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Housing Policy for Tomorrow's Cities

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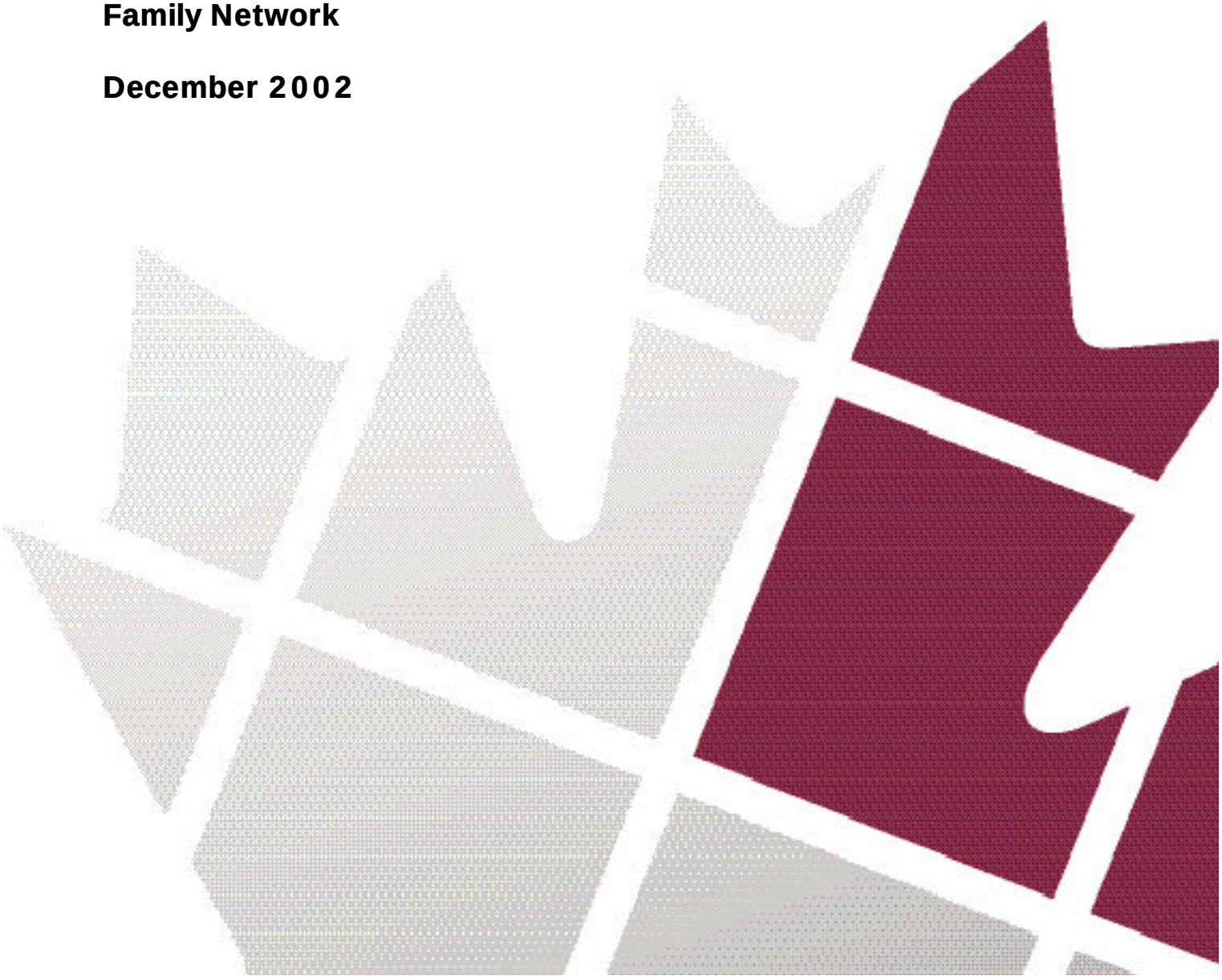
Discussion Paper F|27
Family Network

December 2002



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By

J. David Hulchanski

December 2002

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Foreword

It is now widely acknowledged that Canada's cities need help if they are to reach their economic potential and offer a high quality of life to their citizens. Indeed, there is growing evidence that social and economic conditions have deteriorated for many urban citizens, the most vulnerable being single-parent families, Aboriginal people, recent immigrants, visible minorities, elderly women, and the disabled.

Major questions remain as to what kind of help the cities need and from whom. And here much attention has turned to the federal government, even though the constitution says that municipalities are the "creatures" of the provinces, and most provinces guard this role jealously.

To help clarify the potential roles for Ottawa, CPRN commissioned four papers. The first four focus on urban poverty, immigration, Aboriginal people, and housing. A fifth provides an overview of the ideas in the first four papers, and includes the reflections of a diverse group of Canadians from many sectors who participated in a Roundtable. Each of the papers provides a summary of the state of knowledge in their area and then sets out possible actions for the federal government.

All four papers point to the challenges of governance of our cities. And, despite the constitutional division of powers, there is no question that the federal government is one of the key actors in Canada's cities by virtue of the fact that so many people live in cities and so much economic activity takes place there. The government is an actor as an employer, as a regulator, as a source of transfer payments to individuals, and as a taxing authority which sets many of the incentives with respect to social and economic behaviour. However, the federal government is only one of many actors. None of the policy actors – federal, provincial, municipal, corporate or voluntary – is in a position to function effectively on its own. The actions of all the actors are part of a densely woven fabric of governance which shapes the economic and social sustainability of cities.

This paper, by David Hulchanski, explores the federal role in promoting access to affordable housing in Canada's major urban centres as well as the policy implications. I would like to thank the author for his excellent survey of the literature, his thoughtful proposals and his active participation in the Roundtable, as well as Leslie Seidle, who ably conceived, organized, and edited all the papers during a six-month assignment with CPRN. I also wish to thank the funders, listed at the end of the document, who provided essential financial support for the project.

Judith Maxwell
December 2002

Executive Summary

In December 2001, the Minister of Finance announced that the Government of Canada would spend $136 million a year for five years to assist in the construction of affordable rental housing. This meagre amount is sufficient to build only about 5,400 units a year, in a country of 11 million households. This announcement is the latest sally in the federal government's on-again, off-again commitment to providing housing for Canadians, and to addressing the many problems associated with urbanization. An understanding of the government's past relationship with cities and its changing attitude towards public investment in housing will help inform the current debate about the future of cities.

Over the course of the 20th century, the federal government has made only two important attempts to deal directly with urban affairs. The first was the creation of the Commission on Conservation in 1909. The Commission promoted urban planning as a way to deal with the plight of the urban poor and urged the provinces to adopt planning legislation. Not one of the provinces did so, and the Commission was dissolved in 1921.

Fifty years later, in 1971, the federal government created the Ministry of State for Urban Affairs to coordinate federal activities in housing, public works and transportation as they affected cities and to provide policy advice to the government on urban issues. Provincial governments, which considered *urban* affairs the same as *municipal* affairs, and therefore a provincial responsibility, objected to the ministry. Shortly before the 1979 election, it was dismantled to appease them. That ended the federal government's direct intervention in urban matters.

The federal role in housing since the Second World War has been equally checkered. From the 1940s to 1963, the government had a minuscule social housing program that produced about 850 units a year throughout the country. Critics have suggested that the amount was intended more to forestall criticism of the government's inaction on housing than to achieve real progress. However, the 1964 amendments to the *National Housing Act* (NHA) launched an effective public housing program that created about 200,000 units over about 10 years. In 1973, further amendments to the NHA introduced an assisted home ownership program, a neighbourhood improvement program, a housing rehabilitation program, a native housing program, and a non-profit and co-op housing program.

These programs lasted until the mid-1980s, when the Mulroney Conservatives came to power. The first Conservative budget made immediate cuts to housing programs, and subsequent budgets gradually allowed the government to retreat from housing entirely. By 1993, all federal support for housing was withdrawn. The supply of social housing fell from an annual level of 25,000 new units in 1983 to zero in the 1993 budget. Two years later, the elimination of the Canada Assistance Plan led the provinces to make drastic cuts in social assistance payments that had a devastating effect on the lives of the poor and destitute. Whereas before the 1980s very few people went unhoused, and no one was born homeless, today many thousands of Canadians have no housing and are excluded from community networks and the mainstream patterns of day-to-day life.

Although the Prime Minister's Caucus Task Force on Urban Issues identified the shortage of affordable housing as "one of the biggest challenges affecting economic competitiveness and quality of life," the housing program announced in 2001, like the post-war program, can be seen largely as a public relations exercise. The government is facing mounting pressure to take action against increasing homelessness, and this program is designed to forestall some of the criticism. The program requires matching funding from the provinces, but this funding has not yet been forthcoming (with the exception of Quebec).

Today, Canada has the most private-sector-dominated, market-based housing system of any Western nation (including the United States, where intervention on behalf of homeowners is extensive) and the smallest social housing sector of any major Western nation (except for the United States). Canada spends only about one percent of its budget on programs and subsidies for all the social housing ever built across the country (about half a million units).

