

Analysis

We all pay for Canada's housing failures

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If you are reading this, you likely have a place to live that's at least OK. But take a moment and think how you got wherever you call home today.

If you are like most people, you started out pretty modestly, perhaps sharing an apartment. It was not likely new, and may in fact have been pretty dingy. You saved hard, and perhaps formed a family, and then you took a deep breath and made the big decision to buy a starter home. If you were like many of your friends, your new house likely cost about twice your annual family income. It still took a lot of careful budgeting to cover all the costs, but you could do it.

You did OK. But if you think about it, you know that you have been really fortunate. Increasingly, there are many not nearly so fortunate as you were. Why? Because the housing market of today bears little resemblance to the one you started in, 20 to 40 years ago.

What happened? To understand what has gone wrong, it's helpful to think about the whole housing business as a three-legged stool. We all know what happens to any stool whose legs aren't the same length — it wobbles. Our housing stool is in much worse shape. Federal governments of the last 30 years have made it that way, mostly deliberately.

Leg one in every developed nation except Canada recognizes there are always citizens who cannot afford any kind of market housing; not an apartment, or even a rooming house, much less a home. There are many reasons for this, but they all have the face of poverty. It may be poverty that lasts only a few years; the poverty of a single mom raising her kids while she studies and finally earns enough to afford her housing. It may be the lifelong poverty of the person with serious disabilities. It may be the poverty of the newest immigrant who has just arrived with kids and needs time to make the leap to independence. Why doesn't matter — there's just not enough money for any housing. That's the role of what we broadly call social housing. It takes many forms, but basically it is subsidized in one way or another so people with



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Rental rates have grown faster than family incomes, and the availability of apartments has fallen. [Photo Store](#)

low incomes only pay a portion of the real costs of their housing.

In 1993, the federal government didn't just shorten that leg. It cut it off. From about 1970 until 1990, Canada built more than 600,000 units of subsidized housing. It was a partnership of federal and provincial governments. It ended abruptly in 1993. Then Canada off-loaded all responsibility for those 640,000 units onto the provinces. And now, just as these 30- to 40-year-old buildings need substantial maintenance, they are losing their subsidy agreements. Every year, as these agreements end, the federal government saves more money. By the end of the agreements in 2030, the cumulative savings will be a staggering \$32 billion. That's an enormous sum taken out of social housing, with nothing going back in. Today, that original 640,000 units is already down to 570,000.

When you cut off a leg, with a lot of careful balancing, you can stay upright, but it isn't easy. But leg two has some problems, too. That's the leg made up of the private rental market. In the 1970s and 1980s federal governments repeatedly changed the taxation of rental construction. No one seemed to realize each change

cascaded on the previous ones, ultimately choking rental construction. In 1970, Canada built more than 100,000 rental units, but by the end of the 1990s, fewer than 5,000 were built in the entire country. Building for rent is a long-term process. You have to put the capital up front, and gradually get it back over many years. So the market switched, massively, to condominiums and single-family homes, helped along by the tax-free capital gains on homes and condos. While there were many changes, just one illustrates the way our tax system is skewed to condos and single-family homes. Federal taxation estimates several years ago estimated the capital-gains exemption provided the equivalent of \$7 billion annually to home owners. Apartment owners get no such subsidy.

The result has been that rental rates have grown faster than family incomes, and the availability of apartments has fallen. In 1992, Winnipeg had 57,000 rental units, about 8.5 per 100 people, but by 2014 this had fallen to 54,000 units, or seven per 100 people. When people need something that is getting scarce, it's a pretty sure bet that the price will rise, and it has. New two-bedroom apartments in Winnipeg rent for between \$1,100 and \$1,500 a month.

The real problem in the rental market is for almost 15 years very little was built, many older units were converted to condos or lost to old age, and all the rents rose sharply, while incomes for many working families stagnated.

This means that today, it takes an income of more than \$41,000 to afford an average two-bedroom

apartment, and more than \$48,000 for three bedrooms. Affordable rent for lower-income Canadians is very scarce, and vanishes almost entirely for the poor, new Canadians and those with disabilities.

So one leg is cut off, and a second is damaged. The third leg, home ownership, still works reasonably well in Winnipeg and smaller centres, but even there, many newer owners will be in serious difficulty if mortgage rates increase — and they will, sooner or later.

Canada badly needs a real housing policy; one that understands the need for a stable three-legged stool. One that takes seriously the UN obligation to provide secure housing for all citizens.

It's not as if there is a shortage of money. Canada Mortgage and Housing Corporation, (CMHC) used to lose money, but beginning in 1998, it has made growing profits. At first, profits were \$300 million or so. But by 2008 it was making \$1 billion. In 2013, that climbed to \$2.4 billion, and last year, it skyrocketed to \$3.5 billion. Meanwhile Canada only puts back \$2 billion for the rapidly declining older social-housing agreements. The net result is the Harper government makes \$1.5-billion net gain on housing, while millions of Canadians face serious housing problems. Ironically, in its 2013 annual report, CMHC actually bragged that "over the past 10 years, CMHC has contributed \$18 billion toward improving the government's fiscal position..."

Most of us know a safe, stable home, whatever its size, is the first step in family and personal security. It's what keeps kids in school, makes neighbourhoods good places to live. It's what is so badly needed in First Nations communities. Canada alone among developed nations has no national-housing policy and program worthy of the name.

The next election needs to be about many things, but one of the most important for family well-being and community stability is housing policy, and not just policy, but real programs, using the very real profits of CMHC to start with.

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