Right to Housing

RIGHT TO HOUSING MANITOBA
SUBMISSION TO FEDERAL BUDGET 2017 CONSULTATION

Affordability and housing system futures

Executive Summary

Using data and trends from Manitoba, Right to Housing calls for a federal commitment to sustained housing affordability measures. We call for a ten-year commitment of funding for RGI, social and affordable housing units. We also call for a commitment to rental construction tax policy that supports new builds in the rental sector (affordable and median rent units). Lastly, we call for an ongoing commitment to housing for indigenous peoples (First Nations and urban Aboriginal and Métis housing).

1. Affordability in context

Affordability is Canada's biggest housing issue, with almost 19% of households paying more than 30% on shelter costs. Overwhelmingly, low- and middle-income renters make up the greatest share of Canadians facing housing affordability issues. Urban indigenous people and single-parent families face particularly severe housing affordability measures. Single parent families in Manitoba also face high rates of core housing need (19.1% for male-led and 31.4% for female-led households) (CMHC, 2012, Issue 18, 9).

Rental rates are rising and incomes are not keeping pace. Using Winnipeg CMA as an example, although vacancy rates have eased somewhat (variances depend on area and rental type), rental rates are becoming less affordable for households whose incomes fall in the first and second quintile ($60,000 and under). A household would need to make above $43,230 to afford a two-bedroom apartment and nearly $50,000 to afford a 3-bedroom apartment (based on average rents in Winnipeg, 2015). At these rates, a household would need 2.2 and 2.5 full-time income earners working at minimum wage to afford either a two- or three-bedroom apartment. As it is, most poor, low-income and modest-income households are paying more than they can afford for rental accommodations. In our calculations, almost 50% of those income earners who make between $20,000-29,000 (about 10% of Winnipeg's population) would need to spend over 30% of their income on rental accommodations. (See Figure 1.) Notably, the average before-tax household income for the poorest households accessing subsidized rent was just under $30,000 in 2010 (CMHC, 2015, Issue 6, p. 2).

Housing is the largest expense for people living with low incomes. 1.5 million Canadian households live in Core Housing Need. A shortage of affordable housing puts housing out of reach for too many. Budget 2016 provided the first substantial reinvestment in housing in two decades. However, Canada needs a long-term plan to rebuild its social housing infrastructure. Budget 2017 should signal that the two-year $2.3 billion commitment for social housing will be extended to a ten-year National Housing Plan.

Renters make up the largest portion (61%) of those experiencing severe household need – paying more than 50% of their income on housing costs, compared with homeowners with mortgage debt (31%) (CMHC, 2016, Issue 7). In 2011, 3.3% of households in Manitoba and 3.8% households in Winnipeg were in severe housing need (CMHC, 2016, Issue 7). Off-reserve First Nations Households are almost twice as likely than non-Aboriginal Households to be in core housing need (23.4% versus 12.2%) (CMHC, 2016, Issue 10, 2). And just under 60% of Off-reserve First Nations in Manitoba are renters (CMHC, 2016, Issue 10, 12).
Manitoba had just under 20,000 Off-reserve First Nations households in 2011 (CMHC, 2016, Issue 10, 9). Across Canada, affordability is the overwhelming reason off-reserve First Nations households are in core housing need, with low income levels identified as the primary factor (CMHC, 2016, Issue 10, 2).

Shelter costs are too high for income levels. Renters face the biggest affordability burden.

2. Housing system and market factors

Although income levels are not keeping pace with rising housing costs, often unrecognized is the role that Canada's unbalanced housing system plays in affordability. Consider the following:

- Rising costs of rental housing is also due to a shrinking private rental universe. Winnipeg had 2,300 fewer rental units in 2015 and 100,000 more people than in 1992. More families are chasing fewer and fewer units. This has pushed up rental rates.

- Homeowners receive both indirect and direct subsidies – indirect via mortgage insurance for those with less than a 25% down payment through CMHC, and direct in the form of the capital gains exemption for primary residences. These incentives fuel private housing construction starts, including condominiums, as well as conversions. The problem is that the rest of the housing system (RGI, social and market rental) has been dis-incentivised. Notably, the biggest under-recognized incentive that homeowners receive (ie. CMHC backing) is a long-term investment that provides stability at both macro and micro levels.

Consider also:

- The existing RGI universe is shrinking. Approximately 35,000 units of social, Rent-Geared-to-Income (RGI) units in Manitoba are at risk from expiring operating agreements between the federal government and public, non-profit and cooperative housing organizations. Agreements for 5,000 units expired between 1999 and 2014. Some non-profit housing providers have had to increase rental rates to pay for needed repair costs, making former RGI units unaffordable. As a result, despite recent investments by Manitoba Housing in new social housing, the total number of units is near where it stood more than a decade earlier. Manitoba expects accelerating loss beginning in 2022.