Addressing the current situation would require five types of programs. First, in social housing supply, capital subsidies are required to bring down the overall rent levels. Second, rent supplements can make housing affordable for very low-income households. The other three programs would address the housing needs of people requiring supportive housing, the rehabilitation of ageing housing, and assistance for people who are homeless. These five programs would make great progress in alleviating the more severe aspects of Canada's housing problem, yet they would likely require only about another one percent of annual federal spending.

The Prime Minister's Task Force, the Federation of Canadian Municipalities, the National Housing and Homelessness Network and other organizations all recognize that non-market social housing must once again be built. Market forces will not supply the affordable rental housing that is so desperately needed. A focus on the human right to adequate housing for all Canadians, which was the basis of housing policy from the mid-1960s to the mid-1980s, is essential to promote sustainable urban development, human development and social cohesion.

Key Words: housing, homelessness, housing policy, affordable housing, social housing

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Housing Policy for Tomorrow's Cities

By

J. David Hulchanski[1]

I. Introduction

> Decent housing is important both to individual households and to economic growth. It impacts on individuals' disposable income, their ability to access employment, their health, and their inclusion in society. This is why the Government is committed to ensuring that everyone should have the opportunity of a decent home and is setting itself targets to improve the condition of both the social and private sector housing stock, and to achieve a more sustainable balance between housing availability and the demand for housing … and the sustainability of existing towns and cities.

Although many Canadians no doubt wish that such a statement could appear in a Canadian federal budget, it comes from the United Kingdom's July 15, 2002 *Spending Review* (the equivalent of the national budget). The UK government announced a new funding package for municipalities, housing supply and rehabilitation, and community planning. The minister responsible told the House of Commons that "anyone looking at the record over past decades will recognise that all governments have failed to meet the housing needs of our people." He noted the "continuing decline in the provision of all houses – social and private," and stated that the "situation will get worse unless we take radical action now." Spending on housing will increase by about £1 billion (CAD $2.5 billion) a year between 2002-03 and 2005-06, a growth rate of 4.2 percent after inflation (United Kingdom, 2002: Chap. 9, Table 9.1).

In the Government of Canada's October 2000 economic statement and budget update, the Minister of Finance outlined a $21.1 billion plan to "improve the quality of life for all Canadians" by "investing in Canada's social fabric." Health care, education and early childhood development were targeted for additional federal spending, but housing assistance was not mentioned. However, the 2001 budget confirmed an earlier announcement that Canada would spend $136 million a year for five years to assist in the construction of "affordable" rental housing. Housing was mentioned in two paragraphs of the budget speech:

> Mr. Speaker, when we speak of infrastructure, we speak not only of the building blocks of trade and commerce, but of the foundation stones of a society. Housing is a basic need of every Canadian, seniors and young families alike, and meeting that need must be the responsibility of us all. In many of our urban centres, there is a shortage of affordable rental housing. There are also problems with housing in remote areas.

[1] Professor and Director, Centre for Urban and Community Studies, University of Toronto.

> To address these problems, the Government announced the commitment of $680 million over five years for affordable housing. We are pleased that a framework agreement has now been reached with the provinces and territories and look forward to construction beginning as soon as possible (Canada, Minister of Finance, 2001).

"Affordable" was not defined. Also, matching funding from the provinces is required if lower-income tenants are to be housed. At most, the federal money will provide about 5,400 new housing units a year ($25,000 per unit is the maximum allowable federal contribution). This is an average of 500 units in each province, in a country of about 11 million households. Toronto's homeless shelters alone now accommodate more than 5,000 people every night. Canadian governments – federal, provincial, territorial, and local – currently spend about $4 billion on housing, about one percent of total government expenditures (Statistics Canada, CANSIM II, Table 385-0001).

This lack of commitment to housing for all Canadians contrasts not only with housing policies in most other Western nations but also with the philosophy of successive Canadian governments from the 1960s to the mid-1980s. Problems associated with urbanization, including the creation of affordable housing, were the focus of significant policy and program attention. There were very few homeless people and few, if any, homeless families in Canada before the mid-1980s.

If housing all Canadians adequately is a prerequisite for a sustainable social fabric, the toughest problem is how to house people with moderate and low incomes when the market mechanism is the main provider and allocator of housing. Although the problem of affordable housing and homelessness is not exclusively urban, in a nation that is 80 percent urbanized and in which half the population lives in the four largest metropolitan areas, housing need tends to be concentrated in expensive, big-city housing markets. "Affordable housing," as Tom Kent notes, "is the greatest of urban deficiencies" (Kent, 2002: 9). Housing is the most expensive item in the household budget, yet the wide gap between the highest and lowest income levels means that more and more people are excluded from the housing market – and some are left completely unhoused. The policy options for the immediate future are neither complex nor particularly innovative. There is a great deal of experience to draw on. Western nations have had at least 50 years of experience with measures aimed at meeting housing needs (see, for example, van Vliet, 1990, and recent volumes of the journals *Housing Studies*, *Housing Policy Debate* and *Urban Studies*).

Will Canadians see a change in federal housing policy? Or will conditions continue to worsen for some people? Will the federal government once again coordinate and expand its spending in urban areas? This paper is intended to inform the discussion of likely futures by reviewing the role the federal government has played in urban affairs generally and in housing more specifically, and by proposing policy directions for the future.

II. The Federal Role in Urban Affairs: A Brief Overview

What role has the Government of Canada played in urban affairs? For the most part, the federal government has ignored the phenomenon of urban growth and the increasingly urban nature of the country. There were only two occasions during the 20th century when the Canadian government tried to influence urban development.

During the period of prosperity and large-scale immigration before the First World War, the Commission of Conservation was established (1909-21). Although its focus was mainly on the natural environment, the Commission's public health committee defined its mandate to include the conservation of human resources. Drawing attention to the health impacts of existing housing and living conditions on the urban poor, this committee promoted the implementation of urban planning regulations to improve those conditions. Better building codes and rational land-use zoning would regulate the development of existing urban areas, while subdivision regulations improved the design and servicing of new tract housing on the fringe. But this required provincial legislation.

One of the more prominent British urban planners of the day, Thomas Adams, was brought to Canada and served for about five years as a senior federal official with the status of a deputy minister. He drafted model town planning legislation and travelled the country urging provinces to adopt legislation that would enable municipalities to regulate land use. Despite his efforts, not a single province adopted appropriate legislation. In fact, the implementation of municipal planning and zoning did not begin until the late 1940s. The federal government quietly dismantled the Commission in 1921. Adams considered its demise "a great misfortune." He deplored the fact that an agency "which endeavoured to give the country a lead in rural and city planning … should have been destroyed at the very time its activities were most needed" (quoted in Simpson, 1985: 104-105).

This episode prefigured the decision 50 years later to establish the Ministry of State for Urban Affairs (MSUA). It, too, had a life span of about a decade (1971-79). MSUA was an experiment in building a new kind of institution for policy development and for advising government on issues that cut across many departmental and governmental jurisdictions. After the Second World War, the federal government had a considerable impact on urban areas through its involvement with airports, transportation, health care, post-secondary education, children's programs, social services, Aboriginal people, military installations, the location of government facilities, employment and training programs, research and innovation, and regional economic development. However, these actions were not coordinated and were not part of any federal urban strategy or agenda (Oberlander and Fallick, 1987).

During the 1960s it became clear that many federal programs were *de facto* urban programs, yet their urban impact was rarely mentioned or considered. MSUA had a mandate to coordinate and integrate federal initiatives and policy relating to urban regions. The ministry had two main functions: (1) the coordination of well-established federal activities in fields such as housing, transportation and public works as they affected urban Canada; and (2) policy advice on this federal urban connection. The ministry would conduct research to create and sustain an effective information and analytic base for urban public policy, and carry out interdepartmental and

intergovernmental consultation, including consultation with those most directly affected – municipalities (Gertler, 1987).

Many provinces, Quebec in particular, were not happy about this new federal initiative. They chose to view "urban affairs" as synonymous with "municipal affairs," which they saw as a provincial responsibility. Meanwhile, municipalities were not very well organized and had no unified position or voice. In the end, MSUA was abolished. Michael Pitfield, the Secretary to the Cabinet at the time, provided the following explanation for the ministry's demise:

> As the '70s came to an end, the Trudeau Government came to look upon MSUA first, as a front for a retreat to show the public federal sensitivity to provincial demands and, ultimately, as a piece of government apparatus to sacrifice in order to demonstrate federal sensitivity to popular concerns with 'Big Government." As the 1979 general election came down upon it, the Trudeau Government declared victory and wound up the Ministry of State for Urban Affairs (Pitfield, 1987: 34).

He added: "From my own perspective, it was wound up just as it was beginning to succeed" (Pitfield, 1987: 35).

