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National Housing Council

Improving the National Housing Strategy: Research Report by Blueprint ADE and Wellesley Institute

Purpose

In August 2021, Blueprint ADE was contracted by the National Housing Council Secretariat to analyze the alignment of key National Housing Strategy (NHS) programs with the needs of those experiencing core housing need and homelessness. This work will support the National Housing Council Working Group on Improving the NHS in identifying areas of opportunity to improve the National Housing Strategy to better address housing needs and homelessness in Canada.

Consultant's Research Review

This report focuses on three major unilateral initiatives under the NHS designed to create rental housing, all of which have criteria to produce affordable housing: the Rental Construction Financing Initiative (RCF), the National Housing Co-Investment Fund (NHCF), and the Rapid Housing Initiative (RHI). Together, funding for these programs makes up over half of the topline commitment under the NHS, including both grants and loans, and most of the funding for increasing rental supply. This report analyzes the potential of these programs to address housing need in Canada.

A second research report is in progress and will cover housing supply created by bilateral NHS Programs.

Council's Review

On February 9, 2022, the Council voted to publish the research review and agreed to use this research review to help inform their future recommendations to the Minister.

Next Steps

As part of this analysis, the Council is planning to engage with subject matter experts, stakeholders and people with lived experience to build into the findings from the research done and gather additional information to support the Council's recommendations to the Minister. More information on the engagement will follow in the Spring of 2022.

If you have any questions about this work, please contact the National Housing Council Secretariat at nationalhousingcouncil@cmhc-schl.gc.ca.

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About the Council

In July 2019, the National Housing Strategy Act (NHTSA) became law. The NHTSA, among other things, recognizes that a National Housing Strategy supports the progressive realization of the right to adequate housing. The Act includes the establishment of a National Housing Council. The Council's mandate is to provide advice to the Minister of Housing and Diversity and Inclusion and further the housing policy of the Government of Canada and the National Housing Strategy. Drawing on the diverse expertise and experience of its membership, the Council promotes participation and inclusion in the development of housing policy through the diversity of its members and engagement with communities.



ANALYSIS OF AFFORDABLE HOUSING SUPPLY CREATED BY UNILATERAL NATIONAL HOUSING STRATEGY PROGRAMS

Research report

Prepared for the National Housing Council Working Group
on Improving the National Housing Strategy

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Executive summary

THE NATIONAL HOUSING STRATEGY

- In 2017, the Government of Canada launched the National Housing Strategy (NHS). This strategy is composed of over 10 major programs along with other activities to promote innovation and research and is intended to address housing need and homelessness in Canada.
- The announcement of the NHS was followed in 2019 by the National Housing Strategy Act, which formally recognized the right to housing in Canada, and committed to creating monitoring mechanisms for the NHS, including convening the National Housing Council and appointing a Federal Housing Advocate.
- This report focuses on three major unilateral initiatives under the NHS designed to create rental housing, all of which have criteria to produce affordable housing:
 - the Rental Construction Financing Initiative (RCF), the National Housing Co-Investment Fund (NHCF), and the Rapid Housing Initiative (RHI). Together, funding for these programs makes up over half of the topline commitment under the NHS, including both grants and loans, and most of the funding for increasing rental supply. This report analyzes the potential of these programs to address housing need in Canada.
- Along with the programs studied in this report, there are a number of other programs in the NHS that are intended to create, repair, or renew housing supply, or provide supports to those in housing need. These programs could, along with RCF, NHCF and RHI, contribute to meeting the government's targets related to housing need and homelessness.

PROFILE OF NEED

Who experiences housing need in Canada?

- Housing need is deepest and most prevalent in groups of Canadians that have historically been marginalized and disadvantaged: women, Indigenous peoples, seniors, people with disabilities and racialized people are all more likely to experience core housing need than the Canadian average. Individuals in these groups face unique barriers to accessing housing that limit the supply available to them.
- Lone-parent families and unattached people have considerably higher rates of core housing need than other family types.

How do people in Canada experience housing need?

- Most (66%) households in core housing need are renters, and the vast majority (80%) are in the bottom fifth of household incomes; unsurprisingly, housing affordability is by far the most common reason that households are in core housing need. People experiencing homelessness have even lower incomes, with most shelter residents falling in the bottom 10% of personal incomes.

- Women and Indigenous persons have distinct experiences of housing need and homelessness. For Indigenous peoples, suitability and adequacy are of greater concern than other groups. Women and gender-diverse people are more likely to experience safety concerns in housing, more often experience 'hidden' forms of homelessness, and have pathways into homelessness and housing need that are distinct from men.

Where is housing need greatest?

- The territories (Nunavut, Northwest Territories and Yukon) have by far the greatest housing need per capita. This is most stark in Nunavut, where 47% of households were in core housing need in 2016.
- Among provinces, housing need is greatest in Ontario and British Columbia, followed by the Prairie Provinces. Québec and the Atlantic provinces have relatively less housing need than other Canadian jurisdictions.

PROGRESS OF NHS IN CREATING HOUSING SUPPLY

How much funding has been committed thus far?

- The unilateral NHS rental supply programs studied in this report, the Rental Construction Financing Initiative (RCF), National Housing Co-Investment Fund (NHCF) and Rapid Housing Initiative (RHI), have approved \$8.3 billion in loans and \$2 billion in grants thus far, representing approximately one-quarter of the total funding for these programs.
- The vast majority of loans have gone to private developers. The majority of grants have gone to municipalities, although over half of these grants have gone to a single portfolio project to repair existing housing.

How much rental housing has the NHS produced?

- The RCF, NHCF and RHI will together repair approximately 66,000 units of existing housing and create just under 35,000 units of new housing.
- Most of this housing meets the definition of 'affordable' used by the relevant programs. However, even assuming that each unit of housing meeting affordability criteria lifts one household out of core housing need, these programs will fall well short of meeting the National Housing Strategy's target of 530,000 households removed from core housing need on their own.



ANALYSIS OF GAPS

How is affordability assessed by NHS supply programs studied?

- While the NHS portfolio adopts a shared definition of “affordability” (rent less than 30% of income), each of the three programs studied assess “affordability” differently when determining whether a given project includes enough “affordable” units. This has important implications for whom the housing produced is affordable to.
- The RCF is designed to produce housing that is affordable to middle-income families, a group that tends to have much higher incomes and lower rates of housing need than other household types. This definition has not been used by CMHC before and is inconsistent with how municipal housing providers assess affordability.
- The NHCF is designed to produce housing that charges below-market rents.
- The RHI, unlike the other two programs studied, is specifically designed to produce housing that is affordable to those in severe housing need.

Is the housing supply that has been created affordable to those in need?

- Low-income households comprise the majority of those in core housing need; however, the RCF has produced hardly any units that could lift them out of need. We estimate that only about 3% of units in RCF-funded developments studied would be both suitable for and affordable to low-income households.
- Further, the RCF’s affordability criteria fail to put any meaningful downward pressure on rents, often permitting units with rents that are well above market rent in the areas in which they were located to be counted as affordable.

- About half (49%) of new units in NHCF-funded projects could lift the median household in their areas out of core housing need. The NHCF is better than the RCF at producing units that could lift low-income households out of need: about one third (35%) of new units in NHCF-funded developments are suitable for and affordable to low-income households.
- The RHI’s affordability criteria are almost certain to produce units that are more affordable than the RCF, and possibly more affordable than the NHCF, and its design appears tailored to the needs of those with low incomes. While the RHI is the smallest of the three programs studied, it shows promise as an avenue for addressing core housing need.

Who is left behind by the rental supply that has been created?

- No units created by the RCF are likely to meet the needs of people experiencing homelessness. While some NHCF units are designed to meet the needs of those experiencing homelessness, overall, relatively few units are available at rents affordable to those with very low incomes.
- Very few (4%) new units produced by the RCF could lift lone-parent families out of CHN, a group that is disproportionately in need of affordable housing, out of core housing need.



IMPLICATIONS

- Producing deeply affordable rental units is critical for reducing core housing need and homelessness.
- Housing need is deepest and most prevalent in groups of Canadians that have historically been marginalized and disadvantaged. These groups will be left behind if the housing produced is not affordable to those in need.
- The supply created by the three programs studied thus far does not, for the most part, meet the needs of those in core housing need. Relatively few new units produced by the strategy thus far could lift low-income households out of core housing need, especially lone-parent families and unattached people. Low-income households comprise the bulk of those in need, so for the programs studied to have a meaningful impact on core housing need, new supply must be more affordable than what is currently being produced.
- The RCF's program criteria were not designed to reduce core housing need. These criteria have resulted in the creation of many units meeting affordability criteria

whose rents are well above average market rents. Given this, the weight placed on the program in the portfolio seems out of step with the National Housing Strategy's commitment to addressing housing need. Reallocating funds away from the RCF, or tailoring its design to target core housing need, has the potential to improve the government's ability to meet its targets for reducing housing need and advance the right to housing.

- Even if the NHCF and RCF produced units that were deeply affordable, the number of units produced by these programs falls short of the NHS' targets, and well short of the amount of need. It is clear that the increased supply being created by these programs, which comprise a large part of the NHS' topline commitment, is not enough to lift Canadians out of need on its own. Barring substantial program expansion, this increases the importance of bilateral supply programs, and demand-side interventions such as the Canada Housing Benefit, for meeting the government's targets.



Introduction

PURPOSE

In August 2021, Blueprint ADE was contracted by the National Housing Council Secretariat, Canada Mortgage and Housing Corporation (CMHC) to analyze the alignment of key National Housing Strategy (NHS) programs with the needs of those experiencing core housing need and homelessness. This work will support the *National Housing Council Working Group on Improving the NHS* in identifying areas of opportunity to improve the National Housing Strategy to better address housing needs and homelessness in Canada.

IN THIS REPORT

This report is divided into four main sections:

- 1. Approach** — In this section, we outline the scope of our work, describe the data used to conduct our analysis, and summarize the limitations these data place on our work.
- 2. The National Housing Strategy** — Here, we provide a high-level summary of the National Housing Strategy and its targets. Then, we describe the goals and design of the programs studied in this report.

- 3. Profile of need** — Drawing on data from the 2016 census, and recent findings from the relevant literature, we describe the characteristics of those experiencing core housing need and homelessness in Canada, how they experience housing need, and map the distribution of housing need across the country.
- 4. Progress of the NHS in creating rental supply** — Using data provided by CMHC, we describe the unilateral federal spending thus far on building and repairing rental housing. Then, we compare the number of units created by the strategy to the NHS' targets for reducing core housing need, and to the level of core housing need in the country overall.
- 5. Analysis of gaps** — In this section, we examine the potential to reduce core housing need and homelessness of new housing supply created by the two largest programs in the NHS portfolio: the Rental Construction Financing Initiative and the National Housing Co-Investment Fund. We study the depth of affordability of new units created by these programs in terms of their relationships to area incomes and market rents, and compare rents in NHCF and RCF to what we know about the affordability needs of Canadians in core housing need or experiencing homelessness.



1. Approach

1.1 SCOPE

In this report, we focus primarily on three programs: the Rental Construction Financing Initiative (RCF), the National Housing Co-Investment Fund (NHCF), and Rapid Housing Initiative (RHI). We chose to focus on this group of programs for two reasons. First, they make up the bulk of funding through the strategy to produce rental housing, a key mechanism for addressing core housing need. Together, the RCF, NHCF and RHI comprise nearly all planned expenditures for new and modernized housing supply, and the majority of planned expenditures under the NHS. Second, these three programs share a common purpose (to create and/or repair rental housing supply), funding source (unilateral Federal funding), and administering body (CMHC). These shared characteristics facilitate discussion and comparison of program design, outputs, and outcomes.

