

Department of Finance Canada

Making Housing More Affordable

Backgrounder

April 7, 2022

Everyone should have a safe and affordable place to call home. Budget 2022 takes significant steps that will build more homes and make housing more affordable across the country. These include:

- Putting Canada on the path to double our housing construction over the next decade;
- Helping Canadians buy their first home;
- Protecting buyers and renters;
- Curbing unfair practices that drive up the price of housing;
- Continuing to fight homelessness and support housing affordability, particularly for the most vulnerable; and,
- Addressing the housing needs of Indigenous peoples.

Tax-Free First Home Savings Account

As home prices climb, so too does the cost of a down payment, which represents a major barrier for many looking to own a home—especially young people.

- Budget 2022 proposes to introduce the Tax-Free First Home Savings Account that would give prospective first-time home buyers the ability to save up to \$40,000. Like an RRSP, contributions would be tax-deductible, and withdrawals to purchase a first home—including investment income—would be non-taxable, like a TFSA. Tax-free in, tax-free out.

Launching a New Housing Accelerator Fund

Building more housing will require investments, but it will also require changes to the systems that are preventing more housing from being built.

- With the target of creating 100,000 net new housing units over five years, Budget 2022 proposes to provide \$4 billion over five years, starting in 2022-23, to launch a new Housing Accelerator Fund that is flexible to the needs and realities of cities and communities, while providing them support such as an annual per-door incentive or up-front funding for investments in municipal housing planning and delivery processes that will speed up housing development.

Rapidly Building New Affordable Housing

Additional affordable housing units are urgently needed, particularly for those experiencing or at risk of homelessness.

- To ensure that more affordable housing can be built quickly, Budget 2022 proposes to provide \$1.5 billion over two years, starting in 2022-23, to extend the Rapid Housing Initiative. This new funding is expected to create at least 6,000 new affordable housing units, with at least 25 per cent of funding going towards women-focused housing projects.

An Extended and More Flexible First-Time Home Buyer Incentive

To make it more affordable for people to buy their first home, the federal government introduced the First-Time Home Buyer Incentive, which allows eligible first-time home buyers to lower their borrowing costs by sharing the cost of buying a home with the government.

- To help more Canadians purchase their first home, Budget 2022 announces an extension of the First-Time Home Buyer Incentive to March 31, 2025, and that the government is exploring options to make the program more flexible and responsive to the needs of first-time home buyers, including single-led households.

A Ban on Foreign Investment in Canadian Housing

For years, foreign money has been coming into Canada to buy residential real estate, fuelling concerns about the impact on costs in cities like Vancouver and Toronto, and worries about Canadians being priced out of the housing market in cities and towns across the country.

- To make sure that housing is owned by Canadians instead of foreign investors, Budget 2022 announces the government's intention to propose restrictions that would prohibit foreign commercial enterprises and people who are not Canadian citizens or permanent residents from acquiring non-recreational, residential property in Canada for a period of two years.

Making Property Flippers Pay Their Fair Share

Property flipping—buying a house and selling it for much more than what was paid for it just a short time prior—can unfairly lead to higher housing prices, and some people who engage in property flipping may be improperly reporting their profits to pay less tax.

- To ensure profits from flipping properties are taxed fully and fairly, Budget 2022 proposes to introduce new rules so that any person who sells a property they have held for less than 12 months would be subject to full taxation on their profits as business income, applying to residential properties sold on or after January 1, 2023. Exemptions would apply for Canadians who sell their home due to certain life circumstances, such as a death, disability, the birth of a child, a new job, or a divorce.

Supporting Rent-to-Own Projects

Rent-to-own arrangements can help alleviate the barriers posed by rising home prices by providing more time and support to renters on the path to homeownership, and by allowing them to live and grow in their homes.

- To help develop and scale up rent-to-own projects across Canada, Budget 2022 proposes to provide \$200 million in dedicated support under the existing Affordable Housing Innovation Fund. This will include \$100 million to support non-profits, co-ops, developers, and rent-to-own companies building new rent-to-own units.

Moving Forward on a Home Buyers' Bill of Rights

Unfair practices like blind bidding or asking buyers to waive their right to a home inspection can make the process of buying a home even more stressful for too many Canadians.

- Budget 2022 announces that the government will engage with provinces and territories over the next year to develop and implement a Home Buyers' Bill of Rights and bring forward a national plan to end blind bidding. Among other things, the Home Buyers' Bill of Rights could also include

ensuring a legal right to a home inspection and ensuring transparency on the history of sales prices on title searches.

Multigenerational Home Renovation Tax Credit

Many Canadians have traditions of living together in multigenerational homes, with grandparents, parents, and children under one roof—which can be an important way for them to care for each other.

