

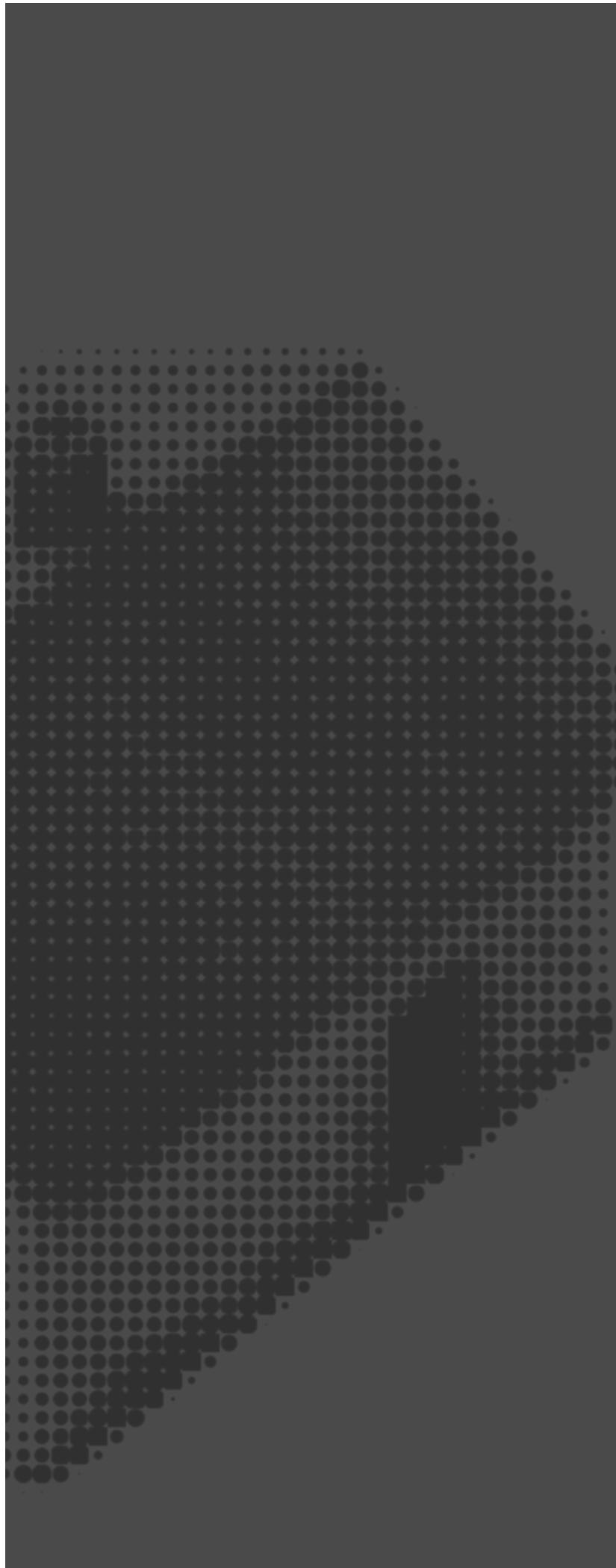
What you need to know about Stronger Foundations: The Government of Alberta's affordable housing strategy

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Background

This analysis was undertaken by Vibrant Communities Calgary and the Edmonton Social Planning Council to identify the opportunities and risks associated with the government of Alberta's plan for affordable housing. Both organizations have a mandate to advance policy that reduces poverty, and to encourage public participation in the development of policy that improves social conditions.



Introduction

In the summer of 2020, the Minister of Seniors and Housing appointed an expert independent panel to review Alberta's affordable housing system. The [Stronger Foundations](#) strategy is a response to the panel's first recommendation to develop a provincial strategic plan for housing with short- and long-term goals. However, the previous government also developed an affordable housing strategy, [Making Life Better](#), created in 2017.

The goals and investments of the 2017 strategy are as follows:

- To invest \$1.2 billion over five years to build more affordable housing,
- To increase the amount of assets a person can own and still qualify for affordable housing from \$7,000 to \$25,000, and
- To increase the percentage of Albertans in mixed income buildings.