While two additional, smaller programs, the Federal Lands Initiative (FLI) and the Affordable Housing Innovation Fund (IF) are also unilateral programs intended to create rental housing supply, approved projects under these programs are in earlier stages than many projects funded by the RCF, NHCF and RHI. Consequently, less is known about the characteristics of projects funded by these programs, such as rent structures, project locations, or developer. For this reason, we exclude these programs from our analysis. While the Federal Community Housing Initiative is also a unilateral federal program, most of its funding is earmarked for rental

assistance, with only a “a limited budget” reserved for transitional funding for housing providers¹

A number of programs in the NHS portfolio fall outside of the scope of this paper, which focuses on rental housing supply programs funded unilaterally by the Federal Government and administered by CMHC. Some of these programs may be studied in greater depth by subsequent research as part of the work of the *National Housing Council Working Group Improving the National Housing Strategy*. Excluded programs include:

- Canada Housing Benefit (administered bilaterally, does not create new housing supply).
- Canada Community Housing Initiative, The Housing Partnership Framework, and Provincial-Territorial Priorities Fund (administered bilaterally with provinces and territories)
- Indigenous Housing Strategies (administered in partnership with other Federal Agencies, First Nations, Métis governments, the Inuit Tapiriit Kanatami and Inuit Regions)
- Reaching Home (administered by ESDC)

¹ <https://www.cmhc-schl.gc.ca/en/professionals/project-funding-and-mortgage-financing/funding-programs/all-funding-programs/federal-community-housing-initiative>



1.2 DATA

Data

In this report, we employ data from the following sources:

- CMHC program administrative data
- Selected variables from the 2016 Canadian Census of Population
- CMHC Housing Market Information Portal
- Median income by family type and CMA/CA, 2019 (Statistics Canada)

For a detailed description of the data and variables used in this analysis, please see [Appendix A: Data Sources](#)

Defining Housing Need

CORE HOUSING NEED

Core housing need (CHN) is an indicator of whether a household's housing needs are being satisfied. Informally,

a household is in core housing need if its housing is too expensive, not large enough to accommodate its members, or is in poor repair. A household cannot choose to be in core housing need – if suitable and adequate housing were available locally at an affordable rent, a household would not be in CHN (see Box 1 for a detailed definition). CMHC often uses CHN to quantify the degree to which its programs are helping households with unmet housing needs.

However, we note that CHN is an imperfect way of identifying households in housing need. Since being developed, the 30% threshold has not been empirically validated or updated in several decades. Further, the definition of core housing need excludes people experiencing homelessness, since they usually do not pay for shelter. We also acknowledge that while CMHC programs target core housing need, internally, CMHC does not use Core Housing Need to assess the impact of its programs.²

BOX 1 • Defining Core Housing Need

A household is considered in CHN if it meets both of the following criteria (CMHC, 2019):

1. The household is below one or more of the adequacy, suitability, and affordability standards (defined below); and,
2. The household would have to spend 30% or more of its before-tax household income to access local housing that meets all three standards.

The adequacy, suitability, and affordability standards are defined as follows:

Adequacy: The housing is not in need of major repairs.

Suitability: There are enough bedrooms for the size and make-up of resident households, according to National Occupancy Standards requirements.

Affordability: The housing costs less than 30% of before-tax household income.³

² This was confirmed in correspondence with CMHC officials.

³ For renters, shelter costs include rent, while for owners, they include mortgage payments (both principal and interest), property taxes and condominium fees. Housing costs for both owners and renters include payments for utilities (water, fuel, electricity) and municipal services.



HOMELESSNESS

Throughout this report, we use the definition of homelessness developed for the National Housing Strategy:

“Homelessness is the situation of an individual or family who does not have a permanent address or residence; the living situation of an individual or family who does not have stable, permanent, appropriate housing, or the immediate prospect, means and ability of acquiring it.”⁴

This broad definition encompasses a range of experiences of housing deprivation or instability (see Box 2 for further discussion). All forms of homelessness are a more severe form of housing need than CHN.

In this report, some of our analysis of those experiencing homelessness focuses on those living in emergency shelters, primarily because data on this group is more readily available and comprehensive. However, it is widely understood that those living in emergency shelters comprise only a small subset of those experiencing homelessness at a given time, and that those living in shelters tend to have different characteristics, needs and experiences than those experiencing other types of homelessness.

BOX 2 • Typology and Duration of Homelessness

TYOLOGY⁵

- **Unsheltered Homelessness:** This includes people who lack housing and are not accessing emergency shelters or accommodation, except during extreme weather conditions. In most cases, people are staying in places that are not designed for or fit for human habitation
- **Emergency Sheltered Homelessness:** This refers to people who, because they cannot secure permanent housing, are accessing emergency shelter and system supports, generally provided at no cost or minimal cost to the user
- **Provisionally Accommodated Homelessness:** This describes situations in which people, who are technically homeless and without permanent shelter, access accommodation that offers no prospect of permanence.
- **At Risk of Homelessness:** Although not technically homeless, this includes individuals or families whose current housing situations are dangerously lacking security or stability, and so are considered to be at risk of homelessness.

CHRONIC HOMELESSNESS⁶

A person is experiencing chronic homelessness if they are currently experiencing homelessness and:

- They have a total of at least 6 months (180 days) of homelessness over the past year; or,
- They have recurrent experiences of homelessness over the past 3 years, with a cumulative duration of at least 18 months (546 days).

⁴ See Reaching Home: Canada's Homelessness Strategy Directives for further discussion: <https://www.canada.ca/en/employment-social-development/programs/homelessness/directives.html>

⁵ Gaetz et al., 2012.

⁶ Employment and Social Development Canada, 2021.



1.3 LIMITATIONS

2016 Census Data

In *Profile of Housing Need*, we rely primarily on data collected as part of the 2016 Canadian Census of Population, the most recent census for which data are available (data from the 2021 census are not yet available to researchers). This limits the accuracy of our estimates of the level of demand for housing need across the country. This is particularly important in the context of the changes that have occurred in the housing market since these data were collected, including the recession caused by the COVID-19 pandemic, dramatic changes to federal income assistance programming (e.g., CERB), and rapidly rising housing prices across the country (see Falvo, 2020 for further details).

Further, even up-to-date census data has serious limitations when assessing the prevalence of homelessness. Most researchers agree that shelter counts under-state the number of people experiencing homelessness at a given time by an order of magnitude since they fail to account for people living on the street, as well as people who are without stable housing but are provisionally accommodated. While surveys of the population experiencing unsheltered homelessness exist (e.g., Point-in-Time Counts), these data are either not widely available outside of specific, targeted requests, or are not suitable for national-level analysis.

CMHC Administrative Data

The data provided to the research team by CMHC contains complete data on the amount of funding received by projects as both grants and loans under programs of interest, and number of units (affordable and market-rate) that will be or have been created by approved projects.

However, compared to the Rental Construction Financing Initiative and National Housing Co-Investment Fund, the data have less information about projects funded by the Rapid Housing Initiative (RHI). In particular, we were unable to obtain information about the rents charged in projects funded by the RHI, and detailed information about the characteristics of units in RHI-funded projects.⁷ Thus, while we discuss the program design, we exclude units in RHI-funded projects in our analysis in 5. *Analysis of Gaps*.

A relatively high proportion of NHCF projects (51%) do not include geographic information such as postal code. This limits our ability to assess the depth of affordability of these units because we are unable to compare average rents to local income distributions. Thus, we exclude such projects from our analysis of the extent to which units created by the NHS are affordable to those in need; however, we include them in our study of the relationship between 'affordable' and market rents.

⁷ Our understanding is that rents and unit characteristics are not systematically tracked across projects funded by the Rapid Housing Initiative.



2. The National Housing Strategy

2.1 OVERVIEW

The Government of Canada first announced the National Housing Strategy (NHS) in 2017. It is composed of over 10 programs delivered both unilaterally, by the Government of Canada, and bilaterally with Provinces and Territories, along with other activities to promote innovation and research. Overall, the NHS is intended to support three overarching outcomes:

- “Build new affordable housing and renew the existing affordable housing stock”
- “Provide technical assistance, tools and resources to build capacity in the community housing sector and funds to support local organizations”
- “Support research, capacity-building, excellence and innovation in housing research”

The initial 2017 commitment was expanded in 2019. Currently, through the NHS, CMHC plans to spend \$36.7 billion from 2018/19 – 2028-28. In addition, the NHS includes substantial non-budgetary commitments, including \$31.2 billion in loans and \$7.4 billion in provincial-territorial cost-matching (PBO, 2021).

The announcement of the NHS was followed by the passing of the *National Housing Strategy Act* (NHSA) in 2019. As per the NHSA, the NHS is to establish national goals relating to housing and homelessness and identify related priorities, initiatives, timelines, and desired outcomes and focus on improving housing outcomes for persons in greatest need. Critically, this legislation recognizes the right to adequate housing as recognized in *International Covenant on Economic, Social and Cultural Rights*, and commits to advancing a strategy that considers “key principles” of a human-rights based approach to housing (Government of Canada, 2019). The NHSA also committed to creating housing monitoring mechanisms, including the convening the National Housing Council and appointing a Federal Housing Advocate.



2.2 TARGETS

When it was launched in 2017, the NHS aimed to achieve four specific quantitative targets over the course of its implementation: cut chronic homelessness by 50%, remove 530,000 families from housing need, renovate and modernize 300,000 homes, and build 160,000 new homes.^{8 9} It is intended to prioritize specific vulnerable groups, including women and children fleeing domestic violence, seniors, homeless people, people with disabilities, those dealing with mental health and addiction issues, veterans, young adults, racialized groups and newcomers, and place a priority on Indigenous housing.

After the passing of the NHSA, the government subsequently committed to end chronic homelessness by 2030. However, some have noted the targets set in 2017 may not be ambitious enough in light of the subsequent commitment to realizing the right to housing in the NHSA. In particular, experts have argued that consistency with international human rights legal authorities would require a commitment to end homelessness (not just chronic homelessness, as currently defined), for a greater proportion of spending being allocated to programs targeted at the goals of reducing core housing need and homelessness, and for the NHS to be re-framed to address the needs of additional populations beyond those identified in the strategy (Biss and Raza, 2021).¹⁰

2.3 RENTAL SUPPLY PROGRAMS

This report focuses on the three largest¹¹ unilateral NHS programs designed to support the plan's first priority, building, and renewing affordable housing: the Rental Construction Financing Initiative (RCF), National Housing Co-Investment Fund (NHCF) and Rapid Housing Initiative (RHI). Together, these three programs make up almost 97% of the planned expenditures under the NHS through 2017-28 under the *New Construction and Modernized Housing Supply* stream, and 55% of planned expenditures through the NHS overall (Segel-Brown and Liberge-Simard, 2021 – see Appendix D).

RENTAL CONSTRUCTION FINANCING INITIATIVE (RCF)

First announced in the 2016 federal budget, the Rental Construction Financing Initiative (RCF) provides low-cost loans to developers of new rental housing, up to a maximum of 100% of cost. The primary impetus for the program was to stimulate the development of purpose-built rental housing. However, the program design also implies a secondary objective of creating affordable housing: 20% of NHS units must meet affordability criteria, and the program caps the amount of residential rental income the project can earn at 90% of gross achievable.¹²

8 <https://www.cmhc-schl.gc.ca/en/nhs/guidepage-strategy>

9 We note that the NHS targets regarding housing need are not explicitly linked to the outcomes of specific programs. While one can reasonably assume that the outcomes of programs designed to create affordable housing, or provide financial benefits to those in need, might contribute to the NHS' progress toward the goal of removing households from housing need, there are no specific targets regarding the number of households removed from core housing need by the programs studied in this report.

10 Among other critiques – see Biss and Raza (2021) for further reading.

11 By total funding (grants plus loans).

12 We note that RCF's affordability criteria differ substantially from criteria used elsewhere in the NHS. For further discussion, see 5.1 *How is affordability defined by NHS supply programs?*

Existing evidence calls into question the necessity of the RCF for stimulating rental supply. Since 2015, the proportion of housing starts that are purpose-built rental projects has increased dramatically: as of 2019, purpose-built rental construction represented 29% of all housing starts (Pomeroy, 2021a). Evidence suggests that very little of this increase can be attributed to the RCF and can be largely explained a market response to increased rental demand (Ibid.).

Since its inception, the RCF has become one of the largest programs with the potential to produce affordable housing supply in the NHS. The RCF was initially launched in 2016 (before the National Housing Strategy) with a pot of \$2.5 billion in loans but was expanded substantially as part of additional investments in the NHS. As of 2021, the RCF's commitments have expanded to more than 27.5 billion in loans over 11 years, representing 85% of the total increase in the topline NHS budget.¹³ Currently, the RCF represents over 60% of planned NHS expenditure under *New Construction and Modernized Housing Supply* through 2027-28.

So, while it was not primarily intended to be a vehicle for creating affordable housing, the importance placed on the RCF in the NHS portfolio, the presence of affordability criteria in its design, and questions the about its efficacy as a pure supply stimulus warrant investigation of its effectiveness at producing affordable housing through the lens of the NHS' targets to address housing need.

NATIONAL HOUSING CO-INVESTMENT FUND (NHCF)

Launched in 2018, the National Housing Co-Investment Fund (NHCF) provides a mixture of low-cost loans and grants to support organizations seeking to build, repair, or revitalize “mixed-income, mixed-tenure, mixed-use

affordable housing.”¹⁴ The NHCF places a greater emphasis on affordable housing than the RCF, requiring that 30% of units in approved projects meet affordability criteria, and that this affordability is maintained for at least 20 years.¹⁵ In order to receive funding, proponents must have access to contributions from other sources, such as provincial-territorial funding or in-kind contributions.