- To support these families, Budget 2022 proposes to introduce a Multigenerational Home Renovation Tax Credit, which would provide up to \$7,500 in support for constructing a secondary suite for a senior or an adult with a disability, starting in 2023.

A New Generation of Co-Operative Housing Development

For generations, co-ops have offered quality, affordable housing to Canadians, while empowering their members through inclusion, personal development, and security of tenure through their community-oriented model of housing.

- Budget 2022 proposes to reallocate \$500 million of funding on a cash basis from the National Housing Co-Investment Fund to launch a new Co-operative Housing Development Program aimed at expanding co-op housing in Canada. This new program will be co-designed with the Co-operative Housing Federation of Canada and the co-operative housing sector.
- Budget 2022 also proposes an additional \$1 billion in loans to be reallocated from the Rental Construction Financing Initiative to support coop housing projects.

Investing in Housing for Indigenous Communities

Access to safe and affordable housing is critical to improving health and social outcomes and to ensuring a better future for Indigenous communities and children.

- Building on more than \$2.7 billion to support housing in Indigenous communities since 2015, Budget 2022 proposes to provide \$4.3 billion over seven years towards improving and expanding Indigenous housing in Canada, which includes:
 - \$2.4 billion over five years to support First Nations housing on reserves;
 - \$565 million over five years to support housing in Self-Governing and Modern Treaty Holder First Nations communities;
 - \$845 million over seven years to support housing in Inuit communities;
 - \$190 million over seven years for housing in Métis communities; and
 - \$300 million over five years to co-develop and launch an Urban, Rural, and Northern Indigenous Housing Strategy.

Along with these new investments, the federal government will allocate \$2 billion of the \$20 billion provided for long-term reform of the First Nations Child and Family Services program to target the housing needs of First Nations children once a final settlement agreement is reached.

These measures will result in a combined \$6.3 billion over seven years towards improving and expanding Indigenous housing in Canada.

Direct Support for those in Housing Need

The Canada Housing Benefit was co-developed with provinces and territories and launched in 2020 with joint funding of \$4 billion over eight years to provide direct financial support to Canadians who are experiencing housing need.

- To further support those struggling with housing costs, Budget 2022 proposes to provide \$475 million in 2022-23 to provide a one-time \$500 payment to those facing housing affordability challenges, with the details and delivery method to be announced at a later date.

Doubling the First-Time Home Buyers' Tax Credit

The government recognizes that the significant closing costs associated with purchasing a home can be a hurdle for first-time home buyers, and the First-Time Home Buyers' Tax Credit is intended to provide support to Canadians buying their first home whether it be in a rural, suburban or urban community.

- Budget 2022 proposes to double the First-Time Home Buyers' Tax Credit amount to \$10,000, providing up to \$1,500 in direct support to home buyers, applying to homes purchased on or after January 1, 2022.

Speeding Up Housing Construction and Repairs for Vulnerable Canadians

Over the last five years, the National Housing Co-Investment Fund has supported the construction and repair of 108,000 housing units for the most vulnerable Canadians.

- Budget 2022 proposes to advance \$2.9 billion in funding, on a cash basis, under the National Housing Co-Investment Fund, so that all remaining funds will be spent by 2025-26, accelerating the creation of up to 4,300 new units and the repair of up to 17,800 units for the Canadians who need them most.

Affordable Housing in the North

Canada's Northern communities face unique housing needs due to higher construction costs, shorter construction seasons, infrastructure gaps, and the effects of climate change that are increasing as the North has been warming at roughly three times the global warming rate.

- Budget 2022 proposes to provide \$150 million over two years, starting in 2022-23, to support affordable housing and related infrastructure in the North, of which \$60 million would be provided to the Government of Nunavut; \$60 million to the Government of the Northwest Territories; and \$30 million to the Government of Yukon.

Doubling the Home Accessibility Tax Credit

Seniors and persons with disabilities deserve the opportunity to live and age at home, but renovations and upgrades that make homes safe and accessible can be costly. The Home Accessibility Tax Credit provides support to offset some of these costs.

- Budget 2022 proposes to double the qualifying expense limit of the Home Accessibility Tax Credit to \$20,000 for the 2022 and subsequent tax years. This will mean a tax credit of up to \$3,000—an increase from the previous tax credit of up to \$1,500—for important accessibility renovations or alterations.

Long-Term Supports to End Homelessness

Through *Reaching Home: Canada's Homelessness Strategy*, the federal government has committed more than \$3 billion to address homelessness, including doubling annual funding for four years in response to the pandemic.

- Budget 2022 proposes to provide \$562.2 million over two years, beginning in 2024-25, to continue providing doubled annual funding for Reaching Home, to provide longer term certainty for the organizations doing vitally important work across the country and ensure that our communities have the support they need to continue to prevent and address homelessness.

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