



2023 Fall Economic Statement Summary

November 2023

 **EllisDon**

COMMUNITY BUILDERS

2023 FALL ECONOMIC STATEMENT SUMMARY

On November 21 2023, the Government of Canada (the “Government”) released the *2023 Fall Economic Statement: Building a strong economy that works for everyone*. The budget for this year delivers the next phase of the government’s economic plan to help create good jobs, build more homes, and make life more affordable. This bulletin from EllisDon Community Builders provides a summary of Canada’s Housing Action Plan.

Background and Summary

The Government’s 2023 Fall Economic Statement allocates \$20.8 billion in spending over the next six years focusing on priorities including affordable housing, elevated interest rates and high inflation. The International Monetary Fund projects that Canada’s economic plan will deliver the strongest economic growth in the G7 next year (Figure 1).

Canada’s economy has remained resilient since the pandemic recession and has had a strong recovery. Yet, Canadians continue to struggle and face economic challenges as housing costs remain high, and to combat inflation around the world, the world’s central banks have implemented the steepest series of interest rate increases in decades.



Canada’s Housing Action Plan

For many Canadians today, homeownership feels out of reach and the rising costs of rent make it difficult for citizens to afford. Canada simply does not have enough homes to support the needs of citizens. The Canada Mortgage and Housing Corporation estimates that Canada needs to build 3.5 million more homes by 2030— over and above the current rate of construction—to restore housing affordability for Canadians.

As part of this work, the Government is introducing new measures to incentivize the construction of new rental housing, protect renters and homeowners, and make it easier for Canadians to have a place to call their home. The Government is leading this initiative, bringing together provincial, territorial, and municipal governments, in partnership with home builders, financiers, community housing providers, and Indigenous organizations and governments, to address our nation’s housing crisis.

Building More Homes Faster

Increasing housing supply requires the removal of the zoning, financial, and regulatory barriers that disincentivize construction, particularly for rental and affordable housing.

Current zoning restrictions can delay development and increase costs. In order to accelerate housing construction, the Government is working with governments across Canada to:

- Speed up permitting approvals,
- Lift zoning restrictions,
- and build more homes, faster.

Building More Affordable Housing

The Affordable Housing Fund, previously known as the National Housing Co-Investment Fund, has already committed funding to repair or renew nearly 129,000 homes, while supporting the construction of more than 31,500 new homes since it came out in 2017.

To build more affordable housing for the most vulnerable Canadians, the 2023 Fall Economic Statement announces an additional \$1 billion over three years, starting in 2025-26, for the Affordable Housing Fund. This investment will support non-profit, co-op, and public housing providers to build more than 7,000 new homes by 2028.

More Financing for Apartment Construction

The 2023 Fall Economic Statement announces an additional \$15 billion in new loan funding, starting in 2025-26, for the Apartment Construction Loan Program, formerly known as the Rental Construction Financing Initiative, for a total of more than \$40 billion in loan funding. This investment will support more than 30,000 additional new homes across Canada, bringing the program's total contribution to more than 101,000 new homes supported by 2031-32.

Removing the GST From New Co-op Rental Housing

The Government is creating financial incentives to build more homes, faster, by removing the Goods and Services Tax ("GST") from new purpose-built rental housing projects, such as apartment buildings, student housing, and seniors' residences. The 2023 Fall Economic Statement announces that co-operative housing corporations that provide long-term rental accommodation would also be eligible for the removal of the GST on new rental housing, provided the other conditions have been met.

Strengthening the Co-operative Housing Development Program

As part of this announcement, the Federal Government has announced an investment of \$309.3 million in new funding for the Co-operative Housing Development Program, which was announced in Budget 2022. In collaboration with the Co-operative Housing Federation of Canada and other co-op housing partners, CMHC is working to launch the co-developed program in early 2024.

Update on Indigenous Housing and the Urban, Rural, and Northern Indigenous Housing Strategy

Indigenous Peoples continue to face unique barriers in accessing safe and affordable housing in urban, rural, and northern communities across Canada. The 2023 Budget announced the \$4 billion Urban, Rural, and Northern Indigenous Housing Strategy—following a for Indigenous, by Indigenous approach in efforts to close the housing gaps.

Initiatives in Progress

Northern Indigenous Housing Strategy

- The federal government is working with various Indigenous partners—including First Nations, Inuit, and Métis governments and organizations—to co-develop and launch the Urban, Rural, and Northern Indigenous Housing Strategy in 2024.

Establishing the Department of Housing, Infrastructure and Communities

- In recognition of the link between housing and infrastructure, the government proposes to introduce legislation to establish the Department of Housing, Infrastructure and Communities (currently Infrastructure Canada). Through this legislation, the government will clarify the department's powers, duties and functions as the federal lead for improving housing outcomes and enhancing public infrastructure. The Department of Housing, Infrastructure and Communities will support the government in delivering on Canada's housing priorities.

Leveraging the Canada Infrastructure Bank to Support More Housing

- Communities in Canada lack the infrastructure and financing required to build new homes. The Canada Infrastructure Bank is currently exploring ways to better support communities and to develop the infrastructure that is required for more homes to be built. This can include the costs of building new water and power lines, wastewater treatment plants, roads, public transit, and internet cables. Details on this work will be announced by Budget 2024.

The Government's 2023 Fall Economic Statement has committed to consult on the changes required to remove regulatory barriers for homebuyers, especially homebuyers from diverse communities seeking alternative financing solutions. Figure 1 Below provides a summary of the distribution of funds for housing programs and commitments as part of the Government's latest announcement.

Figure 1 - 2023 Fall Economic Statement - Distribution of Funds for Housing Programs and Commitments

Canada's Housing Action Plan
millions of dollars

| | 2023- 2024 | 2024- 2025 | 2025- 2026 | 2026- 2027 | 2027- 2028 | 2028- 2029 | Total |
|--|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| 1.1. Building More Homes, Faster | -37 | 126 | 867 | 1,747 | 1,859 | 1,637 | 6,199 |
| Removing the GST From New Rental Housing* | 5 | 145 | 645 | 1,065 | 1,250 | 1,455 | 4,565 |
| More Financing for Apartment Construction | 0 | 0 | 41 | 41 | 96 | 164 | 342 |
| Building More Affordable Housing | 0 | 0 | 54 | 473 | 473 | 0 | 1,000 |
| Strengthening the Co-operative Housing Development Program** | 0 | 0 | 70 | 165 | 30 | 9 | 274 |
| Year-Over-Year Reallocation of Funding | -42 | -19 | 58 | 3 | 11 | 9 | 18 |
| 1.3. Supporting Renters, Buyers, and Homeowners | 0 | 15 | 18 | 18 | 0 | 0 | 50 |
| Cracking Down on Non-Compliant Short-Term Rentals | 0 | 15 | 18 | 18 | 0 | 0 | 50 |
| Chapter 1 - Net Fiscal Impact | -37 | 141 | 885 | 1,765 | 1,859 | 1,637 | 6,249 |

Note: Numbers may not add due to rounding.

* As announced on September 14, 2023.

** An additional \$35.6 million is proposed to be provided in future years.

For more information, please contact Nina Tomic, ntomic@ellisdon.com, and we can discuss how EllisDon Community Builders can assist you with advancing your project.