Background Primer on Canada's Housing System

Prepared for the Office of the Federal Housing Advocate

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1. Introduction

This background paper was commissioned by the Canadian Human Rights Commission (CHRC) as the secretariate to the yet to be appointed Federal Housing Advocate, as a background briefing on the housing system in Canada. It reviews the historical evolution of roles of government, industry and the community sector.

It also identifies how Canada's market-based system and residual public non-market activity contribute to failure to achieve appropriate and affordable housing for all, as required under the progressive realization of a Right the Housing.

2. Characteristics of Canada's housing system

The term housing system is used here to capture the concept of a set of activities that include market based as well as non-market activity; the latter including public sector roles and outcomes in both housing and homelessness, as well as the activities and outcomes in the community based social-affordable sectors. This is a broader and more complex conceptualization than "the housing market".

Canada's housing system is one in which the vast majority of housing is constructed, owned and operated in the private market. Just over two thirds (68%) of houses are privately owned by their occupants while another 27% are privately operated rental units. Less than 5% of all housing is operated in the public and community "non-market" sector, where rents are set administratively, rather than by market forces.

In international comparative typologies Canada's political economy, and by association it's housing system, is classified as a liberal welfare regime, a branding that also applies to other Anglo-counties, notably the US, UK, Australia and New Zealand.

The Liberal welfare state is associated with high levels of labour decommodification, a dominant role for the free market and fewer social rights; this contrasts with both conservatist /corporatist states (e.g. Germany, France, Austria and Japan) and the social democratic Scandinavian states, where there are stronger social rights and a more universal welfare system with stronger income redistribution (Esping-Andersen 1990, Lund 2006).

More specific to the housing system, the liberal welfare regimes are also noted for policies that tends to favour individual rights and homeownership (over social renting) and where market-based provision of housing has dominated production. By contrast, the social democratic regimes of western and northern EU have favoured more tenure neutral housing policy and had larger public housing programs (Pawson et al 2020).

In short, the characteristics and evolution of the postwar welfare state have an important influence on the nature of the housing system, and in particular the degree to which social and human rights have been embedded, or not, as these systems have evolved.

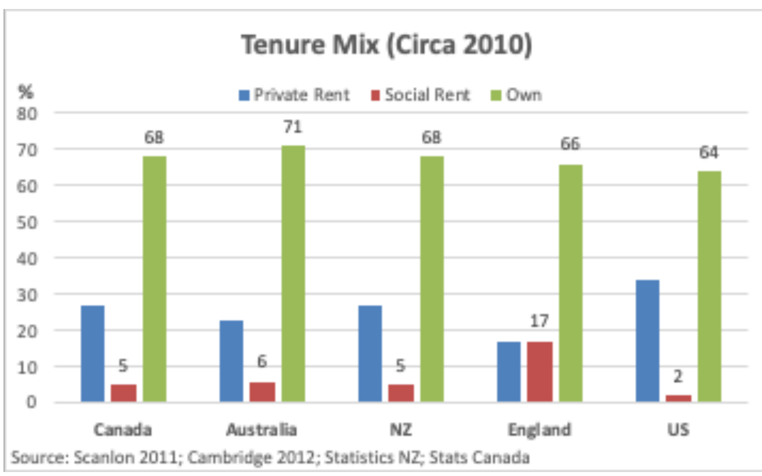
The much larger stock of public-social housing in the EU countries is also a consequence of large scale re-building following WWII, and as such also extends to the UK, despite its characterization as a more liberal welfare regime.

Kemeny (1992) added an additional complexity to this typology in the context of housing by framing a two-fold classification distinguishing unitary and dualist systems, for the provision of housing.

- In a unitary system government intervention and assistance does not distinguish across providers; it subsidises investment across all types of provision and at the same time linking rents in the private and social sectors through relatively flexible regulatory regimes. Access is open to all, rents are set in the market, and households in need provided with assistance, regardless of whether they live in private or public stock.
- The dualist approach on the other hand involves two relatively separate streams: a separate and distinct state provision, owned and managed by public (subsequently non-profit) entities with tenure-specific subsidies. Allocation is via a managed process (allocations) and rents are set administratively (including on a rent-gear-to-income RGI basis).

Canada has effectively followed a dualist approach with quite separate and distinct public, and subsequently non-profit and coop provision, both with managed access (priority waiting lists and eligibility criteria).

Hulchanski (2003) has further drawn out a dual market-policy system in which the primary part favours homeownership and a secondary system supports a rental sector. He adds that those that cannot secure housing in the market system are supported by a much smaller, or *residual state role* that targets those in need via funding and financing of public and social housing.



Tenure patterns across the Anglo liberal market states are very similar, with the exception of the much larger social sector in the UK for the aforementioned reason. In all countries the homeownership sector is the dominant tenure, and all (except England) have very small percentages of social housing. [1]

[1] Comparisons are always fraught with incompatible data definitions – the US percentage is the stock of public housing and excludes households assisted by housing vouchers (allowances) and mixed market Low Income Housing Tax Credit properties. Adding this would raise the US figure to around 5%, similar to Canada.

The other Anglo countries achieved higher rates of homeownership earlier than Canada, which saw a surge in homeownership only after 1996 (rising from 63% to 68%, and subsequently to a peak of 69.2% in 2011.

Meanwhile the ownership rates in the UK, US, NZ and Australia all fell back from 2006 rates following the Global Financial crisis in 2008. In Canada, ownership continued with a small increase 2006-11 but fell back 2011-16.

The recent fall in ownership rates, across all of these countries is associated with excessive home prices combined with macro-prudential regulations (e.g. in Canada stress tests, new mortgage insurance rules) that together constrain access to mortgage finance (we have seen this in Canada with the ownership rate falling for the first time ever between 2011 and 2016).

Across the housing system governments at all levels intervene in various ways, both to facilitate (e.g. mortgage insurance to enhance access to financing) and regulate (building codes, health standard) the functioning of the actors in the housing system. These interventions take place across four distinct sub-systems (Pawson et al 2020):

- *Production subsystem*: land ownership structures and rights, land assembly and housing construction
- *Consumption subsystem*: the ways that housing is consumed (purchased/rented) by individuals and households
- *Exchange subsystem*: how dwellings are traded and rented
- *Management subsystem*: housing system management, including relevant housing and housing-related policy and planning at all levels of government.

Each subsystem involves a wide range of actors-both public and private. For example, to name just a few, the production system engages land owners, developers, planners, design professionals, financial institutions, lawyers, builders, and building inspectors. Each professional body is regulated and often accredited, and all activities are subject to some level of regulatory oversight. And this then implicates governments at all levels, with a mix, and sometimes overlap, in roles and responsibilities (discussed further below).

Within Canada’s market dominated system the vast majority of housing is produced, owned and operated in the private sector, albeit with an extensive framework of regulation; with only a small “residual” publicly funded sector (owned and operated either by public or NGO entities – but even here relies on many private sector parties in the production process).

And this regulatory framework is created and managed across all orders of government, where roles have evolved and expanded substantially over the post war period.

3. Federalism and responsibility for housing

A critically important aspect of Canada's housing system is that it exists within a federal system of government. And within the constitution the allocation of responsibility for both social welfare generally, and housing more particularly, is not explicit

Housing is a multi-dimensional complex topic, so while the term "housing" is not present in the constitutional division of powers (BNA Act Sec 91) activities related to housing permeate constitutional responsibility.

Notable for the federal role, these include taxation, which underpins the so called spending powers, census and statistics (housing need), banking and interest (mortgage finance), Indians and lands reserved (aboriginal and indigenous housing).

Meanwhile provinces have exclusive jurisdiction over municipal institutions (local planning and development), local works and undertakings (infrastructure), property rights and civil rights and "generally all matters of a merely local or private nature in the province". Provinces also have exclusive jurisdiction over provincial taxation (own revenues and cost sharing capacity).

The lack of explicit jurisdiction is not surprising given the prevailing conditions of the latter 19th century when the British North America (BNA) Act was drafted. Issues of social welfare were largely a private matter, with the public sphere confined to rudimentary relief at the municipal level (Banting, 1990). Responsibility has consequently evolved, influenced by circumstances and the larger federal revenue collecting and thus *spending powers*, which emerged as a key element in the Canadian version of the Welfare State. This enabled the emergence of a dominant federal role in housing in the immediate post war period.

As noted by Banting (1990), the federal spending powers are central to the way responsibilities evolved. The spending power allows the federal government to make payments to individuals, institutions, and other levels of government for purposes that Parliament does not necessarily have the power to regulate.[2]

Having capacity to spend, and to attach conditions to that spending significantly expanded the reach of scope of the federal government across a number of decades, and again this is seen in the more recent National Housing Strategy, in which unilateral federal programs again dominate – despite the lack of formal constitutional responsibility for housing

Immediate post war reconstruction

The current context roles and relationships that characterize Canada's housing system, and especially its intergovernmental roles has its roots in the immediate post war period. It was at this time that much of the institutional infrastructure that we now take for granted was created. This includes creating a federal housing agency (CMHC), provincial housing corporations and subsequently ministries and the formative role of public policy in nurturing a housing industry, and housing finance system that has enabled a strong market system to be in

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[2] This federal view was rejected by Quebec as unconstitutional and was central to the tensions between Canada and Quebec that have persisted, and was one of five main concerns in the constitutional debates that commenced in the mid 1980's (Banting, 1990).

place. There are also important legacy effects both in terms of institutional structures and relationships and the shifting roles and competencies.

The immediate post-war period was dominated by the federal government, focussed on transition to a peacetime economy and need to create housing for returning veterans following almost a decade with minimal home construction. During the war, federal authorities had proved themselves effective in the housing sector, with a federal crown corporation, Wartime Housing Ltd, producing over 19,000 temporary dwelling between 1941 and 1945 to house wartime manufacturing workers.[3]

CMHC was created in 1946 to help in this process, aided by new federal legislation, the National Housing Act (NHA, 1945). And at that time there was very limited provincial capacity or expertise – this began to emerge only in the 1960's. The fact that CMHC over time created a large network of local offices (at their peak in 1984 there were 95 branch offices across the county), staffed with multi-disciplinary expertise established a presence that reinforced a strong federal role, especially in the 1970's under a more centralist federal administration.

In this period these powers enabled CMHC to establish mortgage loan programs to assist individual household home purchase. It also created financing to fund necessary municipal infrastructure to support development and with a staff of architects and engineers developed model home plans and assisted builders to construct housing to meet pent up demand. In effect helping to establish the private home construction system.

While both the Curtis and Marsh report on post war reconstruction identified the need to create public housing, there was ambivalence and some reluctance, especially from federal Finance officials, fearing the associated expenditure impact (Rose 1980, Banting 1990).

This reluctance is reflected in the early elements of the NHA that enabled CMHC to create direct lending and some cost shared subsidy programs, provided that the lead in undertaking public housing came from the provinces or municipalities. Indeed Canada's earliest, and ultimately largest public housing development, Regent Park near downtown Toronto was initiated in 1949 in a partnership between CMHC and the City of Toronto (not the province). Overall however this separation of responsibilities was ineffectual and little low rent-public housing was created before 1964 amendments to the NHA that revised the financing and subsidy conditions (Rose 1980, Banting 1990).

Increasingly capable and pro-active provincial bureaucracies emerged in the 1960's initially in Ontario and Quebec. Resulting federal-provincial tensions lead to efforts to curtail the federal use of the spending powers to work directly with municipalities. Ontario and Quebec established Public Housing Corporations to lead public housing development, a practice subsequently following in other provinces. This resulted in shifting responsibility with the larger provinces developing and managing public housing, removing CMHC from project level decision making. Public housing under cost-shared but evolving responsibilities ultimately created some 206,000 units, most between 1964-74, and disproportionately in Ontario. Provinces also

[3] The fact that these were temporary and usually located in proximity to wartime factories created subsequent pressures and opportunities for urban renewal and redevelopment of these well located areas.

became more assertive and took on more active policy roles, establishing provincial ministries and ministers in the early 1970's.

The support for assisted "Public Housing" was however a small part of CMHC's role, which remained focused on enabling and expanding homeownership. This was substantially abetted in 1954 with the introduction of public mortgage insurance, effectively a risk guarantee to protect private mortgage lenders, which encouraged private lending (and reduced pressures on federal direct lending) to support the continued expansion of home purchase and the growth of homeownership, in parallel with a process of urbanization.

Again seeking to minimize federal subsidies, for social (public) housing activities CMHC extended credit to private investor-builders and non-profit borrows to build moderate rent rental housing. This provided no direct subsidy but did provide forgiveness of 10% of the loan principal if the return on equity was maintained below 5% per annum. This Limited Dividend (and parallel non-profit) loan program played an important role in helping to expand rental supply, especially as the baby boom generation began forming new households and urban rental demand in the mid 1960's. This rental activity was also assisted by favourable federal tax treatment of rental investment (accelerated depreciation, soft cost deductibility, no tax on capital gain etc.).

