Global Agreements on social housing (re engage provinces) – another major turning point**
- **Ascendance of provincial roles and capacity**
- Concept of core need developed (allocation and eligibility)
- Social policy by stealth (finance dept)



1990's Fiscal constrain

Key influences: Deficit, environment (Bruntland), Emergence of Homelessness

- Continuation of constitutional debates (Meech and Charletown) “six sisters – incl housing.
- Rising federal deficits and deficit reduction targets – housing in the crosswire – poor return on investment?
- CMHC Centre Public Private Partnerships in Housing (1991)
- **1993 federal budget terminated ALL new funding for social housing expansion (except on reserve) – using constitutional argument.**



1990 dark age of social housing

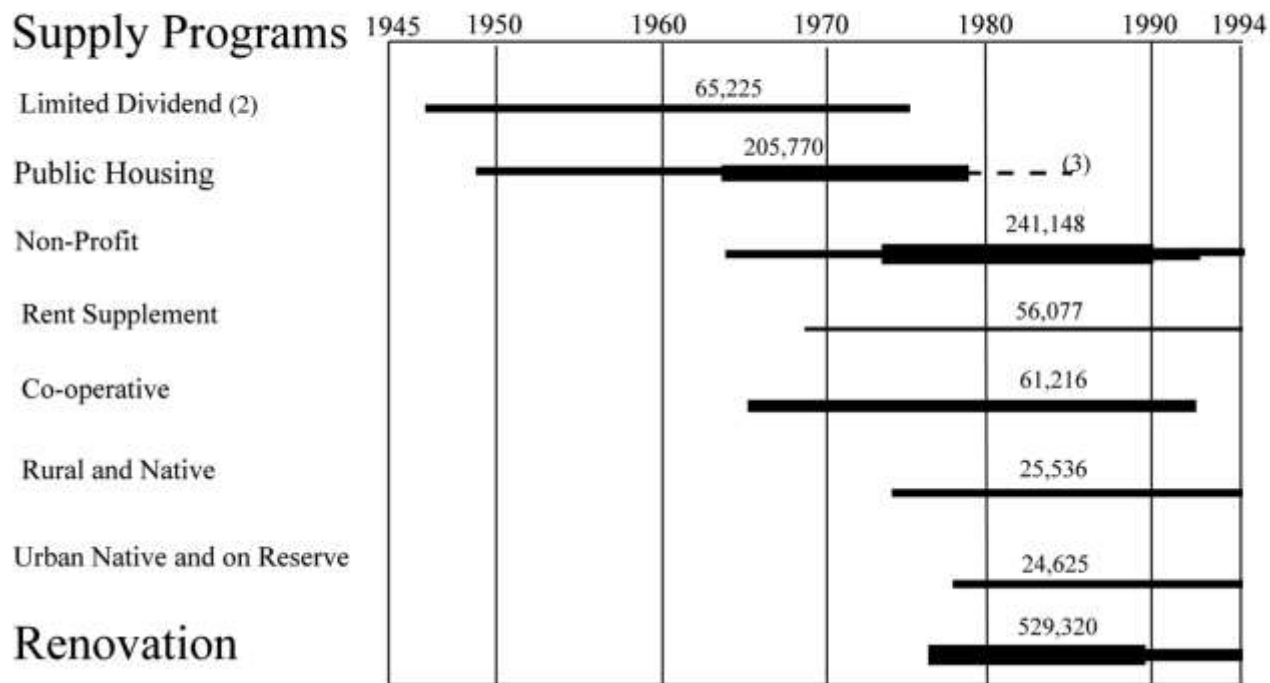
(1990' s cont' d)

- Period of adaptation – lingering role some provinces – Que/BC (Ont to 95)
- Federal transfer policy = Devolution of administrative responsibility
- Bilateral agreements with PTs (prolonged negotiation – Social Housing Agreements in all but 4 (BC) prov/terr)
- Major transformations in Ontario (Double devolution)
- Homelessness emerges as a serious public concern
 - influence of Toronto Task Force (Golden)