Next to the RCF, the NHCF is the largest NHS housing supply program by total funding (including both grants and loans): funding for this program currently stands at \$13.8 billion over 10 years, including \$4.7 billion in partner contributions and \$8.5 billion in federal financing. The NHCF is intended to be accessible to a wide range of proponents, including all levels of government, Indigenous governments, non-profit housing providers, and private sector developers. To this end, funding is distributed as a mix of grants and loans, which should, in theory, enable social and not-for-profit housing providers to achieve project viability while charging lower rents. However, some have argued that, in practice, this intention is undermined by the fact that grants can often represent a relatively small proportion of project cost (Pomeroy, 2021d). Other criticisms of the program include the suggestion that the relatively lengthy application process and requirement to secure other sources of funding have deterred some smaller proponents, especially not-for-profits, from applying (Pomeroy, 2021d).¹⁶

RAPID HOUSING INITIATIVE (RHI)

The Rapid Housing Initiative (RHI) was launched in 2020 in response to the Covid-19 pandemic. It is intended to help meet the urgent housing needs of vulnerable groups by supporting land acquisition, construction, and conversion of existing housing. Of the three programs

¹³ Including pre-2018 expenditure.

¹⁴ <https://www.cmhc-schl.gc.ca/en/professionals/project-funding-and-mortgage-financing/funding-programs/all-funding-programs/co-investment-fund>

¹⁵ The NHCF's affordability criteria generally require lower rents for a given area than the RCF's. See 5.1 How is affordability defined by NHS supply programs? for further discussion.

¹⁶ These critiques were echoed in conversations with officials with knowledge of the not-for-profit and municipal affordable housing landscape.



studied, the RHI is most explicitly targeted at producing housing for those in need: program guidelines require that projects must create housing for priority groups in the strategy, and 100% of units must meet affordability criteria for at least 20 years. The program prioritizes projects that can be completed quickly by awarding escalating points in its application scoring process the sooner proponents are able to reach occupancy thresholds.¹⁷

The RHI has seen \$2.5 billion in commitments to date, split between two funding streams intended to ensure a balance between municipalities and other types of recipients. Unlike the RCF and NHCF, all RHI funding comes in the form of grants. The RHI also has less stringent contributions requirements than the NHCF.

OTHER NHS PROGRAMS

While in this paper, we focus on the RCF, NHCF and RHI, there are a number of other programs in the NHS that are intended to create, repair, or renew housing supply, or provide supports to those in housing need. These programs could, along with the programs studied in this paper, contribute to the government's targets related to housing need and homelessness.

- **Reaching Home:** Reaching Home, administered by ESDC, provides direct support and funding to communities to prevent and reduce homeless, including creating housing and temporary accommodations for those experiencing homelessness. The government plans to spend over \$3.5 billion through Reaching Home through 2027-28.¹⁸

- **Other unilateral federal programs:** The Affordable Housing Innovation Fund (IF) and Federal Lands Initiative (FI) are two other programs administered unilaterally by CMHC that are designed to increase affordable rental housing supply. The programs are relatively small in comparison to the three programs studied in this paper, with planned spending of \$723 million and \$420 million, and respectively, and these programs are relatively early in their deliveries. An additional \$625 million in spending is planned through the Federal Community Housing Initiative, divided between rental assistance support and a small amount of transitional funding for housing providers.
- **Bilateral programs:** The Canada Housing Benefit, Provincial-Territorial Priorities Fund, Funding for Northern Territories and Canada Community Housing Initiative are delivered bilaterally by CMHC and provinces and territories. Over \$15 billion in federal spending, along with provincial-territorial contributions, is planned through 2027/28, and will contribute to financial supports for those in housing need and affordable housing.

¹⁷ See CMHC (2021), "Rapid Housing Initiative Applicant Guide" for further details.

¹⁸ All figures for planned expenditures are drawn from Segel-Brown and Liberge-Simard (2021), Appendix D.



3. Profile of Need

3.1 WHO EXPERIENCES HOUSING NEED IN CANADA?

Canadians in lone-parent households, particularly lone-parent households led by women, are far more likely to be in CHN than other family types

36% of those in lone-parent families were in core housing need, a far higher rate than couples without children (5%), and couples with children (8%) (see Figure 1). While lone-parent families have similar requirements for adequate shelter as other family types with children,¹⁹ they tend to have far lower incomes on average (Statistics Canada, 2016).

The rate of lone-parent households led by women in CHN is almost double that of those led by men. Among other factors, women tend to earn lower wages, on average, than men, and research has documented discrimination faced by lone mothers in the housing market (Schwan et al., 2021a).

Those who are not in census families are more likely to be in CHN than those in families.

One-quarter (25%) of those not in a census family were in core housing need in 2016. The rates of core housing need were far higher among these groups than other family types (Figure 1).²⁰ This is unsurprising given that those not in census families tend to have far lower household incomes than families (Statistics Canada, 2019).

Indigenous people have higher rates of core housing need than non-Indigenous people and are more likely to experience homelessness.

In 2016, 20% of Indigenous peoples were in core housing need, double the percentage of non-Indigenous peoples (see Figure 1). Indigenous peoples are also over-represented in shelters (ESDC 2021, National Shelter Survey), and more likely to experience hidden homelessness (Rodrigue, 2016).

Across Canada, Indigenous peoples tend to have more precarious housing arrangements than non-Indigenous people. Indigenous peoples living off-reserve have lower rates of home ownership and are more likely to live in subsidized housing (Baspaly et al., 2021).

Women are more likely to be in core housing need than men.

A slightly higher proportion of women (11%) than men (10%) are in core housing need.²¹ Women face unique barriers and challenges to finding and maintaining adequate, affordable, and suitable housing. Women tend to pay higher rents and earn lower wages than men, and many women and gender diverse peoples face significant impacts on employment and income related to pregnancy and child-rearing (Schwan et al., 2021a).

19 By National Occupancy Standards - see <https://www23.statcan.gc.ca/imdb/p3Var.pl?Function=DEC&Id=100731>

20 Note: this figure does not include Indigenous peoples living on reserve.

21 Note: Here, we rely on data from Census 2016, as summarized in CMHC (NHS-based housing indicators and data). These data disaggregate data by sex, rather than gender.



People with disabilities are more likely to be in core housing need

People with disabilities are much more likely to be in core housing need than the general population: as of 2012, over 15% of those with disabilities were in CHN, compared to just over 9% of people without disabilities (CMHC, 2018).

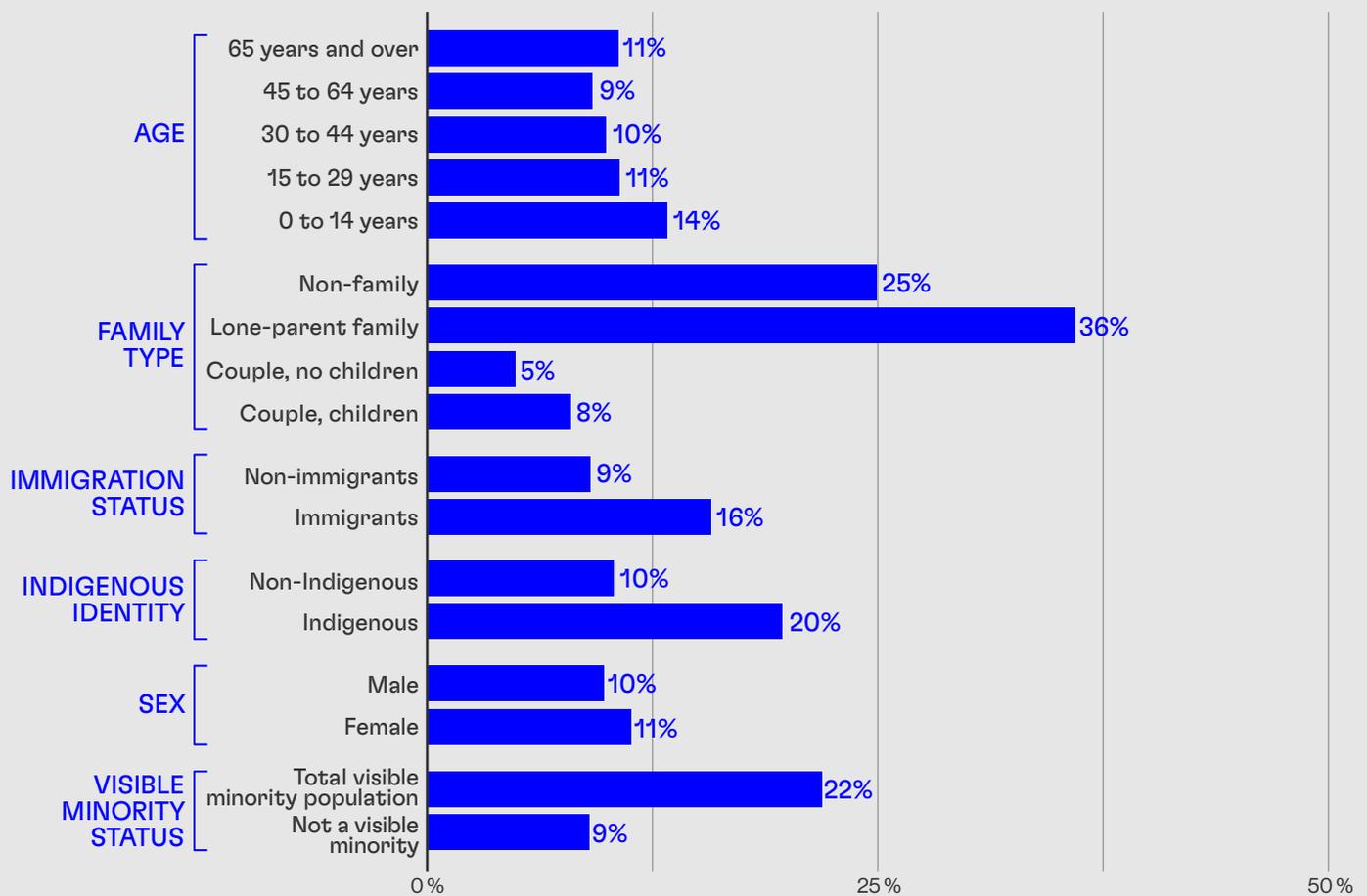
Seniors who rent have high rates of housing need.

Overall, seniors have a somewhat higher rate of CHN (11%) those aged 30-64 (see Figure 1). However, a very high proportion of renter households led by seniors are in core housing need (33%).

Immigrants and visible minorities are more likely to be in core housing need.

About 19% of immigrants²² in Canada are in core housing need, compared to 9% of non-immigrants (see Figure 1). However, immigrants are just as likely to transition out of CHN as non-immigrants (CMHC, 2021). About 22% of those who identify as a visible minority are in core housing need, compared to 9% of those who do not.

FIGURE 1 • Percent of Canadians in CHN by socio-demographic characteristics (2016)



²² In Figure 1, and throughout this subsection, 'immigrant' means "a person who is, or who has ever been, a landed immigrant or permanent resident" of Canada. (Census of Population Dictionary, 2016).



3.2 HOW DO CANADIANS EXPERIENCE HOUSING NEED?

Most Canadians in core housing need are renters.

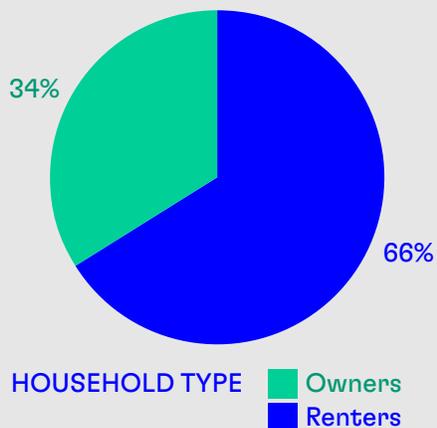
The majority (66%) of those in core housing need in Canada are renters (see Figure 2), a far greater proportion than the general population. Evidence suggests that renters are also more likely to experience persistent housing need than homeowners: once in core housing need, just under half (43%) of renters were still in CHN 5 years later, compared to 29% of those who own their home (CMHC 2021).

This is closely related to the income differences between these groups. Owners tend to have substantially higher incomes than renters (CMHC, 2019), so while owners tend to pay more for housing in absolute terms, renters typically pay a higher proportion of their income toward housing.

Most core housing need is related to affordability.