1970's Shift to competitive unilateralism

The concept of *competitive unilateralism* (coined by Banting 1990) saw the cessation of joint programming in public housing, replaced by distinctly separate programming at provincial vs. federal level. This was also influenced by a federal Task force on housing and urban development (Hellyer Task Force), prompted by concerns about the stigmatization and concentration of poverty in large scale provincially developed Public Housing. The federal government was also concerned about uneven provincial capacity, which had seen Ontario and Quebec absorb a disproportionate share of public housing loans and subsidies;

The response to the concerns about larger scale public development and concentrated poverty and stigmatization was to seek partnerships with the community based non-profit and cooperative sector as proponents with smaller-scale mixed income community based affordable housing. And again this was paralleled by new federal initiatives to enable lower income households to access ownership (Assisted Home Ownership Program, AHOP in 1975) and new incentives for private rental development (Assisted Rental Program, ARP 1975-78 and the Multiple Unit Residential Building (MURB) tax incentives (1974-81) .

Meanwhile the provinces identified their priorities and accordingly designed their own unilateral initiatives, albeit with smaller and uneven outputs compared to the more richly funded federal programs (again reflecting spending power). According to one count, *'by 1976, there were fifty-three housing programs administered by the provinces independently of the National Housing Act, including direct construction and rental subsidies, housing rehabilitation, capital financing and rental controls*' (CMHC 1983. Banting 1990).

The late 1970's through mid 1980s were the peak years of growth for the "social housing" sector distinguished from "Public Housing" by their NGO community-based ownership (although there was also a role for public municipal corporations to utilize these new federal programs, so a quasi-public continuation – but at smaller scale and with mixed income). The non-profit and coop programs covered 100% of the capital cost via private lender insured loans, and received ongoing subsidy to ensure rents could be affordable to a minimum of 25% of tenants at only 25% of gross income.

1980's engagement of PTs through cooperative federalism

By the early 1980, housing policy had come to be produced by eleven governments (plus two territories, albeit at a smaller scale) acting in varying degrees of unilateralism with ongoing tensions and intergovernmental conflict.

As federal unilateral programs expanded with layering of long term (35-year) subsidy commitments, on top of earlier 50 year public housing subsidies, there was an exponential growth in the amount of federal expenditure on housing, rising to over $1.4 billion annually by 1984. This was occurring at a time when the federal deficit was also rising, prompting concern and efforts to rein in spending (Suttor 2016) – a process initiated with the election of the Mulroney government in 1983.

The new Mulroney administration initiated a comprehensive program review including all federal housing programs (Nielsen Task Force 1985). Notably with a title "Housing Programs in Search of a Balance" the housing review went beyond just social programs to also encompass the function of the mortgage market, ways that government can use housing as an economic lever and energy conservation in homes. It sought to find balance between social and market objectives; between new construction vs. housing assistance and renewal of the existing stock; and between the respective roles of the federal versus PT jurisdictions.

This culminated in a reframing of the approach in the 1985 policy document "A National Direction for Housing Solutions" (CMHC 1985). It is notable that in framing and presenting these new directions, the Minister, William McKnight stated, "*The principle upon which federal housing policy is founded is that Canadians in all parts of the country be able to have decent and adequate shelter at a level of payment that is affordable within their means*". While implicit, highlighting the aspiration to provide all with decent and adequate shelter, there was no explicit reference to housing as a basic need, nor as fundamental right. A rights based approach was not part of the policy discourse at that time.

The new Directions included policies related to the housing market, including continued commitment to strengthen access to financing through a new mortgage securitization initiative, that would improve access to capital for private lenders. Notably in the area of market stimulus and incentives, and in response to briefs from industry, the government agree to minimize market disruptions seen to be damaging to the long-term health of the housing industry (CMHC 1985). As a consequence, the Directions emphasized interventions to address need and social challenges (much like the more recent National Housing Strategy).

Intent on reining in expenditure growth, the review also highlighted the mixed income feature of the 1979-84 programs and reversed that policy, determining that limited resources should be direct to the most needy. The 1985 changes also took advantage of the demands from some (the larger) provinces for a more active role in program design and delivery, relegating the federal, role more to one of funder (albeit on a cost shared basis).

This created a new intergovernmental framework with Global and Operating Agreements executed with all provinces and territories. These yielded considerably more direct and active roles to the PTs, in exchange for cost sharing at a minimum of 25% of each program where the PT elected to deliver (Pomeroy 1989). CMHC remained responsible for residual programs (including federal cooperatives, urban native in many jurisdictions, and rehabilitation in some jurisdictions. As a result many CMHC staff transferred into provincial ministries and agencies and CMHC began a process of downsizing and substantially reduced its network of field offices.

Devolution and a declining federal role

Over the following eight years, there were a series of reductions in federal funding commitments), and gradual reductions in outputs of new social housing (Carter 1998). Driven by concerns in the department of Finance, about the continued growth of federal housing expenditures (which reached $2 billion annually in 1993) these pressures to contain spending culminated in the 1993 federal budget which terminated all funding for new social housing, except on reserve.

Because most programs were cost shared and delivered by the Pts, the termination of federal funding was followed by parallel reduction or termination of PT spending. Only BC and Quebec (and Ontario only until a change in government in 1995) continued to deliver unilaterally.

With the PTs delivering programs and responsible for ongoing oversight for subsidy and portfolio administration since 1986 there was inevitable overlap with similar CMHC functions related to the pre-1985 federal unilateral portfolios. In order to pursue administrative simplification the federal government directed CMHC to transfer this responsibility to the PTs. Because there were ongoing long term federal spending commitments and risks of rising expenditure needs associated with these legacy programs, negotiations of the transfer bilaterals, the Social Housing Agreements were protracted, extending from 1996 beyond 2000, BC did not execute an SHA until 2006, Alberta 2016 and Quebec has persisted in refusing to execute a transfer agreement.

The overall effect of first the 1986 Global Agreements, the 1993 termination and subsequently the post 1997 SHAs was a substantial reduction in the federal role and expertise in social and affordable housing and direct program delivery – a context that is important in the current onerous and slow implementation of the renewed federal role under the more recent NHS.

Modest federal reengagement 1999-2001

Following extensive analysis and recommendations from the Toronto Mayors Task Force on Ending Homelessness in 1998, and stimulated by public outrage about deaths of homeless persons on the steps of Queens Park in 1999 the federal government made a tentative re-entry announcing a new National Homeless Initiative Located in then HRSDC, rather than in CMHC it focused more on supporting expansion of emergency and transitional shelters with a deliberate attempt to manage and avoid the spending that would result from funding the construction of housing.

Then, in 2001, a new FPT Affordable Housing Framework agreement recreated a cost shared funding program to build affordable housing. Again in an effort to avoid exponential expenditure growth, it avoid long term ongoing subsidy (which can become non-discretionary) in favour on up front capital funding. PTs were required to match the federal capital (unlike in 1986 when only a minimum 25% commitment was required) and the initiative was delivered entirely via PT housing ministries and agencies.

Again this provided opportunity for PTs to be active and to rebuild their expertise and competencies in program design and delivery (certain provinces, notable BC and Quebec) were still active). Meanwhile the CMHC role was once mainly of providing funding and oversight for the series of bilateral agreements that facilitated these arrangements (although CMHC also sort to retain control through prescriptive conditions over program design in the bilateral agreements).

One complaint, that was emphasized in the later NHS consultations was that these funding arrangements were time limited, initially five years with subsequent extensions of 1-3 years, which made it difficult to plan and create a pipeline of new affordable development. Also, while the initial bilaterals were quite prescriptive, through subsequent extensions the PTs gradually negotiated increased flexibilities and funding could be used for a broader set of initiatives based on provincial need and priorities – including rehabilitation, rental allowances and assisted homeownership, in addition to new affordable rental development.

The funding quantum overall was quite modest (generally around $120-130 million annually) and at the project level up to $75,000 per unit (plus PT match), such that the resulting "affordable" rent levels were typically in the 80% to 100% of the average market rent (AMR), which is higher than the more deeply targeted rent geared to income RGI levels in pre 1994 social housing.

The reporting was weak and there is a lack of detail on how many units were constructed or households assisted under different program options. CMHC published only a running total of households assisted, with no details. It is estimated that this generated roughly 5,000 units per year nationally – far lower than the 25,000-30,000 under pre 1994 social housing and insignificant compared to the over 1 million renter households in core housing need (2011).

The 2017 announcement of the National Housing Strategy

In November 2017, following almost two years of consultations, the federal government=t unveiled a new National Housing Strategy. It was announced as the first ever national strategy and largest ever federal funding commitment to housing in Canada. Both assertions have been contested (Pomeroy 2017, Broadbent Institute 2018, PBO 2018) as hyperbole.

The NHS is more narrowly an affordable housing strategy, rather than a fully comprehensive housing strategy (Hulchanski 2017) with a specific focus on vulnerable households and only token discussion of the housing market and issues related to rental supply and access to ownership (under the rubric of "balanced markets").

It set two overarching goals to:

1. Reduce severity of housing need for 530,000 renter households (this was 50% of the 2011 estimate of renter need, the most recent data available at that time); and
2. Reduce chronic homelessness by 50%

To achieve these goals it outlined a range of programs directed to

- Preserving and improving the legacy stock of public and social community housing created mainly between the early 1960's and 1994;
- Addressing persisting unmet housing need through a combination of programming to support new construction of affordable housing and a new demand-side approach of housing allowances, branded as the Canada Housing Benefit;
- Strengthen the federal response to homelessness via enhancements to the federal homeless partnering strategy (subsequently rebranded as "Reaching Home");
- A number of ancillary initiatives including expanding funding to access surplus federal lands, improve housing market data, and strengthening the university-based research capacity (which is almost non-existent in the housing area).

It also introduced the concept of Gender-Based Analysis (GBA+) lens, committed to evidence based research and data reporting, and announced future legislation to embed a commitment to the progressive realization of the right to housing.

The NHS framed as a national, rather than a federal strategy sought to present a united front with Provinces and Territories through joint programming, but also reversed the long trend of federal devolution and disentanglement with significant re-engagement of CMHC in designing and delivery unilateral federal initiatives.

Implementation of the NHS commenced with Federal unilateral initiatives in April 2018 and with bilateral FPT cost shared programming, delivered through PTs under the terms of bilateral agreements commenced in April 2019.

The implementation to date has been slow and somewhat controversial, and more recently has been displaced by priorities related to addressing the COVID19 pandemic. A separate paper will examine the implementation in more detail and discuss options to refine and refocus the NHS.

4. Traditional Government roles: taxation and regulation

In addition to its evolving (and diminishing) role in the design, implementation of interventions and expenditures related to housing need, the federal government plays a very extensive role in the much larger market part of Canada's housing system.

As noted earlier social housing represented at its peak just under 6% of all housing, but since 1994 as growth of the social-affordable sector stagnated and unassisted market construction continued. The result is that in relative terms the social sector is now less than 5% of all housing and occupies a residual role relative to the market's 95%. There is an extensive array of roles and policy that impact on and relate to this private market activity.

There are many areas where government policy has an indirect role – for example policies on immigration (creates housing demand) and refuge settlement (adds demand for affordable housing), funding for apprenticeship and labour market programs that relate to the construction and renovation industry; environmental policy impacting through energy retrofit programs as well as regulations on certain lands that are protected from development. And in the spending area, federal cost sharing on infrastructure impacts on housing (e.g. funding to transit system influences policies around transit oriented development policy at the local scale). These roles are largely peripheral to the interests of the Federal Housing Advocate so are not reviewed here.

While there have been some direct interventions with market programs to support access to ownership (especially mortgage insurance, as well as temporary ownership saving incentives and grants) and to incentivize construction of rental housing, most government roles relate to taxation and regulation across many aspects of the housing market, and this implicates all orders of government.

Tax Policy and Housing

Taxation occurs at all three levels of government and influences both investor and consumer behavior, sometimes intentionally and other times inadvertently. The main tax treatments are summarized in Table 1 below, for each level, of government, acknowledging there may be some variations across provinces and municipalities, and that over time tax regulations and treatment has changed).

It is generally acknowledged that there is a policy bias in the tax system toward ownership. This includes the exemption of principal residence from capital gains tax (while a rental inventor would be subject to this); a homebuyer GST rebate on new homes for purchase (no rebates for rental) the ability to access RRSP savings toward down payment (while renters pay tax on any withdrawals) and at various times, tax exempt savings for down payments.

From time to time the federal government has used tax regulation to pursue other goals – especially to stimulate employment following economic recessions – this was the stated rationale for the MURB program announced in 1974, a home savings program in 1983, and the renovation tax credit in 2009-11.