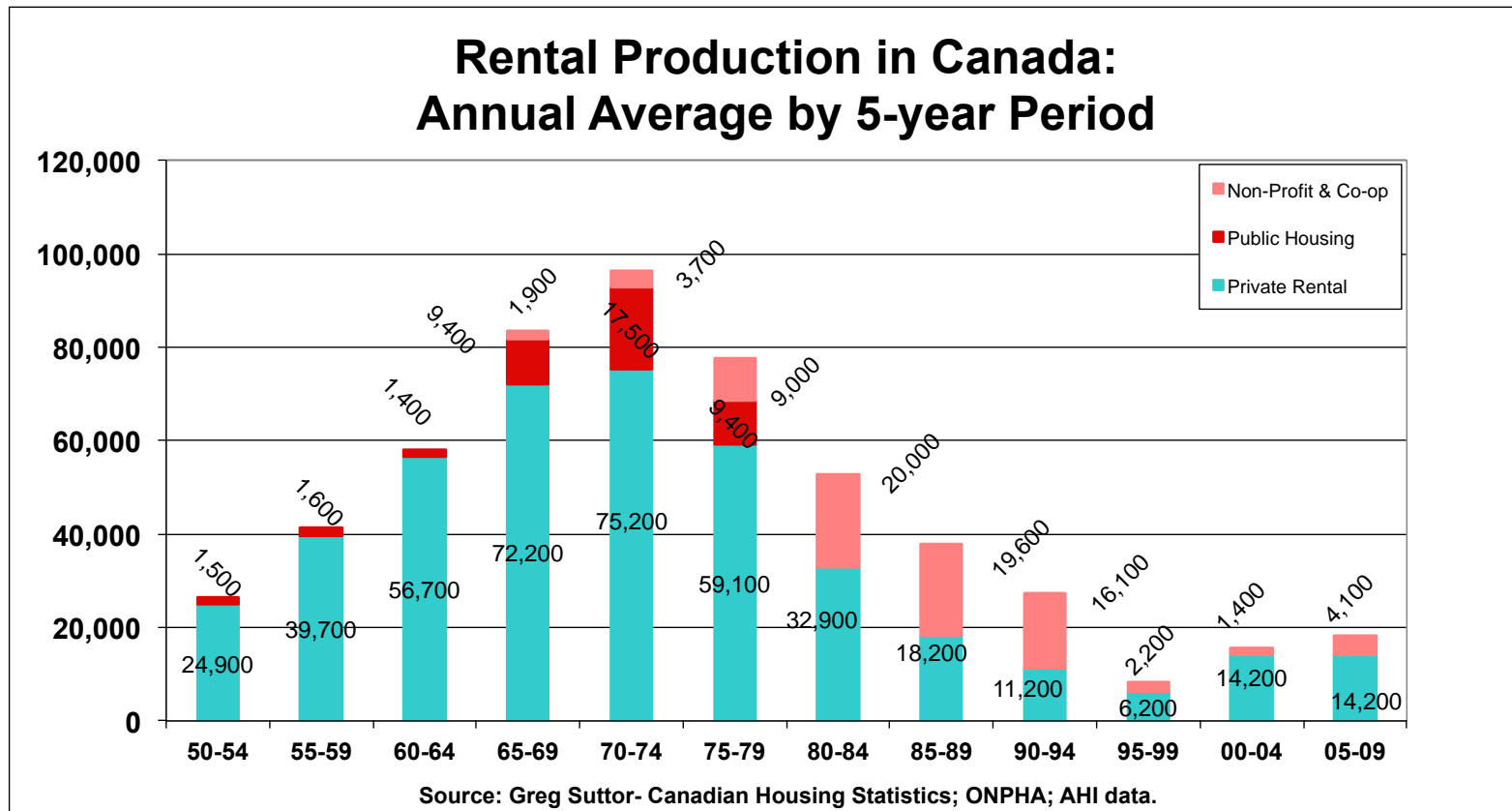


Today's legacy programs

Evolution of Federal Social Housing Programs 1949-94 ⁽¹⁾



Rental Housing Production – Private and Social



2000's era of re-engagement

Key Influences: Institutional shift, economic boom/recession

- Re-engagement of federal govt
 - NHI/HPS (1999-present)
 - AHP/IAH (2001-Present)
 - Bill 148 Housing Trusts (2006-2009)
 - Economic Stimulus funding 2009-11
- Active Provincial roles and cost shared spending
- Commencement of expiry of operating agreements (with Ontario variant)
- Housing boom 99-08 and recession 09; modest recovery