From that point, until very recently, the federal government showed no interest in formulating a national urban strategy, understanding urban trends and the impact of federal policies on cities, or providing resources in a coordinated fashion. In fact, starting in the mid-1980s, as the federal government withdrew transfer payments from the provinces, the provinces in turn withdrew resources from municipalities and, in some cases, downloaded expensive activities to them. Recent federal initiatives affecting urban areas have been ad hoc, usually responses to immediate political pressures. As a result, urban social problems have increased and compounded.

Governments can deploy a mixture of strategies and instruments to meet policy objectives. These include exhortation, negotiation and moral suasion; direct expenditure; tax expenditures; taxation; public enterprise/ownership; public-private partnerships; and regulation. The federal government uses all of these in many policy and program areas, yet there is still no federal urban strategy.

It is not surprising that, two decades after the demise of the Ministry of State for Urban Affairs, the Prime Minister established a Caucus Task Force on Urban Issues. In its 2002 interim report, the task force noted the need for "coordination, collaboration, cohesiveness and commitment to a new approach to Canada's urban regions" (Sgro, 2002: 2). Twenty-two years earlier, the Speech from the Throne had drawn attention to the "new accumulation of problems" caused by rapid urbanization and the need to "foster coordination of the activities of all levels of government and contribute to sound urban growth and development" (Canada, *House of Commons Debates*, October 8, 1970). The task force's interim report opens with a now widely accepted assertion that Canadian cities are in crisis:

> There is mounting evidence that our cities are ailing due to deteriorating infrastructure, declining air and water quality, traffic gridlock, homelessness, growing income polarization and marginalization, and budget crises. With few ways to generate revenue other than through property taxes, urban regions are finding it increasingly difficult to provide basic services and make repairs to infrastructure (Sgro, 2002: 2).

III. Canada's Housing System

After 50 years of federal involvement in housing programs, the housing situation in Canada was described as follows in the interim report of the Task Force on Urban Issues:

> The shortage of affordable housing is one of the biggest challenges affecting economic competitiveness and quality of life. Municipal governments and housing providers cannot meet the demand for affordable housing and emergency shelter. As more and more people migrate to cities, the pressure to find suitable accommodation has a ripple effect on society as a whole. As competition for existing housing stock intensifies, tenants at the lower end of the market increasingly have no choice but to turn to shelters or remain in already overcrowded conditions (Sgro, 2002: 17-18).

The federal government has missed the opportunity to coordinate housing policy and develop a balanced, inclusive housing system for the country. Why is this the case?

Part of the reason is that the vast majority of Canadians are comparatively well housed. Average Canadian housing standards are equal to or better than those of any other nation. The federal government helped make this possible, partly through the Canada Mortgage and Housing Corporation, established in 1946, which focused on making the amortized mortgage market work. The government engaged in direct mortgage lending for many years, and in 1954 introduced mortgage insurance to protect lenders. Although much of the housing built after the war was unplanned tract housing and most experts agree that even the "planned" subdivisions of recent decades are a problem because of their low densities, this focus on homeownership was, and is, politically successful.

Another part of the reason, however, is the lack of attention paid to other parts of the housing system. In the rental market, from the late 1940s until 1985 several programs promoted the construction of private-sector rental housing. These included the Limited Dividend Program, the Assisted Rental Program, the Multiple Unit Residential Building (MURB) tax shelter and the Canada Rental Housing Supply Program. These former programs had mixed results, depending on the subsidy formula. Few units remained "affordable" for very long. Those with lower rents tended to be in poor quality buildings in poor locations.

While most Canadians have adequate housing, about eight percent live in dwellings that require major repairs and about five percent in housing that is overcrowded. When we disaggregate this information, we find that almost 20 percent of renters, compared to 10 percent of homeowners, live in housing that is in need of major repairs or is overcrowded. Although the average household spends 21 percent of its total income on housing, homeowners spend 18 percent, compared to 28 percent for tenants (Statistics Canada, 2000).

The data on Canadian housing conditions reveal that Canadians are divided into two very different groups according to housing tenure. Owners are not only wealthier but have twice the income of renters. Although there is only one housing market, there are two pools of housing consumers with dramatically different incomes and assets.

The problem has become much worse over recent decades. In the late 1960s, when a great deal of private rental housing was built, the income gap between homeowners and renters was about 20 percent (Hulchanski, 1988). Between 1984 and 1999, the gap between the median income of homeowners and renters grew by 16 percent (see Table 1). In 1984, homeowners had almost double the income of renters (192%). By 1999, the gap had increased to more than double (208%). This represents an average growth in the income gap between owners and renters of about one percent a year. During the same period, the wealth of homeowners (which, for most people, is mainly the mortgage-free portion of their house) increased from being 29 times that of renters in 1984 to 70 times that of renters in 1999. Poverty and housing tenure are now much more closely connected (Hulchanski, 2001).

Table 1
Comparison of Income and Wealth of Owner and Renter Households*

	Median Income			Median Net Worth	
	Owners	Renters		Owners	Renters
1984	$41,380	$21,554	1984	$116,845	$3,985
1999	$43,478	$20,947	1999	$145,200	$2,060
change	$2,098	-$607	change	$28,355	-$1,925
% change	5%	-3%	% change	24%	-48%

*Canada, 1984 and 1999 (1984 $ adjusted to 1999 $)

Source: Statistics Canada, *Survey of Financial Security*, 1984, 1999.

Homeownership has a number of advantages for which no equivalents exist for renters. Owners can accumulate wealth on a tax-sheltered basis as they pay off their mortgages. They pay no capital gains tax on a primary residence, which represents a housing-related subsidy of about $1.5 billion annually (Canada, Department of Finance, 2000). In addition, for the past 10 years, house buyers have been able to use their tax-sheltered registered retirement savings to make a down payment on a home.

Homeownership is also a long-term investment that helps maintain a certain standard of living over time. The 50 percent of Canadian homeowners who have paid off their mortgages spend only 11 percent of their income on housing and therefore have more funds available for other investments. A large, expensive house can also be traded for a smaller, less expensive one to free up money, or a reverse mortgage can be negotiated to provide regular annuity payments to the owner.

Although some people are in the rental sector only temporarily, others never leave it. They cannot save enough money for a down payment on a house; nor do they have the type of secure employment that would qualify them for a mortgage. In addition, there is a pervasive cultural and institutional bias against renting in Canada, as there is in the United States. In his "history of renting in a country of owners," Krueckeberg (1999: 26) puts the problem in the following terms:

> We are the inheritors of a nasty and pervasive property bias in our society with roots that run deep, just as other strong biases of gender, race, and nationality still do in spite of our efforts to outlaw them. Our institutions and practices continue to embody and perpetuate the property bias, particularly in the tax system—in the subsidies given to owners but denied to renters and in many of the property tax laws that deny that renters are stakeholders in their communities. The celebration of homeownership in the United States stigmatizes those who don't, can't, or won't buy property. What is needed, it seems, is a civil rights movement for renters.

Krueckeberg asks a question about the United States that Canadians need to ask about the Canadian housing system: "Where are the institutions that promote and protect the economic and political interests of renters?"

Although many Canadians refer to the health care *system* or the social welfare *system*, few refer to the housing *system*. Most people talk only of the housing *market*. Homeowners are happy when they hear house prices are going up; renters who can afford a house or a condominium watch mortgage interest rates carefully. Few people, however, pay close attention to the rental market. Yet Canada does have a housing system, one that is out of balance, one that is discriminatory in the way it treats owners and renters, and one in which the market mechanism of supply and demand works for the ownership sector but not the rental sector. It has become an increasingly exclusive system, in the sense that some households are excluded from access to housing.

As a result of the housing policy changes over the past two decades, Canada's housing system is now the most private-sector market-based of any Western nation, including the United States (where intervention on behalf of homeowners is extensive). A 1996 Cambridge University study that compared the housing systems and housing policies of 12 Western nations found that, compared to all the other countries, "Canada has an essentially free market approach to housing finance. Owner-occupation has the advantage of not paying capital gains tax whilst there is very little support for investment in the private rental sector and tenants receive very little support in paying rents" (Freeman, Holmans and Whitehead, 1996).

Over recent decades, therefore, the growing gap between rich and poor Canadians has increasingly manifested itself in the housing system. There is a great deal of *social need* for housing, but the households in need lack the money to generate effective *market demand*. Public policy decisions since the mid-1980s have exacerbated the problem and have failed to respond to several harmful trends.

The most extreme manifestation of the housing and income inequity problem in Canada is homelessness. Homelessness is not *only* a housing problem, but it is *always* a housing problem. The central observation about the diverse group of Canadians known as "the homeless" is that they are people who once had housing but are now unhoused. Canada's housing system once had room for virtually everyone; now it does not.

