



## CITY OF LANGLEY

### MOTION

#### Increasing Affordable Rental Housing Supply – Councillor White

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**WHEREAS** the Prime Minister, at the National Supply Housing Summit held on February 24, 2022, advised that Canada has a shortage of over two million homes, and that with the increased need of immigration, there is a need to double the volume of housing created in Canada annually to meet the current housing deficit and future demand;

**AND WHEREAS** the Rental Construction Financing Initiative (RCFI) program; an underfunded and underused housing initiative accessed through the Canadian Mortgage Housing Corporation (CMHC), designed to provide funding from the Bank of Canada through CMHC directly to developers and Non-Profit/charities; removing a layer of cost traditionally inflated by market mortgage interest rates; thereby limiting effects of inflation, extreme moves in interest rates and increasing cap rates; any of which have currently removed many affordable rental projects from market because of they are too great a risk or not viable.

**THEREFORE, BE IT RESOLVED** that the UBCM call on the federal government to modify the current CMHC / Rental Construction Financing Initiative (RCFI) program to further incentivize private enterprise and non-profits to build critically needed affordable rentals, using the following approach:

- Dramatically increase funding to RCFI by 10 billion per year or whatever amount is necessary to support rental deficit needs.
- Fix interest rate direct from the Bank of Canada at .75%. There is no need to follow bond rates as the Bank of Canada can set the rate and fund directly to CMHC. By doing so, the applicant could reduce the cost of future rent and know for certain the future financing costs as project timelines can be up to five years.
- Change RCFI loans from 10-year fixed terms to 20- or 30-year fixed terms. Setting longer terms will lower the cap rate helping further soften effects of inflation.
- Additionally, continue with CMHC insurance renewal at year 21 or 31. This creates more revenue for the Government of Canada.
- Waive GST on RCFI financed projects. If these projects are on First Nations land, GST is already waived. By further waving all projects savings can be used to buffer inflationary costs and flow to rent reduction.
- Allow projects to apply for the RCFI program prior to zoning. This will bring surety when making promises to municipalities by the applicant.
- Adding 10 years to the program timeframe.

## **BACKGROUND: Supplementary Memo**

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Resolution background material provided solely by:

Shawn Bouchard – C.O.O.  
Lorval Developments  
Langley, BC

Bouchard, S. (2023, May 30) *"The Big Idea for Affordable Rental Housing Creation"*

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### *The Big Idea for Affordable Rental Housing Creation*

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Expansion and Alteration of the CMHC "Rental Construction Financing Initiative Program"  
To Create a Substantial Increase in Affordable Rental Housing Supply in Canada.

#### **Resulting Implications of the Change to the Program would be:**

- *No Cost to the Taxpayer, Government or Budget Limitations*
- *Substantial increase to the Rental Housing Supply.*
- *Creating a Revenue Stream to the Government That Can Be Used For Other Housing Initiatives*
- *Stimulate Substantial Participation by the Private Sector Without Negatively Effecting Other Forms of Housing.*

Due to a chronic shortage of supply, rental rates continue to rise far above inflation and annual increase in wages putting significant additional financial pressure on renters.

Much funding in the RCFI is going unused as the financial model for rental projects is broken. Prior to the big inflation and interest moves over the RCFI program was underfunded.

#### **Question**

How to incentivize private enterprise and non-profits to deploy capital allocation to affordable rentals.

#### **Solution**

Quickly increase supply through buy-in from the private sector and non-profits. This can be achieved by modifying the current CMHC / RCFI program through the proposed items in the proposed resolution.

## **RESULT**

- Substantial increase to the affordable rental housing supply in Canada.
- Developers will use their balance sheet for affordable rentals and cash for for-profit housing.
- The pace of rental price increases will slow down in urban areas as vacancy rates rise due to increased supply.
- No cost to the Government or budget expenditure.
- Creation of an income source for the government which can be spent on other housing programs that require additional subsidies.
- Preserve low-income housing by the trickle-down effect.
- There is very low risk to the Government as all projects go through rigorous vetting and guarantees by the asset, personal and corporate guarantees.
- No burden or tax increase needed on the general public to achieve a substantial sustainable outcome.
- By allowing high-leverage with long fixed terms and low interest rates, private enterprise and non-profits can use their balance sheets to qualify for affordable rental project and use their capital for for-sale housing stock. This allows companies to increase their volume of projects.