3. Recommendations

a. A long-term commitment to RGI, social and affordable housing. RGI units are an essential component of a national housing system and are a keystone in the social safety net. RGI units require on-going funding commitments. The expansion of the Affordable Housing Initiative in Budget 2016 provided a step in the right direction, but is inadequate for the scale of the housing crisis. In Winnipeg alone, there are more than 1,400 homeless. Across Canada more than 1.5 million households are in core housing need. A $2 billion investment would shore up housing needs for 300,000 per year. Funding for social housing could be derived from the substantial profits earned by CMHC, which were $18 billion over the past ten years. These funds should be dedicated for reinvestment in housing for Canadian families in need.

Residents in non-profit, public and co-op housing continue to be concerned about the expiration of operating agreements. Budget 2017 should provide interim funding to maintain social housing units at risk from the conclusion of operating agreements. In Budget 2016, funding was provided for co-op housing whose agreements were maintained with the federal government. This should be extended to all non-profits and public housing.

Thirdly, much of Canada's housing infrastructure is aging, and many projects require substantial maintenance. Budget 2016 provided $500 million for maintenance but declines in 2017 to only $74 million. This budget line needs to be maintained in 2017 to help Canadians rebuild our existing social housing infrastructure.

b. Encourage rental housing construction with taxation policy. Reducing rental costs starts by reducing the cost of construction. This is most effectively done with tax expenditure measures such as capital cost and depreciation allowances, eliminating capital gains taxes on land or buildings donated for affordable housing, introducing a Low Income Housing Tax Credit or reducing GST/PST on affordable housing projects. Ensure builders and owners have a more predictable tax environment for at least a decade, enabling them to forecast a positive investment over the life of their projects.

c. Prioritize indigenous housing, On- and *Off*-Reserve. Indigenous peoples living on-reserve and off face stark housing-related needs and lag behind non-Indigenous Canadians in terms of homeownership rates (off-reserve), housing quality and access to affordable rental accommodations. Housing policy needs to recognize the specific housing needs and barriers for urban indigenous peoples, and work with First Nations to ensure housing and assistance agreements pay the full costs of shelter and capital investment on-reserve. R2H supports the vision outlined in Assembly of First Nation's Housing Strategy, which calls for housing policy to be informed by the United Nations Declaration on the Rights of Indigenous People.

3. Conclusion

Right to Housing asks Canada to initiate 10-year funding commitments in Budge 2017. This will ensure that the upcoming National Housing Strategy has fiscal backing. Tax policy is one form of fiscal backing that must be recognized in social policy.

Builders, managers, and planners of social, affordable and RGI housing need long-term funding and tax policy commitments to bring balance to the house system.

We encourage the Federal government to maximize on other social goals though housing initiatives. For example, by introducing social procurement measures in funded housing projects would result in increased housing affordability while providing training and employment to people with barriers. Hiring social enterprises and the inclusion of of community benefit clauses can help tackle under-employment and labour market barriers experienced by urban indigenous peoples. Measures that link social, employment and housing can ensure the federal government gets the “biggest bang for the public dollar”.

Prepared by:
Tyler Pearce and Josh Brandon
Federal Working Group, R2H
August 2016

Figure 1: Median market rent, income levels and affordability

House-hold Income ($)	Monthly Affordability Range	Affordability of Average Rents (2015)				Proportion of Winnipeg house-holds[1]	Proportion spending more than 30% on shelter
		Bachelor	1 Bedroom	2 Bedroom	3 + Bedroom		
		$613	$813	$1,043	$1,231	2010	
Under 10,000	< $250	Not affordable	Not affordable	Not affordable	Not affordable	5.20%	91.90%
10,000 -19,999	$250-$500	Not affordable	Not affordable	Not affordable	Not affordable	7.90%	69.70%
20,000 -29,999	$500 - $750	Not affordable < $24,520	Not affordable	Not affordable	Not affordable	8.90%	49.80%
30,000 -39,999	$750 - $1,000	Affordable	Not affordable < $32,520	Not affordable	Not affordable	9.90%	28.00%
40,000 -59,999	$1,000 - $1,250	Affordable	Affordable	Not affordable < $43,320	Not affordable < $49,240	18.10%	14.00%
60,000 and up	$1,250 - $1,500	Affordable	Affordable	Affordable	Affordable	50.00%	2.30%

Source: CMHC, Housing Market Information Portal: https://www03.cmhc-schl.gc.ca/hmiportal/en/#TableMapChart/2680/3/Winnipeg

[1] Statistics Canada, 2011 National Household Survey, Statistics Canada Catalogue no. 99-014-X2011028.