While core housing need is defined in terms of housing affordability, suitability, and adequacy, for most Canadians in need it is solely a problem with the cost of housing. Of those in housing need, the vast majority are in need because they fall short of the affordability standard only (76%) rather than because they are living in unsuitable or inadequate housing (see Figure 3).

FIGURE 2 • Canadians in Core Housing need by tenure (2016)

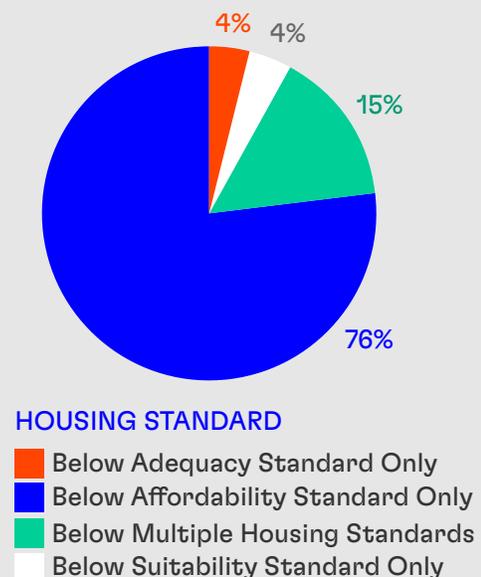


Unsurprisingly given its relationship with housing affordability, core housing need is almost entirely a problem faced by those with low incomes. In 2016, 80% of Canadian households in CHN were in the bottom 20% of household incomes, and almost all (98%) were in the bottom 40% of household incomes (CMHC, 2021).

Adequacy and suitability of housing are of greater concern for women and Indigenous peoples than the general population.

Core housing need related to adequacy and suitability is more prevalent among some groups than the general population. Evidence suggests that women, especially those with low incomes, experience widespread issues with housing adequacy and suitability. In particular, many women experiencing homelessness or housing need report experiencing safety issues, often related to violence, abuse or harassment (Schwan et al., 2021). Issues related to adequacy and suitability are also more prevalent among Indigenous households than the general population (Baspaly et al., 2021).

FIGURE 3 • Canadians in Core Housing need by core housing need standard (2016)



People experiencing homelessness have very low incomes.

Shelter residents tend to earn very low incomes: the median after-tax income of residents of no-fixed address shelters was under \$13,000, the majority of shelter residents earn no employment income, and the vast majority (86%) fall below the low-income measure (LIM)²³ (McDermott et al., 2019).

The experience of homelessness varies across genders.

The majority of those living in shelters are men, most of whom are unattached (McDermott et al., 2019). However, the lower proportion of women in shelters is not indicative of a lack of homelessness among women. Women are most likely to experience ‘hidden’ forms of homelessness, relying on “relational, precarious and dangerous supports to survive housing instability” (Schwan et al., 2021b). Women and gender-diverse people have distinct pathways into homelessness from men, and distinct experiences while homeless. In particular, many women become homeless after experiencing violence from intimate partners or within families – a high proportion of women cite abuse as the cause of their homelessness (Ibid.).

²³ As of 2016.



3.3 WHERE IS HOUSING NEED IN CANADA GREATEST?

Housing need is greatest in the territories.

Nunavut is in a housing crisis: nearly half (47%) of the population are in core housing need, and over 1 in 1,000 people live in emergency shelters (see Figures 4 and 5).²⁴ Northwest Territories, Yukon and Nunavut have the highest proportion of shelter residents in the country, and all three are in the top 5 in core housing need.

Among the provinces, need is greatest in Ontario and British Columbia, followed by the Prairie Provinces.

Of the provinces, Ontario and British Columbia have the highest rate of core housing need overall at 13.1% and 12.6% respectively, substantially higher than the rate in Canada overall, which is 10.6% (see Figure 4).

In each of these provinces, this is driven by high rates of housing need in major metropolitan areas: Toronto has the highest rate of CHN of any CMA in the country (19.1%), and eight of the 10 metro areas with the highest rates of CHN are in Ontario, including many smaller metro areas such as Belleville (15.4%), Peterborough (15.1%) and Barrie (14.4%).²⁵ The remaining two municipalities in the top 10 in CHN are Vancouver (17.6%) and Victoria (14.2%).

Both British Columbia and Ontario have large shelter populations, and are second and third, respectively in per-capita shelter population among provinces (only Alberta and the territories have a higher per-capita shelter population). Evidence suggests that homelessness has risen substantially in Ontario since 2010, particularly in rapidly growing smaller municipalities, potentially due to displacement of those experiencing homelessness from Toronto (Strobel et al., 2021).

Saskatchewan (11.7%) also has an elevated rate of core housing need, while Manitoba is close to the national rate (10.2%). Both Saskatchewan and Manitoba have per-capita shelter populations below the rate for the country overall. Alberta, while having lower rates of core housing need than Canada overall, had (at the time of census) the highest population-adjusted number of people living in shelters.²⁶

Québec and the Atlantic provinces have lower rates of core housing need than the country overall.

Québec has the lowest rate of core housing need in Canada and a substantially lower shelter population than other provinces with large metro areas. Of the 10 CMAs in Canada with the lowest rates of CHN, 5 are located in Québec.

The Atlantic provinces (with the exception of Nova Scotia) also have lower rates of CHN and smaller shelter populations than other parts of the country.

²⁴ Throughout this section, by 'shelter population' or population 'living in emergency shelters,' we mean individuals who were enumerated as 'usual residents' of a shelter for persons lacking a fixed address, shelter for abused women and their children or other shelter or lodging with assistance during the 2016 census. For details on how shelter residents participate in the census, see McDermott (2019).

²⁵ Statistics Canada (Census 2016).

²⁶ This may be partially due to the fact that many people in Alberta were displaced due to wildfires in 2016 – see McDermott et al., 2019 for further discussion.



FIGURE 4 • Percent of Canadians in CHN (2016)²⁷

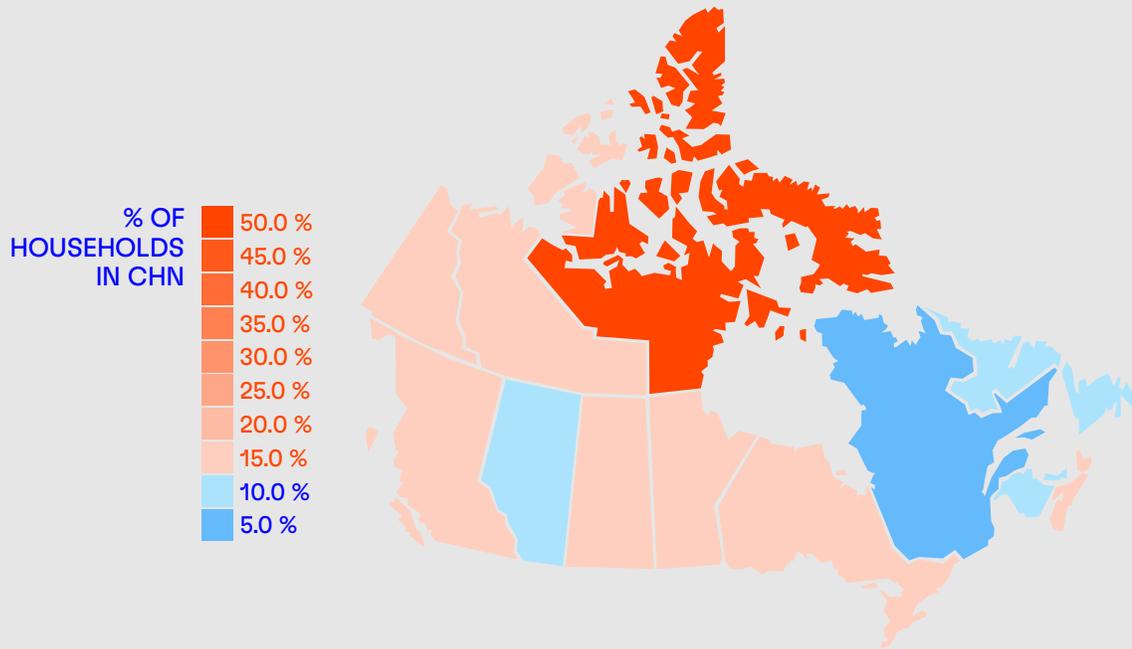
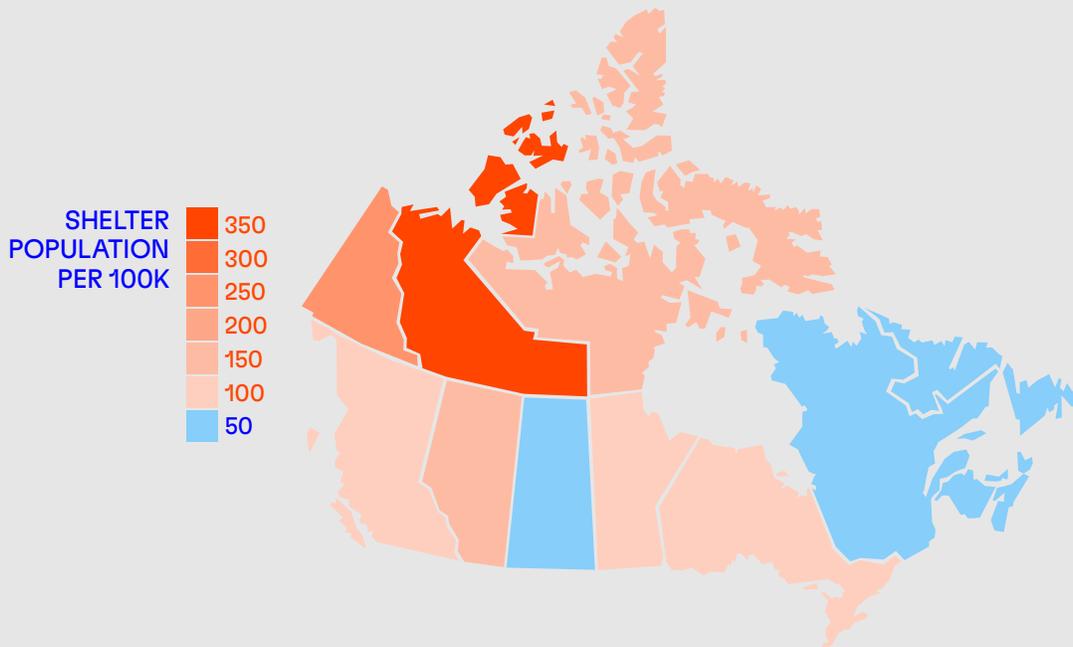


FIGURE 5 • Shelter population per 100,000 residents (2016)



²⁷ Note: These maps use a bi-directional scale. Light-coloured areas are close to the national average for the relevant statistic. The more deeply coloured red an area is, the further above the national rate of housing need it is; conversely, the more deeply coloured blue an area is, the further below the national rate of need.



4. Progress of NHS in Creating Rental Supply

4.1 HOW MUCH FUNDING HAS BEEN COMMITTED THUS FAR?

Approximately \$10.3 billion in funding (one quarter of planned funding) has been committed thus far. About 80% of this funding is loans, with the remainder coming as grants.

As of June 30th, approximately \$10.3 billion of funding has been committed to creating, repairing, or renewing rental housing supply under the Rental Construction Financing Initiative (RCF), National Housing Co-Investment Fund (NHCF), Rapid Housing Initiative (RHI). These figures represent approximately 24% of the total planned funding for these three programs (Government of Canada, 2021).²⁸

It is important to note that these figures contain both loan and grant funding from CMHC. This distinction is

critical. From the perspective of the government, loans are not “spending, since they are repaid by proponents – the costs to government of issuing loans (for operating costs, insurance, etc.) is generally a small fraction of the face value (Segel-Brown, 2019). From the perspective of proponents, because loans must be repaid, they provide less of an incentive to create supply than a grant of the same face value (Ibid.).

In total, the majority (80%) of funding has come in the form of loans, with the remainder coming as grants. This is driven by the fact that the RCF, which is entirely a loans program, is the largest program by total funding in the portfolio.

TABLE 1 • CMHC Funding Commitments, NHS Unilateral Rental Supply Programs

PROGRAM	CMHC LOANS (MILLIONS)	CMHC GRANTS (MILLIONS)	TOTAL (MILLIONS)
Rental Construction Financing Initiative	\$6,572	N/A	\$6,572
National Housing Co-Investment Fund	\$1,693	\$1,008	\$2,700
Rapid Housing Initiative	N/A	\$1,005	\$1,005
Total, all programs	\$8,265	\$2,007	\$10,277

Note: figures accurate as of June 30th, 2021. All figures rounded to the nearest million.

