

THE NATIONAL HOUSING ACCORD

A Multi-Sector Approach to Ending Canada's Rental Housing Crisis



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Foreword by the Authors

August 15, 2023

Canada's housing crisis is worsening dramatically. Millions of people – particularly those with the lowest incomes – are facing rapidly rising housing costs, driven significantly by an extreme lack of supply of the right types of rental housing. This is driving a wave of new homelessness, eating up increasing percentages of workers' incomes and causing untold stress and suffering. The Government of Canada has set a range of ambitious targets to realize the Right to Housing, address housing affordability and end homelessness, but we are currently sliding backwards.

Meanwhile many new market-based rental projects are stalled as a result of dramatically increased interest rates, high government taxes fees and charges, insurance premiums, and higher production input costs.

This comes within the context of record population growth. Population growth and immigration are essential to our country's economic and cultural prosperity, but our housing system is failing people who have a right to housing, no matter how long they have been here.

Adding substantial new supply to address rental affordability is key to solving the housing crisis. One third of Canadians rent, with a higher proportion renting in our urban centres which experience the most significant challenges with affordability. Having sufficient affordable, secure and accessible rental housing is essential for young people, seniors, Indigenous peoples, women-led single parent households, newcomers, students, people on low-incomes and those exiting homelessness. Right now, we are failing to provide these groups with affordable housing and too many are suffering. When there is a shortage of supply, rents get bid up by those most able to afford higher rents.

We must urgently build a healthy rental housing system to ensure affordability for all, meet the federal government's commitment to the progressive realization of the Right to Housing, support economic growth and end homelessness. We require practical solutions to dramatically increase the supply of rental housing. We need rental housing of all kinds: market-rate, affordable, co-operative, non-profit, supportive, and otherwise, to house our growing population today and in the years to come.

We recently brought together a group of housing experts from the private and non-profit sectors, including investors, developers, owners and policy experts for a Roundtable to brainstorm solutions to address this crisis and restore rental housing affordability. The outcome of the Roundtable is summarized in this Accord - Ten Recommendations - a series of rapidly actionable recommendations for the 2023 Fall Economic Statement and Budget 2024.

The Ten Recommendations recognize that no one actor in the system can achieve Canada's housing targets single handed. The federal government must lead the way through a coordinated effort with key stakeholders – including not-for-profits and the private sector – while accounting for resources, the financial viability of building supply, the productivity and innovation to reach targets, and the will to create conducive regulatory environments, all while closing the gap for affordable housing.

This is a significant task, for which our Ten Recommendations are a starting point.

Together, these recommendations will help millions of people have a safe, secure and affordable place to live, create jobs and raise incomes, meet the needs of our growing population and play a major role in ending homelessness.

The housing sector is ready to step up and address this crisis, but we need the federal government to join us and step into their vital housing leadership role.

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Summary

Canada needs an Industrial Strategy to end its housing crisis. To address the rental housing shortage, a cross-sector gathering of private and non-profit sector experts collaborated to chart a way forward.

Rents have been increasing rapidly in many parts of the country, primarily caused by a lack of accessible, climate-friendly, affordable and market-rate purpose-built rental units to house a growing population. Increasing rents inflict the most significant harm on the lowest-income Canadians, including seniors, people on fixed incomes, single-parent led households, students, newcomers to Canada and Indigenous peoples. Rising rents are also contributing to a wave of new homelessness - the number of people losing their housing from unaffordability nationally is on the same scale as people losing their housing from Canada's largest natural disasters. Further, our housing crisis threatens economic growth, pricing workers out of the communities where their skills are needed most.

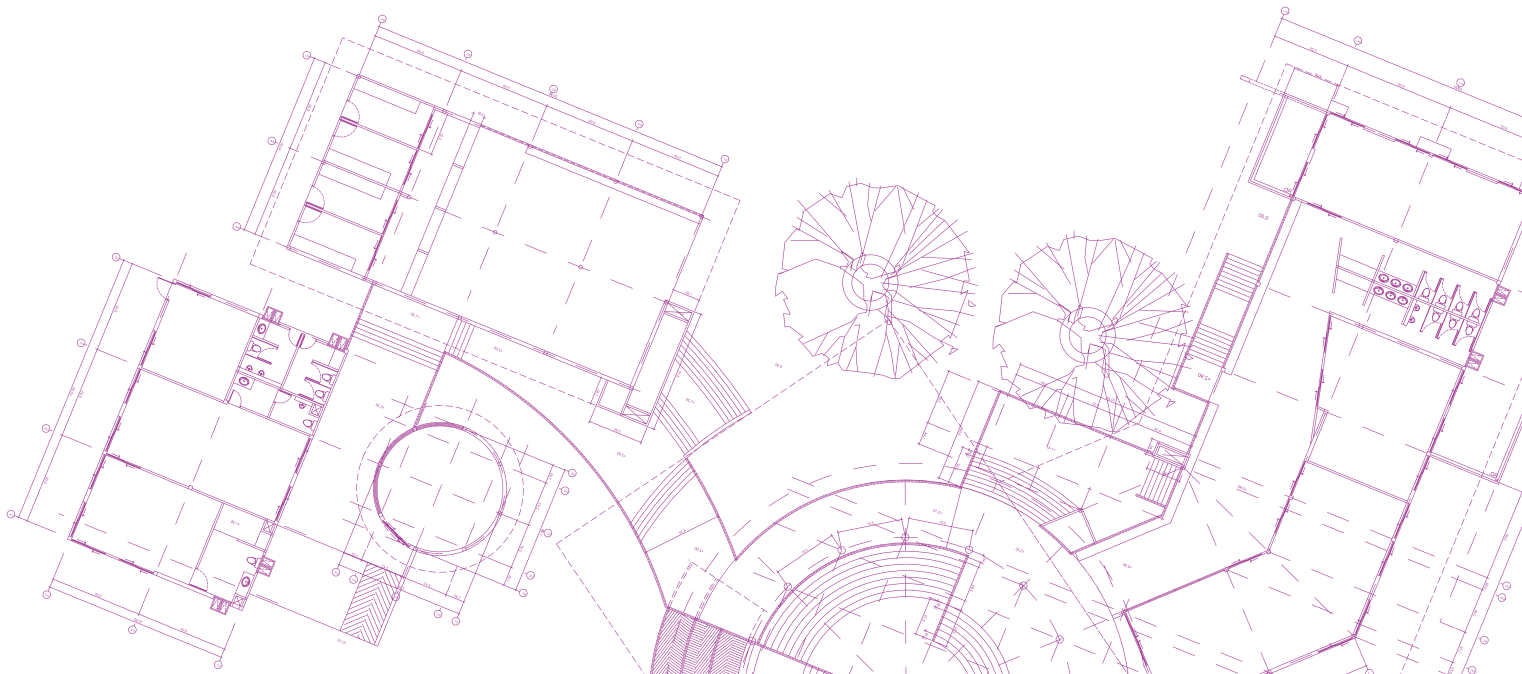
Restoring affordability will require tripling home building over the next seven years. For this to happen, the federal government must work with all orders of government, along with builders, developers and the higher education sector and address the bottlenecks preventing purpose-built rental housing from being built.

In the National Housing Strategy Act of 2019, the federal government made the progressive realization of the right to housing a cornerstone of its housing policy. Under the current conditions, this commitment will not be achieved.

To build more purpose-built rental housing, the federal government must invest directly in affordability while also taking steps to restructure Canada's rental housing industry for private, non-profit and public builders and operators.

This report provides ten recommendations focused on how the government can increase the supply of non-market housing, create the conditions for more market housing to be built and provide financial assistance to families precariously housed and at risk of falling into homelessness. This report and its recommendations act as a blueprint for an Industrial Strategy that would bring together public and private builders, the non-profit housing sector, investors and labour to build two million purpose-built rental units in seven years.

The report's key messages have been summarized into eight points on the next page for convenience.



