



BRIEFING NOTE

Date: April 16, 2024.

Re: 2024-2025 Federal Budget and 2024 Canada Housing Plan.

By: Peter G. Martin, Housing Solutions Manager.

This year the federal government issued a new housing plan: *Solving the Housing Crisis: Canada's Housing Plan* four days before the 2024 Budget. Chapter 1 of the budget focuses on housing: *More Affordable Homes*. As such, this Briefing Note will review both documents.

The three streams the government sets out are:

- (1) building more homes - by simplifying regulatory and zoning barriers; providing low-cost financing; making more federal land available; expanding the construction labour force; and encouraging building using preapproved templates.
- (2) Making it easier to own or rent a home – through new renter protections; new paths to move from renting to owning; and owner mortgage protection programmes.
- (3) Building more affordable housing – by investing in affordable housing projects; and partnering with non-profits, co-ops, the private sector, and other levels of government; and supporting those who are still homeless or at risk of homelessness.

The budget outlines \$8.5B for new housing over 5 years, but most is not targeted for affordable housing. The overall new housing target by 2031 has increased from 3.1M to 3.9M homes, reflecting studies showing the original target underestimated need.

Canada Builds Concept.

Based on the BC Builds programme, the federal government will be leveraging its Apartment Construction Loan Program to partner with provinces and municipalities to build more rental housing across Canada. Canada is adopting the benchmarks in the BC programme such as complementary funding; prioritising building on government, non-profit, community owned and vacant land; streamlining development approval times; and ensuring the affordability minimums are met in such projects.

Public Transit Fund.

This forthcoming fund starting in 2026 will require planning and zoning changes similar to the (Major) Transit Oriented Community requirements: within 800m of a "high-frequency

transit line” (*not* station) eliminate mandatory parking minimums and allow high-density housing, (the latter of which will also be permitted within 800m of post-secondary institutions. Note that due to the large number of ‘non-traditional’ post-secondary institutions in Toronto, this could have an important effect on planning and zoning in Toronto, depending on how “post-secondary institution” is defined for the purpose of this requirement.

Housing Needs Assessment.

While a requirement under the preceding fund I have highlighted this assessment since this has the potential to make a difference in the conversation that we have in Toronto around ‘affordable’ housing, which currently includes average market rent and households at the 60th income percentile. Based on the experience in BC consequential on the rollout of such an assessment, the provincial and municipal governments were forced to focus on the significant barriers to those in the lowest four income deciles obtaining affordable housing. It is hoped that a similar reckoning will transform priorities in Toronto, so that ‘affordable housing’ funds be preferentially allocated to retaining and creating new housing for such households.

Affordable Housing Fund and Rapid Housing Initiative.

An additional \$976M (not \$1B as set out in the *Housing Plan*) will be added to the fund on top of the additional \$1B announced in the Fall Economic Statement. \$100M will be added this year, \$219M in each of the following 5 years. Phase 4 of the RHI will be funded out of this fund over the next 5 years. It is now being called the Rapid Housing Stream for some reason. Only \$24M is planned to be budgeted for “future years.”

Public Lands for Homes Plan.

This plan involves leasing, not selling, federal lands. Underutilized sites such as defunct government buildings, post office sites, and other buildings including schools will be made available. National Defence sites in Toronto will also be assessed as part of this plan. While the government states that this plan will focus on affordable housing, with long term leases to operators, the plan is to build 29,200 new homes with only a 20% minimum of affordable units over the next 5 years. This looks like the beginning of a Canadian version of the public housing model of affordable housing found in many parts of the world. A reference to “housing providers avoid[ing] unnecessary upfront capital costs” through access to this programme is intriguing. \$112.6M over the next 5 years, with future annual allotments of \$4.3M will be allocated to CMHC to top up the Federal Lands Initiative, with a minimum of 40% specifically for affordable housing projects.

Public Lands Acquisition Fund.

As part of this access to public lands, the federal government will provide \$0.5B to launch this fund, which will purchase land from other orders of government to make it available for new housing construction.

Capital Cost Allowance Changes.

A temporary accelerated capital cost allowance increase from 4% to 10% for projects that achieve occupancy before January 1, 2036, will cost \$1.1B over the next 5 years. It will incentivise the construction of new, and especially, affordable, and supportive housing, by making the affordability stack for some such projects feasible. By allowing a greater deduction of depreciation expenses in a shorter time, financing costs can be paid down at a faster rate, and additionally result in monies being available to developers for new projects more quickly.

Canada Mortgage Bonds.

By increasing the annual limit from \$40B to \$60B, up to 30k more rental apartments in projects will be eligible for preferred low-cost financing through preferred interest rates.

Secondary Suite Loan Program.

The federal government is getting into the multiplex business by providing \$409.6M over 4 years in low-interest loans through CMHC to homeowners to build secondary suites. Many current such suites in Toronto are not being rented out, so a programme to encourage their (re)release into the market would be a more efficient use of money. Since the government has announced in the budget its intention to make changes to mortgage insurance rules to encourage densification this may also support such incentives.

