

# ***NEW FOUNDATIONS 4<sup>1</sup>.***

## **BUILDING FEDERAL FOUNDATIONS FOR GOVERNING THE HOUSING SYSTEM.**

**Duncan Maclennan and Jinqiao Long.<sup>2</sup>**

### ***Recognising the ‘Wicked’ Housing System.***

Researchers and policymakers dealing with complex, multi-faceted problems increasingly use the notion of a ‘wicked system’. Wicked problems have multiple causes, complex impacts, recursive (feedback) effects and may operate over multiple levels of geography, from neighbourhood to nation. There is an emerging consensus that addressing wicked problems requires a well-evidenced understanding of how the complex system works, the activities involved, all the major outcomes (for housing that includes prices, rents, affordability, homelessness, tenure, housing quality, energy efficiency, access to work, and more) and their feedback effects.

Effective system governance then links these particular system outcomes to the effects of particular policy levers (or sets of actions) and to the attainment of top-level goals of all orders of government (productivity, inclusion, net zero etc). The nature of wicked systems is that they are not readily contained or controlled within the sectoral siloes of governments nor do their causes and effects fit neatly into the boundaries and hierarchies of governments. Effective governance of wicked systems then requires collaborative policy actions across different siloes within a government and across all connected orders of government. It also requires consumers and producers across the wicked system to seek synergies and cooperation in attaining their goals.

The first step in dealing with a wicked system is to recognise it. For half a century, until the mid-1990’s, Canadian federal housing policy interventions facilitated progress in abating housing needs and allowing a relatively stable market context for meetings aspirations for homeownership. Over the last 25 years a marked reduction in low income housing provision, financial deregulation that ‘speeded-up’ demand side changes, a sluggish and unreformed supply system, and the transformation of homeownership from a savings to a speculation system have changed the functioning of the Canadian housing system and its outcomes.

---

<sup>1</sup> Revised 25<sup>th</sup> August 2023. In this update references are made to the strengths and weaknesses of the high-profile National Housing Accord statement on a Rental Sector Strategy for Canada as we were impressed by what it included but surprised by significant issues it failed to address. We are grateful to David Graham for his extensive comments and for the illustrative Figure 1.

<sup>2</sup> Duncan Maclennan holds Chairs at the Universities of Glasgow (Scotland), UNSW (Sydney, Australia) and McMaster (Ontario, Canada) and Jinqiao Long has recently completed a Ph.D. in housing economics at the University of Glasgow. They are grateful to CMHC for supporting this research and stress that the views are their own.

Just as the National Housing Strategy began (2016) a welcome effort to address the need for low income rental housing, researchers were emphasising that Canada, and other OECD economies, were manifesting an interrelated trinity of housing system difficulties. Rising homelessness, growing shortages and payment burdens within market and non-market rental systems and increasing difficulties in entering and maintaining homeownership had become the norm (MacLennan et.al., 2016, 2019). Moreover, these outcomes had clear effects not just on social outcomes but on the environment and the economy. The papers in this series have highlighted how important housing outcomes now are to the Canadian economy and environment. The wicked housing system had clearly arrived. Arguably, although the NHS expanded its scope of interest from poorer renters to struggling ownership entrants, policy thinking and housing lobbying retained a partial, non-system emphasis.

The issues that define a ‘wicked’ housing system have now risen towards the top of the national policy agenda. Some commentators argue that the weakness of housing rights, the scale of the resources available to the NHS and flaws in its delivery are the ‘causes’ of the now apparent multiple crises in Canadian housing. More rights and substantially scaled-up resources may, or may not, be necessary to resolve ‘crises’ but they will not be sufficient, nor will they be well directed to key outcomes, without reforming system governance and behaviours. Yet, much of the national policy debate, whether in policy announcements or contributions from critics of the government still fails to recognise the ‘wicked’ nature of the housing system that now damages, in one way or another, the wellbeing of a majority of Canadians.

