

Financialization of Housing

Submission to the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities

6/13/2023

SUMMARY

For the last couple of years Housing Central has been a strong advocate against the financialization of housing in British Columbia and in Canada. Out of the different policies and strategies Housing Central has advocated for, there are two policies that would benefit largely from federal involvement:

1. *Create a federal funding program to support housing providers from the community housing sector acquiring rental housing properties to protect their long-term affordability.*
2. *Refresh the current approach to taxation and government revenue generation to reduce the financial burden on non-profit and coop housing providers.*

Introduction

The financialization of housing is a pressing issue that has negatively impacted households across the country, and it has limited the ability of the community housing sector to bring solutions for those in most need. The Housing Central partnership between BC Non-Profit Housing Association (BCNPHA), the Cooperative Housing Federation of BC (CHF BC), and The Aboriginal Housing Management Association (AHMA) has advocated for the implementation of policies to regulate large investors' involvement in the housing system. Our advocacy goes from research publications to budget submissions and our role as community partners in national networks such as the Balanced Supply of Housing Node (BSH).

It is through the BSH that Housing Central has collaborated with some of Canada's leading housing researchers such as Martine August, who defines the financialization of housing as

"...the growing dominance of financial actors in the housing sector, which is transforming the primary function of housing from a place to live into a financial asset and tool for investor profits. The financialization of housing is recognized as a trend that is undermining

the realization of the right to adequate housing.”¹

More specifically, Housing Central has strongly proposed two key policies in several instances at the provincial level: An acquisition strategy that helps facilitate not-for-profit entities within

the community housing sector to acquire existing market rental buildings as they come up for sale, and off-setting taxes that impose a great financial burden on co-ops and non-profit housing providers.

Recommendation 1

Create a federal funding program to support housing providers from the community housing sector acquiring rental housing properties to protect their long-term affordability.

Housing Central has reported on the substantial loss of deeply affordable rental market homes since 1991. Data from the 2021 census shows that **between 2016 and 2021, BC lost 97,390 units renting below \$1,000 and only 8,027 non-market units were built**, making it so that for every non-market unit built, 12 affordable units were lost. This rapid loss of affordable units due to redevelopment or rent increases makes it nearly impossible to build our way out the housing affordability crisis.

This situation has been happening across the country. **Between 2016 and 2021 Canada lost 368,795 units renting below \$1,000 with more than 220,000 lost between Ontario and Quebec.** It is worth mentioning that although Alberta was the only province or territory without a net loss of units in this category, it is not likely that this is due an expansion of its

non-profit housing sector, but rather because of the effects of ageing rental stock.

Loss of units renting for less than \$1000

Province/Territory	Units
Alberta	2,345
British Columbia	-97,390
Manitoba	-20,625
New Brunswick	-5,225
Newfoundland and Labrador	-1,125
Northwest Territories	-285
Nova Scotia	-12,095
Nunavut	-205
Ontario	-187,900
Prince Edward Island	-1,830
Quebec	-40,885
Saskatchewan	-3,000
Yukon	-585

¹ August, Martine. 2022. The financialization of housing in Canada: A summary report for the Office

of the Federal Housing Advocate. The Office of the Federal Housing Advocate.

Source: Census, 2016, 2021

Purchasing older rental buildings which are usually more likely to have affordable rents to protect that affordability permanently is a cost-effective strategy to reduce the loss of affordable housing. However, non-profit housing providers are in direct competition for these properties with large investors, who are often capable of outbid them. Between 2021 and 2023, Housing Central successfully advocated to the provincial government to dedicate \$500 million to finance a rental housing acquisition fund that could empower non-profit providers to better compete in the market for these properties.

In January 2023, the province announced the creation of BC's Rental Protection Fund with an initial and single investment of \$500 million. The fund will be managed through a non-profit society created by the Aboriginal Housing Management Association (AHMA), BCNPHA, and CHF BC and will provide one-time capital grants to successful applicants.