Eight Key Points

1. To restore affordability to Canada's housing market, 5.8 million homes must be built by 2030,¹ roughly two million being purpose-built rental units needing to be built in the seven years between the start of 2024 and the end of 2030.² A goal this ambitious requires a robust Industrial Strategy.
2. The federal government must work to meet the obligations of the National Housing Strategy Act and the progressive realization of the right to housing. This obligation means that federal policy must prioritize those in greatest need, set targets and timelines for eliminating homelessness and deploy the maximum available resources to achieve their housing policy.
3. Building two million rental units in seven years will require the federal government to co-develop a coordinated plan with all orders of government, including a set of targets and accountability measures.
4. The plan must address six bottlenecks to building more housing: a lack of coordination, a shortage of inputs from labour to materials, high costs, low productivity, inability to get timely approvals and the insufficient construction of non-market housing.
5. The federal government must create the conditions for the market to build more housing by using the policy levers they control to address those six bottlenecks. These include tax reform, innovation policy and Canadian Mortgage and Housing Corporation (CMHC) reform.
6. The federal government must also recognize that more substantial investments in non-market housing are needed. This recognition should include a blueprint to fund deeply affordable and supportive housing, along with seniors housing, Indigenous-led housing and student residences, and support for non-profits to purchase existing affordable rental properties. Canada must double the existing social housing stock of 655,000 units to bring the country up to OECD and G7 averages.
7. The federal government must prioritize innovation in homebuilding, as existing resource constraints and costs will make it impossible to build homes in sufficient quantities without significant changes to how and what we build.
8. The federal government must also provide immediate financial supports to aid with affordability. These supports should include a Homelessness Prevention and Housing Benefit (HPHB), which would provide immediate rental relief to up to 385,000 households at imminent risk of homelessness, and a Portable Housing Benefit (PHB).

¹ The 5.8 million number comes from the CMHC report [Canada's Housing Supply Shortages: Estimating what is needed to solve Canada's housing affordability crisis by 2030](#). The 5.8 million figure covers the nine-year period from the beginning of 2022 to the end of 2030. There were 219,942 housing completions in 2022, according to the [CMHC data portal](#), and Canada should roughly match that figure in 2023. This suggests that Canada will need over 5.3 million housing completions in seven years (2024-30 inclusive) to achieve this target.

² Roughly 37.8 per cent of all housing completions in Census Metropolitan Areas and Census Agglomerations with at least 50,000 people were purpose-built rentals, according to the [CMHC data portal](#). Maintaining that ratio would require that 2.2 million of that 5.8 million be purpose-built rental units. In 2022, 68,254 purpose-built rental units were completed, a figure 2023 should roughly match. Subtracting that from our 2.2 million, leaves a need for two million rental completions in seven years (2024-30 inclusive) to achieve the target.

This report makes the following ten recommendations to the federal government designed to accelerate the completion of purpose-built rental units and to provide income support for renters.

Ten Recommendations

01

Recommendation 01:

Create a coordinated plan with all three orders of government and create an Industrial Strategy led by a roundtable of public and private builders, the non-profit housing sector, Indigenous housing experts, investors and labour. The federal plan should include targets and accountability measures. The plan should include enhanced data collection, more robust and frequent population forecasts and better research to understand Canada's housing system. The plan should also include a blueprint to fund deeply affordable housing, co-operative housing and supportive housing, along with seniors housing and student residences and double the relative share of non-market community housing.

05

Recommendation 05:

To ensure innovations achieve scale, the federal government should help develop a robust innovation strategy for housing, including procurement policy and innovation centres for housing construction.

02

Recommendation 02:

The federal government should help create a national workforce and immigration strategy on housing, including construction trades and other employment classes related to housing production.

04

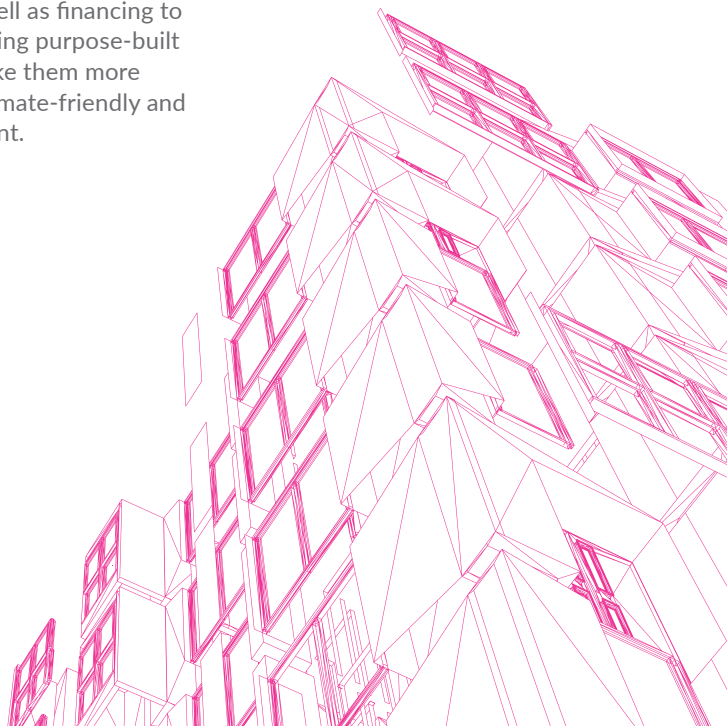
Recommendation 04:

Provide low-cost, long-term fixed-rate financing for constructing purpose-built rental housing, as well as financing to upgrade existing purpose-built rentals to make them more accessible, climate-friendly and energy efficient.

03

Recommendation 03:

The federal government should help reform CMHC fees and the federal tax system, including changes to capital cost provisions and eliminating the GST/HST on purpose-built rental housing to incentivize the construction of purpose-built rental housing.



06

Recommendation 06:

The federal government should help reform the National Building Code to drive innovation in the homebuilding sector.

07

Recommendation 07:

Streamline the CMHC approvals process, which can include a Code of Conduct for Builders and a catalogue of pre-approved designs to allow for the fast-tracking of purpose-built rental housing.

08

Recommendation 08:

Create property acquisition programs for non-profit housing providers to help purchase existing rental housing projects and hotels and facilitate office-to-residential conversions. These programs could include capital grants, provision of pre-approved debt financing, funds that provide secondary debt and equity financing, or other innovative levers that help with the initial costs without saddling the providers with operating and significant debt servicing costs.

09

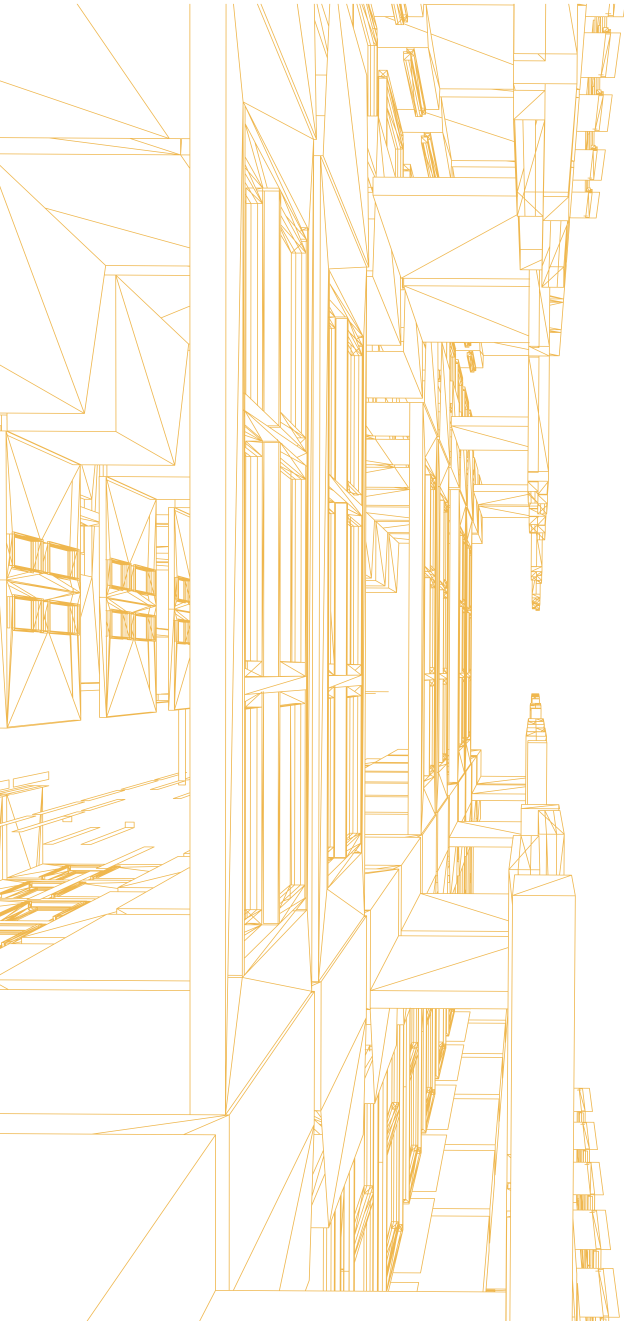
Recommendation 09:

Create a Homelessness Prevention and Housing Benefit (HPHB), which would provide immediate rental relief to up to 385,000 households at imminent risk of homelessness, help over 50,000 people leave homelessness and reduce pressure on Canada's overwhelmed homeless systems.