Table 1: Key forms of housing taxations	
Jurisdiction	Type of tax
Federal	Income tax on corporate and personal income generated from housing activity (net income from rental properties) – over time such tax treatment has evolved from very favourable (facilitating and encouraging rental construction) to less favourable (disincentive) Temporary offsetting stimulus 1974-81 – the Multiple Unit Residential Building MURB policy that reinstated pre 193 favourable treatment of rental income Capital gains tax – and exemption of principal residence Tax incentives to support ownership, such as the RRAP First Time Buyer plan (use personal RRSP for down payment, provided paid back) 2009-11 Renovation tax credit (to offset some of the cost of retrofits) GST rebate on new residential construction(with further reduction when owner is a charity or non-profit with 40% of total revenue from public subsidy). Exemption of residential rents from GST – impacts landlords since they do not collect GST on their rental income the GST they pay on their inputs is not deductible.
Provincial	Land Transfer Tax (at time of property sale, paid by purchaser). Some recent targeted taxes – e.g. Vacant home tax, Speculator (foreign buyer – BC and Ontario). Some jurisdictions (e.g. BC) Homeowner tax grant (to offset municipal tax). Low income renter tax credits (most provinces, applies to annual income tax).
Municipal	Property taxes (assessed on value), levied annually Special provisions to defer (e.g. seniors that are asset rich but low income) Some properties may be exempted, e.g. charities when housing prescribed residents – low income seniors and some special needs

In general however, the tax policy officials in the dept of Finance advise against using tax measures to achieve policy outcomes – they recommend that such programs be designed and funded with explicit appropriations in a parliamentary budget process.

As illustrated in Table 1, while measures extend across all jurisdictions, it is federal tax regulation that tends to have the largest and most extensive impact.

Regulating and enabling the market to deliver safe, adequate, and affordable housing

Beyond tax regulation there is a vast array of regulatory activity, from regulating actors in the system like realtors, trade people, mortgage lenders, to creating and enforcing building and occupancy standards (e.g. national model building code and provincial adoption and adaption) with a view to protecting occupants from dangerous or unhealthy conditions or dictating outcomes such a accessibility and energy efficient construction.

The key regulatory areas related to housing are listed in Table 2. It can be seen that federal regulation relates more to ownership of property (through financial system regulation; provincial/territorial regulations more directly involves aspects of consumer protection, and most especially tenant and landlord rights and obligations and municipal roles relate more to health and safety standards as well as land use regulation (and approvals for development).

Table 2: Key forms of regulations impacting on housing

Jurisdiction	Type of regulation
Federal	Financial Regulations – Federally chartered lenders Bank Act, CMHC Act (Mortgage Insurance), Role of Finance/OSFI in macro-prudential policy (re access/constrain to mortgage finance) National Building Code (requirements for accessibility and universal design- note these are model codes, and have no effect until adopted by PTs). These also include setting product standards as well as guidelines on achieving energy efficiency (and incent via NR Can programs)
Provincial	Oversight over provincially chartered lenders, credit unions mortgage companies Consumer protection especially property rights (owners) and tenant rights (renters) – Residential tenancy legislation (affects both security of tenure and affordability (rent increases) Enabling legislation for municipal land use and planning , municipal activities including assessment of property, property taxes
Municipal	Implementation of land use control, planning and zoning Enforce building codes (building inspection and occupancy permits) Occupancy and maintenance bylaws

The interest of the Federal Housing Advocate is more likely to be concerned with issues of resident rights (owners and tenants), security of tenure and discriminatory practices. So for brevity, discussion here is limited to these areas.

Legislation over residential tenancies exists in all PTs but involves some nuance and variation. Most provinces have basic legislation to protect tenant's security of tenure including the conditions under which a landlord can evict – usually non-compliance with lease terms, and or landlord's right to occupy the unit (self of family).

And rent regulation in most provinces also seeks to regulate rent increases – either with in situ restrictions on rent increase or a complaint based arbitration process (Quebec) and a vacancy decontrol mechanism on vacant units (i.e. the rent restriction is linked to a tenancy; after tenant vacates landlord is free to adjust up to current market level. Some provinces, notably Alberta and Nova Scotia have no control on the amount of rent increase, but limit frequency of any increase to maximum once per year (12 month period).

There is ongoing debate on the impacts of rent regulation, with industry perspectives and many economists asserting that regulating rents supresses returns and creates risk, and thus dissuades new construction. The resulting low construction lowers vacancy rates putting upward pressure on rents, and thus controls are counter-productive. A recent empirical study across different regulatory regimes was inconclusive, reporting that it is unclear if there is a relationship between rental starts in rent control markets and in no rent control markets (KPMG 2020).

For households seeking to access rental housing, human rights legislation seeks to address issues such as discriminatory practices in access to housing. A particularly vexing challenge is when certain consumer groups seeking to access housing face barriers due to stereo-typing. For example, rental landlords verify employment income as a way to manage risk of non-payment and through this process may not accept tenancy applications from persons whose income is less secure, or from income assistance. Certain racialized groups, notably indigenous persons and families also face prejudice and discrimination. While notionally protected under the Charter and human rights legislation such practices persist, and arguable contribute to negative outcomes. Unable to secure good housing certain applicants are marginalized and forced to accept sub-standard housing with risks to health, and in the extreme, those unable to secure a tenancy, may become homeless, with the associated downward spiral in health and well-being. Discrimination against indigenous applicants may be one factor in the disproportionately high number of indigenous counted in the homeless population.

The other area that is relevant, and falls into provincial jurisdiction is property rights, including devolved responsibilities of municipal government. Local planning and zoning can include exclusionary practices (e.g. larger lots and dwelling sizes, too expensive to be affordable to lower income families). Zoning often seeks to exclude smaller and multi-unit homes that can be more affordable, and neighbourhood associations often seek to reinforce these exclusionary policies.

On the other hand planning policy can be inclusive, although to date implementation in Canada is quite limited. Inclusionary regulations can require some specified number of percentage of homes below prescribed costs. By controlling the amount of land approved or available for development, local planning policy can influence the supply and price of housing, both negatively and positively.

While provincial enabling legislation prescribes requirements that municipalities ensure a sufficient quantity of serviced and zoning land to meet projected need, due to growing population and demand, it is often asserted that insufficient land supply is the root cause of high prices and lack of affordable housing (Glaeser and Gyurko 2018, CMHC 2018). These policy conclusions challenge cities to relax planning regulations.

The Glaeser-Gyurko argument is powerful, but it is not proven. Restrictive regulations may hamper supply but there are a range of other potential causes of inelasticity including speculation, local building sector monopolies and market failures, and shortages of infrastructure investment (Maclennan and Miao, 2019). More broadly, municipal regulations serve important policy purposes in reducing uncertainties facing developers and shaping the nature of the growth and density that a city wants. In the absence of definitive research in the Canadian context in this area, the question of the relationship between local planning regulation, housing supply and price growth needs to be explored in order to understand the role of the housing supply chain on housing affordability.

Issues of externalities and market failure

An important feature of Canada's market drive system, wherein 95% of housing is owned and operated under market conditions are unintended consequences and externalities. The most significant is that because market mechanisms respond to demand and associated price signals, a significant number of households are left out. Low income households lack effective demand because the prices they can afford to pay for housing fall below the cost to create that housing.

This lack of effective demand is especially unique to housing, in part because values are associated with location and land and property is fixed in location. In many cities there is a price gradient, with more distant suburban and exurban homes often priced at lower levels. This then creates a spatial sorting of socio-economic groups – with lower income households also displaced to more distant locations from the centre, and this can impact their access, time and cost to travel to work. Recent empirical research in Australia has examined this issue and documented the distance-income relationship (Maclennan, 2019). For households forced further away from job locations to find rental housing they can afford, this imposes significant reductions in labour market productivity (Maclennan, 2019) and household income potential. Statistics Canada reported in the 2016 Census that 10 percent of households living in CMAs had commuting trips of an hour or more.

5. Characteristics trends and quantum of housing need

Since 1986 housing need in Canada has been assessed using a standardized methodology that both assesses if a household experiences any one of three prescribed housing problems; and if their income is below that sufficient to remedy their problem.

Three specific problems are defined as

- Affordability- spending greater than 30% of gross income on shelter costs (mortgage or rent plus utilities);
- Suitability – (crowding) which uses a National Occupancy Standard to determine if the home has sufficient bedrooms for household composition (e.g. children over 5 cannot share with opposite gender);
- Adequacy – (condition) home is in need of major repair.

The core need method first assesses if a household has any one or combination of problems. In 2016 some 3.91 million households fell below one or more of these measures.

The method then applies an income criteria, calculated for each municipality (CMA or CA) and each household-bedroom size. This determines the income required at 30% of gross to spend no more than 30% for shelter. So if a family of 4 (parents and teens of opposite gender) requires a 3-bed unit and the median 3 bed rent is $1,200 the income benchmark is $48,000 (1,200/.03 x 12).

When this second step income threshold is applied, in 2016 the 3.91 million households failing one of the three standards is truncated to 1.69 million households, accounting for 12.7% of all households in Canada (CMHC-Housing in Canada Online) .

These estimates are determined for all communities and used to assist planning for assisted housing policy and programs. They are used in three ways:

1. Initially developed as a way to allocate pre 1986 federal budget across jurisdictions (needs-based allocation formula);
2. Used as an eligibility criterion - the income test used in step 2 is used to generate Housing Income Limits, which determine eligibility to receive assistance or to access social housing;
3. Used to assesses number and trends in core need over time and in different areas.

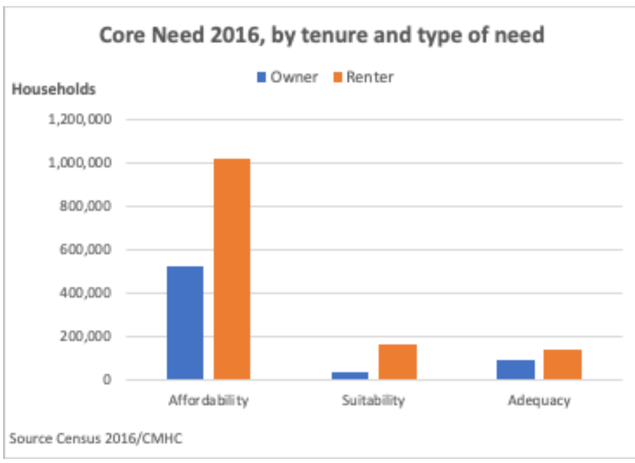
Summary of need 2016

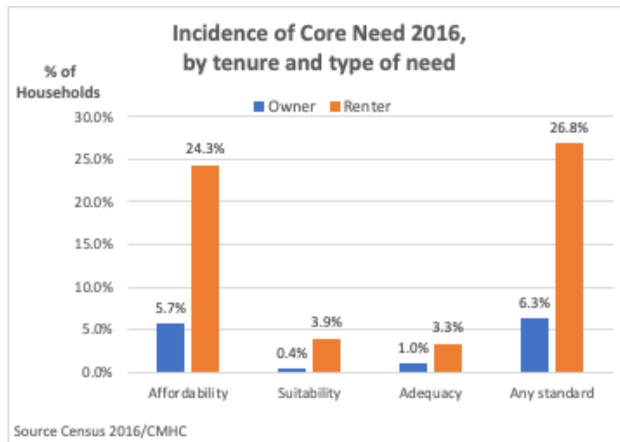
The core need method uses the national census, undertaken every 5 years . Some intercensal estimates are also developed but the data sets have smaller samples and do not generate estimates for all centres - only national and by province (Survey of household Spending and since 2018 the Bi-annual Housing Survey).

Core need data, both in 2016 and in prior census have consistently revealed that the majority of households in need are renters and the vast majority of problems relate to affordability issues – issues of suitability and dwellings in inadequate condition are fewer in both numbers and incidence rates. In addition to determining the absolute counts by tenure and by type of problem the incidence rates help to understand which groups are impacted. The data can break this down by age and household type – e.g. singles, couples families. The data show that renter households with the highest incidence of need are lone parent families and non-elderly singles

The ability to dissect by type of problem and by different population groups it is possible to plan interventions. For example with the vast majority of issues relating only to affordability there is potential to draw on rental assistance (Canada Housing Benefit) to more rapidly address those already living in adequate and suitable housing, but simply paying more than they can afford.

As seen next, traditional responses to housing need have tended to focus more of building homes and setting rents at low rates, often on a rent-gear-to-income basis. This means that the quantum of assistance per household assisted in much larger, and it has not been possible to create a sufficient supply of affordable homes.





The insufficient supply of assisted housing (and housing assistance generally) has resulted in a rationing process and has necessitated prioritization of certain groups (e.g. absolute homeless, victims of domestic violence) and waiting lists among those not at the type of these priority groups.

This rationing approach conflicts with a rights based approach in which there would be universal entitlement to assistance – as is the case for example in the UK, the Netherlands and Germany. While the former two countries have a much larger stock of social housing than is the case in Canada (and other Anglo-colonies) this stock remains insufficient to house all those in need. Germany has a more tenure neutral system and provides construction assistance equally to public, non-profit and private developers. In all three of these countries, rental allowances are provided on a universal basis such that all potentially eligible households can be assisted.

Issues in the core need approach

The current measure of core need does not capture homelessness, yet in terms of access to housing, this is the group that are most overlooked. It may be necessary configure a broader conceptualization of need in order to reframe it within the context of the progressive realization of the right to housing.

There is also some consideration on how the core need concept relates to the right to housing. As shown here, many households simply suffer from affordable issues so they actually have access to housing. Does the progressive realization of this right suggest that we should first prioritize those without housing (i.e. the homeless) and subsequently those living in an inadequate or unsuitable home? Those experiencing only an affordability problem would then be a subsequent priority.

6. Legacy of past interventions to add affordable stock

This section overlaps somewhat with section 3 (Federalism) but focuses more of the details of programs and how the programs evolved, alongside shifting roles and responsibilities.

