ISSUE #9 NOVEMBER 2017


# Making sense of the funding allocations in the National Housing Strategy

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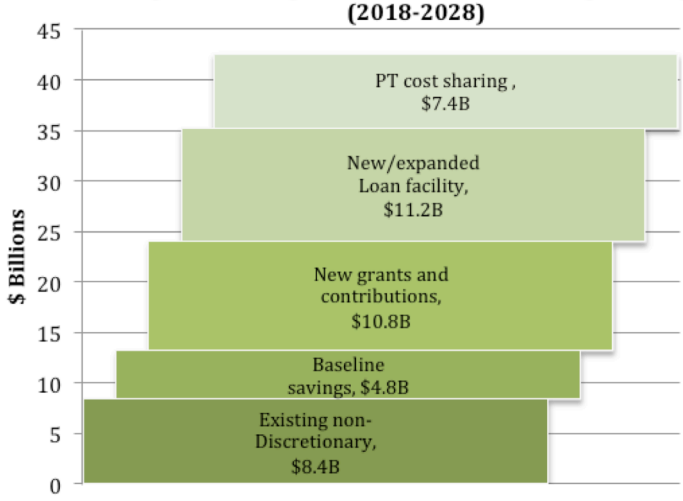
Canada's newly minted National Housing Strategy adds some objectives, targets and outcomes to the funding framework, announced in the 2017 federal budget back in march this year.

It also suggests that the funding envelope has risen from $11.2 billion to over $40 billion (over ten years). While the communications identified a rounded $40B, this analysis shows it is in fact slightly higher, albeit only after adding expected provincial-territorial contributions. It is however entirely appropriate to add PT dollars as this is a framed as a national, not a federal strategy. And while $40B sounds like a lot, this must be placed into context against the targets it will seek to achieve (especially since only a portion is new money) and the phasing over which it is spent.

How did it grow to this number, outside of a formal budget process? The extra funds come from a combination of sources, as illustrated in Fig 1: existing non-discretionary spending; reinvestment of planned reductions in long term spending; provincial territorial matching contributions on both the past agreements (some of which had been cost-shared) and on new investment funding; and a new loan facility created in Budget 2017 but expanded under the NHS.

**Fig 1: Funding in the National Housing Strategy (2018-2028)**




## About the Center

The Centre for Urban Research and Education (CURE) is a multi-disciplinary network of researchers, primarily from Carleton University, who share an interest and commitment to strengthening municipal and urban affairs. With diverse experience, expertise and perspectives, the CURE network carries out collaborative research in areas including community governance, citizen engagement and local capacity building around planning for infrastructure to support social, economic, and environmental sustainability.

## Vision and Goals

We are committed to strengthening governance, policy making, and management in urban areas through collaborative research, community engagement, and education.

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1. The $11.2 billion announced in Budget 2017 was new funding. [1] Also included in the $11.2B are programs announced in the 2016 or 2017 budgets, which are currently ongoing. Some of this funding is redirected into a new National Co-Investment Fund: specifically $202M for federal lands, $208M from the innovation fund and the remainder of loan funds under the Rental Construction Finance Initiative (RCFI) which was just implemented in April 2017.
2. Existing funding that is already part of the federal fiscal framework and relates to non-discretionary spending. This includes funds provided to CMHC to pay ongoing subsidies to social housing providers and provincial-territorial (PT) governments under long-term fund agreements, most of which committed the federal government to 35-50 years of funding. These expenditures total $8.4 billion over the decade of the NHS. [2]
3. These long-term agreements are maturing, resulting in ongoing annual reduction in the amount CMHC pays out to providers. These reductions are referred to as *baseline savings*. In Budget 2017, the federal government committed to reinvest these annual "savings" back into housing, but did not quantify the amount. Over the next 10 years this is now identified as $4.8 billion in funding. Reinvesting these baseline savings means we are effectively stabilizing funding at the current levels.
4. In addition to budgetary expenditures (grants and contributions), CMHC also provides loan financing to assist in rehabilitation and new construction. Budget 2016 announced a new lending program to stimulate rental construction, and this was implemented in 2017. Originally planned at $2.5billion, it has been expanded and augmented with the result that CMHC will provide low rate or interest free financing for a total of $11.2 billion in loans as part of the NHS. As loans, which are repayable, these are non-budgetary expenditures. However, the interest write-down and forgiveness portion does represent expenditure so is booked an s a subsidy (although not explicit in NHS, it is believed to be roughly $500M, over the full 10 years).
5. Finally, going forward, some of the proposed new federal funding is conditional on the PTs cost matching. So this attracts further investment into the NHS. In total, and subject to negotiating bi-lateral agreements with each PT, in aggregate this will contribute a further $7.4 billion in grants and contributions to specific housing programs.