28 Including commitments from Budget 2021



Nearly all loans, and most of the total funding, has gone to private developers.

In total, the majority (57%) of the total funding in the portfolio has gone to private developers. This has largely come in the form of loans and has been primarily driven by the RCF: 73% of all loans have been issued to private developers, nearly all of which have flown through the RCF.

Municipalities have received the majority of grant funding. However, much of this funding, and nearly all of the grants to municipalities through the NHCF, has gone to a single repairs project.

Municipalities have received approximately 55% of grant funding (approximately \$1.1 B) (see Figure 6). However, almost half this funding has gone to a single portfolio project, a Toronto Community Housing Corporation (TCHC) project funded through the NHCF to retrofit

almost 60,000 existing units in Toronto. Consequently, municipalities outside of Toronto have received relatively little in grants from the NHCF. Excluding NHCF, municipalities have received under \$600 Million in grants, only \$7 million of which has come via the NHCF. Municipalities have received slightly more grant funding from the RHI than from the NHCF. Overall, a relatively large proportion of grants (27%) have gone to repairing existing housing supply, the bulk of which are TCHC units.

Indigenous groups have received a relatively large proportion of grants thus far.

Indigenous groups have received almost 14% of the grant funding, nearly all of which has come through the RHI (see Figure 6). While about one quarter of projects are in Québec, there was at least one RHI grant awarded to an Indigenous group in every province and territory, except for Nunavut.

FIGURE 6 - CMHC Funding by Proponent Type, Major NHS Unilateral Rental Supply Programs

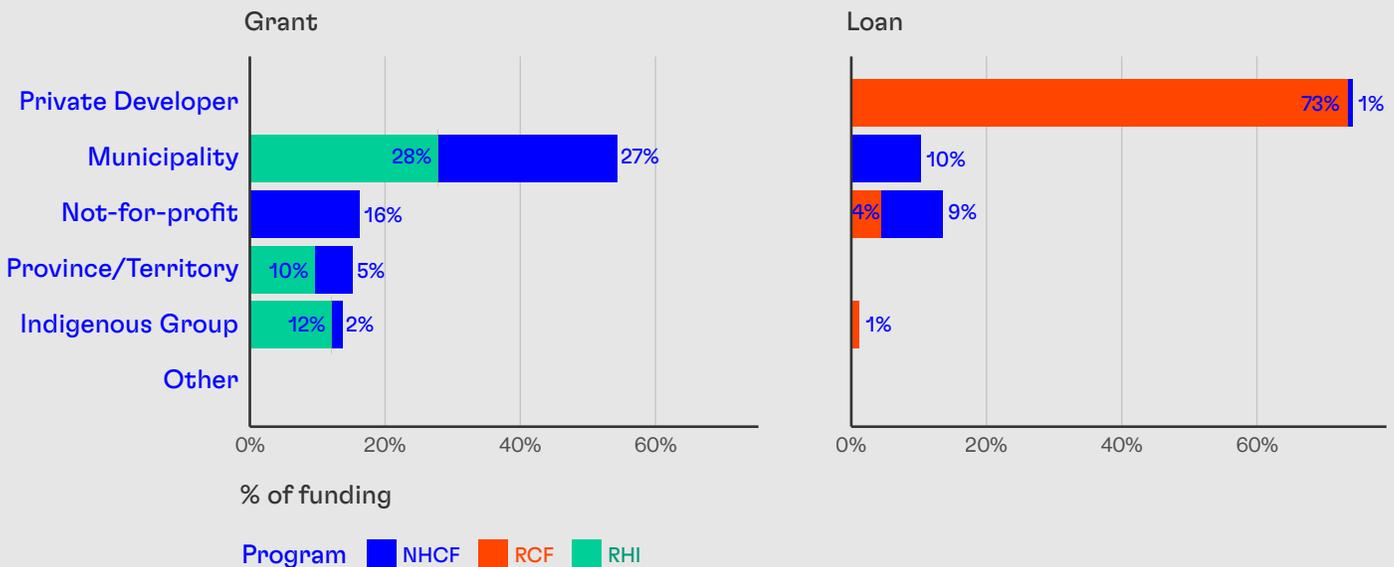
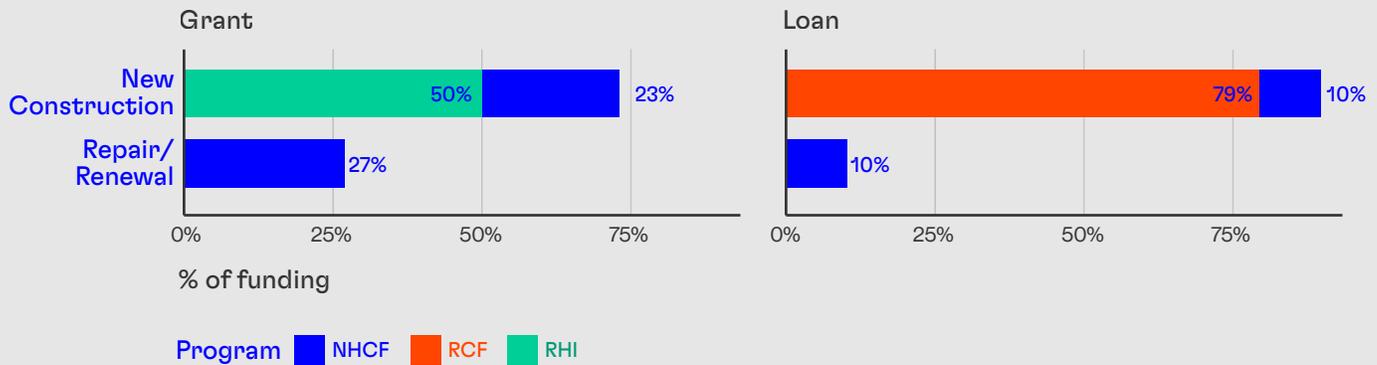


FIGURE 7 • CMHC Funding by Project Type, Major NHS Unilateral Rental Supply Program



4.2 HOW MUCH RENTAL HOUSING HAS BEEN CREATED SO FAR?

The three largest unilateral NHS supply programs will create approximately 34,900 new units of rental housing, and repair approximately 60,700 existing units.

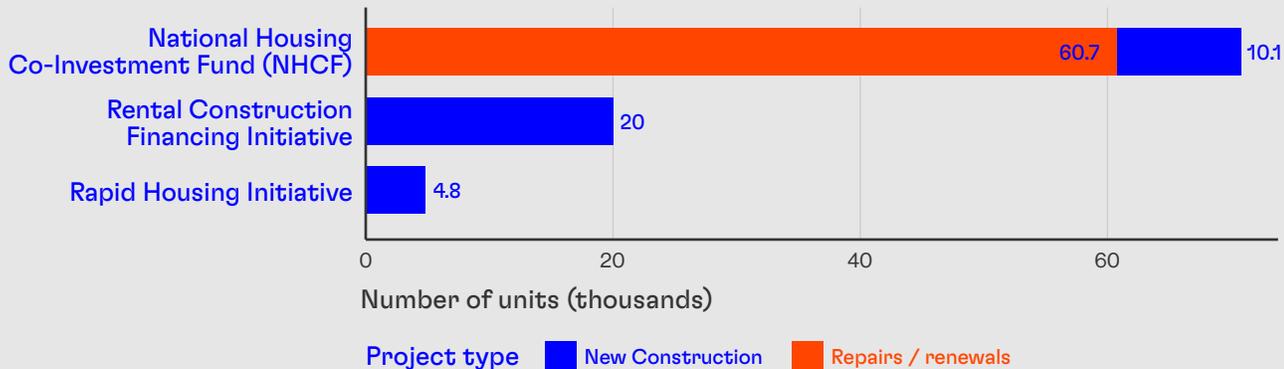
Overall, over 95,000 units²⁹ are planned, in progress or completed by NHS rental supply projects studied (see figure 8). Almost two-thirds of the units (approximately 60,700) are repair or renewals of existing housing supply, while the remainder (approximately 34,900) are newly constructed rental units.

Nearly all repairs and renewals are funded through the National Housing Co-Investment Fund: while the NHCF has produced or repaired the greatest number of units overall, less than 15% of these are new construction. The bulk of new housing supply (approximately 20,000 units) will be produced by the RCF.

²⁹ This figure includes other unit types such as shelter beds, transitional housing, and single-room-occupancy (SRO) units. We have incomplete data on unit type across projects. Of the approximately 26,500 'affordable' units created by the programs studied, at least 1600 are of 'other' unit type, which includes supportive housing, single-room-occupancy, and shelter beds. However, data on unit type are missing for some NHCF projects, and all RHI projects, so this count likely underestimates the total number of such units. Of the NHCF projects for which we have data, 14% of units created fell under this category (see Figure 14). It is unclear which of these units are temporary accommodations, and which are permanent housing.



FIGURE 8 • Rental Housing Supply Created or Repaired by Major Unilateral NHS Programs



Most of the units created or repaired meet program affordability criteria.

Thus far, the supply programs studied have created approximately 26,500 units of new housing meeting program affordability criteria, while repairing just under 55,000 units of existing affordable housing. For units that are repaired, affordability is defined according to the relevant provincial or municipal requirements for housing affordability (i.e., the units must be considered ‘affordable’ by the relevant province, territory, or municipality).

Note that the affordability criteria used by these three programs vary considerably from one-another (see Table 2: Program Affordability Criteria). As we discuss in 5. Analysis of Gaps, the affordability criteria used by the RCF regularly produce units with rents well in excess of average market rent in their areas.

The affordable units created by the RCF, NHCF and RHI thus far could meet only a small part of the NHS’ targets for lifting households out of core housing need.

In Figure 9, we compare the number of program-affordable units repaired or created to (a) the NHS’ commitments to removing households from core housing need, and (b) the total number of households in

CHN as of 2016. The National Housing Strategy targets “removing 530,000 families from housing need.”³⁰

Even if we assume that each of these new and repaired units that meet program affordability criteria lifts one household out of CHN, this housing created would meet only 15% of the government’s targets (approximately 24% of total planned funding has been spent for these programs). When we compare these figures to the total number of households in CHN in 2016, these programs could meet the needs of at most 4.8% of the households in CHN.³¹

We can think of the number of program-affordable units created or repaired as the upper bound on how many households could be removed from CHN by these programs. As we discuss in the following section, many of these ‘program-affordable’ units are unlikely to lift households out of CHN, because the way in which some programs define affordability often means that units the NHS considers affordable charge a higher monthly rent than what is available on the market already. Further, not all repaired or renewed units will remove a household from CHN, since the repairs could result in fewer total units in the building, rents could increase concurrently with repairs, and because many of the units repaired

30 <https://www.cmhc-schl.gc.ca/en/nhs/guidepage-strategy>

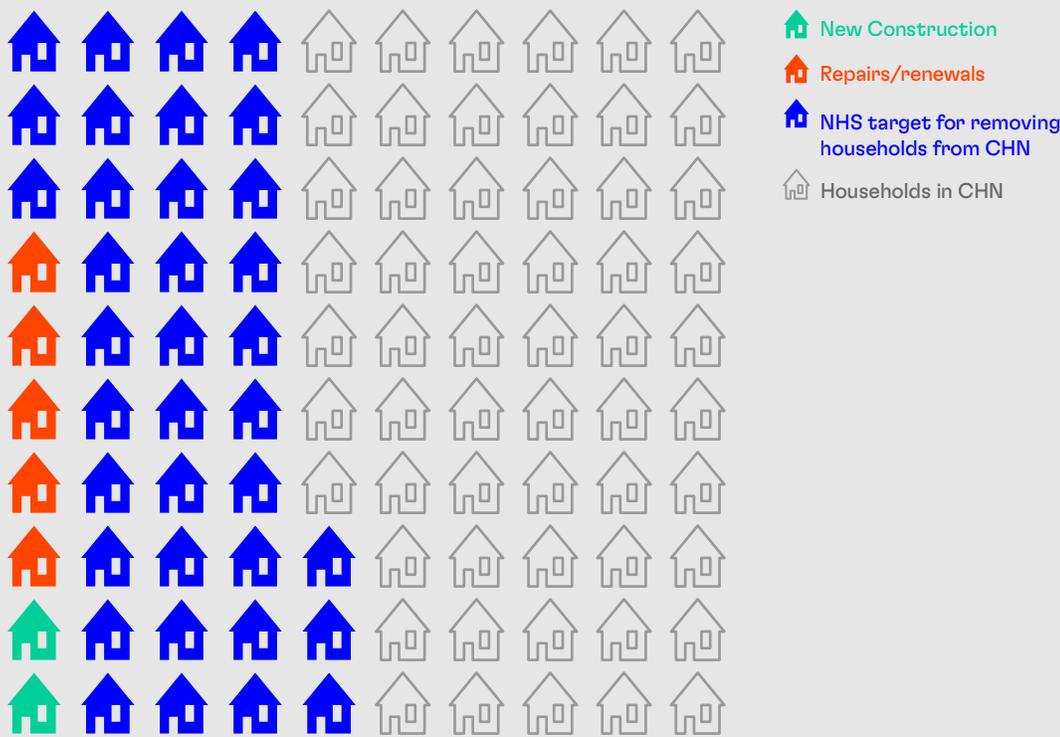
31 We note that the count of households in CHN from the 2021 census is expected to be higher than in 2016.



already provided affordable housing to a household that would otherwise be in need. Finally, some proportion of these units are likely temporary accommodations, rather than permanent housing, and thus could not lift a household out of CHN.³²

We note that while these programs represent a sizable proportion of NHS funding, they are only one part of the National Housing Strategy which could address core housing need, which includes other sources of funding to create housing supply and offer supports to renters.