Canada's social housing stock has been created over a number of phases, each with particular characteristics that underpin the current state of different parts of the total social stock. The structure and composition of the sector reflect the variety of funding programs available over the formative period from the late 1950's through to 1994. The subsequent post 1994 period did not see much expansion, but it did involve some organizational restructuring, most notably in the public provincial-municipal parts of the sector.

The legacy of these past programs and administrative arrangements have an important bearing on the 2017 National Housing Strategy, which in addition to adding new housing and assistance to households facing unmet housing need, places an emphasis on preserving and renewing the existing stock of social and affordable housing created under past programs (many with ongoing, subsidies that are expiring).

The key phases are briefly described below with key features of each phase are summarized in Table A-1.

Phase 1: Public Housing (1950-1974).

This era created one-third of the stock (206,000 homes); a small number constructed between 1950-64 but most in the 1964-74 decade. It was produced mainly by provincial and territorial housing corporations (and initially also some municipalities) constructing, owning and managing housing for low-income seniors and families. While this included small portfolios in smaller cities, Public Housing in larger cities was often built in fairly large developments, and consequently become stigmatized concentrations of poverty (e.g. Regent Park in Toronto, prior to its redevelopment). [Dennis and Fish, 1972; Rose 1980; CMHC 1984].

Public Housing was financed with direct loans from CMHC together with ongoing F/PT cost sharing to enable projects with low rent revenue to cover ongoing operating and debt costs. The subsidies were contracted on a project-by-project basis typically for a 50-year duration, coinciding with the amortization period of the loan (structured as a debenture, rather than as a mortgage).

While not initially deeply targeted Public Housing soon evolved into almost 100% targeted housing serving very low-income households paying rent on a rent-geared-to income (RGI) basis. These very low rents generate minimal revenues and thereby increase dependence on ongoing subsidy, increasing as operating costs rise faster than incomes and RGI rents (many tenants rely on income assistance, which is not indexed to inflation) .

Subsidies in Public Housing did not contribute to capital reserves, so any capital replacement was funded as an annual expense, cost shared by the F/PT partners. This is different than later non-profit and coop programs which were funded to created capital replacement funds, albeit not sufficiently funded.

Table 1: Phases and characteristics of sector development

Phase	Time period *	Characteristics of provider	Funding mechanism	Target client populations	Rent structure	Number of units **
Public Housing	1949-74	Provincially owned housing corporations Strong expertise and professionalism, but rigid and risk adverse operating structure	Joint federal-provincial capital funding or alternatively federal loan and shared-cost subsidy to cover operating deficit from low RGI rents. No capital reserve or sinking funds.	Families and seniors of low-moderate income; overtime became 100% targeted	Predominantly close to 100% RGI	205,000
Early community housing	1964-78	Small non-profit and coops, some municipal corporations, charitable organizations and faith groups. Many small, with limited expertise and capacity.	Below market rate loan, and partial forgiveness; no ongoing subsidy but some rent supplement stacking after 1970	Family and senior, moderate income (rents set on a break-even (cost rent) basis	Cost-based rents at breakeven (moderate, but not RGI, except where separate Rent supplement), and some internal cross-subsidy	80,000
Expansion of community housing	1978-94	Mix of municipal housing corps, alongside small independent non-profit and cooperatives. Mixture of expertise and capacity as above for each sub-segment	1978-85, insured loan plus operating subsidy (finite); 1985-94 revised subsidy to cover full operating deficit with higher targeting to RGI. Annual funding to support capital reserves (sinking fund)	Senior, Family, singles and special purpose (& subprogram targeting urban Aboriginal)	1978-85 Mixed income, Min 25% RGI, rest at low end of market; Post 1985 targeted to core need, higher proportion RGI	Pre 1986 = 140,000; post 85 =80,000 plus 40,000 provincial unilateral
Retrenchment and restructuring	1994-2001	Few new non-profits (limited mainly to BC, Que), Minimal number “non-program based” developments/ organizations.	No new funding; transfer of admin responsibilities to PT, attempt to freeze federal subsidy at 95/96 level	Dependent on provider policies and market circumstances	BC/Que mixed with some RGI, rest breakeven rent.	Minimal
Re-engagement and affordable housing	2001-present	Expansion of some existing plus some new independent NPs; commencement of EOA places projects outside of a governance structure	New funding in form of one-time capital grant, no ongoing subsidy (except where implemented at PT level). PT cost matching plus some additional municipal contributions	Same mix as community housing	Rents 80%-100% AMR, with some separate rent supplement for RGI in some PTs	50,000

* These phases generally coincide with significant amendment as to the National Housing Act, especially 1449, 1964, 1978, or to federal budgets (1993, 1996 and 2001.

**Rounded and total 600,000 is approximate; excludes additional 50,000 rent supplements, some stacked with NP and other in private market. It also excludes housing on reserve, which totals some 27,000 units on reserve (16,000 built prior to 1994).

Since the bulk of Public Housing construction started in 1960's, these earliest subsidy agreements have recently begun to terminate (e.g. 1964 plus 50 years = 2014).

While loan payments also matured coincident with end of subsidy the low RGI rent revenues are typically insufficient to cover ongoing operating costs; so removing ongoing federal subsidy is impacting ongoing viability (Pomeroy, 2011).

With the expiry of the federal share of subsidy, the PTs, who own the properties, are unilaterally responsible for any ongoing expenditure necessary to sustain or renew these assets. Insufficient funding for capital renewal over a prolonged period, now exacerbated by termination of the federal share of subsidies has contributed to inadequate state of repair and increasing dissatisfaction among residents. As clearly illustrated with Toronto Community Housing (TCHC), dissatisfied tenants have raised concerns, and this has politicized these issues (Eggleton et al 2016).

Provincial housing corporations own the properties, and portfolios at the local level are managed either by a provincially appointed board (local housing authority) or under contract with municipality. This is typical approach in Quebec and Alberta, where the municipal housing corporation manages provincial stock on behalf of the province, who retains ownership. In Ontario public housing assets (title) and responsibility for ongoing expenditures was fully downloaded from the province to local government in 2001, so fiscal impacts of expiring federal subsidy are felt at the local level.

While projects were funded individually, Public Housing did not involve individual project level-operating agreements or mortgages. All were developed and operated by provincial corporations and there was an overall master agreement with each province/territory, with a schedule of assisted projects (CMHC 1990)

The key legacy features of public housing are: Aging assets, constructed 40-60 years ago; deeply targeted properties (most at 100% RGI) in which rents are insufficient to cover operating expenses and capital renewal; most have negative income and no capacity to leverage financing for capital renewal. Ownership remains primarily with provincial housing corporations, except in Ontario, where properties have been transferred to municipal ownership. Portfolios range from less than 100 units in smaller communities to over 50,000 units in Toronto (although this includes units developed under later programs, and subsequently merged with public housing).

Phase 2: Community housing (1974-1994) [4]

Community housing is used here to refer to the not for profit (NP) sector, including co-operative housing. It includes a mix of programs with some subtle design differences. Over the two decades of active development, these organizations created around 400,000 homes

[4] Until recently the term community housing was used to distinguish non-profit and coops from Public Housing. However, since 2000 a number of public housing corporations, notably Toronto have rebranded themselves as community housing. And under the 2017 NHS, the term has been adopted to capture all past social housing.

(including some unilateral provincial) and therefore accounts for two-thirds of the total social housing stock.

Although the National Housing Act (NHA) included provisions to provide loans to non-profit and co-operative corporations from 1949 (and a number of projects were completed between 1964-73), the growth of a community based social housing sector gained more momentum after 1973. Nurturing a community sector was articulated as an explicit policy direction in 1973, heavily influenced by identified failure of public housing, as articulated in the 1969 federal Task Force of Housing and Urban Development (Dennis and Fish 1972; Rose 1980, Suttor 2016).

While Public Housing was seen as too large, often creating concentrations (ghettos) of poverty, and run by provincial bureaucracies; the vision for the community sector was small scale, integrated into communities, run by community sector boards, and with a mix of incomes to avoid concentrated poverty. This was intended both to help offset opposition to developments, and to create efficiencies (reduced subsidy) by having professionals on boards, or in the case of cooperatives via self-management (CMHC 1984).

Under the community housing programs, each project was developed with a project specific operating agreement – essentially a funding contract between the funder (initially CMHC, and subsequently the P/T) and the provider. As programs changed from time to time, so did the operating agreements. A large provider owning and managing a portfolio of 10-20 projects might have 3-6 different types of operating agreement, each with subtle variations and separate reporting requirements. This created an administrative burden (and cost).

The community-focused programs initially (up until 1978) provided direct CMHC loans, amortized over 50 years at below market rates (sec 26/27), with projects operated on a cost rent (break-even basis), with no ongoing subsidy (although there was implicit subsidy in the form of forgiveness of 10% of the loan amount, earned over time – so repayment was premised on 90% of loan). Subsequently (after 1974), as costs drove rents to higher less affordable levels, separate rental assistance was stacked to ensure affordability to low-income residents (CMHC 1992).

In 1978 programs were redesigned. Direct finance was replaced with private sector insured loans, drawing on CMHC's extensive experience with mortgage insurance since 1954, initially used to expand homeownership and to support private rental. In social housing, mortgage insurance covered up to 100% of cost, amortized over 35 years. This was combined with an ongoing subsidy to ensure that a proportion of rents (minimum 25%) could be set at an RGI level. Remaining rents were set at the "low end of market" for an equivalent unit.

As in Public Housing, the subsidy period was established to coincide with the mortgage amortization. Since this financing approach commenced in 1979, the 35-year anniversary for these programs is also 2014, so as in Public Housing federal subsidies have similarly recently commenced expiry.

When the community programs were reconfigured under sec 95 in 1978 a technical assistance program was also implemented (Community Resource Organization Program - CROP) to assist emerging non-profits and co-ops to take on the activities of project development (CMHC 1984). This created a network of non-profit development "resource groups" or consultants. The program provided seed funding and after three years these resource groups were sustained on a fee for service basis (capitalized into project costs). This expanded capacity for small community organizations such as service clubs, ethnic organizations and poverty organizations to undertake new development.

The subsidy mechanism (1978-85), while providing ongoing subsidy, established this as a finite amount (which acted to limited higher proportions of RGI as projects were not viable at higher proportions of tenants with very low rent), and as such avoided the concentration ns more characteristic in Public Housing. It also included subsidy to create a sinking fund for future capital renewal (although in retrospect the annual amount to be set aside was established at an insufficient level).

A significant policy change in the mid 1980's shifted some of the characteristics. The main change was that in 1985 the federal government sought to more fully engage the Provinces and Territories in both the funding and delivery of social housing and introduce cost shared subsidy.

The mixed income model of 1974-85 was revised in response to criticisms that limited subsidy should be directed only to those in need - so all eligible households at initial entry were required to have incomes below income thresholds set based on income required to afford an average market rent at 30% of income. This resulted in a middle ground between the deep 100% targeting of public housing and the mixed income models of the 1974-85 period.

The subsidy formula also reverted in 1985 from one with finite, maximum assistance to a deficit subsidy (as in public housing), which created the financial space to increase RGI targeting levels, although there remained a degree of income mix.

The non-profit program included two streams of funding, one to the so-called private non-profits (PNP) just described; the other labeled municipal non-profit (MNP) directed to subsidiary corporations of municipalities, established to develop and manage social housing. The MNPs tended to favour deeper and more extensive RGI levels (so were more like public housing, albeit with smaller scale projects; while PNPs retained a more mixed income model.

Within the PNP sector, a sub-stream of funding was also available to groups providing supportive or transitional housing to special needs populations, which generated small group homes, typically owned and operated by community support corporations (CMHC 1984).

And further variants were created to extend the PNP model to support housing development on First Nations reserves (the On-reserve program) as well as to Urban Aboriginal Non-profits that could be incorporated to develop own and manage social housing for indigenous populations in small and large centres.

Under the PNP stream, a variety of community organizations including faith based, ethnic immigrant settlement groups, and poverty reduction groups, as well as service clubs like Lions, Rotary, Kiwanis created non-profit corporations and sought funding. In many cases these small organizations may have built only one project, as was also the case with co-operatives. In other cases specialized non-profit housing corporations were established and gradually grew as they added each new project. Some of these portfolio providers grew to be as large as 1,500-2000 homes (with additional units added post 2001, as discussed below) – but there are fewer than 10 such mid-size PNPs nationally – most remain quite small.

Across the 1974-94 period just over half of units were developed by PNPs, the remaining 45% by MNP's. The Urban Native created some 10,000 units across the country, so at its peak, remained a small part of the overall system and unit count. The on-reserve program was the only new supply stream that continued after 1994, at which point there were almost 16,000 homes; with a further 22,000 added between 1994 and 2016.

In many respects the MNP stream was a variant of public housing, in its public ownership. While individual projects remained modest in size and like the PNP and coops had mixed incomes, MNPs tended to grow larger than their PNP counterparts – there are many MNPs with portfolios exceeding more than 2,000 homes (compared to fewer than ten PNPs of that scale).

