

International Forum Report 2018

SHARING POLICY &

PRACTICE INSIGHTS

Building stronger relationships
with international counterparts
and underlining the common
challenges faced by those working
in housing and homelessness

HOUSING POLICY UPDATES

Canada
United States
United Kingdom



Canadian Housing and
Renewal Association
CHRA ACHRU A Home for the Housing Sector

OTTAWA. APRIL 2018

Introduction

The Canadian Housing and Renewal Association (CHRA), in partnership with the National Association of Housing and Redevelopment Officials (NAHRO), once again welcomed housing experts from across Canada and the United States to take part in an International Forum, held in conjunction with CHRA's annual Housing and Homelessness Congress in Ottawa. CHRA and NAHRO organised similar Forums at Congress 2016 (Montréal) and 2017 (Halifax), and it has proved to be an interesting opportunity to exchange ideas, network and discuss issues and developments in housing from an international perspective.

Steve Pomeroy, Senior Research Fellow at the University of Carleton's Centre for Urban Research and Education and Head of Focus Consulting Inc., and Saeed Hajarizadeh, Chair of the International Research and Global Exchange Committee of NAHRO and Deputy Director of the Vancouver Housing Authority in Washington, co-chaired the Forum. CHRA and NAHRO were pleased to host Paddy Gray, Emeritus Professor at the Belfast School of Architecture and the Built Environment at the University of Ulster in Northern Ireland, who contextualized issues from a United Kingdom and European perspective.

This year's International Forum theme, "Sharing Policy and Practice Insights," explored key questions such as:

- How much of the current "system" is legacy-based and "more of the same"?
- Are old models being eroded, reformed or replaced – and with what?
- Are there any experiences with new initiatives, such as attractive private or institutional investment, and how are changes impacting the social and affordable sector with respect to capacity opportunities within the sector?

These questions were framed by a case study presentation by Hugh Lawson, Director of Strategic Relations at Toronto Community Housing Corporation (TCHC), on the progress of the Regent Park Revitalization Plan. The presentation touched on how TCHC uses tenant and stakeholder engagement in its physical and social planning processes, gives tenants the right to return to their community, and does not use a turnkey approach to development and construction.

Following the case study presentation, participants joined in open roundtable conversation on social housing asset renewal, around the central theme of redevelopment and renewal of large public housing sites, especially through tenant relocation and return; rebuilding a sense of community and social networks; and, how introduction of mixed tenure and mixed income have impacted, for good or bad, the dynamics of social interaction or inclusion. The discussion identified the experiences of other countries as the respective roles of government, the community sector and the private sector have evolved, and brought forward insights and lessons learned.

The International Forum serves to build stronger relationships with international counterparts, underlining the common challenges faced by those working in the housing and homelessness sector. What follows is a brief country overview from Canada, the United States, and the United Kingdom on some of the topics discussed at the International Forum.



Canada Housing Policy Update¹



Current Status

The last two years have presented a turning point in Canadian housing policy and funding. During the 2015 federal election, the Trudeau Liberal Party campaign promised, if elected, to develop and implement a national housing strategy. They subsequently consulted on the elements of the strategy over the following two years and in November 2017 the long awaited National Housing Strategy (NHS) was released.

The NHS is a \$40 Billion commitment over ten years (2018-28), of which roughly \$11B is new funding, the rest is reallocated from existing ongoing programs. That said some \$8.4B in federal funds was scheduled to expire over the next decade. The NHS commits to retaining and reinvesting this amount, so it is effectively a new expenditure commitment.

A key feature of housing programs and funding in Canada is that housing is considered a provincial responsibility under the constitution, so there is a high level of engagement and a more decentralized approach compared to the US or UK. Many historic and now new programs under NHS involve matched cost sharing by provinces and territories. At minimum \$7B of the \$40B is from provincial cost sharing funds (i.e. not federal funding). In April 2018, all provinces and territories (except Québec), agreed to cost match with specific details to be determined later in 2018.

The most notable elements of the Strategy include: the commitment to reinvest long term federal subsidies (in excess of \$8B) that were scheduled to expire over the decade; the introduction of a new housing allowance, which represents a new approach in Canada (unlike the US with Section 8, or the UK's Housing Benefit) as Canada's menu of responses to affordable need has not traditionally utilized such demand-side mechanisms. The Strategy is also premised on a rights-based approach to housing assistance, and includes additional funding for research, access to land, and a "Technical Resource Centre" to assist housing providers transform their operations.