The idea of ‘wicked system’ is well known to Canadian housing researchers, policymakers, and lobbyists. For instance, the idea is widely used in discussing specific issues such as homelessness and neighbourhood revitalisation, and policy recommendations typically stress the need for multi-sector, coordinated actions to resolve them. Many cities and rural regions think of the of the housing they are responsible for as a complex, spatial system.

However, when it comes to overall housing system policy formation federal and provincial governments revert to sectoral and silo interests and perspectives. So do housing lobbies, for example the recently published National Housing Accord is a sophisticated lobby for rental housing investment that contains a number of useful policy suggestions, but it simply ignores the scale of wider system problems and their impact on the rental system. Most obviously, it ignores problematic home-ownership entry processes, that in part explain rental sector pressures.

Lobbies, like governments, including the Federal Government, address the ‘housing continuum’ in segmented housing siloes with a consequent, discontinuous, fragmented series of frameworks and actions. Moreover, the policy debate in the non-market sector typically reverts to a focus on more rights and resources for ‘fixing’ low income rental housing whilst the development and construction sectors, the other main lobby groups, look for tax breaks and removal of planning constraints. Bureaucrats and politicians are left to make some coherent approach from the non-collaborative behaviours of provision and finance sectors. Canadian system providers should have more regard to the mutual, beneficial interactions of

private and non-profit sectors apparent in other advanced economies. Siloed thinking is not the sole preserve of governments.

Applying indicators of whether a policy area is regarded as a ‘wicked’ system were applied to federal Canadian housing policy prevailing in mid-2023. It was concluded that housing policymakers and major housing lobbies have not fully grasped the ‘wicked problem’ and complex system nature of Canada’s housing. Federal, and other, governments now have the opportunity to rethink how to deliver not just traditional ‘merit goods’ (palliative) housing policies, as in the NHS, but design effective ‘housing system governance’ that delivers the housing outcomes for social, economic, and environmental goals. Recognition of the significance and systemic nature of housing outcomes, whether problems or not, will be a major first step for Canadian governments to better govern the nation’s housing.

### ***Governing The Housing System.***

The research paper reviewed key features of wicked problems and the governance they require for resolution and contrasted them with Canadian approaches to housing policy. Two general shifts were required. First, policy design and delivery must have real, informed understandings of system effects and outcomes. Second, collaborative governance and cooperative behaviours are essential. How does Canada do on these questions?

#### *Characterising the System.*

Informed understanding needs to shape the policy narratives of governments if successful outcomes are to be delivered. Underpinning narratives there are widely used ‘mantras’ that are reductionist stylisations of beliefs about real systems (and political choices). The research papers found that although there is embedded in the NHS, and the approaches of critics, a narrative around ‘palliative’ housing spending policies there is no coherent ‘housing system governance’ narrative. We also concluded that the main Canadian housing policy mantras are either redundant or not consistent with evidence from the wicked systems prevailing.

A generalised statement of Canadian ‘housing policy’ involves the mantras:

- it is primarily a social programme.
- it is local in impact.
- consequent to the above, it is primarily a functional responsibility of Provinces.
- homeownership is a steady savings system that spreads wealth.
- the housing market is a well-functioning system.
- non-profits are effective providers for Canada’s poorest households.
- Housing problems are now primarily a supply-side difficulty (with many stressing that local planning creates the difficulty)
- housing policy, in the conventional sense, makes a real difference to housing outcomes.

These mantras need to be challenged, changed, and rewritten on the basis of the evidence presented in the systems approach papers:

- Housing outcomes have much more than social outcomes and are key in the economy and environment (articulation of and attention to these goals are found neither in government policy statements nor in the arguments of lobbyists, for instance the National Housing Accord).