This was further augmented in Ontario by the transfer of formerly provincial public housing properties to municipalities, such that municipalities then owned both a public housing portfolio and an MNP portfolio. Most (but not all) in Ontario were subsequently (post 2002) merged into singles corporations (Suttor 2016). In Quebec, the public housing portfolios owned by SHQ were also operated by municipal entities, many of which also expanded after 1978 under the MNP program.

Many MNPs experienced political pressure from their shareholder councils to target more needy households, and as noted below, when the subsidy model was revised in 1985 to allow larger and deeper subsidy, the MNPs tended to pursue a higher proportion of RGI tenancies than was the case among PNP's. As a consequence, like Provincial-Territorial Public Housing, these portfolios are now more deeply targeted and more dependent on deep ongoing subsidy – and thus are more impacted by expiring subsidy agreements.

So the key characteristics of the community housing sector were: generally smaller projects and often small sponsoring organizations, usually managed with a minimal staff and a hands-on voluntary board (in coop case a residents board); each project was regulated under a project level operating agreement linking subsidy to performance obligations (although these were loosely enforced); projects were only partially targeted with initially a minority of deep targeted RGI mixed with moderate low end of market rents and, post 1985, a greater degree of targeting; subsidy was provided on an ongoing basis, but for specified duration, linked to the mortgage amortization, and these subsidies are now ending. Rent revenue per unit is higher than public housing, but varies across projects based on the degree of RGI targeting. Subsidy payments enabled providers to establish and fund modest replacement reserves (although at insufficient level to fully fund necessary capital renewal).

The legacy of these community programs is a significant stock of over 400,000 homes but with highly fragmented ownership and uneven levels of governance and staff professionalism. Depending on targeting levels there is also a diversity of financial viability, especially as federal agreements and subsidies expire, a process that is now accelerating.[5] *Many assets may have*

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[5] While scheduled expiry of federal agreements and subsidy is accelerating, there is a specific initiative under the 2017 NHS to offset this effect – see CCHI and FCHI.

high value, some redevelopment or leverage potential – but again there is no alignment between this potential and the skill sets and capabilities of the organizations that own and manage these properties.

Phase 3: Retrenchment and administrative restructuring (1994-2001)

The 1993 federal budget terminated all new funding for social housing, effective December 31, 1993 (Federal Budget 1993). As above, the one exception was On-reserve. Some unilateral provincial activity continued, mainly in BC and Quebec, but at much lower production levels. So the scale and structure of the sector was essentially frozen in time.

In addition to curtailing new funding the federal government sought to disentangle the dual administrative regime that had evolved with some projects (mainly pre 1986) under federal unilateral agreements and others (mainly post 1985) under joint FPT cost shared arrangements with PT administration.

In 1996, CMHC commenced negotiations to transfer all administrative roles to the PT level (enabling some administrative efficiency and consolidation at PT scale) and cap expenditures at the 1995/96-budget level. Negotiations were protracted, with four provinces remaining outside consolidated agreements as of 2000 (BC subsequently entered an agreement in 2006 and Alberta finally in 2016; Quebec and PEI have not executed an agreement).

With new delivery and related program administration reallocated to provincial departments and ministries in the mid 1980's (PTs took on new delivery role under 1986 Global Operating Agreements) and reinforced in the late 1990's under the administrative transfer agreements, subtle variations in delivery and administration began to emerge across PTs and there was no longer a single federally based administrative system. This also involves PT responsibility to enforce CMHC operating agreements, which as discussed later can create confusion in responsibilities and approvals when a provider seeks to undertake certain activities (such as refinancing or redevelopment). This has been further fragmented in Ontario where both funding and administration have been delegated to the local level.

The key legacy of this period of administrative realignment was a shift in responsibility to the PTs, who have steadily expanded capacity and competence. At the same time CMHC continued to downsize its role and staffing. Meanwhile, CMHC awareness and administrative insight has been significantly reduced except in few instances where projects remain under CMHC administration – unilateral projects in Quebec and PEI, Indigenous housing on reserve and cooperative housing in BC, Alberta Ontario and NB (although for co-ops administration is via a third-party agency). Ontario again is a special case with administrative and funding responsibility (for former provincial share of subsidy) devolved to the local level, creating a highly fragmented administrative regime.

Phase 4: Re-engagement and affordable housing (2001-2017)

The federal government re-engaged in 2001, announcing a new Affordable Housing Framework, in collaboration with the PTs. This reintroduced a new funding system, with PTs required to cost share on a 50/50 basis. The funding level compared to pre-1994 was quite modest in scope.

A variety of initiatives are permitted, at the discretion of the PTs who each administer funded programs, designed at each PT level. These include new affordable rental development, assisted ownership, rehabilitation and rental allowances. Much of the funding has been used to assist new affordable rental, though with lower volumes compared to pre-1994 levels – ranging from 4,000-6,000 units annually and a total of only 50,000 units since 2002 (Suttor 2016). This compares to annual production of around 20,000 non-profit and coop units at the peak in the mid 1980s.

Notably the housing produced since 2001 is funded with one-time capital grants, which “buy down” break-even rents to an “affordable” level, at or below the average market rent.

But except where additional PT ongoing subsidy is provided (increasing the PT share of subsidy, as in BC and Quebec), or providers employ a mix of rents and an internal cross subsidy, there is no RGI assistance to very low-income households (a key difference from pre 1994, when ongoing operating subsidy was the norm).

Larger organizations have been able to cross-subsidize from other parts of their portfolio to achieve some RGI penetration, and others have simply accepted a different layer of clients (those in shallow versus deep core need).

One legacy effect of this phase includes the participation of for-profit proponents that are required to preserve rent affordability for only a finite period (minimum 10 years, but often 20 years at the behest of the PTs delivering the initiative). The other legacy impact is the approach of supporting new “affordable” development with capital only. This has carried over into the NHS. There continues to be little appetite to return to the deeply subsidized, very low rent approaches used prior to 1994. It means it is not possible to serve traditional very low income households, unless additional assistance is provided via a rent supplement or the new Canada Housing Benefit to lower net rent to truly affordable level. It also means these project rents are above the level affordable to those exiting homelessness, and typically dependent on income assistance benefits.

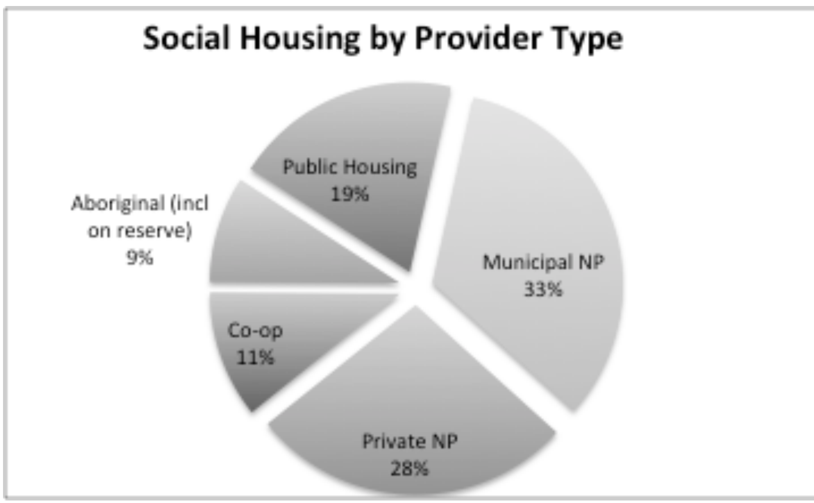
7. Provider characteristics and sector challenges

Social housing is not a homogenous sector; rather it is composed of a diversity of provider types with significantly different levels of expertise, capacities, challenges and opportunities. There are also very significant regional variations between large and small provinces, while the territories also stand out (almost exclusively public housing and usually in small projects).

As outlined above, across the country the stock now owned and operated by provincial corporations or municipal housing subsidiaries account for almost half of all social housing. This includes public housing (originally 205,000 units), with some 97,000 of these now transferred to municipalities in Ontario.

With these Ontario transfers as well as units developed and managed by MNPs the municipal sector now accounts for one-third of the existing social housing stock. Nationally, only 10 providers own and manage more than 5,000 each. Five of these are in Ontario and are all MNP. Together these ten providers own one-quarter of all social housing in Canada.

Provincial housing corporations have expanded beyond their original public housing ownership and management role to become actively involved in supporting the development and administration of social housing since 1985 (and some earlier) and have substantial understanding, capacity and expertise in both development, asset renewal and subsidy administration. They also have access to provincial and territorial fiscal resources, although the scale of necessary expenditure will challenge many.



MNP corporations are typically arms-length subsidiaries of municipal governments and remain under some degree of oversight by municipal councils. They also vary from very large, very capable professionalized organizations, to quite small (200 units or less). To illustrate, in Ontario, where there are over 800 non-profit providers, only ten have portfolios of over 1,000 units and eight of these are MNPs. In BC five providers exceed 1,000 units, with two of these MNP and three PNP.

The small MNPs/ or municipal departments have some access to resources of their stakeholder municipality but may not have a full suite of expertise, especially in the area of asset management and renewal.

Another aspect of MNPs is the fact that they are owned by (and in the case of Ontario funded by) municipal councils so there is a degree of political oversight and in some cases active political interference (e.g. see TCHC task force report, 2016). Often there is also a degree of aversion to risk, which may in some cases suppress creativity and innovation (even though staff may be highly skilled and capable of innovative creative approaches). This was illustrated in the limited new activities of MNPs in the 2015 report of HPC.

In many cases, social housing has been delivered through social service departments (at both provincial and municipal level) and as such tends to have expertise in social programming (income assistance and RGI rent setting) as well as to varying degrees in resident service and tenant engagement. Many organizations however have more limited expertise in building science (to undertake building condition assessment) and asset management (including asset rationalization, redevelopment or renewal).

The true community non-profit sector of private non-profit (i.e. not a subsidy corporation of a public stakeholder province or municipality) represents just over half of all social housing. There is perhaps a greater diversity in terms of scale, expertise and competencies in this sector.

There are very few medium to large private non-profits, and even when larger these are typically only 2,000-3,000 units. Again using Ontario where one third of Canada's social housing is found, only two PNPs exist with more than 1,000 units. The vast majority are very small. Many are single project providers with a project ranging from as small as 10 units up to around 100. As small providers they lack economies of scale and have limited capacity to retain professional staff (may have a property manager and part-time book-keeper) or may in some cases be managed by a voluntary board.

For many single project providers the excitement was in initially developing the project to help specific constituencies (e.g. service clubs often built for seniors, faith groups and ethnic groups built to their congregation or to settle new immigrants or refugees). Many have retained some original board members for decades, and directors are aging and less interested in the more mundane activities of property management. And often, sponsoring organizations have difficultly recruiting new board members.

In the case of co-operatives the residents serve on their board and again there are lifelong directors and in many cases issues of self-interest (e.g. members vote to establish or change their rent level or housing charges). So there is a spectrum of strong to weak governance across this part of the sector.

And similar to the public and municipal sector, many provider organizations were motivated by a sense of social responsibility to help households in need. They approached the development of social housing as a social service – providing modest sound accommodation with low affordable rents. As a result of these low rents many struggle to balance their operating budget and tend to favour helping another poor household over sustaining operating viability. Few see themselves as being in the property management or asset management business. This will exacerbate viability issues post EOA.

Many of these projects developed with technical assistance from specialized non-profit resource groups and development consultants (that were nurtured beginning in 1978 specifically to help grow the community sector. Following the termination of funding for new social housing in 1993, many of these technical resource groups disappeared (some remain in BC and many in Quebec when levels of activity under unilateral provincial programs sustained some capacity). And because the focus of resource groups was almost singularly on development there have not been parallel resource supports on operational matters, although in a number of provinces sector organizations have been created and do provide some training and educational support in this area.

So overall, with some notable exceptions, the traditional community sector is characterized by a large number of quite small unprofessional organizations with quite limited expertise and capabilities, especially in relation to asset renewal or development. They have a big heart and are dedicated to helping poor tenants, and this often trumps disciplined sound business practice.

As noted above, many also have a mixed income model and might be quite viable at expiry of federal subsidy, but lack the expertise to fully assess the impact or to identify how to leverage the asset value of the property. In aggregate these fragmented assets have considerable value, but as currently configured and without any degree of professionalism and expertise there is limited potential to realize on this asset base as a way to strengthen the sector and enhance sustainability, either at the project, organizational or sector scale.

Social Housing regulatory framework

A notable characteristic of Canada's social housing system is the historical absence of a regulatory framework, such as exists in many EU countries where social housing is larger and a more mainstream activity.

The system and sector has evolved on a project-by-project basis, governed under a series of project level operating agreements that function as funding contracts. In the case of public housing this took the form of a master agreement between CMHC and provincial housing corporations. In the cases of non-profit and cooperative housing it was on a project-by-project basis with terms and conditions set of in a project level operating agreement.

The terms and conditions in these Operating Agreements relate mainly to public accountability for subsidy – meeting the operating terms as the basis for ongoing subsidy. Accountability was at the agreement level and compliance was premised on filing an annual financial statement and project level data report. Cursory reviews ticked the boxes for compliance and followed up only when there were clear breaches of conditions, or more often, when projects fell into financial difficulty.