While programmatic details remain to be fully determined and will be influenced by provincial and territorial priorities, the two primary goals of the NHS are to:

- To reduce core housing need by 50 % (amounting to assisting 530 000 new households over next decade)
- To reduce chronic homelessness shelter use by 50 % over the next decade

While the NHS provides long term predictable funding, this is still quite modest in scale. While \$40B is substantial, it includes a lot of existing spending and new commitments only marginally greater than annual expenditures over the past decade.

The Strategy aims to create some 120 000 new or rehabilitated units and assist a further 330 000 households to address affordability issues through a new housing allowance (Canada Housing Benefit). It is also expected to leverage partnerships with other levels of government and the private sector may augment total output and outcomes.

Further information on the National Housing Strategy, and to download a copy: <https://www.placetocallhome.ca/>

¹ Prepared for CHRA by Steve Pomeroy, Focus Consulting Inc, and Carleton University Centre for Urban Research and Education (CURE).



Broader Housing Market Challenges

Unlike the US and UK, Canada escaped the 2008 global financial crisis with minimal impact. Home prices took only a short pause before continuing a steady upward trajectory. The overall homeownership rate continued to increase to a peak level of 69.0 % in 2011, before falling marginally to 67.8 % in 2016.

Home prices nationally and more particularly in the two largest metropolitan regions of Vancouver and Toronto exceeded double digit rates of appreciation, creating concerns about ownership affordability. The price pressures were exacerbated by global capital flows and investment by foreign buyers, especially in Vancouver. Meanwhile levels of household debt, largely associated with mortgage debt having risen to historically high levels, generated concern about overall financial system stability. The high levels of household debt have been targeted by the Department of Finance and Bank of Canada as critical risk factors that could exacerbate an economic slowdown.

The policy response to both rising household debt and foreign buyers has been a series of macro-prudential changes mostly within the jurisdiction of specific provinces (notably British Columbia and Ontario) that constrain access to credit and, in the case of foreign buyers, have imposed a tax on such purchasers. While these policy changes have had some effect in moderating the rate of home price increase, the unintended impact has been a constraint on access to ownership. There is already evidence in declining ownership rates, especially among traditional first-time buyer cohorts (millennials). New regulations also restrict purchase by small investors who have been an important part of new rental supply (condominiums). With demand remaining in the rental sector, pressures have shifted, with declining vacancies, rising rents and increasing issues of rental affordability. This spills over into affordable housing need.

Homelessness

Homelessness continues to be a serious issue across many communities, and especially in larger centres. Like many US cities, most Canadian cities and provinces have adopted 10-year plans to end homelessness. While there have been modest improvements in some cities, most continue to struggle to achieve any meaningful reductions. At the federal level, a national Homelessness Partnering Strategy aims at preventing and reducing homelessness by providing direct support and funding to 61 designated communities and to organizations that address Indigenous homelessness across Canada. While ending homelessness is one of the two priorities of the NHS, this funding area remains significantly underfunded in terms of the stated goals.

The Final Report of the Advisory Committee on Homelessness was released in May 2018, and a copy can be downloaded here:

<https://www.canada.ca/en/employment-social-development/programs/communities/homelessness.html>

Provincial Level Initiatives

As noted, Canada's decentralized system means provinces tend to play an active role in housing, some more so than others. British Columbia elected a new government in 2018 which has rather ambitious plans and an increased level of investment. In Ontario, the province has adopted legislation intended to promote inclusionary planning for affordable housing; however, the rhetoric is stronger than the legislation, so it is unlikely that it will have any tangible impact in terms of adding to affordable supply – an opportunity lost. Furthermore, an election in Ontario later in 2018 may change the policy landscape.



