

# A Pathway to Fixing Housing Affordability Crisis in Alberta

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## Issue

Housing is an integral part of economic growth. The connections between affordable housing investment and economic growth have been well recognized in literature.<sup>1,2,3</sup> And yet investment in affordable housing has been insufficient to meet demands. 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 topped of mind for all Canadians. Housing is considered “affordable” when a household spends no more than 30% of its gross income on shelter.<sup>4</sup>

In Alberta, as of 2021 there were approximately 57,000 households in government-subsidized housing, and more than 24,000 households are waiting for suitable subsidized accommodation. In order to meet growing demand, Alberta will need to use a variety of tools to support another 25,000 households.<sup>5</sup>

It is widely accepted that housing exists on a spectrum, generally referred to as *The Housing Continuum*:

### THE HOUSING CONTINUUM



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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> Final Report of the Alberta Affordable Housing Review Panel – Government of Alberta (<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>)

<sup>5</sup> Stronger Foundations Alberta’s 10-year strategy to improve and expand affordable housing – Government of Alberta (<https://open.alberta.ca/dataset/d17f3af6-fa5a-4cb0-b36e-248823cddff1/resource/d11b4795-763a-4221-b6f9-2f5769df50a5/download/sh-stronger-foundations-albertas-10-year-strategy-affordable-housing-2021.pdf>)

Market rental rates are not affordable for a large number of Alberta households. Housing market changes do not align with shifts in household income or demographics, with housing prices and rental rates often lagging behind shifts in the economy and unique local conditions.<sup>1</sup>

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 housing increases, either stimulating production or increasing market rates for housing.

Alberta's population continues to grow. In the 12 months preceding October 1, 2023, the province's population expanded by about 194,000 people, or 4.3%.<sup>2</sup> In the same time period, Alberta had approximately 37,000 new housing starts with about one third being single-detached units, meaning an average of one new home built for every five people coming to the province.<sup>3</sup> By comparison, for the 12 months preceding October 1, 2022, Alberta saw over 39,000 housing starts,<sup>4</sup> with a population increase of only 79,000.<sup>5</sup>

The new stock of available homes has not kept pace with the increase in population, and have priced many working people out of market home rental or ownership.

Developing one residential unit is estimated to generate between two and two-and-a-half new jobs.<sup>6</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.

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. There is strong evidence that quality affordable housing also generates improved social and economic outcomes for low-and-moderate income households.<sup>7</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.

Steve Douglas, Chief Executive of the Housing Corporation stated: "Housing is often viewed as a barometer for the state of the economy . . . The type and quality of the housing offer can have a significant impact on the health and wealth of places. Their ability to attract and retain people and provide support for those who need it relies on good housing and attractive and inclusive neighbourhoods."<sup>8</sup>

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<sup>1</sup> Ibid

<sup>2</sup> Current provincial population estimates – Government of Alberta (<https://www.alberta.ca/population-statistics>)

<sup>3</sup> Canada Mortgage and Housing Corporation, housing starts, under construction and completions in centres 10,000 and over, Canada, provinces, selected census metropolitan areas – Government of Canada (<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3410014301>)

<sup>4</sup> Statistics Canada. [Table 34-10-0143-01 Canada Mortgage and Housing Corporation, housing starts, under construction and completions in centres 10,000 and over, Canada, provinces, selected census metropolitan areas](#)

<sup>5</sup> Statistics Canada. [Table 17-10-0009-01 Population estimates, quarterly](#)

<sup>6</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>7</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>8</sup> Housing and economic development: Moving forward together – Centre for Cities (<https://www.centreforcities.org/wp-content/uploads/2014/09/08-11-06-Housing-and-economic-development.pdf>)

A healthy and educated workforce can attract employers and job-related investment in communities.

Investments are no longer being evaluated strictly based on potential financial returns. Increasingly, investors are seeking to work with companies and jurisdictions that demonstrate a genuine and actionable commitment to responsible ESG policies. Investors considering Alberta for business opportunities are looking for evidence that managing ESG risk and identifying solutions is integrated into the province's overall strategy and operations.<sup>1</sup>

Major national and foreign business investors want to invest in jurisdictions where their employees can afford to live and raise a family.

While companies seldom base their site-selection decisions solely on quality-of-life issues - housing, schools, healthcare, amenities, crime - these factors do play an increasingly important role in this decision-making process, especially for those dependent on the talents of highly educated workers.<sup>2</sup>

For children living in inadequate or unaffordable housing, a secure home improves their likelihood of academic achievement and the completion of post-secondary education. Post-secondary graduates earn nearly \$5000 more annually than those with a high school education – a number likely to increase as workers advance their careers. The result of this increased earning potential is greater contributions to economic growth.

A final connection between housing affordability, 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.

Reducing barriers to accessing borrowing for buyers – particularly first-time 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.

When it comes to housing, there is little alignment between the three levels of government. The municipal, provincial, and federal governments need to get better at listening to each other and finding ways to collaborate.

It is very evident how each level of government has a perspective on this issue and is doing what they believe is best to address the challenges. There doesn't seem to be a desire for intergovernmental conversation and action to address this challenge with piecemeal band-aid solutions being implemented on a project-by-project basis with little consideration and overall strategy that sees alignment from all levels of government.

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<sup>1</sup> Invest Alberta 2022-2023 Annual Report (<https://investalberta.ca/2022-annual-report/dist/files/investalberta2022-23-annualreport.pdf>)

<sup>2</sup> Area Development. Quality of Life Factors into Business Location Decision (<https://www.areadevelopment.com/siteselection/dec08/quality-of-life-business-location017.shtml>)

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 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 appearance 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. Work with municipalities, industry and service providers to provide funding, incentives and the right regulatory environment for service providers and developers to access existing stock to address affordable and supportive housing needs;
2. Work with the Federal Government, other provincial counterparts and municipalities to develop a cohesive strategy to address housing affordability, clearly defining roles and responsibilities and working relationships at each level of Government;
3. Provide greater flexibility for municipalities to amend land use zoning, create innovative incentives and various forms of tax relief or levies to make better use of existing homes, buildings, neighborhoods, including brownfield and greenfield developments to increase supply and density of housing;
4. Collaborate with municipal governments to work towards affordable housing and land development practices;
5. Assess the viability of publicly owned lands that could be deemed beneficial for affordable housing projects, and develop a strategy for attracting development; and,
6. Support increased productivity, including modular and factory-built construction.