While the Stronger Foundations strategy makes no mention of the 2017 strategy, the government has maintained some of the goals, including the increased \$25,000 asset threshold and the commitment to increase mixed market housing. The Stronger Foundations strategy begins with a statement broadly agreed on in the non-profit and charitable sectors that "investment in housing is multiplied in economic returns. It creates jobs and pathways to employment, and provides stability that, in turn, contributes to reduced interactions in the health, social services and justice systems." We hope Alberta's next provincial budget in 2022 reflects this statement. While some aspects of the strategy are supported by Vibrant Communities Calgary (VCC) and the Edmonton Social Planning Council (ESPC), there are elements such as when for-profit housing providers become owners of affordable housing that pose considerable risks.

Summary of Stronger Foundations

Key highlights of metrics of Stronger Foundations are provided below. Note: Several Calgary non-profit housing providers and affordable housing experts were consulted by members of the affordable housing review panel last year. These recommendations were summarized in a [Submission to the Affordable Housing Review Panel](#).

- Aspirational target to assist up to 25,000 additional households over the next 10 years to ensure Alberta meets the national average (4.3%) of housing that is social or affordable.
- Half of this target will be achieved through an increase in the supply of affordable housing stock (13,000 housing units) by maximizing federal funding available under the National Housing Strategy.
- The other half of this target will be achieved through an increase in rent supplements to support an additional 12,000 households.

Summary of Bill 78- the Alberta Housing Amendment Act

[Bill 78: Alberta Housing Amendment Act, 2021](#) repeals and amends sections of the Alberta Housing Act, the legislation that outlines the rules and the requirements for the provisions of affordable housing. Some of these amendments will make it possible for the province, through the Alberta Social Housing Corporation, to:

- Enter into joint ventures or partnerships to provide affordable housing,
- Add definitions for an affordable housing accommodation and provider,
- Ensure oversight for and accountability of affordable housing providers and new partnerships,
- Give the Minister authority to require specific knowledge or skills for housing management body boards, and
- Gives the Minister powers to designate a unit as affordable.

Analysis

Asset sales and transfers are the headline-grabbing pieces of the strategy, but it also includes many actions that have very broad support in the affordable housing sector, including:

- Increased flexibility for housing providers to target populations for affordable housing,
- the [Find Housing](#) online tool, created in response to the Affordable Housing Review Panel's report, is a good first step to removing barriers to accessing the affordable housing system, and
- the strategy's commitment to establish regional system navigators will also improve the accessibility of the system for people in need.

We are encouraged by the commitment to “end the unpredictability of provincial funding for maintenance and redevelopment by developing five-year plans.” This will help extend the life of existing housing stock, reduce delays in which housing units sit vacant awaiting maintenance, and support housing providers wanting to redevelop to achieve greater energy efficiency. The affordable housing asset management framework that will be developed could present an opportunity to align with the City of Calgary's goals to reduce urban sprawl by putting measures in place to concentrate new affordable housing in transit-oriented developments.

The promised expanded use of rent supplements, including a transition of the subsidy from the landlord to the tenant first announced in Alberta's 2021 provincial budget, is positive and promotes more choice for renters. However, this does not represent a significant policy change from the province but is simply the rollout of funding from the federal government through the [Canada Housing Benefit](#). In Alberta's case, the federal government has committed \$444 million between 2019 and 2028.

The plan to increase the role of the private sector in being a provider of affordable housing raises many questions. The province currently has a portfolio of 26,700 units – most of which are over 30 years old, with underfunded maintenance. Some community housing providers asked the government to transfer these assets to experienced non-profit providers during the consultation period as a way of supporting improved quality and sustainability. There are considerable drawbacks to the transfer of housing assets to

for profit housing providers. For instance, non-profit housing providers have a mandate to keep rents low and are held accountable by members at each AGM. Non-profits also have by-laws that forbid them from personally profiting from increased revenue gained from increasing the rent.¹ By contrast, a private housing provider has a profit motive, or built-in incentive to keep rents higher.