United States Housing Policy Update²



Current Status

It has been a tumultuous and disruptive two years in the US. Housing and urban policy were not central issues in the 2016 US national election campaign. Rather, immigration reform, tax policy, health care, and national security became the primary focus. The effects of tax reform on housing production and affordability were not well analyzed or debated. A proposed national program of public infrastructure investments was proffered in concept, but did not include housing per se. Indeed, the unexpected outcome of Trump's election resulted in a sudden tectonic shift in tax expenditures away from equity investments in low-income housing tax credits as corporations planned for the significant reductions in corporate tax rates. Throughout 2017 as the largest tax bill in thirty years was debated in the US Congress, equity and debt markets roiled with uncertainty. This dramatic shift in investor appetite for tax losses created financing gaps in projects deemed 'ready to go' and delayed production and preservation of housing until markets stabilized late in 2017. The tax reform measures ultimately signed into law in 2017 were designed to provide economic stimulus by lowering corporate tax rates to 21 %, temporarily reduce individual tax rates, double the standard deduction for individuals, and provide incentives to repatriate corporate profits harbored in offshore accounts.

Unprecedented Tax Reform

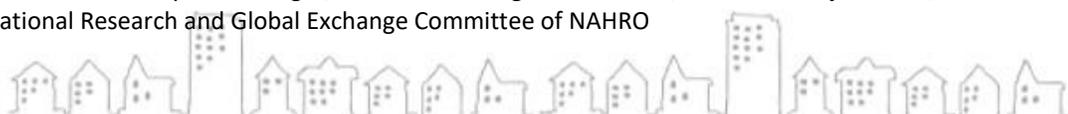
Several aspects of the 2017 Tax Reform Legislation will have long-lasting policy implications for housing as well as the industry of housing development, construction and real estate, generally:

- The per capita allocation of Low Income Housing Tax Credits (LIHTCs) to each state and territory was doubled, but the diminution of the value of the credits themselves is projected to produce some 235 000 fewer units in the next ten years;
- The income limits of the residents of projects financed with LIHTCs will be allowed to be the average of 60 % of the Area Median Income (AMI) per each project, enabling sponsors to serve 'missing middle' income households between 60 – 80 % of AMI;
- Opportunity Zones will be identified by each state Governor with the intention of the US Treasury providing a further Capital Gains Tax relief to investors in distressed or predominately low-income areas. Rules are pending for this new policy;
- The maximum amount of interest deductible from principal and second homes is reduced from \$1 million to \$750 000 on sales going forward; and,
- Private capital business expense allowances for homebuilders and developers have doubled for certain corporate entities, to ensure profit margins and simplify business taxes.

Direct Expenditures for Housing & Community Development

With the 2018 mid-term elections on the horizon, 13 individual appropriation bills were consolidated into a \$1.3 Trillion Omnibus Spending Bill. Housing and community development appropriations increased significantly helping to reduce the backlog of capital needs, reduce homelessness and fund community facilities. Budgets proposed for next fiscal year, however, are anticipated to return to pre-election levels. Local housing agencies (LHAs) are transferring public housing investments into new portfolio structures under the Rental Assistance Demonstration (RAD) program, thereby leveraging private funding for capital repair needs and simplifying asset management going forward. Indeed, many LHAs no longer own public housing and are operating with a greater degree of flexibility under the RAD program.

² Prepared for CHRA by Kurt Creager, Urbanist Housing Solutions LLC, and Saeed Hajarizadeh, Chair International Research and Global Exchange Committee of NAHRO



Fair Housing Act of 1968: 50 Years On

The racial polarization within cities in the US has reached a fevered pitch not seen in decades. Anger fueled by police shootings (often involving victims of colour), the election and inauguration of a President who did not win a plurality of the popular vote, and concern over the immigration status of some 11 million undocumented immigrants, cities roiled with demonstrations, with some becoming violent. Not since the demonstrations protesting the assassination of Martin Luther King Jr. have cities been the center of such unrest.

The US Department of Housing and Urban Development's (HUD) resolve to vigorously enforce the Fair Housing Act has weakened under the new administration. Rules proposed by the previous Obama administration to prevent the disparate impact of racial discrimination (the unintended effects of a policy or practice of racial discrimination) were suspended by HUD. While legal enforcement has diminished under the new administration, HUD Secretary Ben Carson has made self-sufficiency a priority. The 2019 federal budget allocates funding to 'EnVision Centers,' proposed to be located in, or near, public housing communities to promote leadership, educational advancement, economic empowerment, and health and wellness. These ten pilot projects will be replicated nationally through partnerships with and between other community institutions to help pay for and sustain the EnVision Centers.