- Housing, always local, is always more than local. My residential carbon emissions impact far from Nova Scotia. Poor housing and neighbourhood conditions that impair the acquisition of human capital impact national productivity. Household savings diverted to investing in real estate gains impair thriving local and national economies. Local Housing systems are open systems and reach from the local to the global in their drivers and impacts.
- Housing drivers and impacts are associated with multiple spatial scales from the global to the local in ways that are different from the 1970s! Federal and community housing roles have both grown, especially when housing system governance rather than palliative policy prevails.
- Homeownership has evolved from a steady income driven, savings system to passive acceptance of capital gains to active speculation strategies by households that increasingly shapes and reflects their housing wealth and, in the last decade, has become a major driver of increased wealth inequalities, and lower productivity, in Canada.
- We can merely cite the housing price dynamics of the Toronto and Vancouver metropolitan markets in this millennium as the counter argument, and that housing system policy needs a much more active housing market strategy (and Canada does not presently have one).
- Effective non-profit housing provision, and growth, in Canada is likely to be an essential component in taming the housing system but there is a prima facie case that the sector is dominated by relatively small and inefficiently financed organisations: lobbies argue to raise the sector share to the OECD average but systematically fail to make any self-reflective case for improving performance ( and again the dominance of the housing policy debate by much of the sector excludes these issues from major scrutiny and, yet again were ignored by the National Housing Accord).
- The housing supply system is slow and sticky and in part this is in the nature of the system, but system audit is required to identify supply side blockages from evidence rather than the biases of Economics 101. Market imbalance, and consequent price change, reflects Marshall's two blades of 'supply' and 'demand' and arguably with severe supply constraints policy attention has to focus on 'balance' and manage both supply and demand.  
Federal government, and other orders too, now need to replace the old mantras and create a policy narrative that focusses on the future governance of the increasingly wicked, housing system.

### *Choosing Collaborative Governance.*

The Canadian evidence is clear that housing outcomes impact the goals of all orders of government but there appears little cross-silo and cross-order collaboration to recognise multi-level, multi-silo 'policy lever' effects. Modernising Canadian approaches to housing governance is now urgently required to secure housing system outcomes that best shape the multi-faceted goals of wellbeing, sustainability, and prosperity. Is there any order of

government in Canada that can present a credible story of how the outcomes of its housing system impacts on these meta objectives? If it can't it is not performing effectively.

Housing system governance at Federal, and other orders of government, must address the reach of policy actions in 'housing' and other departments and their consequent housing outcomes that lie both beyond, sectoral, departmental/Ministerial silos at any order of government and, geographically, across all orders from national to local scales. Key federal 'non-housing' policy levers affect housing outcomes at provincial and municipal scales. A scrutiny of the letters of instruction to Cabinet Ministers from the Prime Minister some 21 months ago (the letters associated with the recent reshuffle are not yet publicly available) is not only confirmation of how seriously the federal government takes the housing issue but also how many 'non-housing' portfolios pull policy levers with housing system effects.

Similar effects, but affecting different mixes of portfolios, prevail at provincial levels. Arguably, at both federal and provincial levels, the housing effects of non-housing portfolios far outweigh those of 'housing policy'. A whole of government approach within and across orders of government is urgently required. In the slew of media articles on 'what the government should do' not one, other than by a former adviser to Ministers, makes that case for a governance reform that could be speedy, low cost and highly effective.

Effective housing system governance requires that all orders of government have to look upwards, downwards, inwards, and outwards to recognise the range and boundaries of both the consequences of their actions and what other systems drive their own actions. Good policy to create successful lives, communities and places is always about 'housing and...' and 'housing with...'. Academic researchers know that. So do politicians in their constituency surgeries, but narrow silo sector and order focus typifies much housing policy making and debate.

Good housing governance is rooted in an informed, collaborative approach within and across orders of governments. That requires not just a plan but trust and 'normalising' real partnerships as a practice in policy; these relationships require goal alignment and sharing, commitment of resources, long timescales, and roles for major stakeholder groups in making decisions. And Federal government does not always have to be the 'Team Captain' and partnership leadership should lie with the most relevant partner. Higher order governments often need to play support roles. Achieving this shift is the major challenge and opportunity facing the newly appointed Minister for Housing.

### ***Federal Roles, the Debate Now.***

The 'wicked' outcomes of the Canadian housing system have generated thinking about governance change, and particularly of Federal roles. Rethinking the federal role has raced to the front of current policy debates since the long paper was completed in June and this summary relates past versions to the current debate.