While initially compliance monitoring was undertaken by CMHC (and was minimal in enforcing conditions), under the Social Housing Agreements executed since 1997 this evolved to devolved administration at the PT level, and subsequently in Ontario to the municipal level.

For co-ops a separate administrative agency was created and sub-contracted by CMHC to provide subsidy oversight to co-ops in four jurisdictions (British Columbia, Alberta, Ontario and Prince Edward Island) and does provide a more robust review and risk management service.

Thus across the social housing system there is no single regulatory framework with a consistent set of metrics and practice. Like the provider network, the regulatory framework is fragmented and opaque.

As such the provider was not in any way regulated and Canada has never had a system of provider accreditation and minimal standards associated with the sponsoring provider organization. The absence of a regulator has implications for how the sector responds to the right to housing and accepts discriminatory practice.

This is in contrast to the practice used in other countries to build a strong professional sector, with minimal standards and criteria for expertise and professionalism, prior to receiving a funding award; and subsequent ongoing monitoring and organization reviews to ensure ongoing capacity and expertise to manage well as a pre-condition to subsequent funding for additional development.

Other countries (e.g. UK, Netherlands and now Australia) have established a regulatory regime that closely monitors and evaluates the performance of provider organizations, develops risk assessment frameworks to catch providers that may be weak or failing and implements remedies (including strengthening governance). Underperforming and new groups are precluded from access to new development funding.

In other countries, having such a strong regulatory framework has been instrumental in encouraging and promoting strong business practice and effective asset management. It has also been a critical factor in enabling access to private finance – the lenders look to the regulatory system as a backstop and effectively a form of credit enhancement. IN Canada, lenders look to CMHC insurance as a backstop, which does not have the same effect in nurturing a strong capable sector.

In many respects the existing large number of small unprofessional organizations in a fragmented system is the legacy of Canada’s community housing policy to enable and encourage new sponsor groups (via Proposal Development Funding, PDF). CMHC provided seed funding, which enabled motivated, but typically amateur, sponsor groups to create and incorporate a not for profit corporation for the purpose of owning and managing housing for low- and moderate-income households. Once incorporated they competed for project funding commitment and learned how to develop on the fly (with help from technical resource groups). While attempting to support growth, the policy of providing PDF to new small groups had the unintended result of perpetuating the expansion of an under skilled and unprofessional sector.

Unique but perverse case of Ontario

In Ontario, after executing the federal-provincial transfer of administrative responsibility (Social Housing Agreement) in 1999 the province went on to further devolve this administrative responsibility as well as the funding obligation for the provincial share of ongoing cost-shared subsidies to the municipal level. This was implemented through a legislated process that cancelled all existing Provincial operating agreements and replaced these with a detailed statutory framework.

Ongoing administration of federal agreements was also delegated to the municipal level. This shifted the expenditure burden and risk to the municipal level. As the second or third largest expenditure of local government, social housing has often been a victim of local government efforts to contain budget increases. This has imposed constraints and barriers, for example as individual providers have sought to be creative in addressing capital replacement via refinancing or in intensifying and redeveloping assets.

Role of sector organizations

Over the past 40 years sector organizations have been created to advocate for and support social housing providers. Initially at the national level with the Canadian Housing and Renewal Association (CHRA) created in 1968 and provincial associations starting with Ontario Non Profit Housing Association (ONPHA) in the early 1980's and BCNPHA in the early 1990's. Associations have more recently been created in Quebec, NB Manitoba and most recently Alberta.

The provincial organizations have, to varying degrees implemented education and training programs in an effort to strengthen the sector in those provinces. CHRA's role has historically been mainly in the form of advocacy, although it has helped build a network through its annual congress, which draws many key stakeholders and facilitates active exchange of ideas and practice.

In the co-operative housing part of the system, the Cooperative Housing Federation (CHF) has also played an extensive role in member support and education, most recently creating a financing facility to assist coops seeking finance to undertake capital renewal.

More recently (2013) a UK organization, the Chartered Institute of Housing (CIH) has expanded into Canada and is seeking to implement a system of professional accreditation for individuals working in the sector.

Some concluding observations on sector characteristics

The social housing sector across Canada is very diverse. At one end of the scale larger public agencies (provincial or municipal) have high levels of expertise and professionalism. At the other there are many very small unprofessional, volunteer managed non-profits as well as resident managed co-ops.

Few of the organizations have the necessary skill sets and expertise to utilize complicated and onerous application processes being implemented under the National Housing Strategy.

In part to address these legacy characteristics and the associated weaknesses and opportunities embedded in this sector, that collectively owns assets with in excess of 600,000 homes, the NHS has created a new sector based organization, the Community Housing Transformation Centre (CHTC). The goal of the CHTC is to drive transformation, growth, resilience, sustainability and inclusiveness in the community housing sector. To do this, the Centre offers support in two forms:

- Technical assistance and tools to increase the capacity of community housing providers by leveraging the centre's existing expertise, networks and resources.
- Funding grants to support community housing providers and community organizations who are exploring new and more efficient business models, or raising awareness and supporting the implementation of new and improved tenant engagement practices.

It is expected that this centre, which is governed by a board representing a national cross-section of the sector will help community housing providers find new solutions to their challenges; identify gaps and collaborate on solutions; and find promising transformative practices to study and scale up.

8. Emergence and rise in homelessness and federal response

As outlined above, for almost 70 years federal and provincial/territorial governments have been active in policy and program development and implementation to address housing issues. Notably absent from the array of programs, spending and activity in the preceding descriptions (Section 6) is the issue of homelessness.

Homelessness as an element in our society has long been be present but it has substantially increased over the last 40 years, and especially through the 1990's, coincident with the termination of federal funding to build social housing and impacted also by welfare reforms, notably substantial cuts to benefits in Ontario. Layton (2000) notes that searches of media reporting from the 1960's through 1980's yields no mention of the word homelessness. But in the 1990's such headlines began appearing, frequently associated with people dying on the streets.

Responses to what we now frame as homelessness had traditionally been delivered through faith-based institutions and for the most part was a palliative response – providing food and a place to sleep in rudimentary dormitory hostels the so-called "three hots and a cot". There was little proactive planning to help people exit homelessness and very little pro-active public funding.

Research in the early 2000's exposed the significant cost in the emergency services system in treating individuals that were living on the street and in emergency shelters. This was made famous in a 2006 Malcolm Gladwell article in The New Yorker: *Million Dollar Murray*. Various studies replicated that approach in Canada tracking frequency of use and costs of an array of emergency services, from ambulance and street pick-up, hospitalization, detoxification, emergency shelter stays . This found the cost of these emergency responses exceed the cost to provide permanent supportive housing by more than 3:1 (Pomeroy 2005, 2008; Richter 2008).

The public policy response to homelessness can be traced to the late 1990's when the Mayor of Toronto established a task force to explore how to end homelessness in Toronto and recruited the then President of the Toronto United Way, Ann Golden to lead the taskforce. The report of this task force was both comprehensive and seminal. It provided a summary of the most important causes of homelessness: lack of affordable housing and the related problem of evictions, mental illness, addictions and poverty.

Significant in the rights based lens, many of the factors that contribute to homelessness are embedded in the concept of private property rights, and the landlords legislated right to evict; versus the tenants right to housing.

This inconsistency was also highlighted in a 1998 report by the Centre for Equality Rights in Accommodation (CERA, 1998) who observed that a big part of the homeless problem is the inability of low income renters to get access to the most affordable units. They identified that discrimination on the basis of receipt of public assistance is rampant, despite it being illegal. Income criteria and the requirement for a last month's rent deposit (a risk management practice for landlords) are other measures that keep low income families from renting units they could otherwise afford.

The 1998 Toronto (Golden Report) is credited with raising homelessness onto the policy agenda, and culminated in 1999 with the first ever National Homeless Initiative (NHI). As noted earlier, this new policy and program function was located in then HRSDC, rather than in CMHC. It also had (at that time) a separate minister (now a single minister is responsible for both) so created a separate silo from housing (an area in which the federal government in 1999 was relatively dormant). And both to manage expenditures, and to establish a distinct separation from CMHC the NHI focused only on supporting expansion and retrofit of emergency and transitional shelters – it did not initially fund permanent housing.

The NHI represented another example of unilateral federalism through its sub-program Supporting Communities Partnering Initiative (SCPI). With HRSDC entering into funding agreements with 61 local "community entities" to fund the development of community plans (aimed at reducing homelessness), system planning and service coordination. Ironically most of the services it sought to co-ordinate were those funded at the provincial level. Inevitably this created new tensions with the P/Ts, especially when federal funds were accessed to build or retrofit facilities, but were depended on PT ongoing funding to fund operations in perpetuity.

The requirement to develop local plans and the development of a client registration and tracking system (Homeless Individuals and Families Information System, HIFIS) has been helpful in both identifying the number and nature of homeless persons and in helping to build better collaborations among local service delivery agencies.

An important policy shift was introduced in 2008 to endorse and promote a different way of programming around homelessness. The concept of Housing First reversed traditional models that required persons suffering from addictions and/or mental health to receive treatment before being able to access housing; Housing First adopted a philosophy that for various treatments for be successful and effective, housing stability was a pre-requisite.

This approach was evaluated through an extensive demonstration research initiative. In 2008, the Government of Canada allocated $110 million to the Mental Health Commission of Canada (MHCC) to undertake a longitudinal research demonstration project on mental health and homelessness. Working with a network of university based researchers and mental health professionals, At Home/Chez Soi (AHCS) used a controlled experiment to provide Housing First supports to a sample of homeless persons (different sub-populations were targeted in five different parallel geographies: Vancouver, Winnipeg, Toronto Montreal and Moncton). Outcomes were compared, over-time against two control groups: one receiving "treatment as usual" supports, the other no supports.

The evidence from AH/CS played a significant role during these policy deliberations. With the benefit of longitudinal data over 5 years AH/CS confirmed earlier estimates on the cost effectiveness of well-designed and targeted responses with supported housing, compared to the costs of doing nothing as quantified within the control groups in the demonstration. It also recorded high success rates in achieving housing stability.

This approach remains a key focus today, although the funding quantum directed to the rebranded Reaching Home component of the NHS is insufficient to realize the goal of ending chronic homelessness (CAEH 2020). This is discussed in a separate paper on potential enhancements to the NHS.

Parallel to this federal initiative most provinces and many municipalities or associated community entities have prepared ten year plans to address end homelessness. In all cases the level of program spending from local, and mainly, provincial sources far exceeds that of the federal government through Reaching Home.

9. Current issues and challenges in Canada's Housing System

A number of issues and challenges have historically and currently impact the housing system, both in the ownership and rental markets, as well in the non-market social housing and homeless area.

With 95% of housing owned and operated in the market, trends and issues in the market significantly effect access to and affordability of housing.[6]

And over time there has been a persistent upward trend in home prices (impacting access for new buyer) and in the rental market (impacting affordability). Alongside these trends very little new affordable housing has been constructed and the stock of lower rent more affordable units is steadily eroding both due to demolitions and replacement as well as through the more recently identified phenomenon of financialization.

The following issues are briefly reviewed, first for the market and subsequently in the non-market sector.

Market issues:

- Pattern of new construction and tenure
- Rising impact of short-term rentals (Airbnb)
- House price trends and de-linking from income
- Rental vacancy and price trends
- Erosion of the existing lower rent "affordable" stock

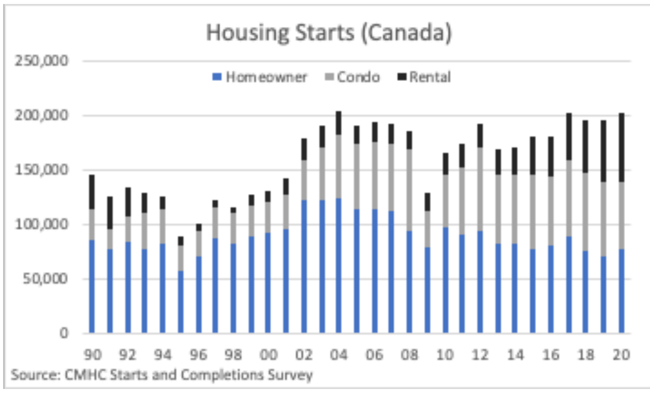
Non-market sector

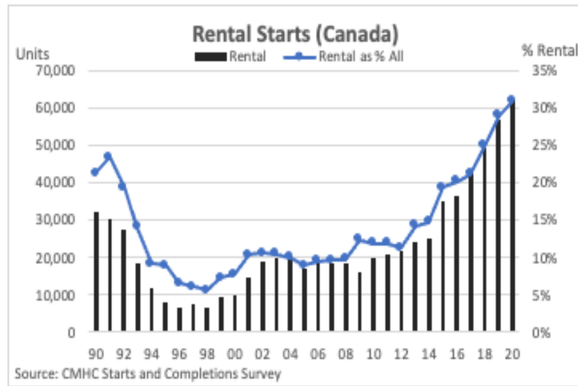
- Very low volume of assisted affordable construction
- Limited use and funding for housing allowances
- Persisting homelessness and efforts to assist exits thwarted by insufficient low rent options
- Absence of initiatives to respond to Indigenous need
- Inadequate data to support programming for vulnerable and racialized populations

[6] A fundamental issue is the meaning of the term affordable housing. It is used in differing contexts: affordability to buy for first time buyer; deep affordability for low income households. It is also a relative term, with the quantum 30% of income dependent on income. Here when used in relation to non-market housing it adopts the CMHC core need measure which reflects households with incomes below that required to afford an local average market rent without spending more than 30% (as in earlier example $1,200 rent affordable only above $48,000 income).