[1] Announced at $11.2B the sum of related programs presented in NHS adds to only $10.7B. It is believed that there is an additional $500 million that relates to the interest cost to reduce loans for low or zero interest, and thus brings total of contributions back up to $11.2 billion.

[2] The $8.4 billion is actually only the portion that CMHC flows through PT governments for social housing they administer. Separately CMHC directly administers a small residual portfolio of projects mainly in Quebec and PEI, as well as some on reserve housing programs. This is estimated to be between $2.5 billion and $3 billion over the decade ahead, but was NOT counted in the NHS total spending. The total spending also excludes the PT cost sharing of that spending, which might add more than $14 billion over the 2018-28 period.

Drawing from these various sources, the NHS sets out a number of funding envelopes, as illustrated in Fig 2.

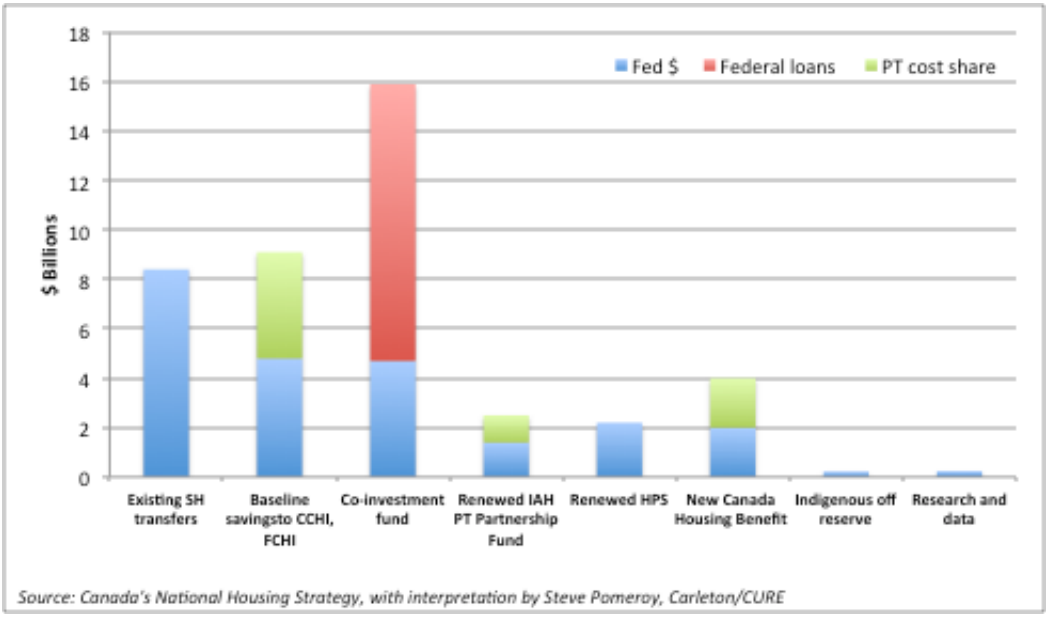


**Figure 1: Funding envelopes in the NHS**

The links between different sources and the Federal Budget are also presented below in Table 1.