10

Recommendation 10:

Reform the Canada Housing Benefit to better target individuals and families with the greatest housing needs by replacing it with a Portable Housing Benefit (PHB).



Practical Solutions to Canada's Rental Affordability Crisis

Rents have been increasing rapidly in many parts of the country and, in the words of the CMHC, “affordable units for low-income renters are extremely rare outside of Québec.” The causes are numerous but include a lack of accessible, climate-friendly, affordable and market-rate purpose-built rental units to house a growing population. The CMHC estimates that Canada will need to build 5.8 million homes, of all types, between 2022 and 2030, which is triple Canada's historic homebuilding rate, to restore affordability. In 2022, 37.8 per cent of all housing starts were purpose-built rental units.³ Just under 2.2 million of the 5.8 million target would need to be purpose-built rental units to maintain this ratio, with just over two million needing to be built in just seven years.⁴ We propose a ten-point plan the federal government can implement to increase Canada's supply of purpose-built rental housing substantially, increase the supply of non-market community housing and financially support low-income renters.

A multi-tiered approach is needed. Over the past few decades, the construction of purpose-built rental units has not kept up with population growth, affecting affordability. This approach requires broad-based measures to address the bottlenecks preventing the market from building more of these units. However, we must also recognize that the market is unlikely to build sufficient affordable units, particularly those in the lowest income quintiles, so non-market housing solutions are needed. Finally, we must also recognize that “forever” affordability is critical, so this report provides several recommendations to support non-profit housing.

Canada's Rental Affordability Crisis

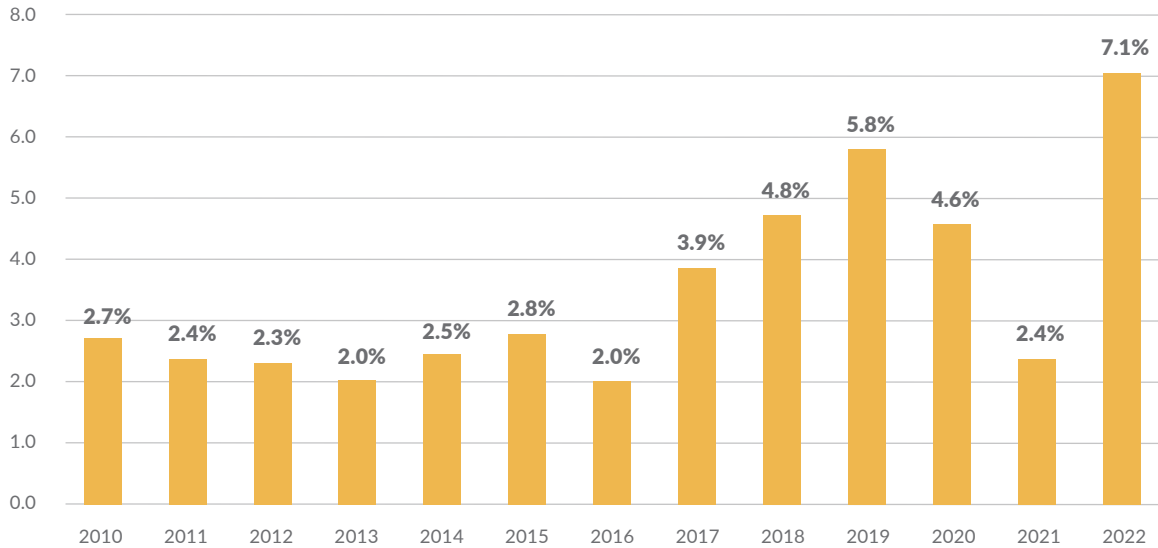
Rising rents are creating affordability challenges for many renters. For each of the past 13 years, the average monthly rent on a 1-bedroom apartment has increased at or above Canada's two per cent inflation target, according to data from the CMHC, as shown in Figure 1. Over the past seven years, the rent on a one-bedroom apartment has increased by 32 per cent, while average weekly earnings have risen by less than 23 per cent.⁵ Such rapid rent increases can devastate those on a fixed income or experiencing precarious employment.

³ Source: Starts by Dwelling Type by Provinces (In Census Metropolitan Areas and Census Agglomerations with at least 50,000 people), [CMHC Housing Market Information Portal](#). Note that this estimate excludes areas outside a Census Metropolitan Areas and Census Agglomerations with at least 50,000 people. In 2022, 85 per cent (180,656 of 212,942) housing completions were outside in a Census Metropolitan Areas and Census Agglomerations with at least 50,000 people. Of the 180,656 completions, 68,254 were purpose-built rentals, constituting 37.78 per cent of all completions in Census Metropolitan Areas and Census Agglomerations with at least 50,000 people.

⁴ Roughly 37.8 per cent of all housing completions in Census Metropolitan Areas and Census Agglomerations with at least 50,000 people were purpose-built rentals, according to the [CMHC data portal](#). Maintaining that ratio would require that 2.2 million of that 5.8 million be purpose-built rental units. In 2022, 68,254 purpose-built rental units were completed, a figure 2023 should roughly match. Subtracting that from our 2.2 million, leaves a need for two million rental completions in seven years (2024-30 inclusive) to achieve the target.

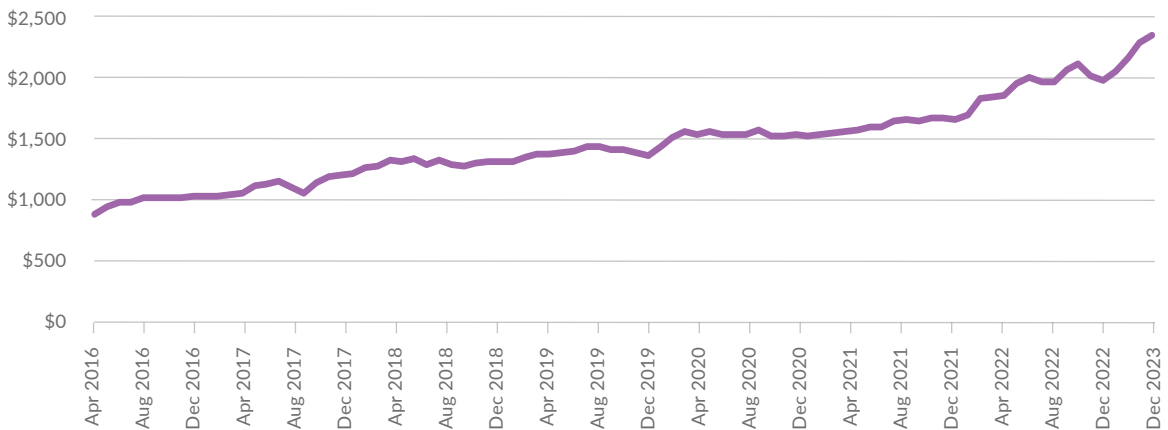
⁵ Source: Employment, average hourly and weekly earnings (including overtime) and average weekly hours for the industrial aggregate excluding unclassified businesses, monthly, seasonally adjusted, [Statistics Canada Table 14-10-0222-01](#).

Figure 1 Increase in Average Rents for a 1-Bedroom Apartment, Canada⁶



Rent increases have been remarkably rapid for rents on new leases in many parts of the country. One example is Guelph, Ontario: Figure 2 shows rents on new leases for one-bedroom apartments in the city. In just six years, from June 2017 to June 2023, rents on newly leased one-bedroom apartments had doubled in Guelph, reaching \$2,300.