Investing in Housing Innovation.

The government will invest \$50M over 2 years and seek to leverage an additional \$150M from the private sector for new approaches to building that will cut costs and time including modular construction, investing in technology to build modules (e.g. robots and 3D printing), movable internal walls for speedy reconfigurations, and mass timber technologies. Projects with these features will receive exclusive access to \$0.5B of the Apartment Construction Loan Program funds. Tied to this is work on regulatory barriers such as the prohibition on single egress designs, and duplications in safety inspections.

Housing Design Catalogue.

The federal government will create a Housing Design Catalogue with a wide range of types of pre-approved housing designs (including modular housing) to speed up the construction of new homes by streamlining both the design and the planning approval portions of the development application/approval process. The first catalogue will be published Q3/2024.

Housing Accelerator Fund.

An additional \$400M over 4 years has been allocated for the Housing Accelerator Fund, but Toronto has already accessed that fund to the tune of \$471M, so no new money for Toronto through this fund.

Canada Housing Infrastructure Fund.

Complementing the Ontario budget, more money for water and solid waste infrastructure in growing communities. A total of \$6B over 10 years has been budgeted for this fund. This will probably be available to the City of Toronto to support development projects in Toronto since the budget references improving densification. There are strings attached, however, most of which I do not believe the City will find problematic, save for a 3-year freeze on raising development charges. However, the provincial government gets 'right of first refusal' until January 1, 2025.

Apartment Construction Loan Program.

An additional \$15B has been added to the Apartment Construction Loan Program, starting in 2025. At least \$100M of this will be used to increase density by adding storeys above existing commercial space. This program will only be useful if, contrary to historic analysis, this program preferentially funds non-profit development of affordable housing. The new Canada Builds Concept suggests this will be the case moving forward.

Taxing Vacant Residentially Zoned Land.

The federal government will begin consultations this year on bringing in a tax on such properties to incentivise their development.

Supporting Student Housing.

The government will make it easier for public post-secondary institutions to build student housing by making such eligible for the removal of GST on new student residence construction. This will cost \$19M over 5 years with an expected annual cost after that of \$5M. This support will end in 2031. Note that tied to this will be access to the Apartment Construction Loan Program for the construction of student housing.

Skilled Trades in the Housing Construction Sector.

\$10M of funds from existing budgets will be allocated over the next 2 years to encourage students to explore and prepare for careers in this sector through training and apprenticeships. Also, \$90M, \$80M of which is new money, will be provided over the next 2 years to expand apprenticeship programmes and placements. Tied to this is the planned implementation of an industrial strategy for homebuilding that will be the outcome of consultations this year with the housing, construction, and building material sectors, and labour unions, Indigenous housing experts among others.

Foreign Construction Credentials.

\$50M over 2 years to be allocated to the Foreign Credential Recognition Program/ At least half of this will go towards streamlining foreign credential accreditation in the construction sector, to deal with short-term need. The federal government will also work with the provinces and territories to expedite removal of barriers to foreign credential recognition.

Tied to this is a push to reduce internal barriers through the streamlining of certification standards. This will assist in internal labour mobility for workers in this sector.

Other Immigration Changes.

The government will be decreasing the number of both permanent and temporary residents as one measure to take some pressure off the demand for housing in Canada. Likewise, the number of international students accepted will be reduced. Changes to the law regarding refugee claimants and modifying select visa requirements by country of origin are expected to decrease the total number of refugee claimants arriving in Canada.

Tenant Protection.

The federal government recognises that one way that current affordable housing stock is lost is through the loss of existing affordable rental tenancies. As such, \$15M over 5 years will be used to create a new Tenant Protection Fund which will be allocated to organisations providing legal and informational services to tenants. The creation of the planned Canadian Renters' Bill of Rights may also assist in this process, although judgement on its efficacy awaits a review of its future impact on tribunal and judicial decisions.

Canada Rental Protection Fund.

\$477.2M over the next 5 years with \$147.8 earmarked for future years will be used to launch a new \$1.5B fund designed for the retention of affordable housing that otherwise would be renovated out of existence. This appears to be a national rollout of the City of Toronto MURA programme, and there is no indication of how the shortfall in announced funding will be funded.

Canada Greener Homes Affordability Program.

\$800M will be allocated to this programme starting in 2025 to retrofit existing buildings to improve energy efficiency and lower operating costs. An additional \$73.5M over the next 5 years starting in 2024 will be available to upgrade existing energy efficiency programmes.

Homelessness and Encampments.

An additional \$1B over 4 years will be used to stabilise funding under the Reaching Home: Canada's Homelessness Strategy. Also, \$250M over the next 2 years will be used to address encampments and the unsheltered homeless. This programme requires provincial and territorial cost-matching and will be used to train homelessness support workers in relation to encampments. It will also be used to build shelters and transitional homes for certain disadvantaged demographics.

Additionally, the federal government will be providing \$1.1B over the next 3 years to extend the Interim Housing Assistance Program to support the cost of refugee claimants in shelter systems.