Homelessness

The pervasive and growing visibility of homelessness among singles, families, and the disabled has resulted in many cities taking action to declare a state of emergency for housing and homelessness. The criminalization of homelessness by the City of Boise (Idaho) drew legal attention of the US Department of Justice in 2015. The Ninth Circuit Court of Appeals ruled that city ordinances criminalizing camping could not be legally enforced unless and until a supply of emergency shelter was available locally. This legal decision was reinforced by HUD which signaled their intention to withhold federal funds from cities as further inducement to attain compliance. These legal protections, coupled with sustained housing price increases for each year since the 2012 recovery from the global financial crisis, has resulted in an increasingly visible pandemic of homelessness. Los Angeles (California) leads the nation with nearly 49 000 homeless. Many cities reported increases of 10 – 30 % in their annual point in time counts recorded between 2016 and 2017. The crisis is disproportionately impacting people of colour (African Americans and Native Americans) and people with disabilities. Additional shelter beds, permanent supportive housing using a harm reduction model (Housing First), as well as experimentation with self-governing encampments of houseless individuals are being used to some effect to alleviate the human suffering and rapid deterioration of the public realm, improve safety on the streets, and health outcomes for the people experiencing homelessness.

Local Government Innovations in Land Use and Public Finance

Widespread luxury housing development has resulted in growing efforts by cities to harness the economic forces of the private property development industry to include affordable housing within mixed income urban communities. New York, Los Angeles and San Francisco, Portland and Seattle have all amended their land use bylaws to mandate private developers to include affordable housing (hence the term inclusionary housing or zoning). Recognizing that such policies only work at the upper margins of affordability, local voters have also approved ballot measures providing funding for low-income housing, permanent supportive housing, or local variants of public housing.



United Kingdom Housing Policy Update³



Current Status

Housing in Britain is commonly classified according to tenure. The main tenures are owner-occupation, private rented housing, local authority housing, and registered social landlords (including housing associations and stock transfers). Since the beginning of the 20th century, there has been a major change in tenure:

- Owner-occupation grew from 10 % to 71 % of the stock, but recently it has fallen back to 63 %;
- Private renting declined from 90 % to less than 10 % and has grown to 20 %;
- The large social housing sector, mainly represented by council housing, grew to about a third before its reduction to less than 18 %. People on low incomes tend now to be concentrated in social rented housing; the average income of council and housing association tenants is just over a quarter of the income of people who are buying houses with a mortgage.

There has been a marked shift in the Westminster government's view of the role of social housing since 2010. It is increasingly seen as a short-term solution to urgent need and a springboard to better outcomes (i.e. home ownership). More recently government's concern has focused on the fall in the levels of home ownership from peak of 71 % to around 63 % currently. If you look at London and the South East, prices are much higher than the rest of the UK (average £500k v £300k). And whilst there are regional differences, house prices overall remain high relative to earnings.

There is a 'generational divide' developing in relation to housing and home-ownership. Young people in particular are struggling to get on the home ownership ladder - over the last decade the proportion of 25-34-year olds buying with a mortgage has dropped significantly, from 54 % to 34 %. The average price of a property in the UK is 8 times the average wage – 9 times for England (ranging from 46 times for Kensington and Chelsea to 4 times for Burnley), 6 times for Wales, and 5 times for Scotland. Shelter, a homelessness charity, estimates that it would take a couple without children 6.5 years to save for a 20 % deposit, rising to 13.5 years in London. For a couple with one child, these figures rise to 12 and 26 years.

In April 2018 the Resolution Foundation published a report stating that one in three of Britain's millennial generation will never own their own home with many forced to live and raise families in insecure privately rented accommodation throughout their lives.

Housing Benefit

Housing Benefit, the rental subsidy for lower incomes, has grown significantly in recent years and has led to a number of reductions in the levels paid to households. While the number of claimants has not increased significantly (staying around the 5 million mark), it is the total cost of the Housing Benefit that has increased to around £25B. A series of welfare reforms have been introduced in the past five years, making rents increasingly unaffordable for lower-income groups.