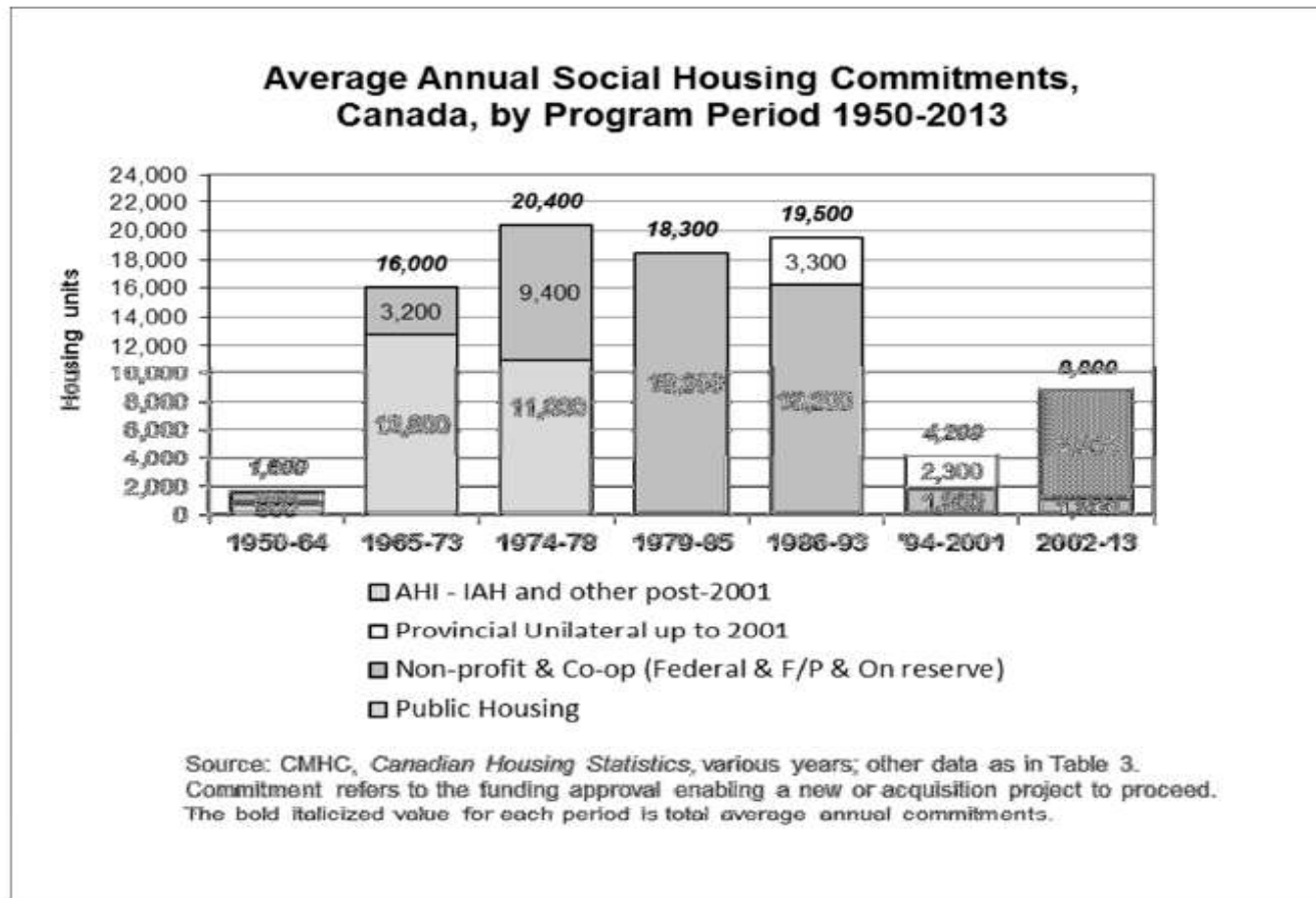
Historical overview

2010's

- Economic recovery (of sorts)
- Stimulus hangover = Significant deficits and spending constraint
- Bank Canada/Min Finance concerns re household debt = constraints on borrowing (Amortization and LtV reduced)
- Renewal of AHI – IAH (2011 folded in RRAP)
- Buy-in to *Housing First* model for homelessness
- Commencement of federal agreement subsidy expiries



Modest increase in social starts



Budget 2013 (and 2014 and 2015)

- Unexpected renewal and extension of IAH and HPS through 2019
 - Homeless Partnering Strategy (HPS) new focus on Housing First (\$119M/yr, 5 yrs)
 - Investments in Affordable Housing (IAH) \$253Million/year, 5 years
- Successful advocacy, or brilliant political strategy?
 - Pre-emptive
 - Still very Minimal funding



Sunny days ahead!

