



BRIEFING NOTE

Date: Tuesday, November 21, 2023.

Re: 2023 Fall Economic Statement.

Over this government's term, the annual investment in housing has been trending upwards, culminating this year in an investment double the annual average: \$11B. *Even if we assume that this elevated funding level can be both sustained over the next three decades and be matched by the provinces and municipalities over the same period, the 2030 goal will not be reached until 2054.*

Accordingly, unless there is a significant and sustained increase in funding, housing affordability cannot be achieved in the next few decades, and the goal of 2030 is a mirage. Notwithstanding this general assessment, the following are the salient points found in the 2023 Fall Economic Statement:

Building More Homes Faster

Rapid Housing Initiative/Reaching Home

There was no announcement made concerning Phase Four RHI funding or the Reaching Home programme.

Targeted Funding for Vulnerable Groups

Annex 4, Statement on Gender, Diversity and Inclusion, has a section on "Canada's Housing Action Plan", in which it specifically references seniors, women escaping violence, persons with disabilities, including those needing barrier-free homes, the homeless, Two Spirit folks, those who identify as LGBTQI+, Black, racialised folks and Indigenous people.

However, the only such group to be specifically targeted beneficially in this Statement are Indigenous people, and no additional funds were allocated to the referenced Urban, Rural, and Northern Indigenous Housing Strategy.

Unfortunately, none of the other identified groups were provided with funding specifically targeting their heightened needs. Indeed, one vulnerable group, the homeless, saw a *reduction* in funding through the reallocation of funds from the Canada Housing Benefit to the Affordable Housing Fund.

Accelerating How Communities Build Housing

The newish Housing Accelerator Fund, worth \$4B, was referenced. No new money has been added. Toronto is expected to sign an agreement for \$0.5B soon.

Leveraging Federal Funding to Build More Homes

This anodyne statement merely reflects current practice: all levels of government must work together to build more housing. A potential concern would be the federal government refusing to consider stand-alone funding applications without concurrent contribution from other levels of government.

Federal/provincial co-operation on rent supports did not see an increase in the COHB (Toronto exhausted its 2023 allocation in May, and the City and province provided a one-time additional funding contribution of \$13.4M in August). In fact, \$631M will be transferred to the Affordable Housing Fund from the CHB, decreasing needed rent supports while new affordable housing is being built

Removing the GST from New Co-op Rental Housing

The Statement proposes to amend the *Excise Tax Act* to include new co-operative rental housing in the exempted class. The impact of this change is likely to be minimal since co-ops already have separate development corporations to build new rental housing (the Co-operative Housing Federation of Toronto has the CHFT Development Society Inc.) to benefit from the current exemption.

More Financing for Apartment Construction

The Rental Construction Financing Initiative has been renamed the Apartment Construction Loan Program. \$15B will be added to the remaining \$8B in the fund but not until 2025-26.

An additional concern is the type of housing the federal government contemplates these funds will target. According to the Statement, the Program is intended to build “thousands of new homes for the middle class,” not the affordable and deeply affordable housing most needed.

Building More Affordable Housing

The federal government is renaming the National Housing Co-Investment Fund. It will now be known as the Affordable Housing Fund. The government will add a mere \$1B over three years beginning in fiscal year 2025-26 and this new funding is expected to support the construction of 7,000 new units.

This funding is also available for renovations. However, given the current definition of affordable housing (80% of median market rent), such renovations can result in deeply affordable housing being removed from the market, in favour of housing that is affordable only in name.

Unlocking \$20B in Low-Cost Rental Financing

The Statement repeats the September announcement that CMHC would be increasing funding by \$20B per year but does not add to it. The additional funding would only be available for multi-unit (5 or more) projects, but it is disappointing that the unit threshold is not at least 50 units and restricted to affordable housing projects.

The Statement indicates that this additional \$20B will support the construction of 30k more “rental apartments” per year.

Speeding Up Financing Approvals to Build More Homes, Faster

The Statement notes the current process rate for multi-unit mortgage loan insurance applications doubled in 2024. The government is promising further improvements, fast-tracking applications for projects that are shovel ready as well as ones from “trusted partners.”

Repurposing More Federal Lands for Housing

Although managing the largest real estate portfolio in Canada, the government plans only minimal transfers of land into a land bank for housing projects. Through the Canada Lands Company 29k homes are planned to be built on federal land by 2029, but it is unclear if this total includes the 10.3k new homes built to date since 2016. At least 20% of CLC project homes must be affordable housing.