The housing system is a socially created institution. It is a mix of public, private and non-profit actors. Over the past two decades the public and private actors in the system have increasingly

left more and more people without housing. Homeless-making processes are now a part of Canada's housing and social welfare systems. Moreover, homelessness does not occur by itself. As Jahiel (1992) notes:

> The events that make people homeless are initiated and controlled by other people whom our society allows to engage in the various enterprises that contribute to the homelessness of others. The primary purpose of these enterprises is not to make people homeless but, rather, to achieve socially condoned aims such as making a living, becoming rich, obtaining a more desirable home, increasing the efficiency of the workplace, promoting the growth of cultural institutions, giving cities a competitive advantage, or helping local or federal governments to balance their budgets or limit their debts. Homelessness occurs as a side effect (Jahiel, 1992).

He proposes that discussion of solutions to homelessness "reach into those areas of housing, income production, health care, and family life where the events and people contributing to homelessness are situated" (Jahiel, 1992).

Having no place to live means being excluded from all that is associated with having a home, a neighbourhood and a set of established community networks. It means being exiled from the mainstream patterns of day-to-day life. Without a physical place to call "home" in the social, psychological and emotional sense, the hour-to-hour struggle for physical survival replaces all other possible activities.

The "dehousing" processes operating in society are producing a diaspora of the excluded. Up to a quarter of the homeless people in some Canadian cities are Aboriginal and about 15 percent of Toronto's hostel users are immigrants and refugees (Toronto, Mayor's Homelessness Action Task Force, 1999: 19). Race is still a barrier to equal treatment in Canada's housing and job markets. Families are now the fastest-growing group among the homeless. Some landlords refuse to rent apartments to families with children, single mothers or people on social assistance (Dion, 2001; Novac *et al.*, 2002). Many community-based services that used to help these families have lost their government funding. Federal and provincial human rights codes are well-intentioned but often toothless documents with weak enforcement mechanisms. Budget cuts have also slowed progress in combating discrimination.

IV. How Did We Get Here? Evolution of the Federal Role in Creating an "Exclusionary" Housing System

Governments have many choices when it comes to providing housing assistance for low-income households. These fall into two general categories: (1) cash assistance to individual households to help them pay for housing; and (2) construction subsidies to bring down the monthly cost of housing. Many Western nations offer both: they provide cash transfers to help low-income households pay their rent and fund a large non-market social housing sector. The Canadian government has succeeded in creating a sustainable home ownership sector, using a combination of regulations, a mortgage insurance system and tax benefits. There is very little private-sector rental housing being built and, since 1993, no new social housing (non-market housing that is

owned and managed by government, non-profits or non-equity co-operatives). About five percent of Canada's households live in non-market social housing. This compares with 40 percent in the Netherlands, 22 percent in the United Kingdom, 15 percent in France and Germany, and two percent in the United States (Freeman, Holmans and Whitehead, 1996).

The Canadian government's role in helping lower-income Canadians obtain adequate and appropriate housing by providing social housing can be divided into four distinct periods. The first is the period up to 1964 in which the government avoided any significant involvement. This was followed by a two-decade-long commitment to building a non-market social housing sector as part of a broader social safety net. This second period ended in 1984 and was followed by a decade-long decline in the allocation of new federal money for housing assistance, ending with a full withdrawal in 1993. The fourth period, from 1994 to the present, is much like the first – no significant federal involvement. This period also saw a devolution to the provinces of most federally assisted housing built during the previous periods and, like the first period, a small "affordable housing" program that seems to produce more press releases than housing units.

Period 1, 1949-63: Leave It to the Market and Hope for the Best

Canada was one of the last major Western nations to introduce a social housing supply program (Bacher, 1993). The United States began building public housing in the 1930s. Canadian legislation enabling federal subsidies for public housing was adopted in 1938 but never implemented. Only in 1949 was the *National Housing Act* (NHA) amended and a public housing supply program launched. However, between 1949 and 1963, only 12,000 public housing units were built (an average of 850 units a year).

Why so few units? Why did the government even bother to administer such a small program? John Bacher's history of Canadian housing policy provides the answer: "The low levels of social housing built under the 1949 NHA amendments were not the product of incompetence but of the intentions of the civil servants and ministers who had drafted the legislation" (Bacher, 1993: 183). The 1949 NHA amendments were, in large part, a taxpayer-funded public relations campaign aimed at addressing criticism of the federal government's inaction on meeting severe rental housing needs among low-income households. "CMHC took the attitude that the passage of [the legislation] had achieved the intended purpose of reducing the political vulnerabilities of the federal government with regard to low-income housing" (Bacher, 1993: 185).

Thus, during the period leading up to 1964, there was no significant federal role in social housing.

Period 2, 1964-84: Build an Inclusive Housing System by Addressing the Social Need for Housing

The 1964 amendments to the NHA finally implemented the recommendations of the housing studies of the 1930s and 1940s by creating a federally-funded, municipally-administered public housing program. The amendments allowed for a direct relationship between the federal government and provinces or municipalities. Most of the approximately 200,000 public (government-owned) housing units were built between 1964 and the mid-1970s (Rose, 1980).

In 1973 the federal government introduced sweeping amendments to the *National Housing Act*, including the establishment of an assisted home ownership program, a neighbourhood improvement program, a housing rehabilitation program, a municipal land assembly program, a native housing program, and a new non-profit and co-op housing program. These programs were based on direct federal government relationships with non-profit and co-op housing groups and municipalities in the case of social housing supply, individual owners in the case of the housing rehabilitation program, and individual municipalities in the cases of the Neighbourhood Rehabilitation Program and the land assembly program. This funding approach side-stepped the provincial governments and their housing corporations, thereby increasing the visibility of the federal government in housing and urban affairs. (The minister responsible for the Ministry of State for Urban Affairs was also responsible for the Canada Mortgage and Housing Corporation and housing policy and programs.)

When the 1973 amendments to the *National Housing Act* were announced, Ron Basford, the minister responsible for urban affairs, told the House of Commons: "When we talk … about the subject of housing, we are talking about an elemental human need – the need for shelter, for physical and emotional comfort in that shelter." He went on to describe the rationale for the government's role in supplying low-cost housing:

> When we talk about people's basic needs – the requirements for survival – society and the government obviously have an obligation to ensure that these basic needs of shelter are met.
>
> I have already acknowledged this obligation in stating that good housing at reasonable cost is a social right of every citizen of this country. … [This] must be our objective, our obligation, and our goal. The legislation which I am proposing to the House today is an expression of the government's policy, part of a broad plan, to try to make this right and this objective a reality (Canada, *House of Commons Debates*, March 15, 1973: 2257).

This inclusionary philosophy informed policy and program debates until the 1984 election of the Mulroney Conservative government.

Period 3, 1984-93: **From a Small Federal Role in Housing, to No Role At All**

The November 1984 "mini-budget" made a number of cuts in housing programs. Housing was identified as one of several expenditure areas that would receive further review (Canada, Department of Finance, 1984). A consultation paper on housing was released two months later (CMHC, 1985b: 4). It announced that new spending commitments on housing were not feasible due to "the budgetary constraint." Rather, "any new initiatives in housing can be taken only by redirecting funds allocated to existing expenditures or by making existing programs more effective and less costly" (CMHC, 1985b: 4).

By the end of the year, the government announced its new housing policy in a 33-page booklet titled *A National Direction for Housing Solutions*. This policy document was based on a June 1985 report of a task force that had reviewed all spending areas. That report, called

Housing Programs in Search of Balance, was not publicly released until a year later. In that report (Canada, Task Force on Program Review, 1985: 39), the government stated that it considered the status quo inefficient and expensive:

> The record of current programs in meeting social housing needs is dismal. Because expensive, long-term supply programs have been used and programs have not been directed solely to those in need, there has been a minimal impact on resolving the housing problems of low income Canadians.

In order to save money and be more efficient, the report focused on better targeting of housing subsidies and a cheaper method of delivering subsidies. "Housing programs have benefited Canadians at all income levels," the report argued; it "is time to redress this imbalance, to favour those with the greatest need for assistance." A policy principle was asserted: social housing programs should "not be designed to benefit the general populace" (Canada, Task Force on Program Review, 1985: 9-11).

This assertion was more ideological than factual. Social housing programs benefited a very small segment of low- and moderate-income renter households, mainly the elderly and families. Access to most social housing was means-tested. The 1973 *National Housing Act* had permitted a slightly greater social mix in non-profit housing in order to produce more balanced and socially sustainable communities, rather than "projects" that housed only the most destitute. Targeting criteria were not raised, as they rarely are, in the analysis of subsidy programs for homeownership or private-sector rental housing.

The other concern was the long-term commitment involved in providing housing assistance for low-income households: "Supplying new social housing units is a costly form of assistance and results in long term subsidy commitments with little flexibility for new initiatives" (Canada, Task Force on Program Review, 1985: 9). Housing is indeed expensive and there is no magic formula for building adequate housing at below-market costs. The long-term commitment refers to the policy choice of financing the construction of social housing over a long period, rather than making a larger down payment at the beginning. The lack of flexibility refers to the fact that the only way out of these long-term commitments is politically difficult: evict the tenants and sell the housing.