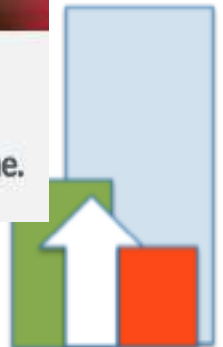


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What issues are important to you?...

AFFORDABLE HOUSING

We will make it easier for Canadians to find an affordable place to call home.



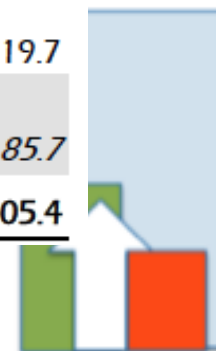
Budget 2016 – a renewal?

Table 2.1

AFFORDABLE HOUSING INVESTMENTS

millions of dollars

	2016–2017	2017–2018	Total
Doubling the Investment in Affordable Housing Initiative	261.6	242.8	504.4
Increasing Affordable Housing for Seniors	100.3	100.4	200.7
Supporting Energy and Water Efficiency Retrofits and Renovations to Existing Social Housing	500.0	73.9	573.9
Supporting Shelters for Victims of Violence	60.0	29.9	89.9
Tackling Homelessness	57.9	53.9	111.8
Subtotal	979.8	500.9	1,480.7
<i>Additional Investments in Housing for First Nations, Inuit and Northern Communities¹</i>	<i>356.2</i>	<i>382.8</i>	<i>739.0</i>
Total Investments Funded Through Social Infrastructure Commitment	1,336	883.7	2,219.7
<i>Additional Investments to Support the Construction of Affordable Rental Housing²</i>	<i>13.1</i>	<i>72.6</i>	<i>85.7</i>
Grand Total	1,349.1	956.3	2,305.4



Budget 2016 – a renewal?

- New budget funds \$2.3 Billion (over 2 years = \$1.35 and 956k **on top of previous approved amounts:**
- Ongoing subsidy to pre 1994 social housing commitments (\$1.7B/yr, declining)
- Previous IAH (\$253M/yr) for 2014-19
- Previous HPS (\$111M/yr) for 2014-19

Overall a substantial bump in federal funding; and some (IAH to be matched by prov/terr)



A National Housing Strategy

- Ongoing federal consultation toward developing and implementing a national housing strategy
- Tuesday 22nd 2016



- Likely to build on Budget 2016



Historic forms of policy response

- Direct provision (e.g Public Housing, CMHC direct lending)
- Stimulate supply response (subsidies, incentives or tax treatment)
 - Private investors: (incentives or tax treatment)
 - Direct assistance to non market providers (social housing)
- Enable demand response – subsidize consumption (rental assistance – conditional or income assistance)
- Regulatory (price/rent control, consumer protection, land use, financial institutions)



Types of programs

- Concessionary/low rate loans (e.g. LD) but no ongoing subsidy
- Stacked rental allowances/supplements to address affordability (1974 RS with LD/sec 15)
- Financing to cover 100% capital costs, with ongoing operating subsidy to repay (1978-93)
- Capital grants (partial coverage not 100% of cost) – post 2000



Types of programs

- Rent setting policy (relates to each of prior program types):
 - Low break-even (LD sec 27)
 - Rent-geared to–income (RGI PH and post 78 NP, Coop)
 - Affordable market (at or below 100% AMR)
 - Market (unassisted)