Pattern of new construction and tenure

Roughly two-thirds of households own their own home; the remaining third are renters (and 5% of all households rent in the non-market sector). Construction of new housing does not however reflect these proportions. The majority of new homes constructed are intended for the ownership sector, both traditional detached homes as well as increasingly condominium apartments.





Purpose built rental construction has been very low. While one-third of households rent, over the two decades from 1995 to 2015 fewer than 10% of all new construction was planned as rental (right chart above). It is also notable that since 2015 there has been a marked upsurge in rental construction, in 2020 representing 29% of all starts

While the construction statistics draw this hard line, the reality is that different types of purchasers ultimately determine tenure. Many homes and condo apartments are purchased by investors and thereby become rentals, augmenting the construction of purpose built rentals. And in the larger cities, as many as 35% of condo are investor owner rentals – but because these are newer and with more amenities, they tend to have rents well above median levels, so do not address low income rental need.

The scale of investor rentals varies across the country as does the proportion of new starts that are in multi-unit condo form. With persisting aspirations to own (reflecting societal values that owning provides more benefits such as security of tenure, greater control, and represents an investment and retirement nest egg), in higher cost areas the traditional detached home is beyond the financial reach of younger moderate income households, so they pursue this ownership aspiration through buying a condominium apartment (and through the lifecycle seek to use this initial equity step to move up to larger family home).

Thus we see a very high correlation coefficient between the proportion of starts in a city that are condominiums and the median home price. Condo construction dominates higher priced cities like Vancouver and Toronto, but is very low in more affordable cities like Winnipeg and Halifax).

The consequence of the skewed construction pattern is a shortage of rental housing contributing to tight vacancies, upward pressure on rents, and increasing affordability issues in the rental sector.

It is also notable, that on average the median income of owners is more than double that of renters. This is why there is a much higher incidence of core need affordability problems among renters.

As shown since 2016 there has been a substantial increase in rental construction. However the market system does not typically construct homes and apartments at prices or rents that are affordable. So, despite neoclassical supply-demand theory, this new supply does not translate into improved affordability.

Rising impact of short-term rentals (Airbnb)

The phenomenon of digital platforms has leaked into the residential housing market with investors electing to rent their properties on a short-term basis in the vacation market versus retaining units in the rental market. Research by McGill university (Combs, Kerrigan and Wachsmuth, 2019) undertook a detailed analysis and found that the vid Airbnb activity is highly concentrated geographically—nearly half of all active listings are located in the Toronto, Montréal and Vancouver metropolitan. Thus is having a significant effect in reducing the number of condo rentals and thereby impacting rental vacancy rates and rents. While this may not remove lower rent units, it does have a knock-on effect, and there is also evidence of traditional rentals including moderate rent ones being sublet into the short term market.

Recognizing this impact, a number of cities, including Vancouver, Ottawa, Toronto, have implemented bylaws to restrict or prohibit short-term rental in cases where the entire unit is available (so reverts to traditional B&B, only permitting rooms within an owner-occupied home to be used in this way). Over the past year the COVID190 pandemic has stalled this issue, but there is a risk it will rebound in the recovery phase, especially in cities without such local regulation.

House price trends and delinking from income

The most prominent issue in the housing market is the unrelenting rise in home prices and concerns that this is pricing young households out of the market (as well as broader concerns about financial system stability in event of a price correction).

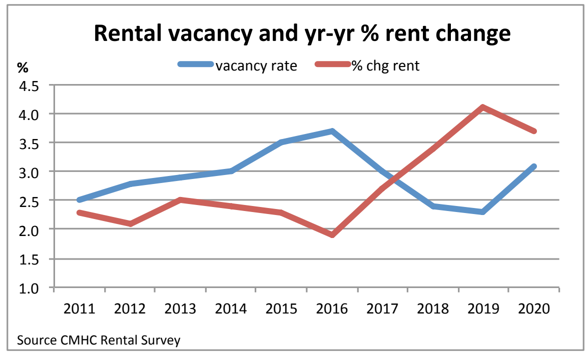
While pronounced in the last year due to very low interest rates and low listing inventory, this trend has been evident for more than a decade, and it is consistent across almost all cities. From the turn of the millennium through 2015 there was reasonable correlation between price increases and the fundamentals – interest rates, employment and income growth. Since 2015, however, there has been increasing divergence between prices and capacity to pay, especially in larger high cost cities of Vancouver and Toronto. This was associated in particular with foreign capital and speculation, although has also been influenced by strong demand from both domestic and international migration to those cities.

Efforts to manage and slow this price growth have included various taxes on speculative behavior as well as macro-prudential, policy changes to manage demand. Refinement to insured lending regulations together with stress tests have had the effect of constraining access to first time buyers. The high prices were already creating a market constraint, and this was reflected in the historic reversal of the overall homeownership rate, which for the first time ever declined between 2011 (69%) and the 2016 (68.1%) census. With these macro-prudential policies compounding high prices access is further constrained, and we will likely see a further decline in the ownership rate in the 2021 census.

The critical impact of this price and policy environment is that demand is pushed back into the rental part of the housing system. These price and policy shifts in ownership have a very significant impact on the rental sector and on affordability issues. With demand remaining in the rental sector, this raises rents to work against improving affordability.

Rental vacancy and price trends

While the source and basis is elusive, there is a widely help acceptance that a healthy rental market is associated with a vacancy rate at 3%. Below this level rental demand has the effect of pushing down vacancies and resulted in upward pressure on rents. Since 2000 the weighted national average has exceeded this level in only four of twenty years, and in many cities it has consistently been well below this benchmark.



Nationally from 2014-16 vacancies were at or above 3%, and rent increases, on average, were tracking close to the rate of inflation (2%). But in 2016 vacancies commenced a decent, a result of residual demand from renters unable to exit into ownership as noted above.[7]

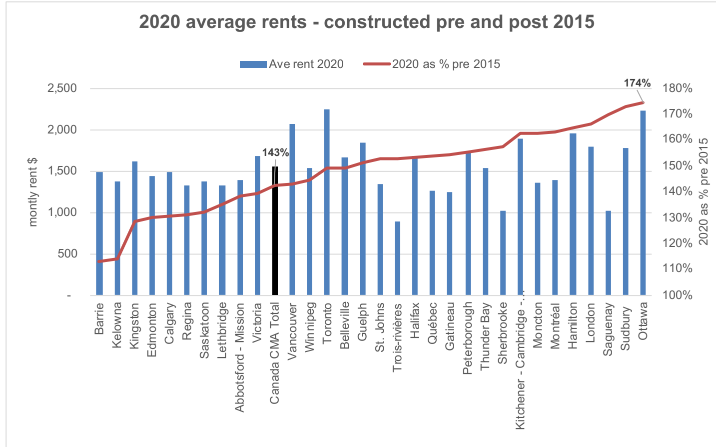
Closely associated with the declining vacancies, the year-to-year change in average rent increased, reaching 4% in 2019, double the rate of inflation. In some cities the year to year increase exceeded 6% and was as high as 8.1% in Ottawa. We see the effect of COVID is some relief in vacancies and rent increases in 2020, but this is a temporary phenomenon linked to very low international migration and many students not coming to their university city (reducing demand).

And as noted earlier, as rent levels have trended up, this has attracted developers resulting in a unpreceded increase in new rental construction, rising from less than 20,000 units annually from 1992 through 2011, and gradually increasing after 2014 to a record peak of 62,000 in 2020.

A very small portion of these starts (fewer than 5% of units) are associated with the new Rental Construction Financing Initiative (RCFI) implemented by CMHC in 2017; most are a response to market signals. And these market signals identify demand for units at rents well above affordable levels.

[7] The transition from renting to ownership is very important. After stalling between 62-63% for 25 years from 1971, between 1996 and 2006 the ownership rate increased from 63% to almost 69%. This meant that each year roughly 80,000 renter households left the rental market to buy. This explains why vacancy rates did not approach zero during those years when rental starts were so low. There was reduced and weak rental demand due to the flight to ownership. With constraints on access to own, and a falling vacancy rate, since 2011 we have seen the opposite effect – with demand remaining in the rental sector.

Customized data from CMHC reveals the average rents for recently constructed properties (completed since 2015) compared to the average in properties completed before 2015. This shows that, on average, nationally these units are coming onto the market at rents 43% above the pre 2015 average (which is where the more affordable stock exists).



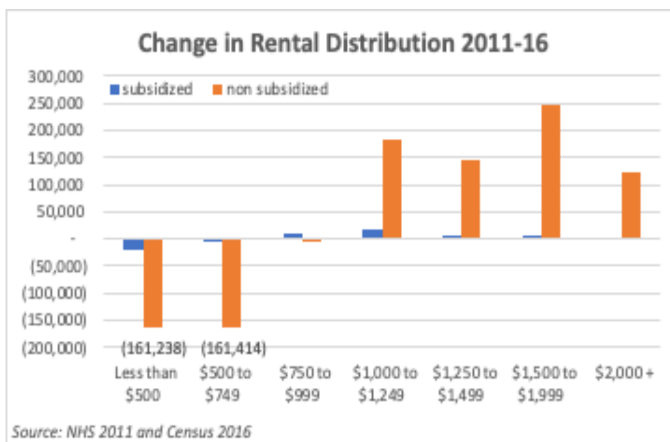
In more than half of the cities, new rents are over 50% above the average, and in Ottawa 74% higher.

Again, new supply is not contributing to affordable supply.

Erosion of the existing lower rent affordable stock

In addition to new construction not adding supply at affordable rent levels (except in some assisted NHS initiatives), the existing stock of lower rent affordable units is in steady decline. Between 2011 and 2016 the number of private rental units with affordable rents below $750 per month (affordable to income at $30,000) declined by just over 320,000. On average this is a loss of 60,000 units each year and as such is four times greater than the planned annual production of affordable housing under the NHS ($16,000 per year for 10 years). So effectively the investments in the NHS are being severely undermined.

This loss comes in two forms: absolute loss, wherein buildings with below average rent units have been demolished; and as a result of financialization where capital funds and Real Estate Investment Trusts (REITs) purchase these properties with the objective of increasing rental revenues. It is the latter process that is responsible for most of the loss. These units still exist, but the rents have increased to less affordable levels (and are now unaffordable to households with incomes below $750, and for those seeking to exit homelessness).



One way to slow this process of erosion is to enable non-profits to purchase existing properties where rents are still affordable (i.e. below median rents). By purchasing these properties they can preserve the lower rent, and insulate units from market pressures. Rents may continue to rise at an inflationary rate, sufficient for the non-profit to cover costs, but over time will fall behind market increases and thus as a percentage of the rising median become relatively more affordable.

Currently none of the funding initiatives/programs under the NHS facilitate an acquisition approach. Ongoing advocacy is seeking to create a specific funding stream for this purpose.

In addition to enabling non-profits to purchase assets, and thereby preserve some of the existing affordable stock, poverty and affordable housing advocates are proposing that government use regulation to constrain, stop or place conditions on the activities of the capital fund and REIT investors.

As a free market activity this may be a challenge, however it juxtaposes the rights of the low income households in need against those of investors. The market practices that erode this critically needed stock are creating a clear market externality that justifies government intervention.

Another option is to make it more difficult or expensive for the funds and REITs to purchase. A recent media article cited the annual report of one of Canada's largest REITs (CAPREIT) which described its strategy to investors: CAPREIT said in its annual report that, "as a strategy, it leverages CMHC insurance to get access to stable financing at lower interest rates than would be available with conventional mortgage financing or other forms of debt." It said 98.7 per cent of its mortgages are CMHC-insured. This has created a weird and perverse situation where the government is touting its long-term investment in affordable units through the National Housing Strategy, and yet, on the commercial side, they are aiding and abetting the purchase of these assets by providing low-rate financing, resulting in the on-going loss of affordable stock.

Very low volume of assisted affordable construction

As noted earlier, the Federal and PT governments re-engaged in funding affordable housing construction in the 2001 Affordable Housing Initiative. But throughout this 18 year period there was no formal reporting out on the number of units built. CMHC did collect data from the PTs and published a summary of cumulative households assisted over the duration, but with no breakout by year, nor by type of response. It conflated new builds with assisted ownership, units renovated, and households assisted with a rental allowance.

Suttor (2016) attempted to enumerate the volume of new affordable units created between 2002 through 2013. Using assumptions and estimates to account for non-reporting, he estimated annual production ranging from 5,000 to 11,000 units per year, with an average of 7,500 per year. It was also estimated that more than half of this production came from BC and Quebec, which both have more active and more substantially funded unilateral programs (CHPR, 2018).

All of which is to say that relative to the historic volumes produced between the mid 1960s and 1986, when peak years recorded over 25,000 new social units per year, the post 2000 period was one of very low new affordable creation. It is also dwarfed by the levels of renter need, which while not necessarily requiring new build, have approximated 1 million households or more since 1996.

