**Submission on Canada’s National Housing Strategy**

**October 2016**

Established in 1903, WinnipegREALTORS® has always made affordable housing a central theme of its mandate. It goes to the heart of it setting up a dedicated non-profit housing initiative in 1997 called Housing Opportunity Partnership (HOP). HOP’s acronym has often been mistaken for Home Ownership Program and deservedly so for home ownership has been its raison d‘etre. Ninety homes later, this nimble operation has been instrumental in rejuvenating Winnipeg’s West End neighbourhood by offering low to moderate income buyers assistance and the opportunity to achieve home ownership.

It does not stop with ownership housing. In March 2011, WinnipegREALTORS® released a 36-page discussion paper on Manitoba’s rental housing shortage. At the time, Winnipeg and Manitoba had one of the tightest rental real estate markets in the country with vacancy rates at 1 per cent and the overall rental universe shrinking. What helped exacerbate this acute shortage of affordable rental was Manitoba’s successful provincial nominee program which attracted a strong influx of new immigrants.

There was widespread acceptance of WinnipegREALTORS® rental paper as balanced in its assessment of the local market situation. It led to the Province of Manitoba forming a Manitoba Rental Housing Supply Roundtable which the chair of WinnipegREALTORS® rental housing committee co-chaired with the housing minister.

In October 2012 this roundtable working group released its own rental paper with a number of solid recommendations to help ameliorate Manitoba’s acute rental shortage. Some of the recommendations were acted upon by the provincial government. Moreover, a number of these recommendations were adopted by a Winnipeg community task force to end homelessness in a strategy released in March 2014. For example, they wanted to ensure there is broad awareness of the new Rental Construction Tax Credit.

In 2016 WinnipegREALTORS® is experiencing a healthier and more balanced real estate market with house prices much more stable and rental vacancy rates moving up to 3 per cent – thanks to the construction of a substantial number of new rental units over the past few years.

So what can WinnipegREALTORS® bring to the table in shaping a national housing strategy for the nation! Lots and here is a summary of our main points which we would be glad to elaborate on more if the opportunity presents itself.

**Home Ownership Matters**

Through programs like HOP and WinnipegREALTORS®’ active involvement in supporting CREA’s strong advocacy to make home ownership more attainable through indexing the highly successful Home Buyers’ Plan (HBP) and also making it more flexible for Canadians undergoing significant life changes. We know home ownership matters to Canadians. It is often the most important investment they will make in a lifetime. It is a fundamental building block to raising a family and earning equity for future retirement. It remains a Canadian dream and one many newcomers to our country covet in their pursuit of a better life for them and their family. Home ownership has also proven to have a positive effect on your health and overall quality of life. Altus Group has also documented for CREA, that there is considerable economic impact and job creation resulting from MLS® home sales and purchases. In 2015 there was $26 billion in spinoff consumer spending to the national economy and more than 186,800 jobs created.

To help Manitobans overcome some of the impediments to attaining home ownership, Manitoba REALTORS® have been calling for relief on the provincial land transfer tax. Manitoba has the highest rate in the country at 2% for any home sale value above $200,000. Ontario also has a tax rate of 2% but it does not apply until a house’s price is over $400,000. Most affected are first-time buyers who do not have the advantage of equity most existing home owners realize when they sell and purchase another one. It might be worth pointing out that first time buyers in Ontario get a refund of all or part of the tax depending on the sale price of the home. I checked it out and the refunds can be significant. It needs to be stressed a land transfer tax is a significant closing cost in addition to the down payment requirement.

To the federal government’s credit, a $750 first-time home buyers’ credit is offered presently. One recommendation REALTORS® have made to the Manitoba provincial government beyond considering adjusting the current tax thresholds of the land transfer tax (never adjusted since its inception in 1987 other than introducing in 2004 the higher rate of 2% to apply to any amount over $200,000) is to match the federal government’s $750 tax credit for first-time buyers and persons with disabilities.

In terms of HOP’s efforts to make home ownership more affordable to its applicants, down payment assistance was provided by the provincial government as well as gap financing to keep the home’s purchase price under market value. It was also able to obtain a number of City of Winnipeg surplus lots for a dollar.

We are encouraged that national organizations such as CHBA and CHRA are looking at alternative ways of making home ownership more accessible for Canadians. We could not concur more with CHRA that the federal government develop a strategy that would support home ownership programs such as HOP and Tipi Mitawa which target a segment of the population that is not currently served by social housing or market housing.

One measure both of these national organizations recommend which we would want the federal government to consider and investigate further is the idea of protecting affordability for first-time homebuyers and families by increasing maximum mortgage amortization periods for qualified purchasers to 30 years – restricted to mortgages under $500,000.

**Market Intelligence and Understanding all Real Estate Markets are Local**

REALTORS® possess an extremely up close pulse on the current housing market. Through their own expertise in concert with constant application and analysis of the powerful MLS® databases in the local market areas where they reside and work in, there also exists untapped possibilities to engage them in employing customized affordable housing strategies for municipalities across the country. Evidence-based solutions are attainable by working with REALTORS® as they have a bird’s eye view of the housing market in all of its uniqueness, complexity and ongoing ebb and flow.