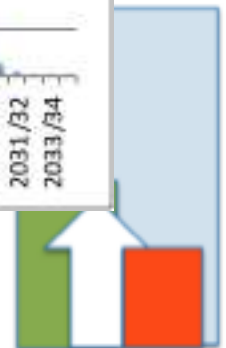
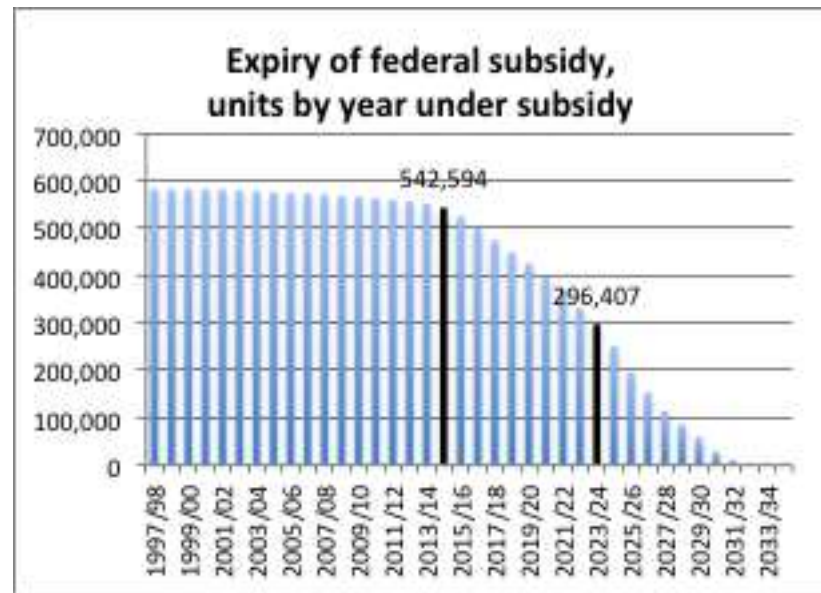
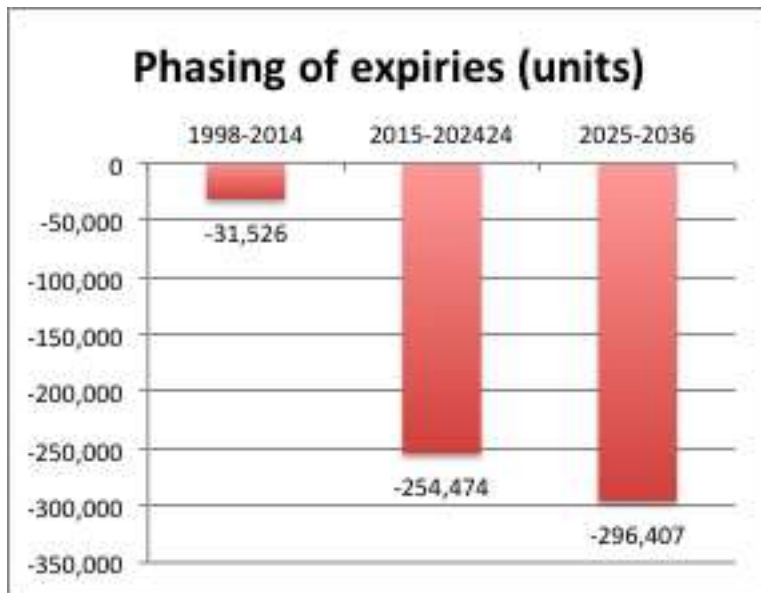
End of Operating Agreements

- Social Housing Funded with long term operating subsidies, matching mortgage amortization period (50 yrs./35yrs)
- Mixed funding:
 - Federal/Prov/Terr cost shared;
 - Federal unilateral
 - Provincial unilateral
- Subsidies *usually* terminate in tandem with maturing mortgage
- Under F/P/T agreements Federal subsidy obligation terminates - P/T's then have to decide how to manage



Future is Now

- Public Housing 1964+ 50 yrs; Non Profit 1978 +35 years
- Nationally federal funding declines by \$650 Mill in next decade



Where now – new opportunities?

- Examine existing property/portfolio and explore options to leverage cash flow, intensify add new units
- Emerging new program framework in NHS
 - New financing facility
 - New capital funds (new and retrofit)
 - Potential to reform/add subsidy mechanisms (housing allowances)
 - Encourage/enable transformation in sector



Thank you!



Additional background reports available at
www.focus-consult.com