The housing subsidy method that allows complete flexibility is a cash transfer to help households pay their rent. These transfers are called "shelter allowances" or "housing vouchers." They can be cut off at any time, the amount can be decreased or increased with ease, and they can be adjusted to keep up with actual housing costs, or not. They also have the political and ideological advantage of being "market conforming."

A policy of cash transfers means that government could avoid subsidizing non-market housing. Instead, the consumer in the private housing sector is subsidized, and he or she passes on the subsidy to the landlord. The private-sector housing lobby was a strong proponent of this approach and the Mulroney government was sensitive to their claim that non-market social housing was "unfair competition." The 1985 policy statement notes that:

> Non-profit and co-operative housing has made a significant contribution to the stock of rental housing. ... At the same time, this feature of the program has been criticized by private sector representatives who perceive the provision of subsidized market rent units as creating unfair competition. It has even been suggested that the program restricts private sector activity by reducing demands for market accommodation (CMHC, 1985a: 46).

No evidence was ever produced to support the claim that social housing supply restricts the market provision of housing. The report recommended a "shift in the balance" towards shelter allowances as "a more cost-effective social housing strategy" (Canada, Task Force on Program Review, 1985: 9).

In the end, the Mulroney government agreed with the critics of shelter allowances. "It is not my intention to proceed with a shelter allowance program," announced Bill McKnight, the minister responsible for housing, in October 1985. He said the finance ministry's advisors had found that it would be yet another expensive entitlement program that would do little to diminish the nation's housing problems. "My reasons for not favouring a shelter allowance," McKnight explained to the 1985 meeting of the Canadian Real Estate Association, "include the considerable uncertainty about its cost, the fact that it would not add to the stock of housing available to low-income households in some market areas and that it would not deal with the housing problems faced by special need groups such as the elderly and the handicapped."

Instead, McKnight announced that his government was "committed to the continuation of non-profit and co-operative housing as a way of assisting those who cannot afford accommodation in the private market" and that he wanted to use the co-op housing sector "to foster security of tenure for moderate-income households who cannot afford access to homeownership." Even this commitment, however, could not withstand efforts to cut the budget deficit. With ever-diminishing financial support over the 10-year life of the government, Finance Minister Don Mazankowski finally ended all funding for new social housing in 1993. The supply of social housing fell from an annual level of about 25,000 new units in 1983 to zero in the 1993 budget.

Period 4, 1993-Present: Leave It to the Market and Hope for the Best (Reprise)

There is an interesting parallel between the federal housing program in 1949 and the housing program announced in the 2001 federal budget. After many years during which the government had been subject to increasing criticism for not providing any new housing assistance for low-income households, the 2001 federal budget included money for housing. However, the $680 million allocation for an affordable housing program is spread over five years – that is $136 million a year, distributed over a country with 11 million households, of which 10 to 15 percent face housing problems, in which tens of thousands of people are homeless.

The federal government hoped that the provinces would contribute an equal amount, allowing the new housing to assist lower-income households. However, most provinces, with the exception of Quebec, have refused to match fully the federal contributions. At least the federal government has something to talk about when it is challenged on what it is doing about the urban housing crisis, now and for the next five years. Bacher's assessment of the impact of the 1949-63 public housing

program will likely apply to the program announced in 2001: "The legislation stabilized the basic thrust of federal policy simply to stimulate residential construction by disturbing the existing private market as little as possible" (Bacher, 1993: 210).

Given the failure of the private sector to supply new rental housing and the extent of homelessness across Canada, the only reasonable assessment is to view the initiative as damage control for the government. It is enough money to subsidize a steady stream of press releases, but not enough to make a difference. In other words, there has been no real change in federal housing policy. We may see, a few years from now, the same effect that Bacher noticed in relation to the 1949 legislation: "the passage of [the legislation] had achieved the intended purpose of reducing the political vulnerabilities of the federal government with regard to low-income housing" (Bacher, 1993: 185).

Along with the loss of a social housing supply program that once built 20,000 to 25,000 units a year, the change in federal funding for social assistance has had an equally devastating impact on the lives of poor and destitute households. The turning point for welfare policy in Canada came in the 1995 federal budget. Until then, federal funding for social assistance was provided to the provinces through a designated transfer program called the Canada Assistance Plan (CAP). The CAP Act specified five clearly defined rights:

- the right to an adequate income;
- the right to income assistance when in need;
- the right to appeal welfare decisions;
- the right to claim welfare whatever one's province of origin;
- the right to welfare without forced participation in work or training programs.

The 1995 federal budget cut transfers to the provinces, eliminated the CAP and rolled federal funding for social assistance, post-secondary education, and health into the new Canada Health and Social Transfer (CHST). With this action, the federal government understood that it was releasing provinces from the requirement to provide adequate assistance based on the defined rights in the CAP legislation, with the exception of the ban on discrimination on the basis of province of origin. Since 1995, most provinces have made significant changes to the nature and delivery of social assistance programs. In part as a result of these changes, the pool of households at risk of homelessness has increased, along with the number of people actually experiencing homelessness.

The value of welfare support also began to decline in the 1990s, as provinces did not adjust rates to reflect inflation or changes in housing costs. In addition, a number of provinces reduced the amount provided (for example, Ontario cut social assistance rates in October 1995 by 21 percent). The purchasing power of social assistance benefits is lower in 2001 than in 1986 and substantially lower than the peak amounts over the 15-year period. Table 2 shows that the 2001 rates are 20 to 40 percent lower than the peak rates in the four largest provinces. Even if families on social assistance spend 50 percent of their benefits on rent (about $7,000 per year), this amounts to only $580 per month for rent. There are very few one-bedroom apartments – let

alone larger apartments adequate for a family with children – available in the larger cities for that amount of money.

Table 2
Welfare Benefits in Four of the Largest Provinces, 1986 to 2001*

	1986	Peak (year)	2001	2001 as % of peak
Ontario	$17,060	$22,596 (1992)	$13,452	60%
Quebec	$15,573	$15,650 (1993)	$12,041	77%
Alberta	$19,690	$19,690 (1986)	$13,425	68%
British Columbia	$15,891	$17,368 (1994)	$13,534	78%

* For a couple with two children (in constant 2001 dollars)

Source: National Council of Welfare (2002), *Welfare Incomes, 2000 and 2001*, Ottawa, Table 5A.

What about the provincial and territorial role in social housing and related urban and social programs in the period since 1993? Most of their policies and program changes have not been helpful. It is important, however, to place provincial and territorial budget cuts in housing, social spending and urban affairs in the context of the federal government's downloading of the deficit onto provincial taxpayers. Provinces can either raise taxes to make up for the cuts in federal transfer payments (creating the conditions for a taxpayer revolt and boosting the popularity of politicians who promise tax cuts) or they can pass on the cuts to groups that have no electoral clout.

Federal cash transfers to the provinces and territories have been falling since the early 1980s. The share of federal expenditures transferred to the provinces and territories ranged from four percent to 4.6 percent of GDP in the early and mid-1980s. Since 1996 it has ranged from 2.7 to 2.9 percent of GDP (Canada, Department of Finance, Fiscal Reference Tables, September 2001). In short, huge amounts of money that were once transferred to provinces and territories were unilaterally withdrawn. The money had previously been used for health, education and welfare programs. Some federal funding, particularly for health care, has since been restored.

Another way of looking at these federal budget cuts is to examine the share of total budget revenues that federal cash transfers represent. In Ontario, for example, during the first period (1980-86) an average of 17 percent of provincial revenues came in the form of federal cash transfers. During the second period (1987-95) this fell to an annual average of 13.4 percent. By the third period (1996-2001), only 9.3 percent of Ontario's budget revenues came from federal cash transfers (Canada, Department of Finance, Fiscal Reference Tables, September 2001).

In addition to the cuts to transfer payments, housing budget cuts (direct federal spending on housing, not transfer payments) now save the federal treasury about $1.5 billion a year. The approximately $2 billion of federal money now spent on housing (one percent of total federal spending) pays for subsidies on about 550,000 social housing units built before the federal role in housing supply ended in 1993. Dismantling the social housing supply program meant that provinces and municipalities had to bear the indirect costs of inadequate housing and homelessness. These include the costs of physical and mental health care, emergency shelters and services, and policing.

V. The Future: Addressing the "Ultimate Housing Problem"

> The federal government has abandoned its responsibilities with regards to housing problems ... The housing crisis is growing at an alarming rate and the government sits there and does nothing … The federal government's role would be that of a partner working with other levels of government, and private and public housing groups. But leadership must come from one source; and a national vision requires some national direction (Martin and Fontana, 1990).

> Strong and safe communities are an essential part of the fabric of our society. … The Government of Canada will strive to ensure that, wherever possible, its actions and programs are co-ordinated to help build local solutions to local challenges. It will work with partners across Canada to launch a dialogue on the opportunities and challenges facing urban centres. It will co-operate with provincial and municipal partners to help improve public transit infrastructure. And it will help to stimulate the creation of more affordable rental housing (Canada, *House of Commons Debates*, January 30, 2001).

