

# A Pathway to Fixing the Affordable Housing Crisis in Alberta

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## Issue

Housing is an integral part of economic growth. Indeed, the connections between affordable housing investment and economic growth have been well recognized in literature.<sup>1,2,3</sup> For example, in a recent report, the Canada Mortgage and Housing Corporation (CMHC) identified that roughly 17 percent of the Canadian economy is generated through the construction, purchase, resale and renovation of housing and related spending,<sup>4</sup> and yet investment in affordable housing is often absent from economic plans and job proposals. To ensure long-term community sustainability, local and regional economic development and growth plans must consider the role of affordable housing in the growing economy.

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## Background

Housing affordability has been top of mind for people in Alberta. Affordable housing can encompass many things but for the purpose of this document it is defined as government supported housing available for Albertans, who because of financial, social or other circumstances, cannot afford private market rentals. Housing is considered 'affordable' when a household spends no more than 30% of its gross income on shelter.<sup>5</sup>

The housing and homelessness crisis in Alberta are serious and widespread, cutting across all corners of the province, hitting everyone from the middle class to our most vulnerable residents. The provincial government has recently taken steps to action this through the Alberta Affordable Housing Panel's Final Report that was tabled on October 5, 2020. As well, the Federal Government has responded to the crisis with the National Housing Strategy, which creates a platform for the federal, provincial, and municipal governments to come together to discuss how to best improve housing outcomes for the people of Alberta.

Areas with job growth often experience population growth: adults stay in the area, migrants come to the area, and workers form families and have children. Workers need places to live, so demand for

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<sup>1</sup> Skaburskis, A. "Decomposing Canada's Growing Housing Affordability Problem: Do City Differences Matter?" *Journal of Urban Studies*. Vol 41. Issue 1. 2004.

<sup>2</sup> Mao, F. "The Innovation Economy and the Housing Crisis." *Master of Arts in Planning*. 2017.

<sup>3</sup> Pinki, D. "Housing Affordability in Toronto: Low-Income Earners and Recent Immigrants." *Master of Arts in Political Science*. University of Windsor. 2017.

<sup>4</sup> Canadian Mortgage and Housing Corporation. "Overview of the Summer 2020 Housing Market Outlook Report." <https://www.cmhc-schl.gc.ca/en/blog/2020-housing-observer/overview-summer-2020-housing-market-outlook-report>. Accessed 20 January 2021.

<sup>5</sup> Government of Alberta. "Final Report of the Alberta Affordable Housing Review Panel." 2020. <https://open.alberta.ca/dataset/26b06d34-4b03-488d-bed8-da5316b8b95c/resource/0fd7ae4e-568b-43d5-8480-c8d765b1e514/download/sh-final-report-of-alberta-affordable-housing-review-panel-2020-10-05.pdf>. Accessed 20 January 2021.

housing increases, thereby stimulating housing production.<sup>6</sup> From this chain of events, we can deduce that employment growth often translates into more housing – but does the relationship apply in reverse? Specifically, how can investments in housing, particularly affordable housing, affect job creation?

The most direct connection between affordable housing and job creation is the development and construction of projects on behalf of non-profit organizations. Developing one residential unit is estimated to generate between two and two-and-a-half new jobs.<sup>7</sup> In other words, each \$1 million invested in residential housing development generates between 10 and 12 jobs. These jobs are overwhelmingly local, with most in the area where the unit is built.<sup>8</sup> As well, according to the Canadian Home Builders' Association (CHBA) study,<sup>9</sup> the residential construction industry created:

- 46,935 on-site and off-site jobs in new home construction, renovation, and repair
- \$3.2 billion in wages
- \$7.2 billion in investment value

When job creation is used in tandem with other strategies for neighbourhood renewal, it can have larger economic and job multiplier effects. Multipliers are the continuing effects of investment as it cycles through the economy. A recent report by the Mowat Centre estimated that multiplier effects turn each dollar of investment in residential construction into \$1.52 of provincial gross domestic product (GDP).<sup>10</sup>

In addition to the direct effects of housing investment on job creation, access to an affordable home means that Albertans will be healthier, more productive, and able to spend money in their local economies. Certainly, there is strong evidence that quality affordable housing also generates improved social and outcomes for low-and-moderate income households.<sup>11</sup> It stands to reason that good quality affordable housing yields positive health and education outcomes by lowering household stress, enabling the purchase of nutritious food and supporting family stability.<sup>12</sup>

A healthy and educated workforce can attract employers and job-related investment in communities. For children living in inadequate or unaffordable housing, a secure home improves their likelihood of academic achievement and the completion of post-secondary education.<sup>13</sup> Moreover, post-secondary graduates earn nearly \$5000 more annually than those with a high school education – a number likely to

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<sup>6</sup> Saks, R. "Job Creation and housing construction: Constraints on metropolitan area employment growth." *Journal of Urban Economics*. Vol. 64. Issue 1. 2008.

<sup>7</sup> Canadian Mortgage and Housing Corporation. "Overview of the Summer 2020 Housing Market Outlook Report." <https://www.cmhc-schl.gc.ca/en/blog/2020-housing-observer/overview-summer-2020-housing-market-outlook-report>. Accessed 20 January 2021.

<sup>8</sup> Ibid.

<sup>9</sup> Canadian Home Builders Association. "Economic Impacts of the Housing Industry." [https://www.chba.ca/CHBA/HousingCanada/InformationStatistics/CHBA/Housing\\_in\\_Canada/Information\\_and\\_Statistics/InformationStatistics.aspx?hkey=0cec0938-c402-44bd-b316-96bd03998782](https://www.chba.ca/CHBA/HousingCanada/InformationStatistics/CHBA/Housing_in_Canada/Information_and_Statistics/InformationStatistics.aspx?hkey=0cec0938-c402-44bd-b316-96bd03998782). Accessed 20 January 2021.