Figure 2 Average Rents on New Leases, 1-Bedroom Apartments, Guelph, Ontario⁷



The [January 2023 CMHC Rental Market Report](#) finds that the share of apartment units that are affordable to the lowest 20 per cent of income is effectively zero in most Ontario metros, including Belleville, Toronto, Kingston, Peterborough, Kitchener-Cambridge-Waterloo, Hamilton, Sudbury, Ottawa, St. Catharines and Windsor. This group can afford less than five per cent of Winnipeg, London, Halifax, Victoria and Vancouver units. In the words of the CMHC, “affordable units for low-income renters are extremely rare outside of Québec.”

⁶ Source: Average Rent by Bedroom Type by Provinces, [CMHC Housing Market Information Portal](#). Data for October of each given year.

⁷ Source: [Zumper Research - Guelph, ON Rent Prices](#)

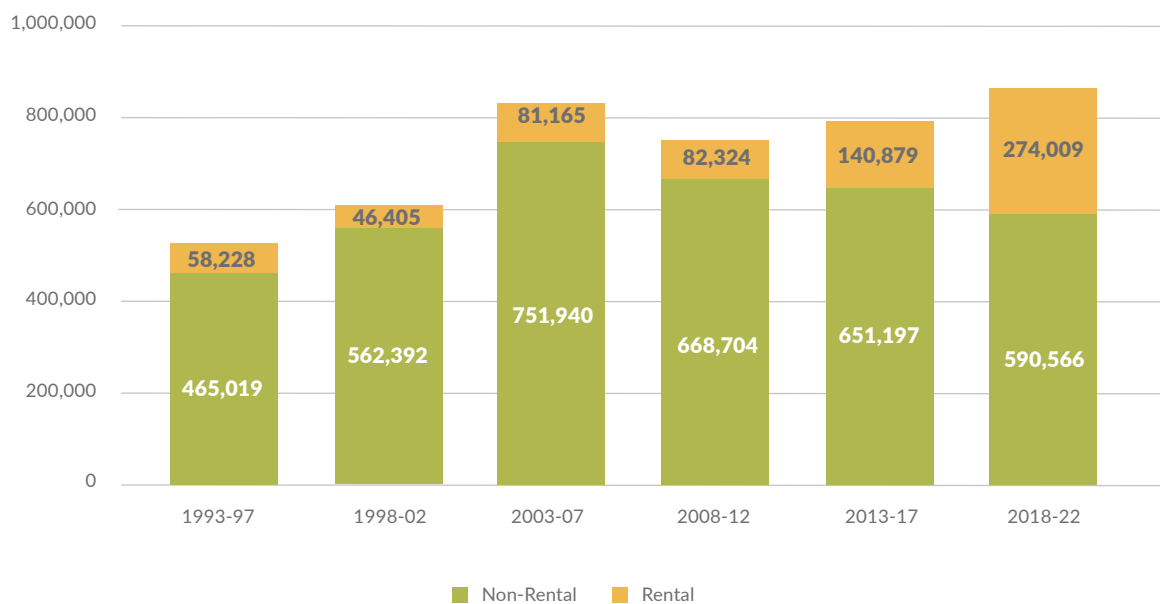
There is no single cause for the spike in rents in Canada. Still, one contributing factor is the population of renters growing faster than that of purpose-built rental properties. In the five years from July 1, 2017, to June 30, 2022, the population of 20–44-year-olds in Canada grew by over one million, thanks in part to an increase in the number of international students. It grew by less than 425,000 in the five years before that.⁸ Canada's population grew by 2.4 million in the last five years, compared to 1.8 million in the five years prior. But despite this population growth, particularly in the number of young adults, Canada built very few purpose-built rental units to house this population.

A Lack of Purpose-Built Rentals is Contributing to Canada's Rental Affordability Crisis

The construction of purpose-built rental units has increased in recent years. Figure 3 shows that in the previous five years, the number of purpose-built rental units constructed has increased by over 130,000 units relative to the five years prior (274,009 in 2018-22 vs. 140,879 in 2013-17), offset by a 60,000 unit decrease in the number of other forms units constructed (590,566 in 2018-22 vs. 651,197 in 2013-17). While the overall number of units constructed is in the right direction, it is essential to note that while the number of units completed is up 72,500 in 2018-22 relative to 2013-17, the growth in the young adult population is up nearly 600,000 persons in 2018-22 relative to the prior period. In short, housing completions are not keeping up with population growth.

Figure 3

Housing Completions by Five-Year Period, CMAs and CAs with at Least 50,000 People, Canada⁹



⁸ Source: Population estimates on July 1st, by age and sex, [Statistics Canada Table 17-10-0005-01](#).

⁹ Source: Completions by Dwelling Type by Provinces (In Census Metropolitan Areas and Census Agglomerations with at least 50,000 people), [CMHC Housing Market Information Portal](#).

Much of the increase in purpose-built rental construction can be attributed to a single province: Québec. In the last five years, Québec has built over 100,000 purpose-built rental units, as shown in Figure 4. Although less than 17 per cent of Canada's population growth occurred in the province of Québec from 2018-22, the province was responsible for 39 per cent of all new purpose-built rental units, nearly as many as Ontario and British Columbia combined. Not coincidentally, Québec is the one province that CMHC identifies as still having available, affordable units for low-income renters.

Figure 4 Purpose-Built Rental Completions 2018-22, CMAs and CAs with at Least 50,000 People, Canada¹¹

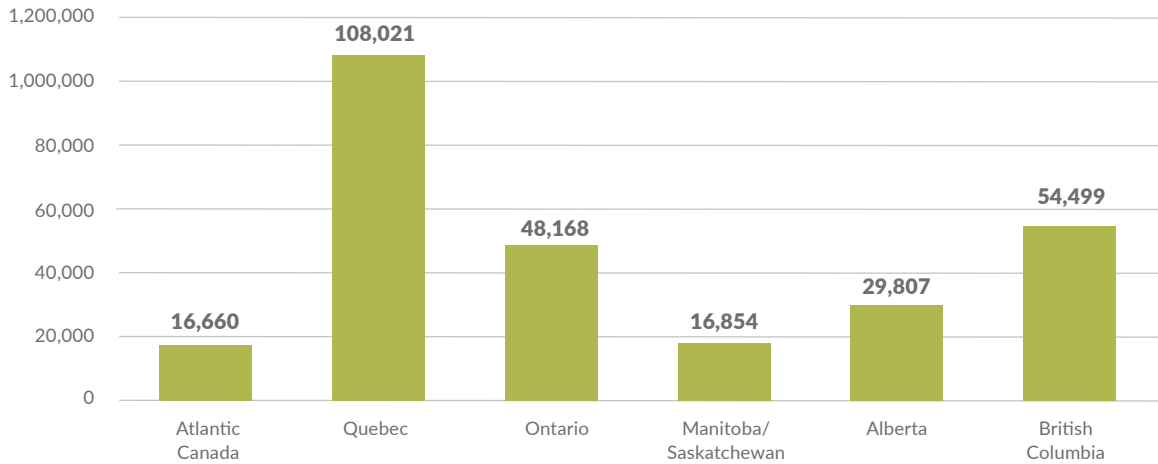
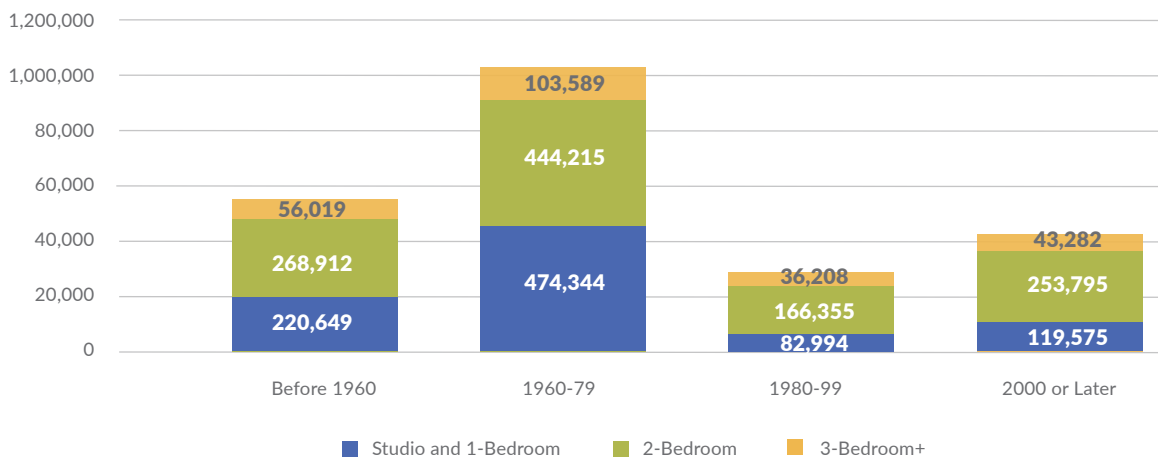


