



Affordable Housing

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Background

It is important to make a clear distinction between social housing and market housing when developing government policies and strategies related to housing availability.

Social housing, generally describes those situations where supportive services are required, or when incomes are so low, that even normal operating costs cannot be afforded. The market place can not solve this problem. It is a problem for all of society, including business and without a doubt needs the support of government and non-profit agencies.

Affordable market housing, on the other hand, is a cornerstone of creating attractive, successful, sustainable communities. Affordable, market housing helps to attract and retain a family friendly, stable workforce which will become increasingly important in the future because of our aging demographics and accompanying social changes.

It is generally recognized that the three pillars of sustainable communities are economic, social, and environmental. For Alberta companies to be globally cost competitive and to improve our overall economic prosperity as a province, we need to have sustainable and appealing communities that offer a quality of life to attract a productive workforce.

A lack of affordable, market driven family housing can create many social problems, such as: create temporary, migrant labour, encourage the set up of expensive work camps and push labour costs to all employers to very high levels. Housing construction is labour intensive and high labour costs lead to even higher housing costs, resulting in negative impacts especially to first time home buyers.

In addition to high labour costs, housing costs can also be impacted negatively by restrictive zoning bylaws resulting in lack of choice and availability of

accessible serviced land, long regulatory approval times, market distorting tax rates, potential of future higher interest rates, and downloading of municipal service charges and infrastructure costs onto new developments. For example, since 2003, municipal levies in Edmonton have risen from around \$30,000 per hectare to over \$140,000 per hectare – far more than any other single component of cost.

Housing affordability is directly linked to income, where by a 3 to 1 ratio of housing value to family income is generally considered affordable and competitive across North America; when housing costs rise faster than average incomes, disparities result, and providing attractive and stable, family friendly communities can become economically and socially difficult.

Generally, non-market approaches to the production of housing do not work as they discourage private investment and involvement, therefore it is important that government facilitates an adequate supply of market driven affordable housing by keeping imposts and costs as low as possible. It is imperative that a regulatory environment exists which encourages innovation, the leverage of individuals, private sector, non-profit and public resources to incent market driven solutions to insure our competitive position in a rapidly changing global economy.

Appropriate government roles in housing include: performing speedy approvals and ensuring availability of land; providing adequate infrastructure funding and transportation planning; streamlining labour force development and immigration policies; ensuring adequate municipal revenues and equitable municipal property taxes and utilities costs and adjusting the GST, income and other taxes so that in the long term they are not too punitive to housing affordability.

It is important that a long term, comprehensive strategy is in place promoting choice, diversity and market driven affordable housing, to insure Alberta and the Edmonton region have large numbers of attractive, family friendly, cost competitive and sustainable communities.

Recommendations:

That the Government of Alberta:

1. Make a clear distinction between social housing and market housing when developing government policy toward housing availability;

2. Ensure development approval processes for market housing do not stifle supply so that the market can achieve the most competitive house pricing possible;
3. Ensure that equitable, sustainable funding for municipalities is available to prevent the disproportionate downloading of costs onto new housing developments;
4. Affect housing affordability and availability in a positive manner by exercising controls over municipal government charges, taxes, and levies that are designed to bring about a more equitable distribution of development costs;
5. Avoid public interventions in the supply side of the housing market that result in discouraging private investment and involvement;
6. Provide direct subsidies for those at the margin so that they can make their own demand side housing decisions by using targeted incentives and supports for lower income families and seniors such as income supplements, mortgage interest rate buy downs and capital grants; and
7. Continue to support social housing issues by leveraging the skills and resources of families, non-profit agencies, and all levels of government.