Affordability across all tenures is an enormous challenge. It is increasingly difficult for people to find a home they can afford. The private rented sector has grown significantly in the past 20 years and has now surpassed the social rented sector as a proportion of the overall stock. It now stands at 20 % and houses a diverse range of households, which is increasing pressure on the quality, security and affordability of the sector.

³ Prepared for CHRA by Paddy Gray, Emeritus Professor, Belfast School of Architecture and the Built Environment, University of Ulster (Northern Ireland)



Since 1980 there has been a policy of reducing the stock owned and managed by councils. The Right to Buy which was introduced in that year has seen around 2 million social homes purchased at considerable discounts. It is estimated that 40 % of these are now being rented out in the private rented sector.

Decline of Council Housing

Reducing the role of council housing subsequently focused on mass transfers of stock to Registered Social Landlords. As the role of council housing has diminished, Housing Associations (HA) have been encouraged to take over the limited opportunities for development. Large scale voluntary transfer began in 1988 with the transfer of over 4 000 homes in Chilterns (South East England) to a newly created HA. Many followed suit, resulting in 13 million homes being transferred, and improved to decent homes standard or above. HAs have raised £22B to finance the purchase and improvement of the homes.

From 2011, a new affordable rent product was introduced where social housing providers were encouraged to develop homes rented out at affordable rents (up to 80 % of market rents) in order to increase their rental stream to resource more private borrowing and reduce grant levels whilst existing homes could also be re-let at affordable rents. This, together with other policy measures such as the Right to Buy, means that the proportion of the cheapest homes to rent – those still at social rent levels – are reducing. The Chartered Institute of Housing forecasts that 250 000 social rented homes will have been lost between 2012-2020 through a combination of policy measures (Right to Buy, converting 'social' rents to affordable rents, selective demolition) as new supply just is not keeping pace with this.

Housing Association Mergers

More recently the number of HAs have reduced and many are merging to achieve economies of scale and increase their borrowing capacity to build new homes. This is being encouraged by government. Note that it was the view of the previous Cameron government that there were too many organisations (around 1 200) managing a relatively small number of homes (approximately 2 million) which was regarded as inefficient. In 1986 LAs owned 26 % of stock and HAs 2 %. Now, LAs own 7 % of the stock and HAs 10 %. HAs have raised nearly £2B in private finance to invest in existing stock and new builds.

Homes have not been built at the rate needed for decades – the 2017 Westminster general election highlighted that all political parties recognize the scale of the problem and that they need to respond, even if their solutions differ. In 2016 the UK built just over 146 000 homes, with only about 32 000 considered affordable, the lowest numbers since 1991. In England alone, 250 000 homes are needed across all tenures per annum.

The Devolved Nations

The UK is witnessing significant policy divergence across the four nations: In England the Right to Buy has been extended, but abolished in Scotland and Wales, while Right to Buy for housing associations in Northern Ireland is proposed to be abolished or made voluntary. Devolved nations are demonstrating different or even new approaches. Measures to extend duties to deal with homelessness have been implemented in Scotland and Wales and are now being adopted in England through the Homelessness Reduction Act 2017. Similar duties were proposed for a private member's bill in Northern Ireland prior to the collapse of its government in early 2017.

Homelessness



Scottish local authorities have a duty towards all unintentionally homeless households irrespective of whether they are in priority need. In Wales local authorities have a duty to help secure accommodation for all applicants assessed as homeless for a period of 56 days. After this period there is a continuing duty to secure accommodation for unintentionally homeless households in priority need. New legislation has just been passed in England that introduces a similar duty to help secure accommodation for 56 days as is currently in place in Wales. The Homelessness Reduction Act 2017, which came into effect in April 2018, places a duty on councils to assess and 'take reasonable steps' to help all those who are threatened with homelessness and eligible for assistance. Northern Ireland still operates under the Housing (Northern Ireland) Order 1988 and the Northern Ireland Housing Executive has statutory responsibility.

Following success of the Housing First initiative in the US and Finland, the Westminster government in November 2017 pledged £28M for pilots in the West Midlands, Manchester and Liverpool. A government-funded study in Liverpool concluded that Housing First could save £4M, compared with current homelessness services in the area. The Scottish Government pledged £50M in September 2017 to take people out of rough sleeping.