FIGURE 9 • Number of affordable units created by major NHS supply programs compared to number of households in core housing need³⁶



³² See footnote 29.



5. Analysis of Gaps

5.1 HOW IS AFFORDABILITY DEFINED BY NHS SUPPLY PROGRAMS?

Unlike other major housing programs, the RCF assesses affordability relative to median family incomes. Compared to other ways of assessing affordability used by NHS programs, this definition is less likely to produce housing that meets the needs of unattached people and renters.

Of the RCF projects studied, the vast majority of units meet the RCF's affordability standard: 80% of units in RCF-funded developments are considered 'affordable', according to CMHC's internal data. However, this is largely a function of the way unique way in which 'affordability' is defined for the RCF.

The RCF's affordability criterion is calculated relative to the median income of families (not households) in the area in which the project is located (see Table 2).³³ This distinction is important: while households include single people living with roommates and those living alone, census families include only households led by married or common-law couples or lone-parent households. The difference in median household income between those in census families and those who are not is substantial: in 2019, the median family household in Canada earned \$90,390 before-tax, while the median household not in a census family earned only \$31,150.³⁴ This number is further skewed by the fact that it includes both renter and owner households: the median income of renter

households is almost certainly lower than that of owners in most areas. It also worth noting that this definition is out of step with the way cities generally assess affordability (Canadian Urban Institute, 2021).

Another unique feature of the RCF's affordability standard is that it is uniform across unit types. While market-rent-based approaches compare to other units of the same size (e.g., 2-bedroom units), under the RCF, affordability is assessed uniformly, regardless of the size of the unit. For instance, if the median household income of area families were \$70,000 annually, a studio apartment with a monthly rent of \$1750 would be considered 'affordable' by the RCF, while a 3-bedroom home with a monthly rent of \$2000 would not.

The NHCF defines affordability in relation to median market rents, which means that affordability criteria vary by unit size and considers the market faced by renters better than the RCF.

Unlike the RCF, the NHCF defines affordability in relation to median market rent: in NHCF-affordable units, rent must be less than or equal to 80% of median market rent (MMR). This definition avoids some of the pitfalls of the RCF's definition. Since MMR is calculated relative to unit size, what is considered "affordable" is different for a studio apartment than for a 3-bedroom home. By pegging affordability to the rental market, this definition reflects only the market faced by renters, while income-based definitions also include the incomes of owners.

³³ This was confirmed by CMHC officials.

³⁴ Statistics Canada, Table: 11-10-0009-01.



There are disadvantages to this approach, however. First, many households could be in core housing need while paying below-market rent. It is also worth noting that MMRs may not reflect the market faced by renters, since in jurisdictions with rent control laws, rents in occupied units are typically lower than market rents in units available to rent, and because MMRs are calculated at the census metropolitan area level, rather than relative to individual neighbourhoods.

The RHI appears likely to produce rents that could meet the needs of those with low incomes and reduce core housing need.

Like the RCF, the RHI defines affordability in relation

to income. Unlike the RCF, however, it considers (a) personal income, rather than household income (b) the incomes of people in “severe housing need” (see Table 2). Consequently, the RHI almost certainly produces rents that are lower than those charged in RCF units, all else equal. It is possible that the RHI could produce rents that are lower than some NHCF developments as well. Further, these criteria appear designed directly target core housing need — according to CMHC officials, these criteria mean that the units must charge rent no greater than 30% of the household income of its occupant. Since the program explicitly targets those in need, this suggests that every RHI-funded unit would by definition lift a household out of need.

TABLE 2 • Program Affordability Criteria

PROGRAM	DEFINITION OF ‘AFFORDABLE’	PROPORTION OF UNITS THAT MUST MEET DEFINITION OF ‘AFFORDABLE’	LENGTH OF TIME UNITS MUST MEET DEFINITION OF ‘AFFORDABLE’
Rental Construction Financing Initiative ³⁵	Rent must be: (a) Less than or equal to 30% of median gross income, of area* economic families; OR (b) “The project’s rental unit affordability is defined under another government agreement or program.” AND Project’s gross achievable residential rental income must be 90% or less of Potential Gross Income.	At least 20% of units	At least 10 years
National Housing Co-Investment Fund	Rent must be less than or equal to 80% of median market rent	At least 30% of units	At least 20 years
Rapid Housing Initiative ³⁶	Less than 30% of gross income for “targeted people and populations who are, or otherwise would be in severe housing need* or people experiencing or at imminent risk of homelessness**”	100% of units	At least 20 years

*Area is defined as the Census Metropolitan Area (or Census Agglomeration, for projects not in a CMA) in which the project is located.

** A household is in “Severe housing need” if it spends 50% or more of its gross income on housing.

*** A person is said to be at “imminent risk of homelessness” if their current housing situation will end within 2 months, and “no subsequent residence has been established.”

35 CMHC, “RCFI Social Outcome Grid”

36 CMHC, “Rapid Housing Initiative – Product Highlight Sheet.”



5.2 IS THE RENTAL SUPPLY THAT HAS BEEN CREATED AFFORDABLE TO THOSE IN CORE HOUSING NEED?

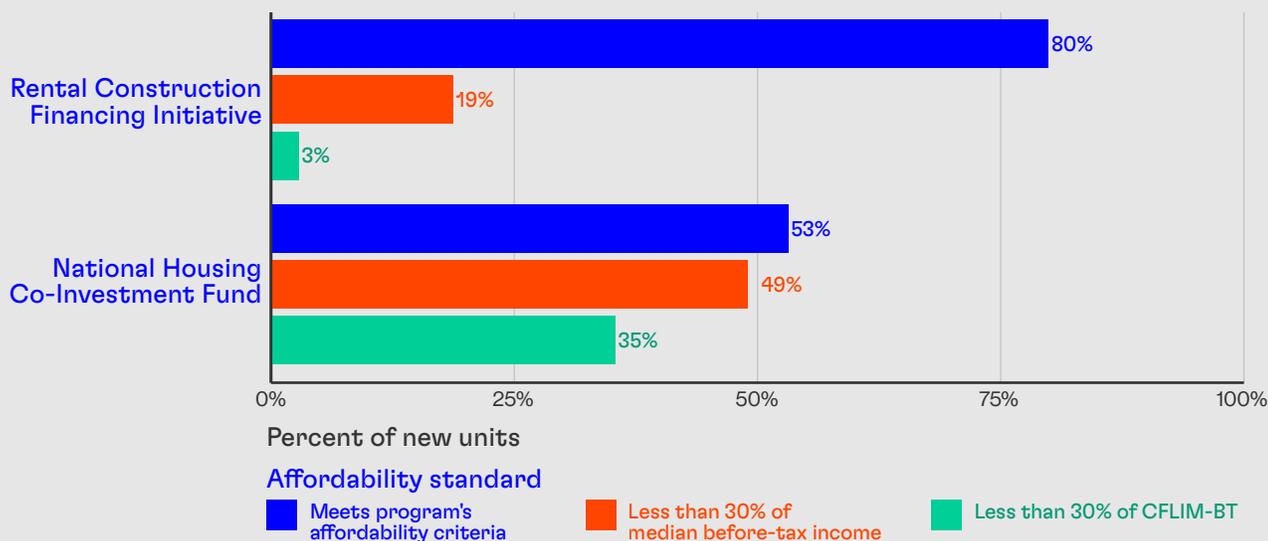
Less than 40% of RCF units could lift middle-income households out of CHN, and almost none could lift low-income households out of CHN.³⁷

In Figure 10, we compare the proportion of units meeting the RCF’s affordability criteria (blue bar) to the number of units that would meet the same standard if it were calculated relative to the incomes of household types for which the unit would be suitable (red bar). We estimate the standard for one-bedroom units relative to the incomes of unattached households and all other bedroom units relative to family households only. By this standard, the number of units that would cost less than 30% of median income, and thus could take the average household out of core housing need, drop substantially: while 80% of units meet RCF’s affordability criteria, only 38% meet that same criterion calculated relative to the relevant family type. Further, as we note in 3. *Profile of need*, median-income households are far less likely to be in core housing need than lower income households.

This is largely driven by 1-bedroom and bachelor units: while essentially all two bedroom or larger units in RCF projects would be affordable to the median area family, only 6% of 1-bedroom and bachelor units charge rents less than 30% of the median income of area unattached persons (see Figure 10).

We also calculate the proportion of units in RCF-funded developments with average rents less than 30% of the Before-Tax Low-Income Measure (CFLIM-BT), a common indicator of income poverty – in 2017, 12.7% of Canadians were in poverty by this measure.³⁸ We find that only 3% of units in RCF-funded developments charge rents lower than 30% of the CFLIM-BT. In other words, a low-income family would be in core housing need if they lived in 97% of new units created by the RCF. This means the RCF is likely to have very little effect in reducing core housing need among those with low incomes, a group which makes up the bulk of those in need.

FIGURE 10 • Depth of Affordability, New Units Created by Major NHS Supply Programs



³⁷ Note that throughout our analysis, since we were not able to gain access to granular rent access, we assume no variation in rent price across units meeting program affordability criteria of the same size, in the same development. For example, if a given development has 20 one-bedroom units meeting program affordability criteria with an average rent of \$500, for the purposes of analysis we treat all 20 units as though their rent were \$500. This assumption was validated as reasonable in conversation with CMHC officials with knowledge of program data.

³⁸ A family is in poverty by the Census Family Low-Income Measure Before Tax (CFLIM-BT) if it falls below 50% of median household before-tax household income. CFLIM-BT is calculated separately for different household sizes. We estimate this measure of rental affordability for one-bedroom rents to CFLIM-BT for one-person households, two-bedroom rents to the CFLIM-BT for two-person households, and three or more-bedroom rents relative to the CFLIM-BT for four-person households. See (ESDC, 2021b) for further discussion.

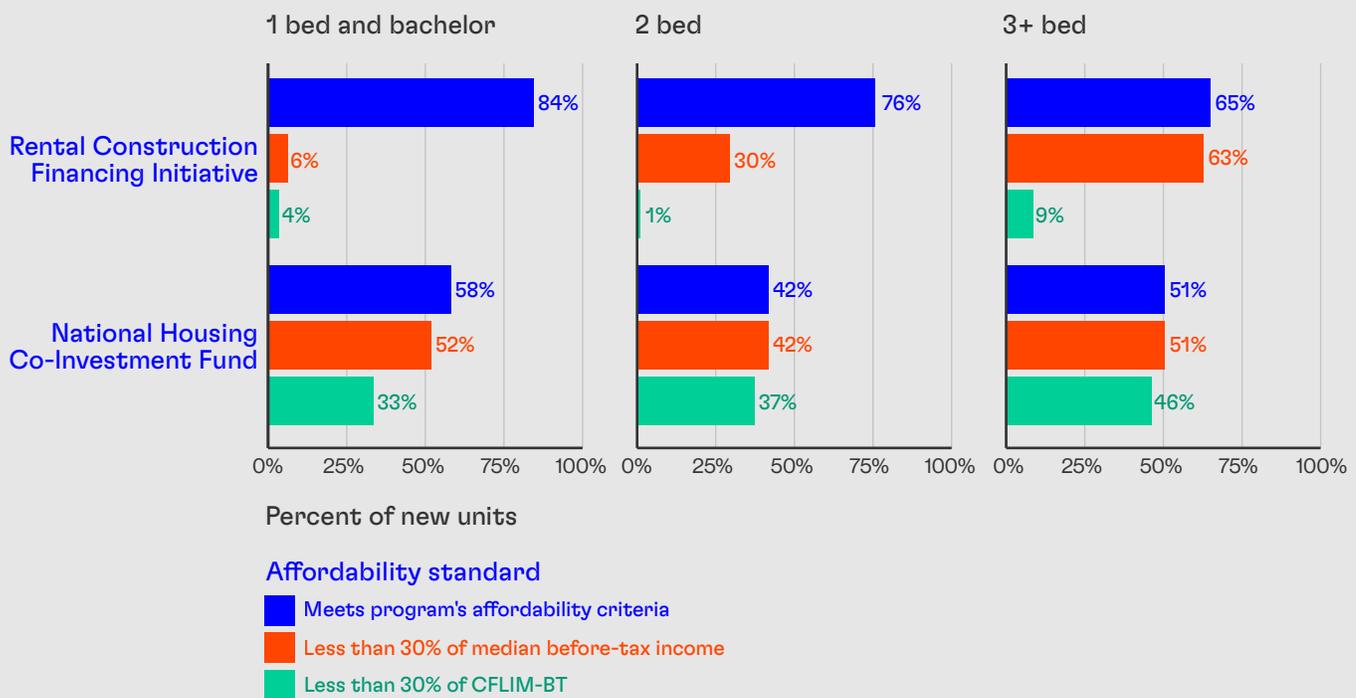


Half of NHCF units could lift families and unattached people out of core housing need. About one-third could lift low-income households out of core housing need.