The strategy is not clear on what type of housing providers will receive these assets, nor is it clear from Bill 78 how for-profit housing providers will be incentivized and regulated to maintain affordable rents. It's unclear what this will look like since traditional P3 models (Public Private Partnerships) developed for infrastructure like roads, hospitals and schools do not directly apply to developing and operating affordable housing. One possible model is the example offered in the [Alberta Chambers of Commerce's advocacy for affordable housing P3s \(see pages 171-173\)](#) in which a for-profit developer receives a capital grant in return for maintaining rents at 10% below market.

Most non-profit providers offer a mix of rents that are geared to income and near market and it is debatable whether private housing providers can also offer a variety of affordable housing options. Alberta has a history of joint ventures for affordable housing (see [An untapped resource: Encouraging private sector engagement in affordable housing](#) and [Affordable housing is a city priority](#)), though [updated research](#) and evaluation on the cost-effectiveness and sustainability of these models is needed. The strategy also lacks transparency on the government's funding structure for provincially subsidized housing. For instance, how much funding is used for repairs versus new builds; how much of this funding has been dependent on cost-matching from other orders of government; what types of projects have received the funding; which types of households have been targeted; or to which municipalities the funding has flowed. Without this information, it becomes very difficult for community housing providers to plan.²

The strategy raises some important questions:

- Is the sale of affordable housing to for-profit providers limited to cases where government is selling off assets that have been decommissioned, are near the end of their usable life, or in the wrong locations?
- Does the government intend to reinvest in new energy-efficient housing located in areas of greater need (possibly also with better transit access)?
- Or is the government expecting for-profit providers to operate affordable housing?
- If for-profit providers operate affordable housing, will this only include near-market (10% below market) rents, or will it also provide housing for Albertans requiring deep subsidy and Rent-Geared-to-Income (RGI) housing?
- If for-profit providers are relied on to operate affordable housing, will the province use any of the following safeguards to ensure that the housing is maintained as affordable housing even if the owner forecloses? For example:
 - A restrictive covenant on the property title limiting its use to affordable housing,

¹ Falvo, N. (2011). The privatization of social housing. *Submission to the progressive economics forum*. <https://www.progressive-economics.ca/2011/11/the-privatization-of-social-housing/>

² See Nick Falvo's blog post on February 20, 2020. Ten Things to Know about subsidized rental housing in Alberta. <https://nickfalvo.ca/ten-things-to-know-about-subsidized-rental-housing-in-alberta/>

- A housing agreement with the municipality governing the tenure, occupancy, rent levels and resale restrictions of affordable housing units,
- The right of first refusal. Giving a local Housing Management Body (HMB), municipality or the provincial government the ability to purchase the property if and when the owner decides to stop providing the affordable housing.
- Will the Province accept [unsolicited proposals](#) for affordable housing from private developers or will it hold periodic requests for proposals to ensure transparency, competitiveness and alignment with capital planning?

The sale of assets from the Alberta Social Housing Corporation (ASHC) creates several risks, as indicated below:

- For-profit buyers of ASHC housing units may cease to operate the units as affordable housing, whether because there is no agreement in place, the agreement has no enforcement, the agreement expires, or they foreclose.
- Non-profit buyers of ASHC assets may not have adequate funding to maintain the assets as affordable housing and could either foreclose or be forced to increase rents, particularly due to the age and poor condition of much of the stock and the uncertainty over what capital maintenance and renewal funding the Province will provide.
- Proceeds from the sale of ASHC assets could disappear into general revenue without adequate tracking and accountability.
- Proceeds from the sale of ASHC assets could allow the displacement of other government funding for affordable housing, so that proceeds from asset sales are repackaged as new funding announcements that government would otherwise have paid for from general revenue.

More clarity is needed on the following:

- Targets for different income levels. The Outcomes, Measures and Targets on pg. 22 of the strategy are not specific enough to determine how many, out of the 25,000 household units, will be provided a deep subsidy of Rent-Geared to Income, and how many will be provided with a lower subsidy of 10% below market.
- The strategy's commitment to encouraging municipal/regional needs assessments is positive but municipalities who aren't already producing housing needs assessments are unlikely to begin doing so without funding.
- The aspirational targets. There is a discrepancy in the figures used for the Canadian national average of social and affordable housing stock. The strategy reports the national average as 4.3%. However, [Calgary's affordable housing advocacy plan](#) reports the national average at 6%.
- How will the province address years of underfunding for operations? Non-profit housing providers need adequate operational dollars if they are to assume the role of owning the housing assets. This is a particularly big challenge due to high inflation this year.

