

Intelligence MEMOS



From: Jeremy Kronick
To: The Hon. Jean-Yves Duclos, Minister of Families, Children and Social Development
Date: February 6, 2018
Re: **OTTAWA'S NATIONAL HOUSING STRATEGY MISSES THE BIGGEST TARGET**

The Liberal government rolled out a national housing strategy to great fanfare late last year.

Great things are promised with \$40 billion over a decade: a 50 percent reduction in homelessness, more than half a million families removed from housing need, and 100,000 new affordable homes.

Anything that boosts the supply side of the housing equation in our big cities is a good thing. Demand for global cities such as Toronto will continue to strengthen, meaning supply has to find ways of keeping up, and this at least a start. It also offsets some of the damage in Ontario from rent control measures.

Will it solve the housing problem as a whole? Unfortunately, not. The focus on social or affordable housing, while obviously very important and often neglected, is only 6 percent of the housing market by some measures.

The so-called “middle class” - often on a sliding scale of size - is unlikely to feel any impact from this program. This is in large part because many of the supply-side problems were not addressed.

What are some of these problems? First, areas earmarked for development require more investment in infrastructure. Without this infrastructure, being earmarked for development is like having a car without any gas.

Furthermore, if we are indeed running out of space to build the in-demand detached homes, we need more creativity in our approach to building condos conducive to families.

Additionally, expedited approval processes and better transit continue to weigh on the ability of our largest cities to achieve a balanced housing market.

The solutions to these problems are, admittedly, for provincial and municipal governments, but they highlight the issue with the messaging of this ambitious federal housing problem.

What about some of the other features of the program itself? Vouchers are the optimal textbook method for low-income people. They put the decision in the hands of the people buying and allow them to choose where they want to live. Ottawa's new policy deserves credit for that. But if cities and the provinces don't respond by making it easier to build new rental units, more money in the hands of renters will just increase prices. This is especially important given how much of the bill will be footed by provinces and municipalities. While Ottawa contributed approximately \$15 billion, when one factors in the 2017 budget commitment plus the Canada Housing Benefit, much of the remainder of the \$40 billion strategy will have to come from the provinces and municipalities.

There is also the matter of the rollout of the new strategy. Most provisions do not kick in until 2020, after the next election. Is that fast enough? Most would say no.

At the end of the day the national housing strategy is about targeting low-income Canadians and homelessness. These are noble goals and ones of which to be proud, but they should not be mistaken for solutions to the problem of middle class affordability in our major cities.

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