HOP is a case in point. The REALTOR®-led housing initiative has not only been strategic in targeting an area of Winnipeg where affordable home ownership can be provided. It has been a catalyst for neighborhood renewal by spurring investment in new infill homes. In stemming the neighbourhood decline and stabilizing the housing stock, you are ensuring supply can be maintained and restored over time. Go to hopwinnipeg.ca and view the grid map which shows all of the houses HOP has completed in Winnipeg’s West End. You can see just how focused HOP has been in its reclamation efforts.

Local data therefore is essential and HOP’s employment of it was a key factor in bringing about an effective neighbourhood rejuvenation program.

As CREA states in its submission to the National Housing Strategy, “as real estate is local, it is important to note that markets in Toronto, Vancouver and Montreal have different realities compared to almost anywhere else in the country”. Any housing solution must be tailor-made to the local situation and that is why accurate data and the most appropriate metrics selected are so important to a successful outcome.

**Housing Continuum**

It is critical all housing stakeholders and the three levels of government understand how important the housing continuum or spectrum is when it comes to examining what problems need to be addressed within local housing markets. The national housing strategy recognizes this very point by asking Canadians to look at the entire housing system in Canada, from homelessness, shelters, social and affordable housing, to rental housing, home ownership, and assisted housing options for the aged and physically and mentally challenged.

You want all aspects of a housing market functioning well as they do impact each other. Supply is one of the most obvious issues whether it is lack of available homes which can drive prices up to unaffordable levels or a scarcity of rental accommodations resulting in people reluctantly choosing ownership housing when it is not their preferred option or perhaps an option they can sustain on a long term basis.

WinnipegREALTORS® rental housing discussion paper spends considerable effort breaking down the issues negatively affecting the supply of rental housing in Manitoba and dissecting forces at play which are not helping the health of the overall housing market. It does offer solutions and they could certainly be applied in other housing markets where applicable. The link for Manitoba’s Rental Housing Shortage discussion paper can be found at <http://winnipegrealtors.ca/Resources/PositionPapers> .

A balanced market and adequate supply in all sectors of the housing continuum ensures households can move from social to rental to ownership and back to rental or other assisted housing options as their demographic, household and economic circumstances change.

**Collaborative and Strategic Partnerships**

Creating and nurturing housing partnerships are part and parcel of achieving more effective results. The Housing Opportunity Partnership, especially in its formative stages, reached out and engaged a good cross-section of stakeholders for their participation and direct input. To this day, HOP still has a CMHC representative as an ex-officio member of its board of directors.

The other excellent example which hopefully can continue in some capacity under the new provincial government is the Manitoba Housing Advisory Roundtable (formerly called the Manitoba Rental Housing Supply Roundtable). It certainly involved a diverse mix of housing stakeholders representing various components of the social, private and non-profit housing sectors.

In coming forward with solutions to Manitoba’s housing issues in 2012 (go to <http://winnipegrealtors.ca/Resources/PositionPapers> and click on Report of the Rental Housing Supply Roundtable), the Committee was very much focused on meeting Manitoba Housing’s mandate to maintain and improve the condition of the existing housing stock as well as stimulate and positively influence the housing market to the benefit of Manitobans as a whole.

As was stated in the 2012 report housing stakeholders were assembled for the “creation of a consultative and collaborative group to provide professional expertise and specialized knowledge relevant to the issue of developing rental housing in Manitoba”.

It is our view that this roundtable set up can be successfully employed in other provinces and in fact the Manitoba co-chair Mel Boisvert has been active in discussing this further with the idea of at least getting the western provinces together for a housing summit.

**Open to Innovation and Change for the Better**

By virtue of the federal government’s strong commitment to boost the number of immigrants to Canada (i.e. seeing a record-setting influx of newcomers in 2016) it is therefore incumbent on the government to show leadership and create a vision to significantly increase rental supply to accommodate an increasing population. Meeting this rather daunting challenge means being bolder and more innovative in what you do to stimulate new construction of affordable rental units.

It is time to look seriously at income tax act changes to support rental investment. The Canadian Real Estate Association has a recommendation before the federal government to let investors defer taxes on the recapture of previously accumulated depreciation or the capital cost allowance when they sell one investment property to reinvest in another of equal or greater cost.

It is all about unlocking funds for property reinvestment. Investment in property triggers renovations, retrofits and redevelopment. CREA predicts by year two of allowing such a step net revenue will be positive because the deferred recapture serves to reduce the depreciable base of the replacement property yielding lesser depreciation deductions in the future.

Another barrier to preventing the creation of new rental housing is an investment environment which does not offer a strong enough rate of return to warrant the cost and risk involved. The federal government should consider the successful U.S. low income housing tax credit program. From 2008 to 2017 it is estimated that the program will have leveraged close to $80 billion in private equity despite foregoing $61 billion in lost tax revenue. It is responsible for approximately 90% of the affordable rental housing in the U.S. Investors are often groups of people or small companies and assistance under the program can be stacked with funding from other governments programs that offer development loans, grants, low interest or below market interest rates, rental assistance to tenants etc. This stacking improves the effectiveness of the program for low and moderate income people and allows the non-profit sector to participate. The maximum rent that can be charged is 30% of the Area Median Income.