Waitlists

One of the *Key Action Areas* in the strategy is to “reduce red tape and make it simpler for Albertans to access affordable housing supports;” however, it’s not clear if this will translate to a decrease in wait times for people in need of rental assistance. According to [research by the Edmonton Social Planning Council](#), many people have been on the waitlist for years and this takes a toll on their mental health. Waitlists are unique to affordable housing and do not exist for programs like child benefits, retirement benefits, childcare subsidies, or income support. One solution is to administer rental assistance through the tax system rather than through HMBs. This can be accomplished by adding a schedule to the tax form asking for confirmation of tenancy and actual rent paid throughout the year. The schedule would only need to be filled out by eligible households applying for the benefit and would not further complicate the tax return for other Canadians. Adjustments would be made on July 1 each year based on actual rents paid in the previous year.³

Concerns with Bill 78

Bill 78 raises several concerns. For instance, it gives the Minister powers to designate a unit as affordable but gives no definition of what constitutes “affordable.” On page 4, section 31.1, “the Minister may designate a housing accommodation as an affordable housing accommodation if the Minister is of the opinion that in the circumstances the housing accommodation is suitable for designation as an affordable housing accommodation.” It’s not clear if Alberta will adopt the Government of Canada’s [definition of affordable housing](#). Using a different definition could cause complications for affordable housing providers who will be navigating different requirements for the provincial government than for federal government funding. More significantly, defining affordable housing in reference to average market rent (say, for instance 10% below market rent) rather than in reference to income (30% of before-tax income) could allow for the province to phase out its Rent-Geared-to-Income (RGI) housing. If this were to happen, the households in deepest housing need could be unable to afford even “affordable housing.”

Potential impacts on municipalities

The strategy promises coordinated planning with municipalities and increased flexibility for local prioritization of housing needs, but it is yet to be determined whether municipalities will experience it as enabling or as downloading. In addition to property tax implications for municipalities, the strategy raises other concerns:

- Representation of municipal staff on HMB boards might change (Action 3.6).
- Municipalities may be required to conduct housing needs assessments without new funding to do so (Action 3.2).
- No signal from the Province on issuing regulation empowering the use of inclusionary zoning.
- Municipalities receive grants in lieu of property taxes for housing owned by the ASHC. If the properties are transferred or sold to non-profit or private housing operators the province may no

³ Kolkman, J. (2020). *The high cost of waiting: Tenant-focused solutions to enhance housing affordable*. Edmonton Social Planning Council.

longer provide these grants, leaving municipalities with the choice of absorbing the cost of providing affordable housing.

If the strategy's implementation does have negative financial implications for municipalities, which remains to be seen, it may undermine the commitment of municipalities to maintain the affordable housing incentives they already have in place. The Alberta Urban Municipalities Association (AUMA) has a guide on affordable housing incentives, and many municipalities (nearly all of those with populations over 25,000) have adopted some of those incentives.

Addressing homelessness

There is little to no mention of homelessness. While the strategy recognizes Alberta's affordable housing deficit is at a crisis point, the aspirational goals in the strategy do not reflect how affordable housing and homelessness are deeply interconnected. The strategy's commitment to cross-ministerial work to expand access to supportive housing for populations transitioning out of homelessness and requiring mental health and addiction support is positive, but there are no defined targets. A goal to end homelessness is not only appropriate but sorely needed to reduce further pressures on the health, social services, and justice systems. The strategy doesn't mention new investments in supportive housing but commits to partnering to enhance onsite services including tenant support workers and services "informed by awareness and sensitivity of Indigenous and other cultures." There is also a commitment to improve coordination of transitions for Albertans exiting from income support, youth exiting government care, women and children fleeing violence, and seniors moving to higher levels of care. Hopefully this will translate to increased coordination between providers of affordable housing, Alberta Seniors & Housing, the homeless-serving system and Community & Social Services (CSS). There's little evidence that CSS or Alberta's homeless-serving sector were involved in shaping this provincial strategy.