<sup>10</sup> Zon, N, Molson, M and Oschinski, M. *Building Blocks: The Case for Federal Investment in Social and Affordable Housing in Ontario*. Mowat Centre. Ontario's Voice on Public Policy. 2014.

<sup>11</sup> Mueller, E and Tighe, R. "Making the Case for Affordable Housing: Connecting Housing with Health and Education Outcomes." *Journal of Planning and Literature*. Vol: 24. Issue 4. 2007.

<sup>12</sup> Ibid.

<sup>13</sup> Ibid.

increase as workers advance their careers.<sup>14</sup> The result of this increased earning potential is greater contributions to economic growth.

A final connection between affordable housing and investment and job creation is the economic effect that results from increased renter income. When renter households move from unaffordable to affordable housing, the percentage of their income that they spend on housing decreases. This results in more spending on goods and services and because low-income households and because low-income households tend to spend their discretionary income primarily within their community, they can help stimulate the local economy and spur job creation.<sup>15</sup>

Despite the benefits of affordable housing and job creation, according to the Community Housing Affordability Collective (2020), many projects in Alberta remain currently uncatalyzed because of access to low-cost financing.<sup>16</sup> Indeed, access to low-interest financing can mean the difference between a project idea and shovels in the ground. Reducing borrowing costs to buyers and assisting in developer financing could help as a way to reduce the housing affordability gap. This could be accomplished by improving access to finance for low-income households by reducing the cost of mortgage funding and the risk of lending, as well as leveraging collective saving. Governments could help by cutting costs for developers by making affordable housing projects less risky and guaranteeing buyers or tenants for finished units.

In addition to new construction for affordable housing, existing community (i.e. social) housing also faces significant sustainability challenges.<sup>17</sup> Conditions in the private housing market make challenges in community housing and homelessness prevention even worse. Unable to find housing on their own, many people turn to community housing to find shelter and are met with long waitlists. Currently, more than 110,000 Albertans live in government-subsidized housing, with an additional 19,000 households on a waiting list for subsidized housing.<sup>18</sup> From 2019 to 2020, as a consequence of Government of Alberta capital funding, a total of 537 units were created. However, these gains in stock were negated by a decrease in the number of rent supplement units because COVID-19 delayed the transition to a new rent supplement program. The Government of Alberta owns almost half of the subsidized housing stock in Alberta. Almost 60% operate under a strict regulatory structure governed by the Alberta Housing Act. This limits the incentives and nature of market participants (both private and not-for-profit) in developing and operating affordable housing. With the exception of rent supplements, regulated programs are not structured to allow partnerships with the private sectors.

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<sup>14</sup> Ibid.

<sup>15</sup> Anacker, A. "Housing Affordability and Affordable Housing." *International Journal of Housing Policy*. Vol. 19. Issue 1. 2019.

<sup>16</sup> Community Housing Affordability Collective. "Let's Make Housing Affordable in Calgary." <http://www.chacollective.com/>. Accessed 20 January 2021.

<sup>17</sup> Calgary Housing Company. "Home is what we do." <https://calgaryhousingcompany.org/about/>. Accessed 20 January 2021.

<sup>18</sup> Government of Alberta. "Final Report of the Alberta Affordable Housing Review Panel." 2020. <https://open.alberta.ca/dataset/26b06d34-4b03-488d-bed8-da5316b8b95c/resource/0fd7ae4e-568b-43d5-8480-c8d765b1e514/download/sh-final-report-of-alberta-affordable-housing-review-panel-2020-10-05.pdf>. Accessed 20 January 2021.

Moreover, there are nearly 500,000 Albertans currently spending more than 30% of their household income on housing costs and 164,275 households in core housing need.<sup>19</sup> Meanwhile, some community housing units sit empty as they are in a state of disrepair. In Calgary alone, most housing is pushing 30 years old or older, according to the most recent statistics available.<sup>20</sup> As well, nearly 90% of the housing stock was built before 1990, and out of those units, half predates 1980.<sup>21</sup> This is echoed by jurisdictions across Alberta due to reductions in affordable housing maintenance funding from the province in 2019 and 2020.<sup>22</sup> Regular and adequate investment in existing assets is the best way to maximize the cost of housing operations over a building's lifecycle.

The Lethbridge Chamber is a proponent of innovative solutions to address the housing supply and affordability crisis. Promising practices from other jurisdictions in Canada and abroad should be balanced, identified, and considered. Any innovative housing policy options identified through this exercise must balance the needs of communities, while ensuring public safety. The sentiment "not in my backyard" often contributes to local opposition to new development which can lead to delays in approval timelines and slow down the construction of new builds. There is a role for the province to play to support municipal governments in gaining public acceptance for new housing developments. Public culture can change this culture and support new developments.

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**The Alberta Chambers of Commerce recommends the Government of Alberta:**

1. Invest in existing housing assets to optimize the cost of housing operations;
2. Research, disseminate and support promising practices from other jurisdictions about how to facilitate innovative housing supply;
3. Work with municipal governments and local housing authorities to research and share promising practices to make better use of existing homes, buildings, and neighbourhoods to increase supply of housing;
4. Collaborate with municipal governments to invest in a "yes in my backyard" strategy to change public attitudes on new housing developments; and
5. Assess publicly owned lands that could be deemed beneficial for affordable housing projects.

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<sup>19</sup> Ibid.

<sup>20</sup> Calgary Housing Company. "Home is what we do." <https://calgaryhousingcompany.org/about/>. Accessed 20 January 2021.

<sup>21</sup> Ibid.

<sup>22</sup> Ibid.