

Federal Budget 2022: Affordable Housing

**Toronto Housing and Homelessness
Services Planning Forum TAEH**

Greg Suttor, April 13, 2022

“A housing budget”

- **Chapter 1 of Budget: “Making Housing More Affordable”**
- **Strong political positioning on the housing issue**
- Third year in a row of large federal funding increases to housing
 - Average \$2.1 B/year more (2022/23 through 2025/26)
- Notable increases to CMHC affordable rental programs
 - Of the \$2.1 B/year above, \$1.9 B/year is for affordable rental
- Large funding increases for Indigenous housing (separate from the \$2.1B)
- A range of smaller initiatives affecting homebuyers, housing investors, etc.

Unlikely to have much impact in dampening the housing markets

Significant enhancing of affordable rental programs, but not transformative

Affordable rental programs

Four biggest elements:

- ❖ More for *National Housing Co-investment Fund* (NHCF)
- ❖ Third round of *Rapid Housing Initiative*
- ❖ Reform of *Rental Housing Financing Initiative* (RCFI)
- ❖ *New Housing Accelerator Fund*

■ More for **National Housing Co-investment Fund**

Main NHS program for new affordable rental & repair

- Added \$930M/year average (2023/24–2025/26)
- Was ~\$1.7 B/year, now ~\$2.7 B/year
- More grants ('contributions') rather than loans → rents more affordable
- "more flexible and easier to access ... faster approvals ..."

Gov't has heard the feedback – hopefully reforms will address issues

■ Third round of **Rapid Housing Initiative** – roll out this year, into next year

Deep capital grants for homeless/high-needs – conversion, modular, etc.

- \$750 M, same as last round

Affordable rental programs (2)

■ New **Housing Accelerator Fund**

Program to fund municipalities, to incentivize more housing production

- Previously announced, but this is much more funding
- Ramp up this year, then average \$950M/year (2023/24–2025/26)
- Program design TBD... “could include ... an annual per-door incentive for municipalities, or up-front funding for investment in municipal housing planning and delivery...”

■ Reform of **Rental Construction Financing Initiative**

Largest NHS program, mostly loans, new private rental, not very affordable

- Stronger energy efficiency requirements
- ‘Goal’ of 40% of units having rents at 80% of average market level (AMR)
- Average \$230 M/year (2022/23–2025/26) budgeted funds (not loans)
–fund forgiveness of loans when project meet energy/affordability targets

Appears likely to tilt the program more toward non-profits.

Affordable rental programs (3)

Smaller affordable rental and homelessness initiatives

- Extend **Reaching Home** at current level for extra 2 years, 2024/25–2025/26
Provides 4 years of certainty to local planners, funded providers, etc.
- **New program to build co-ops**
 - To be co-designed with co-op sector organizations
 - Ramp up to average \$76 M/year funding by 2024/25–2025/26
 - Also a dedicated share of CMHC loan funding
- \$475 M one-time **housing benefit enhancement** this year
 - \$500 to each of about 950,000 recipients*Unusual way to do a program top-up (meets political needs...)*

Indigenous and northern housing

- Added \$715 M/year average for Indigenous housing (2022/23–2025/26)
- Rough avg/year over 5 to 7-year periods (budget states multi-year amounts)
(most of these will ramp up to higher than these levels over the period):

Program initiative	
First Nations on reserves	\$480 M
First Nations Self-Governing & Modern Treaty Holder communities	\$110 M
Inuit communities	\$120 M
Métis communities	\$ 40 M
Launch: Urban, Rural, and Northern Indigenous housing strategy	\$60 M

Relatively less emphasis on urban Indigenous (majority of Indigenous people).

Homebuyers and housing investors

Homebuyers

- New *Tax-Free First Home Savings Account* – Tax-exempt (up to \$40K each)
- Higher First-Time Home Buyers' Tax Credit (up to \$1,500 each)
- Extended, flexible First-Time Home Buyer Incentive
- Support for Rent-to-Own projects
- Tax credit for creating second suites, etc. (up to \$7,500 each)
- “engage with provinces & territories over the next year to develop & implement a Home Buyer' Bill of Rights” (blind bidding /home inspections /sales history /etc.)

Housing investors

- Federal review of how tax law & policy treats housing assets
“...including potential changes to the tax treatment of large corporate players...”
- Full taxation of profits from flipping (if property held less than 1 year)
- New restrictions on foreign buyers of housing, for 2-year period
- And other related items

What's not in the budget ...

- Enhanced F/P partnership for affordable rental, incentives to reluctant provs.
- Affordable rental production on a scale commensurate with needs
- Affordable rental production with project-based rent subsidies
- Non-profit rental acquisition
- Meaningful enhancement of the Canada Housing Benefit
- Taxation of capital gains on real estate (*but will be studied re investors*)
- Co-ordination with provinces on a overall strategy to manage demand and supply in pressured, escalating housing markets
- Monetary [interest rate] policy – *never a budget matter* – current/upcoming interest rates increases, with large potential to dampen hot housing markets