Recommendations

Funding for the strategy is expected to be announced in budget 2022. We recommend sufficient funding be allocated to implement the following:

- to leverage an additional \$187 million from the National Housing Strategy. Alberta has not committed even average per capita funding compared to Saskatchewan, Ontario, and Manitoba.
- for operations and housing support so more community housing providers qualify for Rapid Housing Initiative dollars.
- to cover the maintenance and redevelopment of existing publicly owned housing stock,
- to implement the [Find Housing](#) online tool, a central access point to find housing and intended to improve the experiences of individuals seeking affordable housing.
- to continue to provide grants in lieu of property taxes to the municipalities of ASHC properties transferred to non-profits – or find another mechanism for these properties to continue to be property-tax exempt.

Targets should be changed to reflect the urgency of the affordable housing crisis. The strategy includes a 5-year plan for maintenance and redevelopment of all government-owned assets and renewal processes. Five years is too long to wait for this plan, recommendation to increase the capacity and resources of the Ministry of Seniors and Housing so work is complete within a shorter time frame.

The strategy includes a target to reduce the number of households on a waitlist by 30% in 10 years; however, the government must aim higher. A new target should be established to reduce the waitlists by 100% over 10 years.

Conclusion

The nature of Alberta's boom and bust economy has not been a correlating factor when it comes to the rising need for affordable housing. The problem is longstanding and has evolved into a crisis of our own making as housing has been one of the government's many tradeoffs for low taxation over the years. The Stronger Foundations Strategy rightly acknowledges this need by stating a 34% increase in households on the waitlist for subsidized housing from 2018-2020 and commits to making the affordable housing system more accessible, affordable, and sustainable. In addition to concerns about private ownership, Alberta has not seen its fair share of funding from the National Housing Strategy, and targets do not reflect the urgency of the affordable housing crisis. Investments in affordable housing can advance Alberta's economic prosperity by reducing poverty, but more importantly it will save lives, restore dignity and bring Alberta closer to being the place we can all be proud to call home.

Appendix A - Comparison of High Cost of Waiting Recommendations with Stronger Foundations Strategy

Cost of waiting recommendations	Stronger Foundations Strategy
1. That federal-provincial rent subsidy programs, including the proposed Canada Housing Benefit, be funded so that all households who apply and qualify receive the benefit on a timely basis.	More clarity needed. Funding for the Canada Housing Benefit has been leveraged by the Alberta government and is included in the rental assistance program, but it is unclear as to whether “all households who apply and qualify” will receive it.
2. That the Canada Housing Benefit be delivered through the tax system similar to child benefits and GST rebates.	Not incorporated. Rental assistance/subsidy benefits are not delivered through the tax system but through housing management bodies.
3. That the Canada Housing Benefit be based on actual rental costs paid by the tenant household up to a maximum monthly amount	Incorporated. The amount is calculated based on household income and local market rent.
4. That the Canada Housing Benefit be tested against annual household income only as reported on a tax return, and not against household assets.	Not incorporated Benefits are still tested against assets, although the limit has increased from \$7,000 to \$25,000.
5. That the Canada Housing Benefit require equal cost-matching by the provinces and the federal government and delivered in a single monthly payment to qualifying households.	Incorporated. The \$444 million investment is jointly funded by the Government of Canada and the Government of Alberta.
6. That the proposed Canada Housing Benefit eventually provide full gap coverage, not the 75% gap coverage proposed by the National Housing Collaborative.	Unknown. It has not been established whether these benefits provide full gap coverage.
7. That provincial residential tenancy legislation and regulations be amended to put additional safeguards in place to prevent landlords from inquiring into the income status of their tenants.	Out of Scope. The strategy does not discuss legislative changes to prevent landlords from making these inquiries.
8. That the federal and provincial governments continuously monitor the impact of the Canada Housing Benefit on low and modest income tenant households and on rental housing markets across the country.	Not Discussed. This isn’t explicitly addressed in the strategy. The strategy only discusses maintaining the income thresholds for eligibility based on the parameters within CMHC’s Housing Income Limits.



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