HOP saw this program in action first hand when it traveled to Columbus Ohio to learn more about the Columbus Housing Partnership, the not-for-profit housing initiative HOP modeled its program on after the visit. Essentially you have a federal government incentive for profit developers through tax credits worth a high percentage of construction costs allowing them to partner with affordable housing providers and set rents at an affordable level (30 per cent of tenant gross household income). These conditions can last for the first 30 years of the project’s life. The Manitoba Rental Housing Supply Roundtable proposed that Manitoba in conjunction with the federal government, create an affordable, rental housing tax credit program.

These are just a few examples. We need a dedicated website featuring best practices across the country and even beyond Canada as other countries have many examples of best practices at providing more affordable rental units. In Australia the Australian Housing and Urban Research Institute has been very active in searching out best practices throughout many countries and this could be a constructive role for CMHC in the Canadian context.

**All markets are local**

The recent move by Finance Minister Bill Morneau to tighten mortgage rules is a problem in that many markets are reasonably healthy such as Winnipeg’s and much more affordable than cities like Toronto and Vancouver. Can we not look at other indicators such as default rates and local finance institution’s portfolios to provide more flexibility with mortgage financing rules in regional markets instead of requiring all insured mortgage applicants to qualify for the Bank of Canada five-year fixed term rate of 4.64 per cent? There may be a need for such regulations in Toronto and Vancouver but evidence from other areas suggests they may result in negative influences on the market. It will clearly impact first-time homebuyers. To take a one size fits all macro solution to cooling down some overheated housing markets can be counterproductive to helping Canadians achieve homeownership in very different markets across the country.

This message was really made loud and clear in a Globe and Mail op-ed submitted by the Atlantic Canada home builders’ associations. Here is an excerpt from it.

*Where metropolitan housing markets are not closely synchronized in timing or amplitude, as in Canada, monetary policy regulations are crude instruments for addressing regional differences. We believe expanding the “stress tests” will further dampen activity in our relatively slow-moving local housing markets and take buyers out of the market. It will also affect employment in the construction industry and the demand for building materials.*

Further on in this op-ed it recommends “rather than changing federal rules that slow Vancouver and Toronto, make those cities special housing zones and apply rules to them.”

Locally, WinnipegREALTORS® director Michael Froese said in the local Metro News publication since this announcement was made he noticed some local buyers are rushing to get their financing and offers in order before the October 17th deadline. He added the government’s new policies may help slow the scorching Vancouver and Toronto real estate markets but for somewhere like Winnipeg where the market is already stable they may do more harm than good.

**Role of CMHC**

We wholeheartedly welcome a review of CMHC’s role and the federal government as whole in terms of facilitating and supporting housing for Canadians. CMHC has been more preoccupied lately with assessing risk in Canada’s major housing markets through its new quarterly Housing Market (HMA) Assessment model. Under this model it seems that no matter what your rating is you are a problematic market. The very public announcement of the quarterly results has generated many negative headlines and stories across the country. How does that help encourage Canadians to strive and aspire to the dream of home ownership when CMHC casts a negative lens over housing through their very active promotion of this new model in the media?

Industry leaders such as the REALTORS®, homebuilder and mortgage broker associations do not even understand how CMHC employs the self-created framework they have set up. As WinnipegREALTORS® CEO Geoff McCullough states, “When you do not consult with industry leaders; then you start to create news rather than report on reality.” One good example of the deficiency of what CMHC is doing with its new HMA model is its use of the income to price model to determine the overvaluation risk factor. It does not however account for wealth and equity which can be considerable in the move-up market buyer profile.

One thought here if CMHC insists they need to actively use and promote this quarterly major market assessment model is to rename the negative criteria of strong, moderate or low risk of problematic conditions to very stable, stable or indication of possible instability.

CMHC clearly needs to be more engaged with local housing providers so they can help build awareness and understanding of what possible funding is available through the federal government and how they may access it. HOP owes its existence in part to a $500,000 home equity grant which was spearheaded and administered by the former federal HRDC Department. It was part of a tri-partite Winnipeg Development Agreement. There are many federal departments whose mandate and activities affect the housing sector. CMHC should also play a more active role in monitoring and coordinating the activities of these various departments and making sure housing providers, both private and non-profit, are made aware of the implications and opportunities flowing from their activities.

**Funding**

Funding support from the federal government will always be essential to supporting more affordable housing now and well into the future. What can be very helpful and useful in creating more opportunities for scaling up production of affordable housing is identifying specific budget envelopes which will help municipalities to be more active at the local government level? For example, earmarking surplus lands at all levels of government for new affordable construction can be done. What about putting support behind cleaning up some strategic brownfield sites (e.g. Public Markets site in St. Boniface as an example) for the creation of affordable housing units?

WinnipegREALTORS® acknowledges national housing expert Tom Carter for his input and review of this submission.