The result of the dormant period from 1994-2001, and subsequent very modest levels of new affordable construction since 2001 has resulted in persisting and growing levels of need. There remains a very large backlog of need, even before considering growth in need going forward. This sets the context for the development of the National Housing Strategy, although this proposes only a modest increase, targeting construction of a total of 160,000 new homes over 10 years (16,000 per year).

Limited use and funding for housing allowances

The review of evolving public-social-affordable programs reveal a strong emphasis on supply type responses; and conversely a very limited use of rental assistance, even though after the 1980's the more critical problem facing households was affordability, not the quantity or supply of housing.

Federal-provincial programming did introduce rent supplements commencing in 1974, and these were used to achieve deeper affordability in non-profit (which at the time had no operating subsidy) and via contracts with private landlords. Authorized under sections of the NHA that enabled joint cost sharing of public housing, these were similarly cost shared and delivered by the provinces. As of 1994, at the termination of federal funding (which also terminated any new funding for rent supplements, there were a total of almost 47,000 units under contract, with one third (18,700) with private landlords. And some 26,000 were committed under the pre 1985 agreements so most subsidies will have now expired.

Using funding under the post 2001 Investments in Affordable Housing (IAH) agreements, PTs have made additional commitments of both rent supplements (contracts with landlords, including private and non-profit) and housing allowances (payments direct to household) but similar to new production units above, no transparent accounting or reporting of the number of households assisted in available.

Five provinces have had long running shelter allowance programs (BC, Man, QC, NB and NS), most targeting seniors (Manitoba also served families) and all providing very low levels of assistance. In recent years BC and Manitoba have expanded and deepened their rental assistance programs, and are using these as provincial variants under the Canada Housing Benefit (CHB) bilateral agreement.

While the NHS targets assisting 300,000 households under the CHB, this was implemented only in April 2020, and is still ramping up. However the quantum of funding available ($2 billion over 8 years, to be cost matched by PTs) suggests that without significant increase in the funding level, the target is unlikely to be met. Nor is the amount likely to be sufficient given low income es and rising rents. Opportunities to strengthen and expand the CHB are discussed in a separate paper examining potential enhancements to the NHS.

Persisting homelessness

The visible rise of homelessness from the early 1990's has prompted policy, program and finding responses across all orders of government, and this has strengthened and expanded the community based network of agencies delivering emergency shelter, housing and support services. Despite these investments, and expanded delivery systems, the number of persons and families experiencing homelessness has continued to grow, as revealed in both Point in Time counts (which are now carried out annually in most cities) and in emergency shelter utilization data.

In part this continued growth reflects societal trends both in mental health and with increased addiction and dependence of harmful drugs (the opioid crisis and associated expansion of fentanyl contamination). Together these issues undermine individuals' ability to be self-sufficient and to sustain housing stability.

But there is an increasing case that the homeless support system is not effective in delivering treatment and supports, and, more particular to housing, that the absolute shortage (and erosion) of low rent units that are affordable to those of income assistance or in low wage work, makes it near to impossible to secure housing in which they may become stabilized.

The MHCC At Home/Chez Soi longitudinal study as well as other documentation clearly show the potential to assist chronic homeless persons, many with dual diagnosis (mental health and addiction challenges) as well as those at lower acuity levels to transition into housing stability, with appropriate supports.

The critical missing piece is the availability of a sufficient stock of lower rent opportunities. As advocated in the CAEH 2020 report Recovery for All, a substantial increase in investment directed toward expanding permanent supportive housing options as well as housing allowances is required if the goal to end homelessness is to be realized.

Under the progressive realization of the right to housing, those without shelter must be established as the priority target population and NHS initiatives reprofiled to reflect this priority. The recently announced Rapid Housing Initiative ($1 Billion to create at least 3,000 permanent space, and now projected to be creating 4,700) is a good start, but must be expanded and extended beyond its one-time COVID related response.

Absence of initiatives to respond to Indigenous need

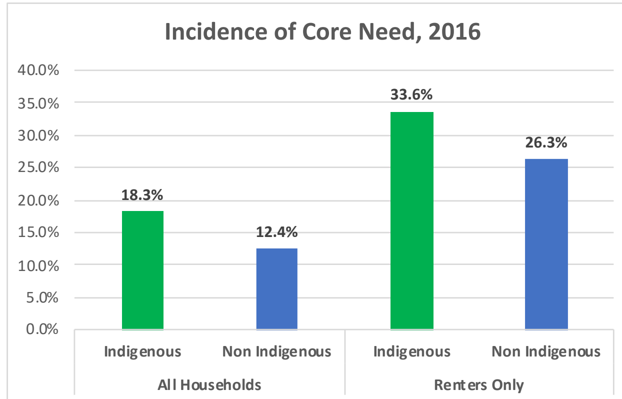
While there are many sub-populations that are disproportionately represented in housing need and in homeless statistics, indigenous households stand out and a critical target group. The lack of housing and poor dwelling conditions on reserve are well documented.

The standardized CMHC measure of core housing need cannot be applied to First Nations Reserves (nor to many rural and remote communities, including in the North) due to methodological challenges: many band members do not pay rent and/or there is no rent data from which to generate the income threshold used in the core need method. Indigenous core need can be quantified only off reserve.

Accordingly we can examine housing issues for Indigenous in general and for First Nations on and off reserve. For on reserve and other rural and remote areas this can use statistics on suitability (crowding and adequacy (condition), without the income step; elsewhere the standardized core need measure is used.

In 2016 the Aboriginal People Survey reported that almost 1 in 5 (19.4%) of Aboriginal households lived in inadequate dwellings; this compared to 5.9% for non-Aboriginal households. Similarly the incidence of crowding is much higher with 18.3% living in crowded conditions, compared to 4.6% for non-Aboriginal households.

The majority of First Nations people live off reserve, and for this subset, can be assessed using the core need measure. Again this reveals a disproportionately large incidence of need. For all tenures off-reserve Indigenous need is 50% higher than for non-Indigenous (18.4% vs 12.4%).



And as seen in the general population the incidence of need is far higher among renters. While the difference between Indigenous and non-Indigenous is not as great, 1 in 3 Indigenous renters are in core need.

The much high incidence of adequacy problems suggests that more often than not, due to discrimination in rental markets, Indigenous (and other racialized households) have greater difficulty accessing good housing and default into poorer quality housing, typically in more disadvantaged area. Concurrently, discrimination in the labour market may contribute to lower incomes, again limited choice due to affordability constraints to these lower rent disadvantaged areas.

And the knock-on effect of constrained access to appropriate affordable housing is the documented disproportionately high count of indigenous in the homeless population.

A greater supply and access to appropriate housing can help to address these noted differences in need and homelessness. This requires a targeted strategy and funding streams dedicated to addressing indigenous need. While the NHS signalled intent to add an Indigenous stream, to date this has not been formalized or implemented.

Inadequate data to support programming for vulnerable and racialized populations

Beyond Indigenous the NHS also highlights vulnerability among women, including those fleeing violence, immigrant and refugee and senior women. Since the implementation of the NHS, public awareness and concern, and increase insight through the COVID pandemic is raising the profile of additional populations, especially black and other racialized groups.

The NHS, Chapter 10, proposes adoption of the gender based analysis (GBA+) lens, which should direct more attention to gender issues and existing inequalities, including discrimination against women and female-led racialized households. The NHS also highlights significant gaps in housing data and research mainly concerning the needs of seniors, refugees, LGBTQ2, LGBTQ2 youth and Indigenous youth.

It remains to be seen how effective new data initiatives will be in assessing need and directing resources to such vulnerable populations.

COVID issues and responses

The current pandemic has highlighted the vulnerability of many of the groups highlighted in the preceding section, and in particular homeless persons, for whom the directive to "go home and stay home" exposes their vulnerability. The incidence of COVID infection has been documented as disproportionately impacting these groups, mainly because many women and racialized groups either work in front-line occupations (especially care homes) or in the hospitality and retail sectors that have been most effected by the shutdowns. And because these are often low income occupations many of those most impacted are renters, raising concerns about their ability to sustain rent payment and the risk of evictions.

The primary federal responses have been in the form of income assistance to replace or offset income loss, and, more specific to housing, encouraging and permitting mortgage deferral for owners. The risks to renters has been managed through the combination of the aforementioned wage subsidy as well provincial measures to address eviction risk. All provinces implemented some form of prohibition or moratoria on eviction for lack of rent payment.

While there were initially concerns that there would be significant mortgage and rent arrears, the reporting to date reveals minimal levels, even after the mortgage deferrals and eviction moratoria were lifted.

This outcome is a useful reminder that the primary issue for most households in need is the issue of affordability; the COVID response via wage supplementation confirms that income assistance can be a verity effective measure in responding to this problem and in supporting housing stability.

That said, because wage assistance was directed to those losing employment and income, it recreated the historic juxtaposition of the deserving vs. underserving poor. Those struggling before COVID were often ineligible for assistance (as they were no wage earners, or had insufficient reported income to qualify) yet have been impacted by the ongoing increases in rents and lack of affordable options. While there was some easing in rental vacancy rates, this did not translate in to lower rents, except in the upper end of the rent market.

10. Summary observations on the right to housing in historical policy discourse

The review of evolving roles and programming through the past war period through mid-1990's highlighted the various dynamics and tensions in the development of programs, and more particularly in the efforts to constrain funding. In reviewing official documentation and associated housing policy texts across this historical period, until very recently, the issue of a right to housing is noticeable by its absence.

In a series of papers by successive CMHC presidents from 1946 to 1986, as a celebration of CMHC's 40 years, each elaborate of the culture of the corporation and its passion for place making, and to addressing the needs of the poor, thorough direct public construction and subsidy (usually in collaboration with the provinces). And all effused to varying degrees over what they collectively embraced as CMHC primary raison d'etre, to ensuring an effective housing market. Not a single former (or then current CEO) invoked a mention of the right to housing.

Nor does the right to housing come up in a series of four lectures on the history of CMHC delivered by George Anderson, President from 1987 through 1991. Anderson did state "Housing is much more than property. It affects the whole well- being of our citizens, which has long been accepted as a federal responsibility". That's a long way from acknowledging a right to housing.

It is uncertain if this was a deliberate attempt to avoid the implications that such a discourse might have for federal housing expenditure, or simply that as a concept, it had not really entered into the lexicon of housing policy discourse. Suttor (2016) suggests that the driving force that undermined the right to housing – despite CMHC''s role as secretariate to the UN Habitat Conference hosted in Vancouver in 1976 – was the politics of fiscal constraint, associated with neoliberal ideas of a reduced state role and greater reliance on the market, a sentiment that has recurrently echoed through ministerial and CMHC pronouncements. Framing policy on a right to housing implied taking on some substantial level of expenditure, and was inconsistent with larger priorities of deficit reduction and spending management.

It is notable that as members of the opposition bench in 1990, future Finance Minister and Prime Minister, Paul Martin and future Housing Minister Joe Fontana together penned a Liberal Task Force Report on Housing, and presented 25 recommendations, the first of which being: *That the issue of housing rights be placed on the list of items to be discussed at the next First Ministers' Conference.* Once in office, neither resurrected this recommendation.

In the first paragraph of a monologue *Housing Matters,* Jackson (2004) frames the book stating

> *Shelter will feature on anyone's shortest list of basic human survival needs, and access to housing has been recognized as a fundamental human right. The Universal Declaration of Human Rights states that "everyone has the right to a standard of living adequate for the health and well-being of himself and his family, including food, clothing, housing and medical care and necessary social services."*

But subsequent to this framing, and through chapters discussing housing well-being and social development; affordability and inequality, the concept of rights does not resurface.

While largely absent in housing policy discussion and documents, there is some literature on this theme in the human rights literature as well as in discussion of poverty issues (e.g. in a 1968 national housing conference organized by the Canadian Welfare Council) and more extensive discussion in social, policy and law journals. As such it has been treated more as a theoretical construct than as a guiding principle for housing policy.

Eventually it did enter the housing policy discourse through the consultation on the national housing strategy. The What We Heard (2016) report of this consultation referenced the concept of "realizing the right to housing" which is includes ending homelessness, forced evictions, and discrimination in accessing "adequate housing." The report also highlighted the issue that funding for social housing is too closely aligned with the electoral cycles.

From this Hamill (2018) astutely observes the “right to housing” is more a question of politics than a right which is legally enforceable. Hamill (2008), citing Shantz and Tanudjaja make clear, the right to housing is understood as a policy choice rather than an enforceable right. Consequently, “those without adequate housing find themselves caught between judicial deference and political indifference”.

It seems that proponents and advocates for the right to housing were sufficiently vocal and influential in embedding this concept in the National Housing Strategy. Indeed the NHS is framed by chapter 1: Housing Rights Are Human Rights. The NHS proposed, and subsequently the government passed as legislation, the National Housing Strategy Act (2019) as a way to progressively implement the right of every Canadian to access adequate housing.

As suggested in the earlier discussion, this implies a need to fully define and conceptualize how to operationalize this concept, and how various sub-populations should be prioritized.

A separate paper will review the early implementation of the NHS assess the programs and their efficacy in the progressive realization of a Right the Housing; and identify.

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