In mid-August the Prime Minister at a housing launch at Hamilton Ontario stated that Canada had a significant housing shortage, that reflected supply side problems. He then continued that housing policy was not primarily a federal but provincial responsibility. That said, he

stressed that the federal government wished to help but had no ‘policy carriage’ at local scales. Press and pundit responses were fast and furious. The Globe and Mail, whilst ironically seeing the main problem as municipal planning shortages, stressed the need for federal housing and planning intervention. Diverse commentators emphasised the federal abandonment of the housing issue and, of course, the need for more federal action to promote more rights and resources to deal with low income renter issues. Few called for a systematic rethink of housing governance for the system as a whole.

On the same day as the Prime Minister made his remarks, the Prime Minister of Australia stressed that it was the Australian states that had to lead housing change, but as he did so on the back of an additional \$4bn of funds for the non-market housing sector he was bombarded with praise not criticism. Both Prime Ministers were, of course, taking a similar line of argument to recently published opinions from Brookings that it is states and cities that will deliver housing policy investments in the USA. Mr Trudeau was, of course, correct in stating the existing formal responsibilities for traditionally defined (palliative) housing policies and the absence of federal ‘local carriage’. However, the ways in which ‘non-housing’ federal policies drive housing outcomes, and now matter more than provincial spending, raises questions of better integrating federal and provincial actions and of finding ‘carriage’ to make these integrations locally effective.

The nature of housing systems, their outcomes and their impacts have, as noted above, changed so much in the last quarter century that a forward looking Canada should not be diverted by preserving historical policy definitions and allocation of autonomies and responsibilities. Nor is there time for a constitutional wrangle about rights, resources, and responsibilities. It is time, in the language of the European Union, to use the most effective patterns of subsidiarities within a multi-order government system to design and deliver integrated programmes to counter the wicked housing system. The way forward is for the federal government to recognise the wicked system nature of the problem and to develop appropriate systems of ‘carriage’ to work collaboratively with provinces, municipalities and, crucially, communities. The policy response is not simply to augment unconditional resource flows from the Federal governments to more local governments. We need to design a federal to local carriage and strong horses to pull it to Canada’s cities and communities.

### ***New Foundations for Canadian Housing Governance: 6 Immediate Actions.***

The evidence and analysis presented in the project research papers highlighted 6 major potential actions for change (recognising that other commentators have suggested some similar and other more detailed, useful, directions for change, for instance the National Housing Accord paper on the rental sector). Four of these emphasise how the government recognises and understands the ‘wicked system’ and two discuss major ways in which to give local carriage to federal housing actions.

#### **1. Healing the Fractures in Federal Actions Impacting the Housing System.**

We defined the notion of policy **Fractures** as arising within a particular government when policy decisions and actions are taken outside the Housing portfolio but have major unconsidered, ignored, or unknown effects on housing outcomes. Policy **Separations**,

discussed in point 5 below, arise when decisions at one order of government have similarly unconsidered or unknown effects on housing outcomes pursued by another order.

Present arrangements of housing influencing policy levers (outside of the Housing Ministry) across different federal departments and crown corporations and agents entrench Policy Fractures in addressing, without any sense of irony, the ‘housing continuum’. Potentially important federal ‘Fractures’ include:

- Reporting on causes and consequences of rising housing costs and responsibility for addressing the major cause of the national ‘affordability’ crisis.
- The impacts of stricter prudential regulation on rationing out younger first time homebuyers and consequently exacerbating rental sector shortages, so that de-risking the financial system has increased the housing risks of younger and poorer Canadians.
- Federal actions that impact housing supply, such as training and labour market policies, infrastructure and spatial policies seem somewhat uncoordinated with housing policy decisions.
- Federal actions that influence the demand for housing and construction inputs include environmental/energy (retrofit), immigration, higher education as well as fiscal policies, and they are all presently boosting whilst shortages at what are near peak levels of construction.
- The absence of any consideration of how housing outcomes impact productivity and, more widely, no clear narrative on the linkages between housing outcomes and the performance of the economy.