> We've signalled that an urban agenda is a key one for us this fall. We had it in the Throne Speech, we've had it in the [Liberal policy] Red Book and now we're going to act. … Some [options] may be more radical than others, but you sometimes need radical solutions to deal with radical problems (David Collenette, Minister of Transport, quoted in Chase, 2002).

The policy and program changes over the past 20 years (periods 3 and 4, as discussed above) mean that the right to adequate housing, the right to an adequate standard of living and even the right to live depend upon having enough money. For most of this century the Canadian government did not even try to have a coordinated urban strategy. The consequences of an exclusionary housing system were dramatically underlined by the death in early February 1999 of "Al," a homeless man who was sleeping on a heating grate directly under the window of the office of Ontario Premier Mike Harris, along with the death later the same month of Lynn Bluecloud, a homeless woman who was five months pregnant, within sight of the Prime Minister's office window in Ottawa.

The toughest part of the housing problem is how to house people with moderate and low incomes in a country where market mechanisms are the main provider and allocator of housing, and where the price structure for residential land is driven by the ownership market. Out of the mixture of strategies and instruments governments can deploy to meet the policy objective of addressing housing need (e.g., negotiation, moral suasion, direct expenditure, tax expenditures, taxation, public enterprise, partnerships, and regulation), there is no escaping the need for significant direct federal expenditure.

In his 1948 book *Houses for Canadians*, Humphrey Carver ended with a chapter called "The Ultimate Housing Problem." He defines the ultimate objective of national housing policy as "the provision of a decent dwelling for every Canadian" and the ultimate test of the effectiveness of housing policy as "the condition of the worst housed families in our communities." The "ultimate housing problem" itself is the supply of low-rent housing. "Unless a balance in the ratio between incomes and housing costs can be established," he noted, "the shortage [of low-rent housing] will continue to stack up against families in the lower-income ranges" (Carver, 1948: 123-124).

This is indeed what has happened. There is not only a huge income and wealth gap, but also a huge and widening gap between the cost of housing and the income of many Canadians. In the 1960s, the income gap between homeowners and renters was about 20 percent. That is, homeowners had, on average, incomes that were about 20 percent higher than those of renters in the province. There could be – and there was – private sector construction of rental housing during the 1960s. Many tenants could afford what was being built. Developers could make money by building for renters. Vacancy rates in existing rental housing were high enough to allow the market to function (at least three or four percent). The federal government was also building public housing for families and the elderly. The social housing stock increased from about 12,000 units in 1963 to about 200,000 by 1975 (another 300,000 or so units were added between the mid-1970s and 1993).

Condominiums have compounded the problem of providing new rental housing. In 1970 legislation allowing condominium ownership was introduced, which meant that apartments could be owned. Before that time, residential land was zoned either for homeowners (low-density areas) or renters (areas where higher-density apartment buildings were allowed). There was a great deal of real estate speculation in the 1970s as the baby boomers entered the housing market, forcing up land and house prices. It was also a time of dramatic swings in interest rates (mortgage interest rates peaked at 21 percent in August 1981).

During the 1970s, market conditions changed, making it unprofitable for the private sector to build unsubsidized rental apartments. Given that any long-term investment was risky because of dramatic fluctuations in inflation and interest rates, why would anyone invest in rental apartment buildings? Given that condominiums were now possible, and a developer could get an immediate return on investment once the units were sold, why would anyone build rental apartment buildings? Given that rental apartment developers had to compete for zoned building sites with condominium developers who were building for a higher-income group of consumers and therefore could always afford to pay more for the land, why would anyone build rental apartment buildings? Given that the gap between rich and poor, between homeowners and

renters, continued to widen, why would anyone build for a group of consumers (renters) who could not afford the rent levels in new apartment buildings?

Given all these factors, there was indeed no good reason to build or invest in rental apartments; therefore, very few developers built rental housing. A market with a great deal of demand but very little supply is a market that has failed.

Since the mid-1970s, most new private-sector rental housing has been subsidized by a string of expensive subsidy programs. None of these programs helped create any low-rent housing. The only way to produce low-rent housing for people in serious need and to keep the rents on those units low, is to subsidize construction and protect this public investment by keeping the housing off the market (that is, in non-profit and non-equity co-op forms of ownership). There is nothing new in this observation. Carver wrote in 1948 that there "is not much value debating the fact that, to date, there is no known method of providing low-rental housing except through public agencies supported by some kind of contribution from public revenue" (Carver, 1948: 125).

The housing recommendations of the Prime Minister's Caucus Task Force on Urban Issues (see Table 3) call for a return to the policies of Period 2: a national housing program that recognizes the nature of the "ultimate housing problem" – the supply of low-rent housing. The minister responsible for the Canada Mortgage and Housing Corporation, David Collenette, has also gone on record in support of both an active federal role in urban issues and the direct provision of social housing. In an August 2002 speech he suggested it might be time for the federal government to get back into the social-housing field. According to the minister, "the private sector is not going to voluntarily build low-cost housing – which is what we need in communities in this country" (quoted in Chase, 2002).

A week later, A. Charles Baillie, the Chairman and CEO of TD Bank Financial Group, called for a return to the provision of social housing at a major conference on Canada's future:

> Our cities – once a source of national pride – are deteriorating from a lack of infrastructure investment and an increase in poverty and homelessness. The construction of rent-assisted housing units has dropped from about 6,000 per year in Ontario to almost zero. … No one disputes, for example, that there is a dire lack of social housing in our cities, but the problem will not be solved while each level of government views it as another's responsibility (Baillie, 2002).

The recommendations of the interim report of the Task Force on Urban Issues provide an excellent starting point for filling in the details. As a report written by members of the governing party, it is diplomatically worded. For each area, however, there is a frank description of the problem with recommendations for a specific course of action – a policy direction. The final report should be more specific, identifying programs with budget estimates.

Table 3
Housing Recommendations of the Task Force on Urban Issues, 2002

The Task Force recommends that the Government of Canada:	
14.	Establish a National Affordable Housing Program that could include:
	Strengthening the mandate of Canada Mortgage and Housing Corporation to develop a National Affordable Housing Program in collaboration with all orders of government, and housing providers;
	Building on existing federal housing programs;
	Changes to CMHC mortgage underwriting criteria to allow a more customized and flexible system;
	Providing additional resources and flexibility in the RRAP program to rehabilitate existing properties;
	Examining the federal tax environment related to rental housing and creating appropriate incentives;
	Establishing grants against the cost of CMHC mortgage insurance;
	Providing targeted mortgage insurance for brownfield redevelopment in areas where there is a shortage of affordable housing;
	Facilitating agreements with municipalities to transfer small tracts of surplus land, owned by the Canada Lands Company, to community groups; and
	Offering grants to community housing groups to support the restoration and conversion of heritage properties for affordable housing.
15.	Extend the Supporting Communities Partnership Initiative (SCPI) beyond three years in order to meet its objectives to eliminate homelessness.

Source: Sgro, 2002: 20.

Recommendation 1, for example, could not be clearer. It summarizes what the Ministry of State for Urban Affairs aimed to do and began to do in the few years of its existence. Like the establishment of MSUA, recommendation 1 requires political commitment from the Prime Minister and the Cabinet.

> 1. Develop an Urban Strategy for Canada which includes: An integrated approach to policy and program development in order to deliver a cohesive, effective urban strategy; examining the effect and impact of federal policies and programs on urban regions (i.e., urban lens); … a National Affordable Housing Program; … fostering research on best practices, providing intelligence on trends and conditions, and communicating the Government of Canada's activities related to urban issues (Sgro, 2002: 6).

The recommendations of another task force, the 1990 National Liberal Caucus Task Force on Housing, chaired by Paul Martin and Joe Fontana, provided a more detailed and comprehensive set of housing recommendations (see Table 4). The report called for "the development of a national housing policy and related strategies" and named specific categories of housing programs that ought to be federally funded. These should form an outline for moving forward. Yet, the fact that during the 1990s the Liberal government failed to implement them shows the lack of political will to build an inclusive housing system.