Unfortunately, the Federal Lands Initiative to heavily discount land sales for developments that include affordable housing maintains its \$200M funding. This fund is only expected to create 600 new units for a total of 4.5k homes built or renovated, of which 30% is affordable.

Strengthening the Co-operative Housing Development Program

An additional \$309.3M investment in the Co-operative Housing Development Program was announced. CMHC is expected to roll out the programme in early 2024.

Leveraging the Canada Infrastructure Bank to Support More Housing

The Statement notes that the Canada Infrastructure Bank is exploring new ways to support the construction of infrastructure as a component of housing development, and that this will be announced in the 2024 Budget.

Update on Indigenous Housing and the Urban, Rural, and Northern Indigenous Housing Strategy

The Statement referenced the new \$4B Urban, Rural, and Northern Indigenous Housing Strategy announced in the 2023 Budget, did not expand the programme, but expects to launch it in 2024. Most of this funding is expected to be spent on urban developments, presumably ‘By Indigenous for Indigenous.’

Establishing the Department of Housing, Infrastructure and Communities

The Statement announced plans to create the new Department of Housing, Infrastructure and Communities. This may indicate a strategy for the federal government to move towards focusing more on funding infrastructure as its component of a three-tier funding model (e.g., together with the provision of municipal land and provincial financing in affordable housing development).

More Construction Workers to Build More Homes

Breaking Down Barriers to Internal Labour Mobility

The Statement set out the intention to improve internal mobility by eliminating inter-provincial mobility barriers, especially in the construction sector, (such as expanding the Red Seal Program for credentials), to remove one bottleneck in building new housing across Canada. The Canadian Free Trade Agreement would also be revisited to remove federal exemptions to internal labour mobility in Canada that may impact construction.

Prioritizing Construction Workers for Permanent Residency

The government noted that since May 2023, construction industry labour shortages are being made up by increasing the processing speed for applicants for permanent residency who have construction industry skills and experience through the Express Entry system. There was nothing in the Statement about increasing the quota.

Supporting Renters, Buyers, and Homeowners

Cracking Down on Non-Compliant Short-Term Rentals

The government announced changes to the *Income Tax Act* starting in 2024 to disincentivise homeowners from removing housing from the market through short-term rentals (such as Airbnb). The government will also provide \$50M over three years starting in 2024-25, to support municipal inspections to crack down on illegal short-term rentals. It is a pity that the government did not allocate the increased revenue these measures would accrue to a funding programme such as the Affordable Housing Fund.

The New Canadian Mortgage Charter

The Statement outlines a new Canadian Mortgage Charter that will provide relief and support to homeowners experiencing difficulties surrounding mortgage payments consequential on rising interest rates. There is no equivalent Charter for renters experiencing renovations and demovictions, for example, let alone protection from excessive rent increases.

Housing International Students and Protecting Them from Fraud

The government speaks of rewarding post-secondary institutions that, among other indicators, provide housing for international students. The Statement states that details of this Recognized Institutions Framework will be released over the next few months.

Changes to the Tax Regime

Underused Housing Tax

The government intends to reduce the minimum penalty for individuals or corporations that fail to report underused housing by deadline from \$5k/\$10k to \$1k/\$2k. No explanation is provided for this counterintuitive change. Another concern is the planned exemption of condominium units from this tax: the government claims this change will have little or no effect on the revenue generated by the tax, which is difficult to understand.

Property Flipping and Construction of Secondary Suites

The Minister in the House included in her oral statement the fact that property flippers would be paying more tax. She also alluded to making the construction of secondary suites easier. This latter comment may refer to the new financing for multi-unit (5 or more) construction in the subsection on Low-Cost Rental Financing. Apart from this uncertain reference, I cannot find these subjects in the written Statement.

Housing Action Plan Budget

The only new funding referenced in the Statement comes to \$309.3M in 2024-25, \$1B over three years starting in 2025-26, and \$15B also beginning in 2025-26.

Reference in Annex 1 to the expected changes to the Budget because of the 2023 Fall Economic Statement show an increase in funding of \$1B in 2025-6, c.\$2B in both 2026-27 and 2027-28, and c.\$1.6B in 2028-29. Curiously, only a \$100M change is shown for 2024-25, even though there is an additional \$309.3M added to the Housing Action Plan Budget in that year.

The Apartment Construction Loan Program is supposed to be getting an infusion of \$15B beginning in 2025-26. From these Budget change numbers this will be at the rate of between \$0.6B to \$1.6B per year over the first four years of the programme. The balance of these numbers comprises the three tranches of the top-up to the Affordable Housing Fund.