**Some notable aspects of this funding framework**

- There is a strong commitment to preserve and enhance existing social housing. This is supported by both the continuing non-discretionary funding ($8.4B) to projects still under agreement as well as though the reinvestment of all expiring subsidy amounts, through the Canada Community Housing Initiatives (CCHI).
- It is especially notable that the CCHI will support operational viability and renewal of both the community stock (owned and managed by non-profit and co-op providers) as well as the public housing part of the system, which makes up close to half of the stock. This public housing is the oldest part of the system and thus in need of substantial capital renewal; and it houses a high proportion of deep need tenants, and thus requiring deeper subsidy.
- Previous statements from the federal government had suggested that since the public assets are directly owned and managed by PT housing corporations, they would be left to deal with these independently. It is significant that the federal government has changed their position and will cost share the ongoing viability of these assets. Left to manage alone, this would have crowded out capacity for PTs to cost share other elements in the strategy (and in Ontario where such subsidy responsibility is at the municipal level, it would have had catastrophic impacts on municipal finance, placing much of that stock at risk).
- The National Co-investment Fund (NCiF) is unilateral funding and does not require PT cost sharing. It is expected that it will include a subset of discrete programs with a range of priority target populations (e.g. survivors of family violence; seniors, adults with mental health challenges, veterans, etc.) and also include a combination of capital grants ($4.7B) and low cost direct CMHC loans ($11.2B). Roughly half of the grant portion will be directed to retrofit and rehabilitation, the other half to new build. This includes both non-profit and market housing and is designed to encourage and enable mixed income development and redevelopment.

- Details have not been yet finalized on the homeless part of the NHS, but the language used in describing the NCiF suggests that some of this capital and financing money might be used to facilitate construction of supportive housing, This would enable a more effective approach to meeting the diverse housing needs of people exiting chronic homelessness.
- The NCiF subsumes previously implemented programs such as the, Affordable Housing Innovation Fund, the federal surplus lands program, and the Rental Construction Financing Initiative, which is primarily a supply program, but does have a small affordable component to help address affordability.
- The amount identified for the extension of IAH (referred to as enhancing PT partnerships) is reduced from the original budget amount of $3.17B, down to $1.1B, with $2.0B reallocated to fund the proposed new Canada Housing Benefit. This means the amount of discretionary funding available to PTs and the amount potentially directed to new build will be lower than suggested in the Budget. However this may be largely offset by the availability of capital and financing under the NCiF (albeit without PT control).
- The prospects of a new housing benefit that can be used to help households on a waiting list, and accelerate movement off that list and potentially out of severe core need may be welcome to many PTs – especially those already operating or experimenting with housing benefit programs.
- The CHB can potentially also work in tandem with the NCiF when programs inside that fund build moderate rate rentals; the CHB can then provide financial assistance to enable some low-moderate core need households to afford those moderate rents. This will however require appropriate and careful program design for the CHB
- Currently the CHB is not scheduled to commence until 2020, but since it is subject to PT cost sharing design and negotiation, there is an opportunity to accelerate the program should any PTs be interested in doing so.
- As a subset of the NHS process the Minister established an advisory group on homelessness, which has been charged with redesigning the homeless program (HPS). This work is still in progress, so no details are available, beyond the funding level of 2.2 B as announced in the Budget.
- Similarly, a separate housing strategy targeting indigenous households is currently being developed and will be a later addition into the strategy. Again the budget allocated some modest funding for indigenous households not living on reserve ($225M). [3]
- The strategy is underpinned by specific targets and outcomes, with a commitment to actively monitor and report on these. The funding allocated to both CMHC and to Statistics Canada will help to develop data collection instruments and to support rigourous analysis and research. Potentially this will lead to refinement in elements of the strategy through empirically based policy analysis.

[3] There are additional funds in the Budget for Indigenous infrastructure. And in addition to this new funding, within its current spending plans CMHC has some unspecified level of funding directed to on-reserve housing.

**Concluding observations**

This brief has sought to explain the sources of funding that has been amalgamated into the NHS and the funding channels to which they have been allocated. It is important to note that within the total of some $42 Billion of planned spending over the next 11 years, only $15.0 billion is new money (includes the budget $11.2 and the quantification of the baseline savings). The rest is either loan funding (to finance renovation and new development), or existing funds. PT cost sharing will potentially add $7.4 billion.

This funding is also back end loaded – much of it coming into the system three-five years downstream, while in the initial years (2018/19 through 2022) the incremental increase over recent spending levels is minimal.

It is also spread over a fairly long term (11 years). So while $40 billion sounds like a lot, once the new money and the immediate spending is parsed out, the resourcing available is more modest in scale and scope.

Whether this funding level and allocation is appropriate and sufficient to achieve the targets set in the NHS is a separate assessment.