Table 4
Liberal Task Force on Housing, May 1990: Ten Key Recommendations

All Canadians have the Right to Adequate Housing	That the issue of housing rights be placed on the list of items to be discussed at the next First Ministers' Conference.
Cuts to Transfer Payments for Provincial Social Assistance Programs be Restored	That cuts in transfer payments to the provinces for social assistance be restored and that negotiations be initiated with the provinces to increase the shelter component of provincial social assistance allowances.
An Income Supplement be Provided for the Working Poor	That the federal and provincial governments establish a new social program providing an income supplement for workers whose earnings from employment leaves them below the poverty line.
A National Conference on Homelessness be Convened	That a National Conference on the Homeless be immediately convened to set real objectives and policy responses for the eradication of homelessness in Canada.
Eliminate all Sub-standard On-reserve Housing	That the federal government set the year 2000 as the target for the elimination of sub-standard on-reserve housing and allocate the necessary funds to accomplish this objective.
Funding for the Federal Co-op Housing Program be Restored	That funding for the Federal Co-operative Housing program and the Rent Supplement Program be increased to allow for the construction of 5,000 new co-operative housing units annually.
Provide Affordable Housing for all Canadians with Special Needs	That the federal government ensure that an adequate supply of affordable housing units be made available for individuals with special needs.
Develop a New Community Housing Investment Mechanism	That the federal government immediately develop new community and housing investment mechanisms that facilitates the supply of affordable housing through public-private and non-profit-private partnerships.
Review all Forms of Taxation on Housing	That the federal government convene a special meeting with the Federation of Canadian Municipalities to review the full range of consequences of housing taxation at all three levels of government.
Develop a National Housing Policy	That the federal government convene at the earliest possible date a National Housing Forum to discuss the development of a national housing policy and related strategies such as municipal infrastructure, aimed at alleviating the housing crisis in Canada

Source: Martin and Fontana, 1990. See www.housingagain.web.net. There was a total of 25 recommendations.

The cost of completing Canada's housing system – creating one that is inclusive rather than exclusive – is not all that expensive, given Canada's wealth and the recent federal budget surpluses. The core of such an initiative is the provision of more social housing. The Prime Minister's Task Force, the Federation of Canadian Municipalities, the National Housing and Homelessness Network, the Canadian Housing and Renewal Association and other organizations all recognize that non-market social housing must be built as it was before. The track record of subsidized private rental construction is not a good one. Few of the subsidies helped low-income tenants and, when they did, it was only for a short period or in poor-quality buildings. Such programs are not socially or fiscally sustainable. They are not long-term investments that directly help those most in need.

Canada spends about one percent of its budget, close to $2 billion, on programs and subsidies for all social housing (about half a million units). This non-market housing, most of it built with direct federal subsidies, accommodates five percent of all Canadian households. Phasing in a social housing supply program of about 20,000 to 25,000 units a year – the level provided during the early 1980s – together with related housing programs, would mean allocating over the coming decade another one percent of the federal budget for housing.

Five types of programs are required. A team of researchers and policy advisors associated with the National Housing and Homelessness Network has developed the cost estimates for each. The estimates are intended to provide a general indication of the level of investment that would likely be required. First, in social housing supply, capital subsidies are required to bring down the overall rent levels. Second, rent supplements can make housing affordable for very low-income households. A rent supplement fills the gap between the ability to pay and the rent level. These two subsidy types would ensure an income mix of very low-income to moderate-income households in social housing, creating communities rather than projects and allowing for better integration into existing neighbourhoods. The other three types of programs address the housing needs of people requiring supportive housing, the rehabilitation of ageing housing and assistance for people who are homeless.

1. Supply: About $1 billion to provide capital funding for the provision of 20,000 to 25,000 new social housing units a year. Social housing directly assists households in need, increases the supply of affordable rental housing and does both on a permanent basis. The vacancy rate for the country's 26 metropolitan areas, the main indicator of rental housing availability, dropped from 2.6 percent in 1999 to 1.6 percent in 2000 and then to 1.1 percent in 2001 (the most recent survey). Construction of new affordable housing is required and must be targeted to households most in need (homeless people, and low- and moderate-income households). A two-tier subsidy system creates socially mixed communities: a construction subsidy reduces the capital cost, bringing all rent levels down; a rent geared-to-income subsidy helps very low-income and destitute/homeless people. Social housing supply is a necessary complement to private rental supply. Where demand for housing is high, in regions where population and economic growth are highest, the two sectors supply housing to very different markets: one meets the *social need* for housing, the other meets the *market demand* for housing.

2. Affordability: About $500 million a year for rent supplements for about 160,000 households. Rent supplements help low-income tenants pay their rent, based on a formula linked to household income. Rent supplements require a legal relationship between the government and the landlord. In exchange for receiving the rent supplement, the landlord agrees to maintain the property to a proper standard and agrees to follow rental housing regulations and tenant protection laws.

3. Supportive Housing: About $125 million a year for 10,000 new supportive housing units. Supportive housing is a sub-sector of the housing system that integrates social and other services with housing for those who have special needs and/or lack a support system. Supportive housing providers bundle together subsidized housing and extra services designed to accommodate the special needs of a particular group of low-income people so that they can remain stably housed. This approach is ideal for people who have been homeless for a long time and for people who can live independently if they had support service available. The type and level of support varies and can include help with housekeeping, meal preparation, seeking employment, life skills, banking, medical care, counselling and referrals to support agencies (Novac and Quance, 1998). The supportive housing model emerged as an alternative to institutions, but not enough units have been provided. In 1999 Toronto's task force on homelessness recommended that 5,000 new supportive housing units should be built in the city over the next five years. However, only a few hundred units have since been built (Toronto, Mayor's Homelessness Action Task Force, 1999: 125).

4. Rehabilitation: About $125 million a year to double rehabilitation funding for 30,000 units. The rental housing stock is ageing, and the federal government's small Residential Rehabilitation Assistance Program, introduced in 1973, should be expanded. This program is appropriate for smaller urban areas and areas where there is little population growth (i.e., it is less expensive than new social housing). It is also appropriate for improving neighbourhoods in the inner neighbourhoods of older cities. The program helps maintain affordable rental housing that might otherwise be lost to demolition.

5. Emergency relief: $250 million a year on services and shelter for homeless people. Homeless people require housing and enough money to live on, and some require support services. Ending homelessness requires that most effort be directed at prevention and rehousing. The need for expensive programs that provide emergency relief will decline if people are prevented from becoming homeless and if homeless people are successfully rehoused (e.g., in social housing, in private housing with rent supplements or in supportive housing). For a period of several years, more money must be spent to improve the quality of the emergency shelters and to develop more transitional services, helping people get back into a stable housing situation.

The first four strategies are aimed at ensuring that progress is made towards everyone having access to a good quality affordable place to live – the creation of a housing system that *includes* all Canadians.

The fifth strategy is for improved short-term relief, aimed at providing a basic level of safety for those who are living on the streets. Relief efforts should not be designed merely to support people in their homelessness. This is perhaps the major criticism of the current federal homelessness initiative. It primarily funds services that provide support to people who are unhoused (Canada, National Homeless Initiative, n.d.). It explicitly excludes the provision of affordable housing. Although it funds some prevention programs, the only truly effective homelessness prevention program is one that makes affordable housing options available. A recent review of homelessness prevention programs in the United States concludes that prevention *services*, rather than access to affordable housing, are not very efficient or effective:

> Conceptual and methodological problems plague efforts to prevent homelessness. Attempts to identify individuals at risk are inefficient, targeting many people who will not become homeless for each person who will. Such interventions may do useful things for needy people, but evidence that they prevent homelessness is scant. Subsidized housing, with or without supportive services, has ended homelessness for families and played a key role in ending it for people with serious mental illnesses. … We recommend reorienting homelessness prevention from work with identified at-risk persons to efforts to increase the supply of affordable housing and sustainable sources of livelihood nationwide or in targeted communities (Shinn, Baumohl and Hopper, 2001: 95).

If the federal homelessness initiative is continued after it expires in 2003, it must be based on the objective of achieving a measurable *decrease* in the size of the homeless population and the homelessness support service industry in the country. The focus of new investment must be on prevention and rehousing. No one should have to live in a "temporary" or "emergency" shelter for more than a month or two (a specific target should be set). After an earthquake or flood, homeless people are rehoused as quickly as possible. The number of emergency shelter beds and size of emergency service agencies should be going down, not up. A homelessness program that is not part of a housing strategy simply maintains people in their homeless state and requires more funding for further services as the number of such people increases. The success of a national homelessness initiative must be judged on the extent to which there has been a decrease in the number of Canadians who are unhoused.

Even though an immediate increase in spending on emergency relief is now required due to the severity of the problem nationwide, spending on emergency services should begin to drop as the need declines. This can only happen if progress is made in implementing the first four of the housing strategies outlined above. For those who question that the availability of affordable housing is a root cause of and the single most important solution to homelessness, there is a growing body of respected research. For example, a team of United States economists recently studied the relationship between housing availability and homelessness in metropolitan housing markets. They concluded:

> Our results suggest that simple economic principles governing the availability and pricing of housing and the growth in demand for the lowest-quality housing explain a large portion of the variation in homelessness among U.S. metropolitan housing markets. Furthermore, rather modest improvements in the affordability of rental

> housing or its availability can substantially reduce the incidence of homelessness in the United States (Quigley, Raphael, and Smolensky, 2001: 37).