These ‘fractures’ are non-housing Ministry choices are incompletely coordinated strategic policy choices that have adverse housing system effects that overwhelm the progress of the NHS. There needs to be an urgent audit, at federal and other levels of government, of the impact that policy measures taken outside of Housing Ministries by other Departments and Agencies have on housing system outcomes. There are a number of ways that the Federal government can quickly and, relatively costlessly, address these issues. The most important are:

- a) The Prime Minister’s Office and the Privy Council urgently need to
  - Review how the housing system is governed across all orders.
  - develop a mapping of Fractures (and Separations) that identifies the critical ways in which present governance fails to govern the housing system.
  - consider how Fractures make the mandates of Housing Ministers both seriously incomplete and undoable (and the attainment of the NHS objectives inherently impossible).
- b) Some countries have acted to attenuate major fractures in housing policymaking. One approach has been to have a senior Minister Chair a cabinet sub-committee on the housing system, who then reports to Cabinet on policy developments and outcomes (Ireland post the GFC, for instance, with considerable success). Others, in order for housing policy to capture economic and environmental outcomes better, have shifted housing Ministries from social policy departments to more infrastructure focussed departments, as Canada has done. In contrast to other

aspects of federal infrastructure programmes that usually look across social-environmental-economic questions, the Canadian Federal Housing Minister is still mandated to primarily focus on social, inclusion and diversity issues. These are critical policy concerns, but that emphasis omits consideration of how housing systems and outcomes are central to the lives of all Canadians and, for now, half the population are unhappy with the housing outcomes they have. The mandate of the Minister for Housing, for system governance to be improved, needs to expand to review and report on all the major housing outcomes of the nation and how they link to the work of Cabinet colleagues. The shift of responsibilities to shape housing policies from CMHC to Infrastructure Canada should be used as the basis to have the Ministry strengthened to deal with the housing system. Collaborative governance has to start in Ottawa and be replicated in other orders too.

- c) As Ministers begin to make stronger connections to make better housing system policy decisions the bureaucracy also has to embrace an informed understanding of how the housing system operates, and matters, for their areas of concern. To embed this wider view, and support better housing outcomes, the Government could require that, for as long as the nation's housing remains problematic, then each major non-housing policy shift that is likely to impact the housing system needs to be explored for housing system spillover effects with assessments forwarded to the Ministers of Finance and Housing.

The next three proposals focus on how Federal government has to use its 'convening' powers to lead a new understanding of how to understand and manage the 'wicked system' developed in conjunction with all orders of government and sectors housing provision and finance.

## **2. Auditing and Augmenting Supply.**

Housing supply systems are inherently slow and lag behind side changes. There is now a consensus that housing supply in Canada, presently at near record levels will have to more than double if new demands for housing are to be met (with close to 6 million new units produced by 2030) with reasonably stable prices. Further work on demand side estimates and potential price and affordability consequences is badly needed, see 3 below, but the National Housing Accord correctly stresses supply side action and suggests useful policy innovations but with a focus on rental on housing provision. The bulk of new demands and supply will be in the home-owner sector. The Federal government has to look across all tenure supplies and also factor the significant rise in major energy retrofits in older properties. There is some empirical evidence on housing supply inflexibilities in Canada but there is no comprehensive audit of the speed and flexibility of housing supply chains across the local housing systems of the nation nor a detailed understanding of what inhibits the scale and speed of supply responses.

CMHC and others have recently indicated that slow planning can be an impediment and Desjardins (2023) have highlighted the range of supply side barriers and disincentives that could be reformed with different weights of impact. The issues involve not just planning decisions and permissions processes but also the nature of



local land markets and ownership patterns ( an issue seldom discussed in Canadian supply debates), shortages and costs of infrastructure, the availability of construction materials and, critically the availability of suitably skilled labour (with such shortages a feature of supply systems in most advanced economies) and as the NHA usefully highlight, innovation in the construction sector.

The breadth of housing system ignorance on these issues calls for the Federal Government to initiate a Rapid National Housing Supply Audit and Response Commission to report within a year. It would have a National Commission and a series of regional/metropolitan forums. It would involve relevant government officials from all orders working with providers of construction, infrastructure, land, materials, and finance working with each other and other experts to provide a fast national review informed by more local understandings of both planning and development sectors.