Similar to our analysis of the RCF, we calculate the proportion of new construction NHCF units that could lift different family types out of CHN, both for middle-income households and for low-income households.

We find that about half of new units in NHCF developments could lift the median family or unattached person out of CHN, a somewhat higher proportion than the RCF. However, a far greater proportion (35%) of NHCF units could lift a low-income household out of CHN. This suggests that the NHCF's affordability criteria and program design are better suited to reduce CHN among low-income households than the RCF.

FIGURE 11 • Depth of Affordability, New Units Created by Major NHS Supply Programs, by Unit Type



The RCF's affordability criteria rarely produce new units with rents below the average market rate (AMR). Many units meeting program affordability criteria charge rents far above average for their areas.

Of the 62 RCF-funded developments for which data were available, only 23 (37%) produced any units that were below the average market rent for that unit type in the area in which the project was located. It is also worth noting that almost no developments funded by the RCF would meet the NHCF's affordability criteria.

Further, in many projects, the way in which affordability is defined has produced units considered 'affordable' according to the RCF standard that charge rents well above the average market rate for the area. In one case, the RCF-affordable 2-bedroom units in a development in Laval cost \$1,896 monthly, over double the average monthly rent of two-bedrooms in the area (\$903).

In another example, one development in downtown Winnipeg charges \$1,756 monthly for its RCF-affordable bachelor units — 2.3 times the average market rent for bachelor units in that area. This development also illustrates another problem with defining affordability in relation to income without accounting for unit size: since affordability is assessed uniformly across unit types, this creates a strong disincentive to provide low-rent units for single persons. In this development, rents for RCF-affordable bachelor units are essentially identical to rents for three-or-more-bedroom units (\$1,756 vs. \$1,780 per month).

Many newly constructed NHCF units charge rents that are more affordable than required by program criteria.

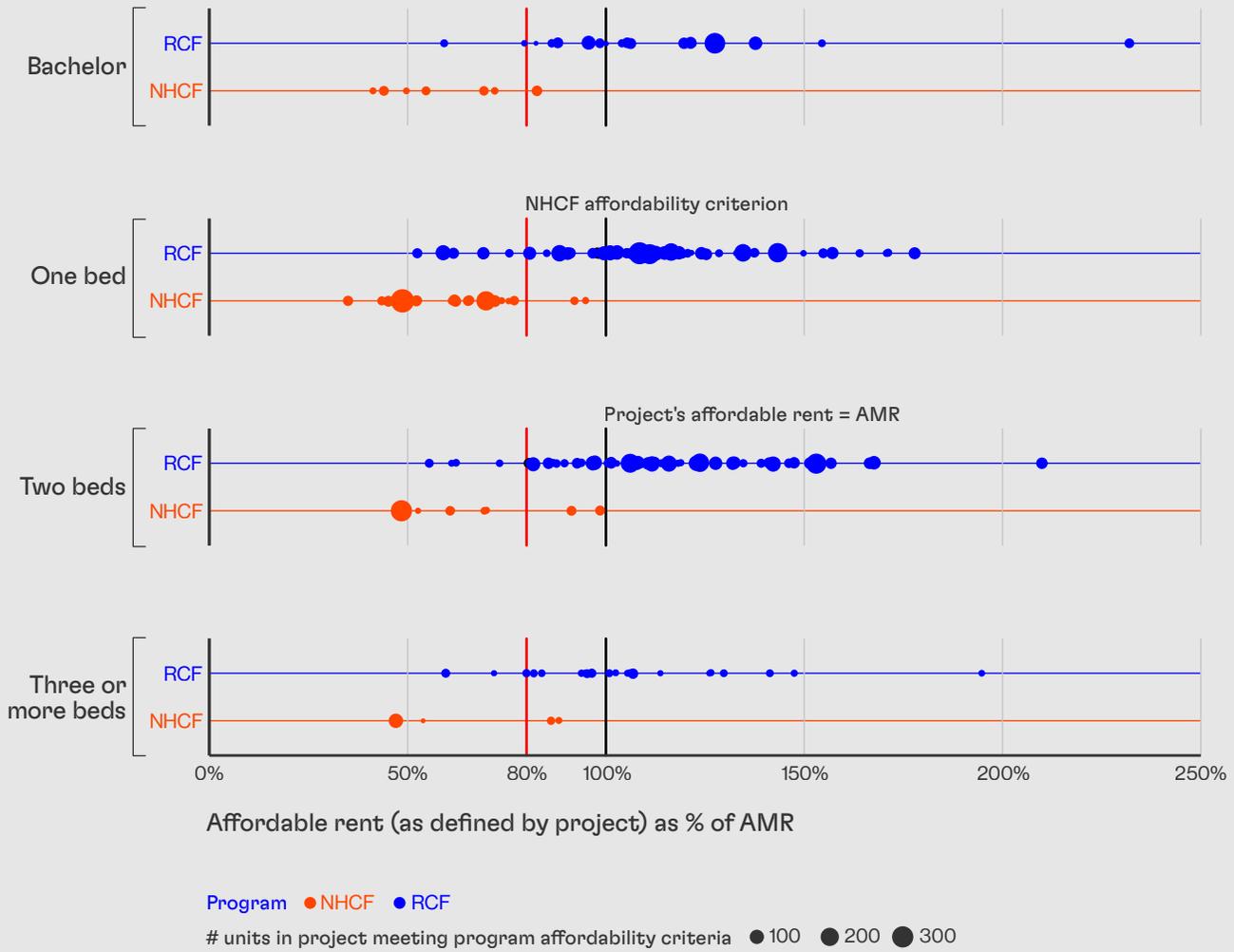
In stark contrast to the RCF, rent in NHCF-affordable units are always below market rates, since affordability criteria stipulate that rents must not exceed 80% of average market rent (AMR).³⁹

Many NHCF projects have produced rents well below this standard: for example, the largest NHCF project by number of new units, created through the Region of Peel Housing Master Plan, has average rents for affordable units that are approximately half of market rent. Other smaller projects have produced units that are well-below market, generally those led by non-profit proponents: of 10 the projects with the lowest ratio of program-affordable rent to AMR, 7 are small developments led by non-profit proponents.

³⁹ While some NHCF-affordable units we study charge rents slightly higher than this standard, it is possible that this discrepancy is due to the dates at which affordability was assessed. Throughout our analysis we use AMR data from 2020; the date at which affordability was assessed was not included in the data we were provided.



FIGURE 12 - Average Rent in Units Meeting Program Affordability as a Percentage of Average Market Rent (AMR), by Unit Type and Program



5.3 WHO IS LEFT BEHIND BY THE RENTAL SUPPLY THAT HAS BEEN CREATED?

Almost no units in RCF-funded projects could lift lone-parent families out of core housing need.

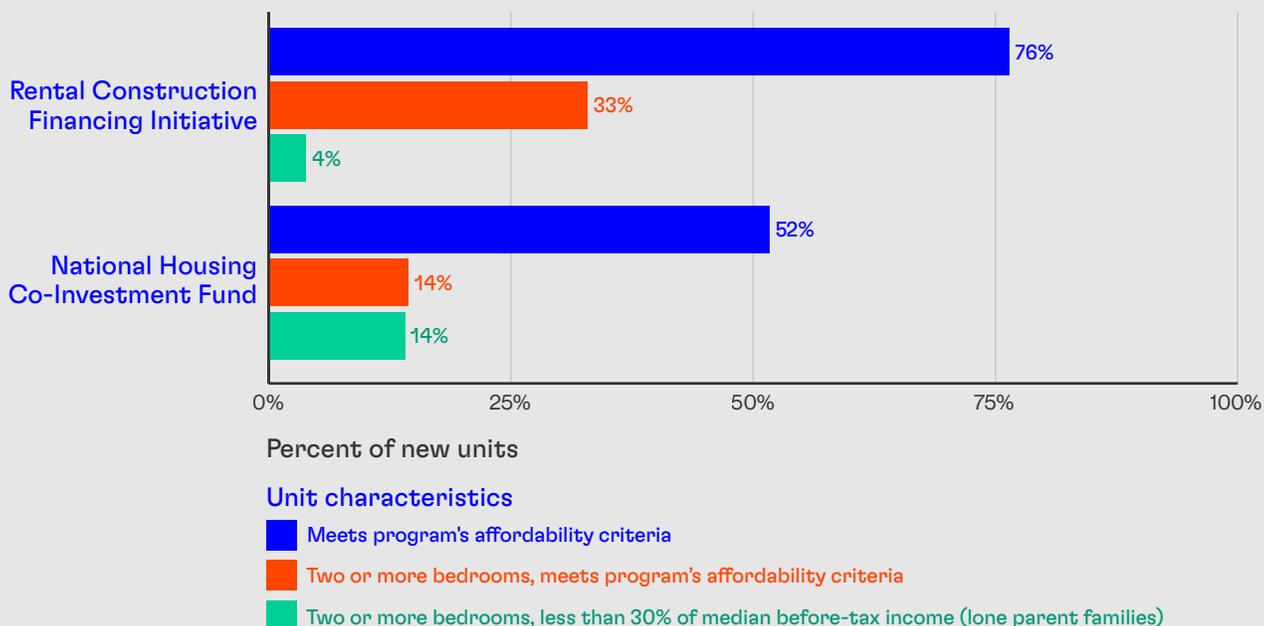
As we note in 3. *Profile of Housing Need*, lone parent households have disproportionately high rates of CHN. A key reason for this is the challenge of finding affordable, suitable housing, since lone-parent families tend to have lower incomes than other family types with children, but similar housing suitability requirements.

In Figure 13, we analyze the degree to which units in NHS-funded developments meet the needs of lone-parent families in CHN. Among all units in RCF-funded developments studied, just over three-quarters (76%) of units met RCF affordability criteria, and one-third (33%) were both RCF-affordable and had two or more

bedrooms. However, when we calculate the RCF's standard for affordability (less than 30% of median area gross household income) relative to the average incomes of lone-parent families, we find that only 4% of units in RCF-funded projects would meet this standard. In other words, the median lone-parent family would be in core housing need (either by the suitability or affordability standard) if they lived in 96% units in RCF-funded developments.

The NHCF fares better than the RCF by this standard: almost all two- or three-bedroom units that meet the NHCF's affordability criteria would also be affordable to the median lone-parent family. This suggests that the NHCF's criteria and design are better suited to producing affordable units for this population.

FIGURE 13 • Affordability of two-or more-bedroom units, lone-parent households



Both the RCF and NHCF produce few units that would be affordable to people with very low incomes. This limits the extent to which these units can remove people from homelessness or prevent people from entering it.

As we note in 3. *Profile of housing need*, on average, people living in shelters typically have very low personal incomes: in 2016, the average person living in a shelter would be in the bottom 10% of personal incomes nationally. Shelter residents are disproportionately unattached men, while a key pathway for women into homeless is fleeing violence from intimate partners or families. Together, this suggests that deeply affordable units suitable for unattached persons are a key need for people experiencing homelessness.

While the NHCF has produced a number of temporary units that may be designed meet the needs of people experiencing homelessness, such as transitional housing, shelter beds, or supportive housing (see Figure 14), units of this type are not always long-term affordable housing solutions. Looking only at one-bedroom and bachelor units (excluding transitional units, shelter beds and supportive housing), only 3% of NHCF one-bedroom or

bachelor units meeting program affordability criteria have rents less than 30% of the 20th percentile of personal incomes, and none have rents that would meet the same standard for 10th percentile (see Figure 15).