In another study, two groups of homeless families from welfare caseloads were monitored for a five-year period. One group of 266 was provided with subsidized housing. A comparison group of 298 obtained private-sector housing. Five years later "receipt of subsidized housing was the primary predictor of housing stability among formerly homeless families" (Shinn *et al.*, 1998: 1651). The study concludes: "Housing subsidies are critical to ending homelessness among families" (Shinn *et al.*, 1998: 1651).

There is often confusion around the distinction between *housing vouchers* and *shelter allowances* and a *rent supplement* program. They are very different programs, and it is important that policy discussions about each avoid confusion. Housing vouchers are identical to shelter allowances (these two terms are interchangeable). They are disbursements to individual households either in the form of a voucher (a cash equivalent) or cash. There is, however, no government relationship between the voucher/allowance program and any landlord. Rather, the household has some extra money with which to pay the rent. Landlords and their consultants favour such a housing subsidy program. The pretence of a market relationship is maintained, and there is no further government involvement.

However, low-income households that would qualify for these subsidies are at the bottom end of the rental market where housing quality is low. They can end up paying more for the same low standard of housing, unless there is a significant increase in the supply of good quality housing within their affordability range. There is no ability, in either vouchers or shelter allowances, to control predatory practices by landlords or to deal with the physical standards of the unit.

Rent supplements, on the other hand, are payments made directly to a specific landlord in exchange for housing specific low-income households (usually drawn from social housing waiting lists) in specific rental units that have been inspected by the funding agency. There is a legal relationship, a lease agreement for a certain number of units, between the government agency and the landlord. In exchange for receiving the rent supplement, the landlord agrees to maintain the property to a proper standard and to follow rent regulation rules and other tenant protection laws. A government agency supervises the arrangement. The low-income household directly benefits from the subsidy, obtaining good quality housing at a rent they can afford. The landlord has guaranteed tenants for the units allocated to the rent supplement program.

There is now relevant evidence about the housing market and social welfare impacts of housing vouchers from the experience in the United States. Starting in the 1970s, there was a major shift in US federal housing subsidy programs towards housing vouchers. The results of a major economic analysis of this experience have just been published (Susin, 2002) and are relevant to the policy debate in Canada (i.e., why rent supplements rather than vouchers/shelter allowances).

By 1993, the number of US households subsidized by vouchers roughly equalled the number in traditional public housing projects, although most low-income households did not receive any subsidies. Susin investigated whether this policy has raised rents for unsubsidized poor households, as many analysts predicted when the program was first conceived. The main finding

is that in metropolitan areas where the number of households receiving vouchers exceeds the number in public housing, low-income households have experienced faster rent increases than those living in cities where vouchers are less widely used. In the 90 largest metropolitan areas, Susin found that where a vouchers policy had been instituted, rents increased by 16 percent on average.

> Another way to characterize the size of the results is to calculate the redistributive effect of vouchers; the 'leakiness of the bucket,' to borrow Arthur Okun's metaphor. Some simple calculations … suggest that vouchers do little to redistribute, in the aggregate. Specifically, vouchers cover about two-thirds of recipients' rent, costing $5.8 billion dollars in total (excluding administrative costs). There are about 9.6 million households in the lower third of the private rental market, whose rents have been increased by 16 percent as a result of the voucher program. … In total, therefore, while vouchers transfer $5.8 billion to recipients, they cost similarly impoverished non-recipients $8.2 billion dollars. The net transfer is $2.4 billion, which goes from poor households to landlords (Susin, 2002: 145-146).

In short, providing cash transfers to some low-income households, without increasing the supply in that segment of the rental market, has the inevitable result of raising rents overall. In addition, the increase in demand (by providing vouchers) without the increase in supply, means that the subsidy payment filters upward, to the landlord. Rent supplements, which bind landlords to key legal obligations, are the only acceptable way to deliver public subsidies to private landlords – if the aim is to benefit low-income tenant households.

What about using the tax system to help low-income renters? Tom Kent (2002) has recently proposed a refundable tax credit, a form of rent reimbursement (together with other options). If the aim is to introduce some fairness between owners (who have a capital gains tax exemption) and renters, who have no tax system benefit, such a measure might make sense. However, if it is to help low-income renters, it may present the same problems as housing vouchers. Rent inflation would occur if there was no significant increase in the supply of low-rent housing. The situation of households in need is so severe that targeted direct spending, rather than indirect spending, should be used.

Details of the specific programs that would implement the five housing strategies outlined here would need to be developed in consultation with other governments and experts in housing, social welfare and community development from the public, private and non-profit sectors. To be effective, new programs would have to be targeted to make sure that the housing and services directly meet the needs of low- and moderate-income households and do not "leak" upwards (to investors and landlords, or to expanding the poverty and homelessness service sector). These proposals are focused on the most severe aspects of the urban housing crisis. Rural and on-reserve housing conditions also require attention and action. The homeownership market, in contrast, does not present serious problems requiring a public policy response.

None of the five strategies is new or untested. Most were part of the 1973 changes in federal housing policy, most were explicitly discussed and recommended in the 1990 Liberal Party task force report on housing, and most are either recommended or implied in the housing options

proposed by the Prime Minister's Task Force on Urban Issues. In addition, for a number of years the Federation of Canadian Municipalities (FCM) has been calling for the affordable housing crisis to be cut in half over the coming decade with a similar list of programs. The FCM recommends: creating 20,000 new or acquired affordable units each year, for 10 years; rehabilitating 10,000 affordable units a year, for 10 years; and providing income or rental assistance to make units affordable for 40,000 incremental households per year, for 10 years (Federation of Canadian Municipalities, 2000).

What about the provincial role in housing? Provinces should cost-share some of these programs. In the area of social assistance, provinces can help with housing affordability by maintaining social assistance and disability rates, including their housing component, at realistic levels (i.e., with periodic cost of living adjustments). This would help reduce the number of people at risk of homelessness. One possible sharing of costs between the federal government and the provincial and territorial governments relates to the distinction between the 'bricks and mortar' subsidies for the construction and rehabilitation of housing, and the subsidies to people – the income tested rent supplements. The federal government could supply the former, the provinces and territories the latter.

Both levels of government, however, receive their revenue from the same taxpayers. Government actions and inaction have contributed to the rental housing crisis and homelessness-making processes that emerged in the 1980s. Over the next decade, a coordinated and properly funded effort can address the most severe failures of Canada's housing system. The federal government should lead the way and should do so as part of a comprehensive urban strategy. The solution today is the same as it was when Carver wrote *Houses for Canadians* in 1948.

> It will be necessary to supplement the supply of housing. Under the social and economic conditions characteristic of a society such as ours, the recourse to public housing and the operation of rental subsidies seems to be an expedient which cannot be avoided if the national housing program is to be maintained (Carver, 1948: 124).

In the end, the debate over whether and how to address housing need and homelessness comes down to a set of ethical questions. Will those in a position to make the necessary decisions do so? This is a political problem. There is no scientific or objective way to arrive at an answer to a political problem. That said, the nature of the problem is now well understood. Moreover, the package of solutions are not complicated or even very expensive for a country with Canada's wealth.

A focus on the human right to adequate housing for all Canadians, which was the basis of housing policy from the mid-1960s to the mid-1980s, is essential for the promotion of sustainable urban development, human development and social cohesion. As Article 22 of the Universal Declaration of Human Rights asserts, everyone is entitled to "the economic, social and cultural rights indispensable for his dignity and the free development of his personality." Human poverty is a denial of basic human rights. Human development, the process of enlarging people's choices, requires respect for and leads to the further realization of all human rights – economic, social, cultural, civil and political. Individual and community well-being are

intertwined, and human development requires strong social cohesion and equitable distribution of the benefits of progress to avoid tension between the two.

In a highly urbanized country such as Canada, the quality of city life and the efficiency of cities as places to live and work, depend on the degree to which Canada has fair and inclusive societal institutions and polices. This has always been the core issue: the degree to which public policy addresses the needs of *all* Canadians. A *sustainable* housing policy must be one that attempts to move in the direction of creating a socially just housing system (Marcuse, 1998).

Of course, this is easy to say. Implementation is hampered by the various interests that come into conflict in a society in which housing and urban land are market commodities. Changes to policies and programs, even minor adjustments to regulations, can provide dramatically different financial benefits to different groups. This is why there are homeless-making processes at work in Canada's housing system. Policies, programs, regulations and the tax system have been allowed to evolve in a fashion that produces hardship for many in the rental housing sector of the housing system. There is no conflict-free consensus in the area of urban housing policy. The history of the last 50 years proves this point beyond a shadow of a doubt.

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CPRN Funding Sources

Project Funders

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• Citizenship and Immigration Canada
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• Human Resources Development Canada
• Laidlaw Foundation
• Policy Research Initiative
• Privy Council Office
• Public Works and Government Services Canada

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Special Thanks

We would like to acknowledge the generous past support of the following federal government departments, who provided core funding to CPRN from its inception in December 1994 until March 31, 2000. Without such support, CPRN might not have become the vital contributor to innovative policy development in Canada that it is today.

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