The Commission, and its regional Forums, would audit blockages and solutions for their removal (guided by the Desjardins agenda). Potential innovative actions, aside from better integrated housing-infrastructure-training policies, some already emphasised by the NHA paper, include:

- Assessing the potential to convert non-residential buildings to housing.
- Exploring the ways in which public land, and buildings, can (as suggested by Meredith and Broadbent) be kept on balance-sheet but leased for housing developments that add value and are affordable potentially to first time home buyers as well as renters.
- Making a step change in the quality and variety of modular homes and assessing their potential for efficient affordable production, especially in rural Canada
- Considering how Canadian universities can continue to expand the ‘export’ of their services to non-Canadian students (the requires students to come to Canada) without further pressurising local housing systems.
- Making a step change in the contribution of inclusionary zoning decisions to the provision of affordable rental and ownership homes.

Rather than ideological fumbling and special interest group rent-seeking around these issues new collaborative governance requires an Audit and Action plan quickly, and collaboratively, produced. If this work is successful, the Federal government should consider establishing a standing Commission with a breadth of expertise and roles similar to the Australian National Housing Supply Commission that was re-established last year.

### **3. Understanding and Shaping Housing Demands.**

High house prices and rents reflect the balance of both supply and demands. If the housing supply is sluggish or will take time to shift to a larger and more efficient scale then if affordability outcomes are not to deteriorate until new, enhanced supply flows, then there needs to be policy attention to abating rising demands for housing. This issue is largely ignored in present policy debates that focus on supply limitations.

There is scattered housing economics expertise across Federal Departments and Crown Corporations and Agencies, including CMHC and the Bank of Canada. They seldom work together to understand the housing system better. The Ministry of Finance, given the scale and variety of housing effects on the economy, could lead a cross Government of Canada (supplemented by economics expertise from the financial sector, other orders of government and academia) project to review, research and model likely housing demand side changes to 2030 and how likely demand scenarios will interact with supply side change anticipated by the Supply Commission discussed above. Affordability implications and wicked system consequences can only be understood in a market led housing system if supply and demand are simultaneously considered. If supply system challenges are not going to be resolved at the scale suggested by 2030, and our belief is that housing supply will not double by 2030, the demand side analysis will help identify how system growth may be most usefully restrained.

#### **4. Creating a Larger, Effective and Efficiently Financed Non-Profit Housing Sector.**

Just as construction/development sector critiques of housing planning systems gloss over any market failures and non-competitive behaviours in the development sector, the advocates for expanded non-profit sector provision are often less than frank about structure, scale, and effectiveness within non-profit provision. The issue is not discussed in the National Housing Accord. Our research has previously highlighted the important ways in which non-profit providers can make fundamentally different contributions to low income rental housing, mixed tenure developments, integrating multi-sector actions in urban neighbourhoods, towns, and rural communities. The Shaping Housing Futures Research (2019) highlighted such possibilities and actions in Canada, Australia, and the UK.

In both the UK, from the 1990's onwards, and Australia (in recent years), Federal/national governments have addressed the often very small scale, charitably driven, minimal development organisations that dominate sector numbers. They have encouraged performance monitoring of organisations and created links between the sector private lenders and the capital market. More access to more efficiently sourced private capital has played key roles in the expansion of these sectors and reduced their reliance on purely public finance.

The housing lobbies make a strong case, especially the National Housing Accord, to significantly double the non-profit sector. Achieving that scale, efficiently, will require the sector to mobilise and leverage the assets it already has, and the Federal government will need to lead, with other governments, a significant effort to better link the sector to private finance, create partnerships with the development sector and restructure organisational scales and governance. In many ways the ending of old subsidy regimes has left many non-profit providers uncertain about what to do. But others have shown innovative, creative ways to change.

The Minister for Housing should a 'Non-Profits Futures' working group to explore these issues and expedite change and it should be co-led by a sector innovator and a financial sector

leader with governments supporting the discussion. Governance of housing has to change within provision sectors as well as governments.