Figure 5 Canada's Purpose-Built Rental Stock by Year of Construction and Number of Bedrooms in October 2022¹²



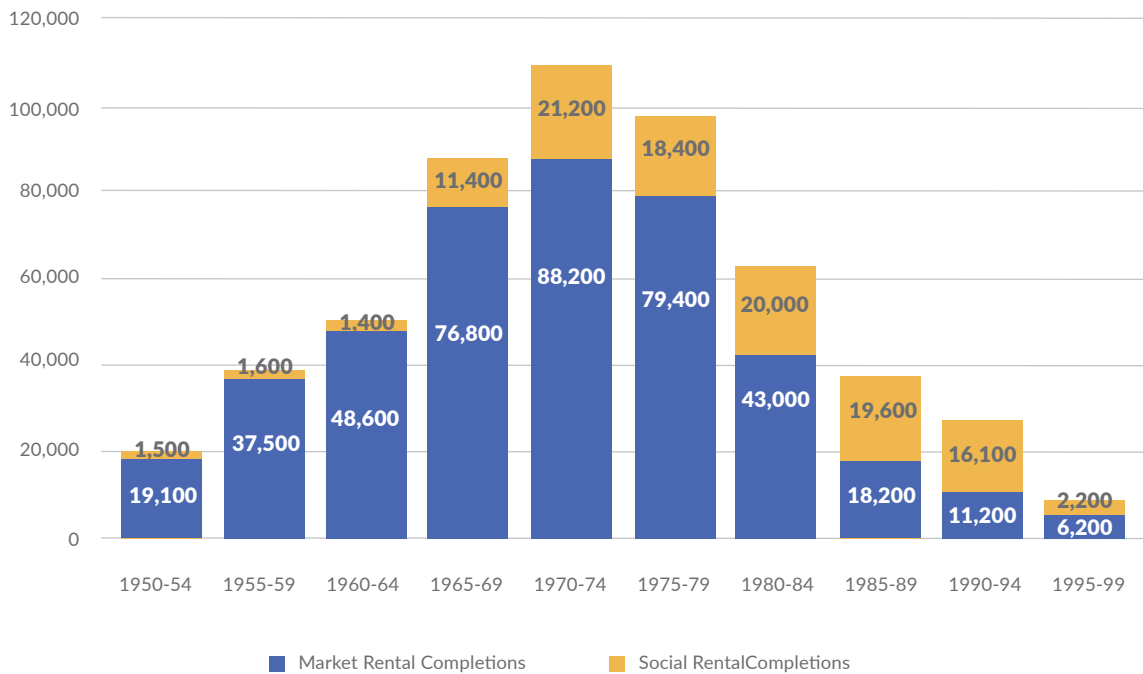
¹⁰ Between July 1, 2017 and June 30, 2022, Canada's population grew by 2,384,666 persons, with Québec's population growing by 393,596, contributing 16.5 per cent to Canada's total. Source: Population estimates on July 1st, by age and sex, [Statistics Canada Table 17-10-0005-01](#).

¹¹ Source: Completions by Dwelling Type by Provinces (In Census Metropolitan Areas and Census Agglomerations with at least 50,000 people), [CMHC Housing Market Information Portal](#).

¹² Source: Canada's Purpose-Built Rental Stock by Year of Construction and Number of Bedrooms in October 2022, [CMHC Housing Market Information Portal](#).

Despite the increase in purpose-built rental properties, most of Canada's purpose-built rental stock is over forty years old. Figure 5 shows Canada's purpose-built rental stock, as of October 2022, by date of construction and number of bedrooms. It shows that in the last 42 years, fewer purpose-built rental units were built than in the twenty years from 1960-79. It also shows a relative lack of housing units containing three or more bedrooms. In each of the four periods of the chart, 3-bedroom units comprise just over 10 per cent of the housing stock.

Figure 6 Average Annual Purpose-Built Rental Completions by 5-Year Period, Canada¹³



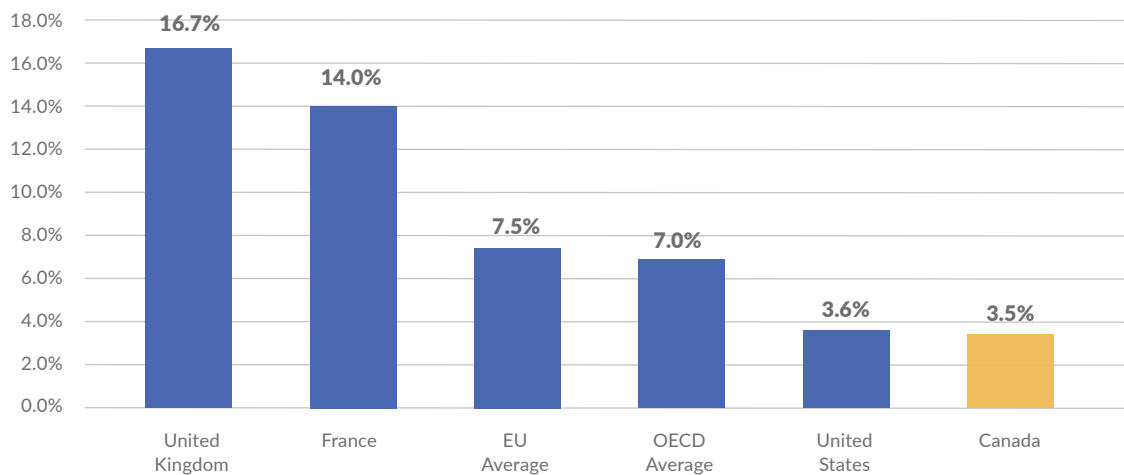
The decline in purpose-built rental construction occurred in both market and social rental components. Greg Suttor's report [Rental Paths from Postwar to Present: Canada Compared](#), published by the University of Toronto's Cities Centre, details the decline in purpose-built rental construction, which began in the mid-1970s. Figure 6, using data from the report, shows the scaling up of purpose-built rental construction in Canada from the 1950s to the early 1970s, then the substantial decline in completions during the 1980s and 1990s.

¹³ Data Source: [Rental Paths from Postwar to Present: Canada Compared](#), University of Toronto's Cities Centre

Canada's Social Housing Stock is Half of the OECD and G7 Average

The decline in social housing construction has caused Canada to fall behind many of our OECD and G7 partners and has helped contribute to a lack of affordability. A January 2023 [Scotiabank report](#) finds that there are roughly 655,000 social housing units in Canada, with 58 per cent owned by governments, 26 per cent owned by non-profits and 10 per cent with a co-op ownership model. Canada's social housing stock represents 3.5 per cent of all Canadian housing, half of the OECD average, as shown in Figure 7. The Scotiabank report calls for more social housing to be built, stating, "Canada needs a more ambitious, urgent and well-resourced strategy to expand its social housing infrastructure. Aims to double the stock of social housing across the country could be a start." The Canadian Housing and Renewal Association's 2022 [Blueprint for Housing](#) has made a similar recommendation, calling on the federal government to "double the proportion of housing in Canada considered community housing by the year 2035."

Figure 7 Number of Social Rental Dwellings as a Share of the Total Number of Dwellings, 2020 or Latest Year Available¹⁴



Governments across Canada recognize the need to build more housing of all forms. The federal government has set a target for [3.5 million homes](#) to be built between 2022 and 2031, with the Ontario government pledging to build [1.5 million homes](#) during that period. These goals represent a doubling of housing completions over the previous decade but may be too modest, according to research from the CMHC. Instead of doubling housing completions, in [Housing Shortages in Canada: Solving the Affordability Crisis](#), the CMHC finds that Canada will need to triple housing completions. Specifically, the report finds the country will need to build 5.8 million housing units, of all types, in the nine years between 2022 and 2031, with 2.6 million of those needing to be in Ontario if Canada is genuinely going to tackle our housing affordability crisis. While the CMHC did not estimate the number of purpose-built rental units needed, approximately two million of the 5.8 million would need to be purpose-built rental units to maintain current housing start ratios.