No units produced by the RCF are likely to meet the needs of those experiencing long-term homelessness: of the over 3,000 units of new-built RCF-affordable one-bedroom or bachelor units, none have rents less than 30% of income for the bottom 30% of personal incomes, and only 4% have rents less than 30% of income for the bottom half of personal incomes.

The RHI appears designed to meet the needs of people experiencing homelessness: the program’s criteria stipulate that all units must have rents below 30% of gross income for people “experiencing severe housing need” or “experiencing or are at risk of experiencing homelessness”, suggesting that unit affordability is assessed in relation to a lower income threshold than the RCF (see Table 3). Because data on average rents in RHI-funded developments are not tracked systematically, we are unable to assess the degree of affordability of units in RHI-funded developments.

FIGURE 14 • Newly Constructed Units by Type of Unit

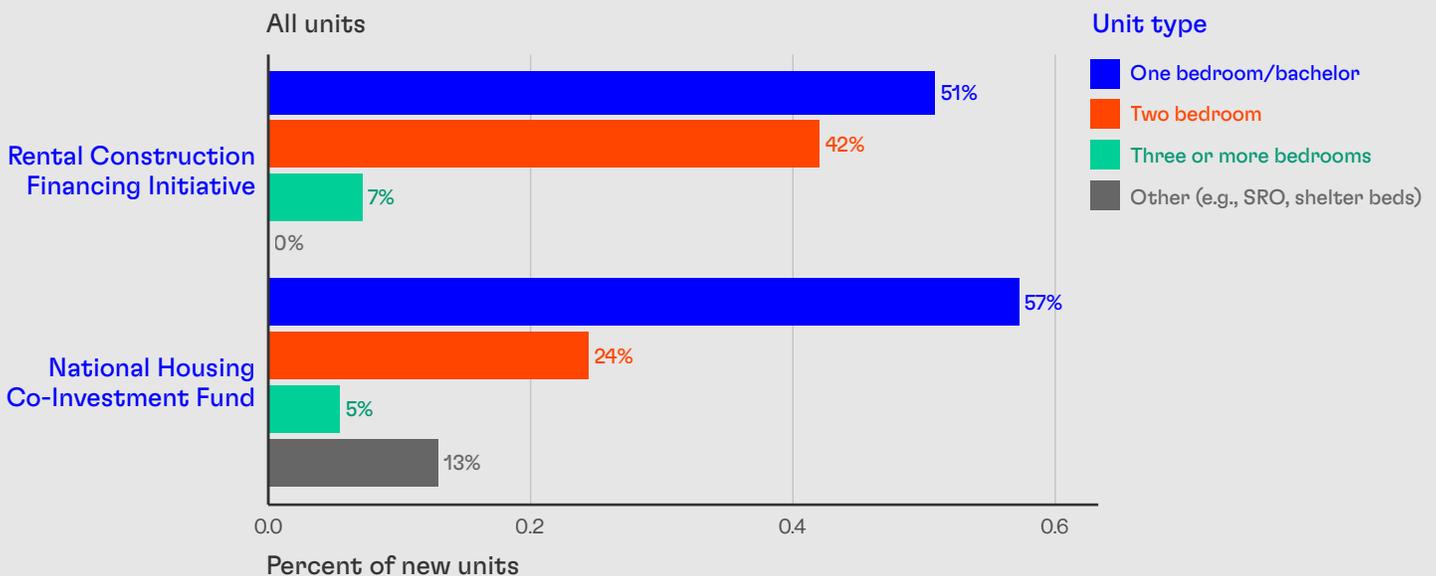
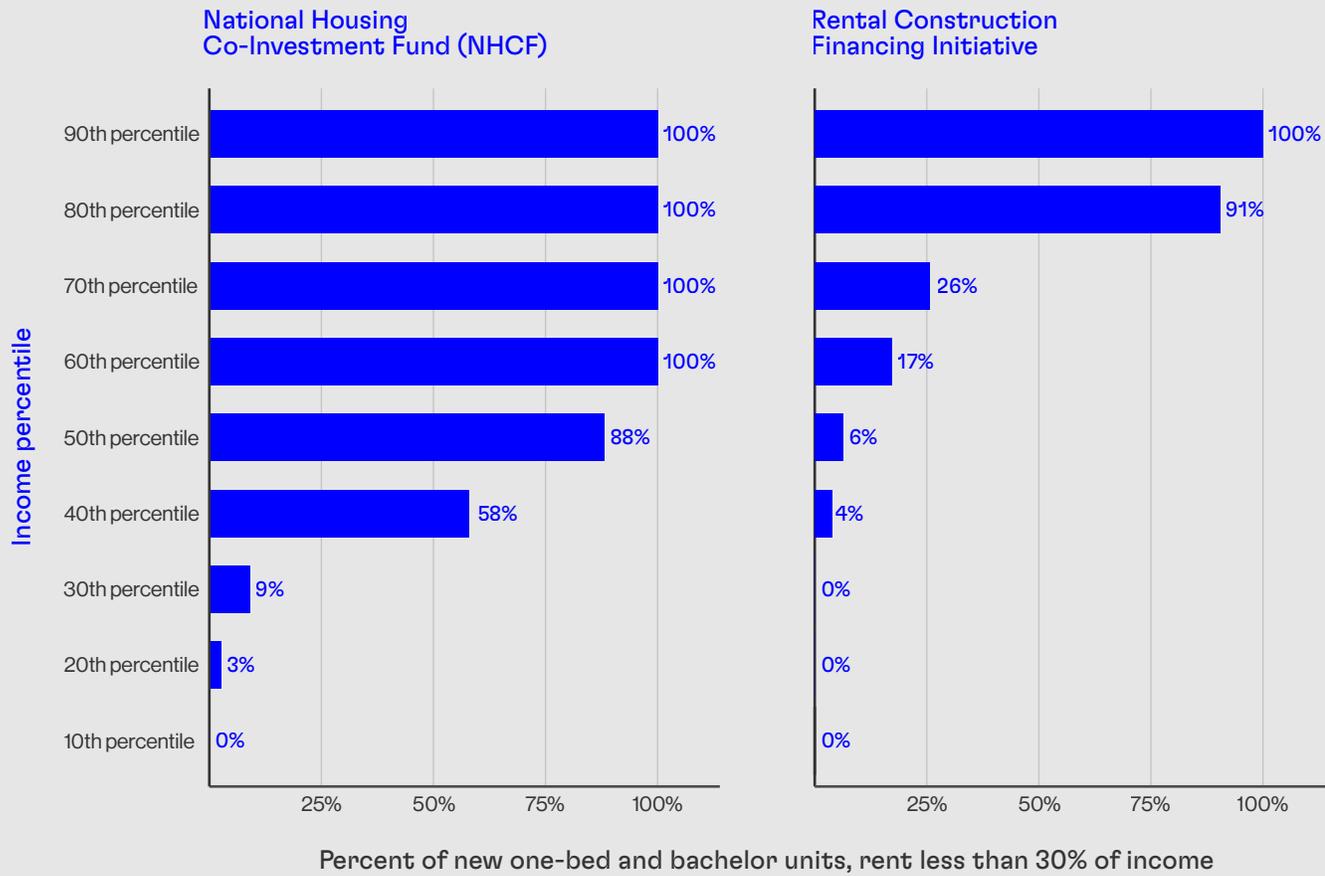


FIGURE 15 • Number of New 1-Bedroom and Bachelor Units Meeting Program Affordability Criteria with Rents Less Than 30% of Gross Area Income, by Income Decile



Implications

1. Producing deeply affordable rental units is critical for reducing core housing need and homelessness.

Most households in core housing need are renters, and most are in need because their housing is unaffordable to them. Nearly all households in CHN have below-average household incomes, and most have incomes that are in the bottom 20% in the country. This means that any program intended to meaningfully reduce core housing need must create rental housing that would be affordable to low-income households.

2. Housing need is deepest and most prevalent in groups of Canadians that have historically been marginalized and disadvantaged. These groups will be left behind if the housing produced is not affordable to those in need.

The National Housing Strategy commits to prioritizing the needs of vulnerable groups of Canadians, including people experiencing homelessness, women and children fleeing domestic violence, seniors, people with disabilities, racialized groups, and newcomers, and the needs of Indigenous peoples. Further, the National Housing Strategy Act requires the strategy to prioritize those in greatest need. While these groups have distinct experiences of housing need, many individuals in these groups share the experience of struggling to afford housing. Producing housing that is affordable to those with low incomes is a critical step in meeting the government's commitments and obligations.

3. Supply created by the NHS programs studied in this report does not, for the most part, meet the needs of those in CHN.

Most of the new housing created by the NHS has been through projects funded by the RCF, and to a lesser extent the NHCF and RHI. Very few RCF units, and a minority of NHCF units, would be affordable to and suitable for low-income households. While units created by the RHI are very likely to be affordable to low-income households, these units comprise a relatively small part of the units created. As we have noted, low-income households comprise the vast majority of those in core housing need; therefore, much of the housing that has been produced thus far is unlikely to remove households from core housing need.

4. Appropriately designed affordability criteria are critical for reducing core housing need. Adjusting program design, or reallocating funding to programs that effectively target core housing need, has the potential to improve the government's ability to meet its targets.

The way in which 'affordability' is assessed for different programs can produce dramatic differences in the amount of need that can be met by these programs. While the Rental Construction Financing Initiative has produced the bulk of new units that are considered "affordable" by the National Housing Strategy, its program criteria were not calibrated to reduce core housing need. Further, RCF's supply effects do not appear to put downward pressure on rents, since very



few units produced have rents below average market rent. Other programs appear to have greater potential to produce new housing that is affordable to those in need; however, the RHI has received comparatively little funding, and the majority of NHCF funding has been committed to repairs.

Given the weight placed on the program in the NHS portfolio, reallocating funds away from the RCF toward programs better suited to producing units that are affordable to low-income households, or adjusting program design to better target those in need, has the potential to improve the government's ability to meet its targets and advance the right to housing.

5. Even if the RCF and NHCF produced deeply affordable units, the number of units produced is not enough to meet the NHS' targets on their own.

Even the NHCF and RCF produced units that more affordable, the number of units produced by these programs falls well short of the NHS' targets for reducing the number of households in core housing need. Compared to the total number of households in core housing need across the country, these programs could meet only a fraction of existing need. It is clear that the supply produced by the programs studied are not enough on their own. Barring substantial program expansion, this increases the importance of bilateral supply programs and demand-side interventions, such as the Canada Housing Benefit, for meeting the government's targets.



DESCRIPTION OF DATA SOURCES

2016 Census Data

In our analysis of the distribution and nature of housing need in Canada, we rely on data from the 2016 Canadian Census of Population, obtained via Statistics Canada real-time CANSIM tables. These data are the most recent census data currently available to researchers. We use the following census data in our analysis:

Housing need: The census collects two key types of data on housing need: *core housing need* (CHN) and shelter populations. A subset of census questions are asked to those residing in shelters.

Population: For comparisons of need to population size, we rely on population estimates from the 2016 census.

Before-tax personal income centiles: Obtained from census data at the Census Agglomeration (CA) level.

NHS Project Details

We were provided a dataset containing key project-level information about projects funded under 5 National Housing Strategy rental supply programs.

- **National Housing Co-Investment Fund (NHCF):** 145 projects
- **Rental Construction Financing Initiative:** 134 projects
- **Rapid Housing Initiative (RHI):** 51 projects
- **Projects stream:** 180 projects
- **Innovation Fund (IF):** 22 projects
- **Federal Lands Initiative (FLI):** 10 projects

These data contain information for all projects approved under the programs as of June 30th, 2021 (including projects that are planned but have not yet received full funding). For each project, the dataset contains key details about project characteristics, including:

- Location
- Amount of funding received from CMHC, separated into loans and grants (forgivable loans)
- Number of units: Total number of units built or planned for project.
- Number of 'affordable' and 'accessible' units, based on program criteria for affordability and accessibility
- Average 'affordable' rent for each project, by number of bedrooms. Note that it is likely that at least some of these rents are projected rents at the time of application, rather than actual rents. We were unable to determine the date at which rents were recorded, while could range from 2017-2021.
- Proponent name and type

Other data sources

- **Average rent by CMA / CA:** We use average rent by CMA / CA in 2020, obtained from CMHC Rental Market Data portal to study the relationship between market rents and affordable rents at NHS-funded projects.
- **Distribution of total income by census family type:** Obtained at the CA/CMA level from Statistics Canada Table: 11-10-0012-0.



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Blueprint