Although this announcement is greatly appreciated by the community housing sector in BC, the absence of a long-term funding and implementation plan limits the fund's capacity to reduce the loss of affordable housing. This uncertainty can be ameliorated through new funding opportunities being activated, especially if they come from senior government. The likelihood of getting extended funding from the provincial government increases if the federal government has a similar program.

Housing Central recommends the creation of a federal funding program to support housing providers from the community housing sector acquiring rental housing properties to protect their long-term affordability. Such funding program should also include measures to encourage provincial and territorial governments to extend this kind of support for non-profit and cooperative housing providers.

Recommendation 2

Refresh the current approach to taxation and government revenue generation to reduce the financial burden on non-profit and coop housing providers.

Canada's ongoing housing and affordability crisis is a result of a great number of financial, legal, and cultural factors that systematically discourage investments and growth of the community housing sector. Although in recent years major policies like the National Housing Strategy have started to shift this trend, there

are still entire systems the work across different levels of government like the taxation system that continue to disproportionately burden non-profit and coop housing providers and limit the ability to realize the right to adequate housing.

Over the next few years, many Community Housing Sector land leases will be expiring. The Property Transfer Tax places a serious financial burden on non-profit and co-op housing providers and can have a significant impact on the Community Housing Sector's ability to maintain current levels of affordability. Moreover, property taxes and other development-related fees increase costs further, which represent an important barrier for anyone building affordable housing, but especially non-profit and coop housing developers, who find it more difficult to draw capital from other sources than other investors.

Given that many of these financial obligations represent a significant portion of municipalities' revenue structure, the federal government could play a very important role in bridging the gap between both sides through tax exemptions, rebates, and grants.

At a municipal level, some communities such as Quesnel, BC, have implemented successful tax exemption policies, which combined with waivers for additional development-related fees, have resulted in projects saving up nearly and more than 3% off the property's value for 10 years and over \$1,200 per unit. These kinds of policies not only exist in other communities in Canada, but also in many other countries.

Although federally there are some exemptions that benefit non-profit and coop housing providers, the current approach to taxation at every level of government is not conducive to creating and protecting affordable housing. Given that permanently affordable housing is, in fact, social infrastructure, it should not be subjected to any additional financial burdens beyond those strictly associated with construction and operation.

Housing Central recommends that the federal government co-develops with the provinces and territories a refreshed approach to taxation and governmental revenue generation that prioritizes non-profit and coop housing providers. An improved structure would, not only encourage the construction of more social and affordable housing, but also discourage profit-maximizing behaviours that lead financialized landlords to put tenants at risk.

About Housing Central

Housing Central is a strategic alliance between BC Non-Profit Housing Association (BCNPHA) and the Co-operative Housing Federation of BC (CHF BC). Our mission is to strengthen and grow the community housing sector so all British Columbians have a safe, secure home they can afford.

BC Non-Profit Housing Association

BC Non-Profit Housing Association (BCNPHA) has been the provincial umbrella organization for the non-profit housing sector for nearly 30 years. We serve more than 500 members, including non-profit housing societies, businesses, individuals, partners and stakeholders, with education and professional

development opportunities, research and advocacy, and asset management services. BC's non-profit housing societies manage more than 70,000 units of long-term, affordable housing in over 2,500 buildings across the province.

The Co-operative Housing Federation of BC

The Co-operative Housing Federation of BC (CHF BC) acts as the voice for housing co-ops in BC. We represent the co-op housing sector and advocate for co-ops, whether with government or other institutions. We often work with CHF Canada on national issues and have had many successes.

The Aboriginal Housing Management Association

The Aboriginal Housing Management Association (AHMA) was established in 1996 with a mission to "lead and advance housing rights for ALL Indigenous Peoples in British Columbia". It is comprised of 55 Indigenous housing and service providers located all across BC, managing more than 95% of all Indigenous housing units in urban, rural, and northern areas of the province (off reserve). AHMA administers funds – in partnership with BC Housing – for almost 7,597 existing and upcoming units that house First Nations, Métis, Inuit, and self-identified Indigenous families living in urban, rural, and northern parts of the province.

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