Tripling home building in such a short time presents a monumental challenge. To do so, all orders of government, along with builders, developers and the higher education sector, must understand their roles in the system, along with the bottlenecks that prevent housing construction from being increased. The PLACE Centre report *Working Together to Build 1.5 Million Homes* has identified six core challenges to achieving our housing supply targets. The federal government has a role to play in each.

¹⁴ Data Source: [Public policies towards affordable housing](#), OECD.

Addressing the Bottlenecks that Prevent the Construction of Accessible, Climate-Friendly and Affordable Purpose-Built Rental Housing

All orders of government must begin identifying and breaking down the barriers preventing rental housing construction. The PLACE Centre has identified six core challenges to achieving our housing supply targets:

- A. **Coordination:** No one actor in the system can ensure that housing completions keep pace with population growth. All levels of government, the higher education sector, builders, developers and the non-profit sector all play vital roles. This requires actors in the system to share data, coordinate their actions and keep each other accountable.
- B. **Ability:** Building homes requires sufficient labour, materials, equipment, land and capital. Not having enough plumbers, to enough bathtubs, to enough money to pay for plumbers or bathtubs, will prevent the necessary quantities of homes from being built.
- C. **Viability:** Or, as developers ask, “will it pencil?” For-profit builders and developers will not build unless it makes economic sense for them to do so. Revenue from building homes must sufficiently exceed the costs, which is particularly challenging when we also need homes to be affordable to families across the income spectrum.
- D. **Productivity:** There may be some inputs to homebuilding where we cannot double or triple them in such a short time. Homebuilding needs to be more productive and innovative. By being more productive and innovative, we can build more housing with fewer inputs, increasing the ability and viability of building homes.
- E. **Permission:** The regulatory environment needs to allow housing to be built, with minimal delays, while producing them safely, protecting the environment and creating great communities for all ages.
- F. **Non-Market Housing:** There are housing needs that the market cannot meet. These gaps create the need for governments and not-for-profit actors to build everything from supportive living housing units to student residences and do so in sufficient quantities.

The federal government plays a role in each of these six core challenges. This paper recommends steps the federal government can take on each challenge to accelerate housing completions.

We should also recognize, however, that it will take time to build these homes and that affordability challenges will persist. As such, we have added a seventh set of policy recommendations to provide financial support for low-income renters.

Across these seven areas, we provide a total of ten recommendations to the federal government, some with subparts, designed to accelerate the completion of accessible, climate-friendly and affordable purpose-built rental units and to provide income support for renters.

A. Coordination

No one actor in the system can ensure that housing completions keep pace with population growth. All levels of government, the higher education sector, builders, developers and the non-profit sector all play vital roles. This requires actors in the system to share data, coordinate their actions and keep each other accountable.

01

Recommendation 01: Create a coordinated plan with all three orders of government and create an Industrial Strategy led by a roundtable of public and private builders, the non-profit housing sector, investors and labour. The federal plan should include targets and accountability measures. The plan should include enhanced data collection, more robust and frequent population forecasts and better research to understand Canada's housing system. The plan should also include a blueprint to fund deeply affordable housing, co-operative housing and supportive housing, along with seniors housing and student residences and double the relative share of non-market community housing.

This recommendation contains several components, including:

- a. **Create and mandate a supply-side roundtable on housing.** The roundtable would include all three orders of governments, along with investors, funders, owners, operators, developers, labour, builders and non-profit stakeholders, including urban, rural and northern Indigenous housing experts. The table would propose, test and review housing policy for achieving federal, provincial and municipal supply targets. It would create a standard set of definitions for terms such as "affordability" to ensure alignment across programs. The body would be able to propose adjustments to labour, immigration, funding models, industrial regulations and government programs, from all orders of government, in real-time to innovate and fine-tune housing programs across Canada. The roundtable should also examine the role the tax system, both as a whole and at the individual tax level, plays in discouraging, or encouraging, housing development, as taxes compromise a substantial portion of development costs. The recommendation for a roundtable is aligned with Recommendation 166 from the March 2023 [Responding to the Challenges of Our Time](#) report by the Standing Committee on Finance, which states "[c]ommit to building up the affordable housing stock and to bring together provincial and municipal business and non-profit partners at the table to find innovative solutions and to expedite zoning, permitting and development processes."
- b. **Work collaboratively to craft a set of housing targets for each level of government.** These can include housing completions (or starts) targets for the federal government, provinces and major municipalities aligned with the CMHC's Affordability Crisis report figures. However, these targets must go beyond mere units and incorporate targets for the mix of housing and approval speed for each order of government. The targets should also include targets and timelines for substantially increasing non-market community housing in Canada.
- c. **Tie federal funding to municipalities on their progress towards hitting their targets, with additional funding for those that exceed it.** The targets should not just include unit and cost targets, which municipalities have limited control over, but also include targets on approval times. Additional financial support could be given to communities undertaking zoning reforms to allow for more as-of-right construction.

- d. **Promote evidence-based policymaking through additional research, data and forecasts.** This plan should include more granular and frequent population forecasts by the federal government. Monthly CMHC data releases should include additional information on smaller communities. Additional research on the impact of population growth through immigration and non-permanent residents on the supply and demand of housing is needed, along with work on a better understanding of housing as a system and better data on homelessness. This research will require increased funding to Statistics Canada, the CMHC and non-governmental research institutes.
- e. **Jointly create a plan designed to reduce the inflow into the homeless service system and accelerate the outflow in the form of permanent housing move-ins from the homeless system. This plan should include, at a minimum, significant funding for building rent geared to income and supportive housing.** There is a significant need for these units. The Canadian Alliance to End Homelessness report [Recovery for All](#), from June 2020, advocated for a plan “to assist a total of 350,000 families or individuals: including 245,000 affordable units, with a blend of new build and preserving existing [Naturally Occurring Affordable Housing] stock through non-profit acquisition [as well as] 50,000 Permanent Supportive Housing spaces to end chronic homelessness.” The plan should set rent geared to income and supportive housing targets incorporating recent population growth. The plan should align with the social housing target set in recommendation 1b and consider individuals with diverse needs, from seniors to refugees to persons experiencing mental health issues. Finally, the plan should also jointly craft for the financing of those units.
- f. **Co-create a plan and a fund to build additional student residences across Canada.** Canada is experiencing an international student boom, straining housing markets in communities with high enrollments relative to the population. This drives up rents and the price of family-friendly housing, as those homes are purchased by investors and converted into student rentals. Building more student residences at our colleges and universities would ease these pressures.
- g. **Co-create a plan and share best practices on building housing for seniors in the neighbourhoods where they wish to live.** Seniors living on fixed incomes can be particularly vulnerable to increasing rents. Creating more housing options for seniors can create more options and reduce upward rent pressures. It can also incentivize seniors to sell their current family-sized homes, allowing the next generation of families with young children to move into existing neighbourhoods with schools, parks and other amenities.
- h. **Immediately launch and implement the federally funded Co-operative Housing Development Program, committed to in the 2022 Federal Budget and work with other levels of government to scale up co-op housing development across the country.**
- i. **Support a For-Indigenous, By-Indigenous Urban, Rural and Northern housing strategy, and deliver the initial \$4BN over 7 years allocated in the 2023 Federal Budget through NICH, the National Indigenous Housing Collaborative Inc.**

B. Ability

Building homes requires sufficient labour, materials, equipment, land and capital. Not having enough plumbers, to enough bathtubs, to enough money to pay for plumbers or bathtubs, will prevent the necessary quantities of homes from being built.

02

Recommendation 02: The federal government should help create a national workforce and immigration strategy on housing, including construction trades and other employment classes related to housing production.

A lack of skilled labour will substantially limit Canada's ability to build enough housing. The October 2022 CMHC report, [Labour Capacity Constraints and Supply Across Large Provinces in Canada](#) projects that while Ontario, Québec and British Columbia will need to double housing starts over the next decade to reach the CMHC's 2030 affordability supply target, labour constraints will limit these provinces to increases of 36 per cent, 41 per cent and 29 per cent respectively, under the best case scenario.

The federal government should work with the other two orders of government, the higher education sector trades unions and builders to co-develop a detailed workforce and immigration strategy on housing. It should provide labour market projections by province and trade, identify the most significant shortages and create a plan to address those imbalances. That plan should include a combination of training for those in Canada, targeted immigration programs to encourage skilled, temporary and permanent foreign workers, along with productivity enhancements to ensure we are getting the most out of every skilled tradesperson.

A wide array of potential reforms could be enacted as part of a national workforce and immigration strategy on housing. The Ontario Road Builders' Association has [recommended](#) a three-point plan, including "[removing] bias in the immigration point system that favours better-educated prospects over less-educated workers who might have skills in construction labour," and "[enhancing] the ability to match construction skills where needed and more immediately." Ensuring portability between employers of skilled tradespeople is critical, to allow these important workers to use their skills where they are most needed. Pathways to permanent residency and greater protections for Temporary Foreign Workers must also be considered. Canada's need for skilled tradespeople extends beyond the limits of existing Temporary Foreign Worker programs.

C. Viability

Or, as developers ask, "will it pencil?" For-profit builders and developers will not build unless it makes economic sense for them to do so. Revenue from building homes must sufficiently exceed the costs, which is particularly challenging when we also need homes to be affordable to families across the income spectrum.

Unfortunately, many much-needed purpose-built rental projects are not viable, given the costs and the existing tax structure.

In December 2021, the CMHC published the Research Insight [Purpose-Built Rentals Facing Financial Feasibility Challenges](#). The CMHC commissioned the Altus Group [to conduct a study](#) examining the financial viability of creating market-rate purpose-built rental housing in six cities: Vancouver, Calgary, Winnipeg, Toronto, Montreal and Halifax. Not surprisingly, the research found that project economics made the construction of purpose-built rentals unviable in most (but far from all) cases:¹⁵

Market rents are consistently below economic rents (i.e., rents required to make a project financially viable). In other words, market rents are rarely sufficient to cover the development and construction costs of projects, regardless of the project size, location and quality of the finishes.

The federal government has several levers to increase the after-tax rate of return on rental housing and increase access to financing, allowing more projects to pencil. They include the following two recommendations.

03

Recommendation 03: The federal government should help reform CMHC fees and the federal tax system, including changes to capital cost provisions and eliminating the GST/HST on purpose-built rental housing to incentivize the construction of purpose-built rental housing.

¹⁵ We should note that construction costs are up substantially since 2021, harming viability further beyond what is suggested in the Altus report.

This recommendation contains several components, including:

- a. **The federal government should remove GST/HST from new capital investments in purpose-built rental housing.** Removing the GST/HST has been recommended by several groups, including the [Canadian Rental Housing Providers for Affordable Housing](#). Removing both the federal and provincial components of the HST would reduce the development cost of new purpose-built rental housing in Canada, according to the report [Encouraging Construction and Retention of Purpose-Built Rental Housing in Canada](#). The [2015 mandate letter](#) to Finance Minister Bill Morneau also included “[r]emove the GST on new capital investments in rental housing” as a top priority.
- b. **Defer capital gains tax and recaptured depreciation due upon the sale of an existing purpose-built rental housing project, providing that the proceeds are reinvested in the development of new purpose-built rental housing.** This recommendation is from the report [Encouraging Construction and Retention of Purpose-Built Rental Housing in Canada](#). Owners of rental properties under the existing tax system are disincentivized from selling older projects and redeploying the capital to new builds. This reform would remove that disincentive and encourage building new purpose-built rentals.
- c. **Increase the Capital Cost Allowance (CCA) on newly constructed purpose-built rental buildings.** Increasing the current 4 per cent CCA on newly constructed purpose-built rental projects and provisions to defer capital gains taxes would provide strong incentives to create new purpose-built rental housing. Even higher rates could be given to projects that meet accessibility, affordability and energy efficiency/GHG reduction targets, similar to CMHC’s MLI Select financing program, to provide additional incentives for projects with these qualities to get built. This reform is an idea explored in the piece [How Canada can create more rental housing](#).
- d. **The CMHC should examine the point system in the MLI Select program for new construction to increase the number of purpose-built rentals that are affordable.** MLI Select provides enhanced loan terms for landlords that can demonstrate affordability, sustainability and accessibility. MLI Select is a vitally important program. However, very few projects have met the affordability criteria due to the onerous eligibility requirements. The affordability criteria should be adjusted to allow for the building of more affordable units. Affordability criteria for existing buildings under MLI Select should also be re-examined to help preserve existing affordable units and incentivize landlords to adjust rents on some units to affordable levels.
- e. **When selling to a non-profit operator, land trust, or non-profit acquisition fund, provide a capital gains tax break to private owners of multi-purpose rental.** This initiative would incentivize selling to non-profits and protect affordable purpose-built rental housing.
- f. **Create an affordable housing tax credit for developers that invest equity in community purpose-built rental housing projects.** The U.S. Low Income Housing Tax Credit could provide a template for such a tax credit.

04

Recommendation 04: Provide low-cost, long-term fixed-rate financing for constructing purpose-built rental housing, as well as financing to upgrade existing purpose-built rentals to make them more accessible, climate-friendly and energy efficient.

Despite Canada’s affordability crisis and housing shortages, [housing starts are falling due to rapidly rising interest rates](#). Existing financing mechanisms have been [criticized](#) for having unclear underwriting criteria, lengthy approval times and inconsistent market rate evaluation methods. In a period of rising and volatile interest rates, developers face significant risks when building new affordable purpose-built rentals or upgrading existing units for energy efficiency and their interest payments will rise in the future. These problems can be solved if the CMHC or the Canada Infrastructure Bank were to provide 25-year, fixed-rate financing for projects, including both new builds and upgrades, that meet certain accessibility, affordability

and climate-friendly criteria. The CMHC should also be provided with additional funding to increase the underwriting resources to expedite approvals or to outsource the approval process based on defined criteria, as currently, developers often have to obtain interim financing while waiting for approval on a CMHC loan.

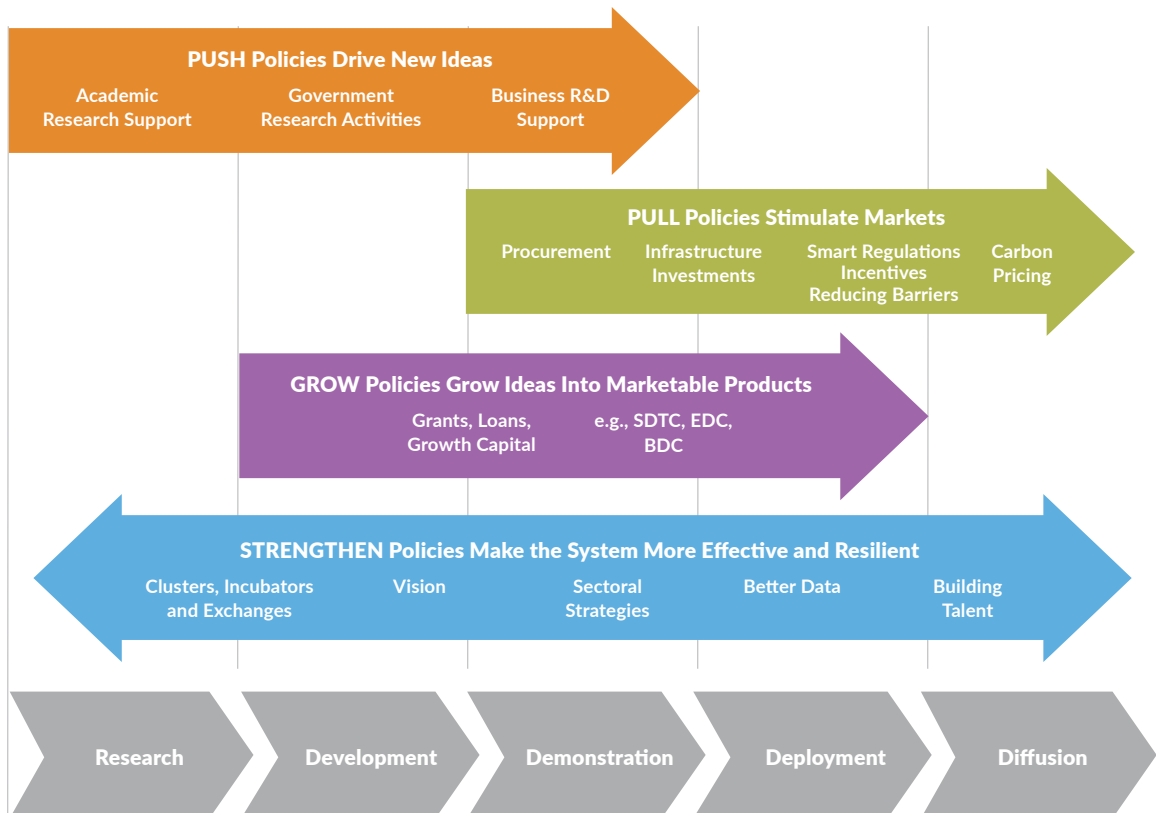
D. Productivity

There may be some inputs to homebuilding where we cannot double or triple them in such a short time. Homebuilding needs to be more productive and innovative. By being more productive and innovative, we can build more housing with fewer inputs, increasing the ability and viability of building homes.

05 **Recommendation 05:** To ensure innovations achieve scale, the federal government should help develop a robust innovation strategy for housing, including procurement policy and innovation centres for housing construction.

The same policy tools used to drive innovation in sectors from electric vehicle manufacturing to agrifood to aerospace can be used to drive innovation in the homebuilding sector. For example, the March 2023 [Responding to the Challenges of Our Time](#) report by the Standing Committee on Finance recommended that the federal government “[p]rovide funding to demonstrate and scale a diverse set of innovative, near-zero emission building materials.” The potential areas for innovation are countless, including modular and off-site construction, panelization and low-carbon concrete. An innovation policy is essentially in ensuring these technologies and companies achieve scale.

As outlined by the Smart Prosperity Institute report [Accelerating Clean Innovation in Canada](#), an innovation strategy should contain push, pull, grow and strength components:



Permissions act as a critical pull component in innovation. For purpose-built rental construction, these permissions reforms would include reforming the National Building Code (see Recommendation 6) and a catalogue of pre-approved designs (Recommendation 7).

E. Permission

The regulatory environment needs to allow housing to be built, with minimal delays, while producing them safely, protecting the environment and creating great communities for all ages.

06

Recommendation 06: The federal government should help reform the National Building Code to drive innovation in the homebuilding sector.

Changes to the building code can drive productivity in the building sector and allow for more accessible, climate-friendly and affordable purpose-built rental projects, which can be less labour-intensive to build. These can include modular housing construction, mass timber and [single egress for multi-unit residential buildings up to 6 storeys](#). These reforms can be coupled with incentives to ensure these innovations are adopted at the provincial level. The federal government could also develop a National Zoning Code, incorporating global best practices in creating density, particularly around transit lines. Like the National Building Code, the federal government cannot mandate provinces and municipalities to adopt its provisions; however, it can encourage them through incentives.

07

Recommendation 07: Streamline the CMHC approvals process, which can include a Code of Conduct for Builders and a catalogue of pre-approved designs to allow for the fast-tracking of purpose-built rental housing.

A [recent review](#) of purpose-built rental projects in the City of Toronto found that “the average length of time between application submission and project completion was 100 months, with the time to reach approval averaging 29 months, the average time from approval to construction averaging 32 months and the construction process averaging 39 months.” Some of the time between approval to construction can be attributed to the approvals process for lending or insurance. While due diligence must occur, these processes can be streamlined by not duplicating efforts on projects with similar features or the same developer. There are several ways of doing so, including:

- a. **Create a code of Conduct for Developers and Builders.** To qualify for government programs, borrowing agreements and other supports, builders and operators must sign on to a code of conduct. This Code should be co-developed by governments and the supply-side roundtable on housing (Recommendation 1) and be aligned with how the Right-to-Housing is framed within the National Housing Strategy Act.
- b. **Create a catalogue of pre-approved housing designs, including mid-rise purpose-built rentals, that are energy-efficient, using innovative methods such as mass-timber and require less skilled labour than traditional forms. Developments that use these designs should be fast-tracked for CMHC and other approvals.** T catalogue of pre-approved designs would speed up approvals processes and create economies-of-scale for new building methods such as modular housing, lower costs through learning by doing and act as a “pull” mechanism to stimulate innovation in the homebuilding sector.

F. Non-Market Housing

There are housing needs that the market cannot meet. These gaps create the need for governments and not-for-profit actors to build everything from supportive living housing units to student residences and do so in sufficient quantities.

Four components from Recommendation 1, in the section on collaboration, have a non-market housing component:

Recommendation 1e: Jointly create a plan designed to reduce the inflow into the homeless service system and accelerate the outflow in the form of permanent housing move-ins from the homeless system. This plan should include, at a minimum, significant funding for building rent geared to income and supportive housing.

Recommendation 1f: Co-create a plan and a fund to build additional student residences across Canada.

Recommendation 1g: Co-create a plan and share best practices on building housing for seniors in the neighbourhoods in which they wish to live.

Recommendation 1h: Immediately launch and implement the federally funded Co-operative Housing Development Program, committed to in the 2022 Federal Budget and work with other levels of government to scale up co-op housing development across the country.

We would add to these another recommendation, which lives outside of the collaboration section, as it can be done solely by the federal government:

08

Recommendation 08: Create property acquisition programs for non-profit housing providers to help purchase existing rental housing projects and hotels and facilitate office-to-residential conversions. These programs could include capital grants, provision of pre-approved debt financing, funds that provide secondary debt and equity financing, or other innovative levers that help with the initial costs without saddling the providers with operating and significant debt servicing costs.

This approach was recommended in the March 2023 [Responding to the Challenges of Our Time](#) report by the Standing Committee on Finance. This recommendation is also aligned with a recommendation from the [Canadian Rental Housing Providers for Affordable Housing](#), which states, “that the government create a fund and financing program to allow non-profits, cooperatives and community land trusts to cost-effectively acquire existing rental housing properties, making them permanently affordable.” [The Co-operative Housing Federation of Canada](#), [Canadian Housing and Renewal Association](#) and the Federation of Canadian Municipalities have also advocated for such an approach. This approach should also include mechanisms to facilitate charitable endowment impact investment in affordable housing. Charitable endowments could help bring additional capital into the system; according to [Philanthropic Foundations Canada](#), public and private foundations in Canada “collectively steward over \$120 billion in assets”.

G. Supports for Low-Income Renters

There are two separate challenges the federal government should address when it comes to ensuring low-income individuals and families can afford suitable housing. The first is mitigating rent inflation's impact and protecting the lowest-income families from homelessness and food insecurity. Our first recommendation addresses that issue:

09

Recommendation 09: Create a Homelessness Prevention and Housing Benefit (HPHB), which would provide immediate rental relief to up to 385,000 households at imminent risk of homelessness, help over 50,000 people leave homelessness and reduce pressure on Canada's overwhelmed homeless systems.

This recommendation is from the Canadian Alliance to End Homelessness' report [Responding to a New Wave of Homelessness](#). The benefit would take a two-stream approach: the first stream would "reduce the flow into chronic homelessness and accelerate exits from chronic homelessness." This stream would up provide financial support of an average of \$600-\$700 per month, to 50,000 persons, for an annual fiscal cost of \$360 million to \$420 million. The second stream would prevent "at risk" populations from becoming homeless. This stream would provide financial support to those paying 40 per cent or more of their income and rent and could cost between \$1 billion and \$3 billion a year, depending on how it was designed. This idea is similar to one the [National Housing Collaborative](#) designed in 2016.

10

Recommendation 10: Reform the Canada Housing Benefit to better target individuals and families with the greatest housing needs by replacing it with a Portable Housing Benefit (PHB).

Although helpful, the current Canada Housing Benefit poorly targets those in core housing need. The federal government should consider replacing it with a [Portable Housing Benefit](#) (PHB). One such model for a PHB comes from the [National Housing Collaborative](#). This model would provide a top-up to families paying more than 30 per cent of their income in housing. Unlike the Canada Housing Benefit, the PHB would ensure that households "are subsidized on the basis of their actual rent, which allows the amount of benefit to respond very specifically to each household's level of need."



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