The arguments for change outlined above address how Federal government can produce better integrated housing system actions, that do not overwhelm ‘palliative’ housing policies and that are based on better understandings of what is driving the wicked system and routes for fixing it. These are clear Federal roles. The two suggestions that follow address the Prime Minister’s concern to give local ‘carriage’ to the support for better housing outcomes that the federal government wishes to provide.

### **5. Triple-Order Partnerships: Reducing Separations, Inducing Behaviour Shift.**

It is clear the Federal housing policy actions have local impact and that the subnational housing system impacts of non-housing federal policies may be even more significant. It is also clear that at more local scales, say the provincial scale, that there are provincial policy fractures and federal-provincial separations are layered on top of them.

One obvious illustration of this point is that federal government, provinces, and metropolitan areas are all concerned to raise productivity and reduce carbon emissions (ah, these wicked problems!) However, there are both Fractures and Separations in linking housing, employment, transport, and other infrastructure Departments to meet these goals. There needs to be an integrated and cross-departmental/cross-order narrative of how housing impacts contribute to net zero progress and productivity. In a similar fashion, housing investments build places and is part of packages of policy investments and actions (usually also involving provinces and municipalities) to renew old neighbourhoods and create new ones. Such actions will, from context to context, require different combinations of collaborating multi-order departments including Housing, Infrastructure, Transport, Education, Skills, and Innovation relevant Ministries from both orders of government. Similar comments can be made in relation to housing system supply responses and residential energy decarbonisation that involves a complicated mix of provincial regulations and subsidies overlaid on, or as alternative, to nationally available Federal measures. Within provinces, Finance, Planning, Environment, Energy and Housing Ministries need to develop a more integrated assessment of the most efficient measures to work towards net zero.

As noted above the Federal government does not have a housing-economy narrative. This is even more apparent at sub-national scales, including major cities. Housing Departments are often too busy dealing, using limited budgets, with the ‘needs’ consequences of housing system pressures. Economic Development Departments typically focus on skills, innovation, and non-housing infrastructures. Planning departments take an interest in the economic drivers of housing demand but show less interest in economic outcomes. The problematic housing-economy interactions are now eroding the agglomeration gains in metropolitan labour markets are not reflected in policy thinking and Housing, Infrastructure, Planning and Economic Development leaders and Ministers need to deal with these Fracture and Separations. But how? What about the new carriage? What will work, and quickly?

*Rebalancing the housing system.*

Improving the governance of the housing system involves making the best use of resources, including knowledge, competences, land as well as financial resources, recognises the comparative advantages of different orders of government and respects the different autonomies and preferences of the multiple governments that impact particular localities. At the heart of such change is a commitment to partnership working that will involve collaboration in attaining overlapping aims and constructively negotiated tradeoffs where aims differ. The partnership is a mechanism for reducing fractures and separations for all orders engaged in the partnership and to establish more cooperative behaviour across the private, non-profit and community organisations involved in the strategic partnership,

Multi-level partnerships have been successfully used in the past in Canada, they have been key to major area based renewal projects and, over the last decade have been key to the idea of ‘city deals’ developed in the UK, the Netherlands and Australia to boost strategic infrastructure spending within metropolitan areas. The approach, albeit separately labelled as growth deals, has also been applied to rural and town areas too. These deals had the goals of raising higher order support for more local investments, raising strategic decision capabilities in selecting and delivering effective projects, requiring more local orders to buy into the partnership and leverage national funding and to allow substantial local choice of projects whilst meeting national and local goals.

Forming these partnerships encouraged municipalities to collaborate and match the geography of major projects to functional areas of economic, housing and transport activity. The time periods were for a decade of support as long as monitoring and evaluation confirmed partnerships could pass through the performance gateway after each two year period. Project funding and refunding required demonstration of strategic and delivery capabilities. These projects have been widely successful and have created new structures of local, regional, and national relationships promoting more effective infrastructure and local change. Mostly they have been led by metropolitan mayors with other orders of government on Boards and evaluation panels.

National level agencies were involved in scrutinizing and agreeing the aims and resources for each deal, but individual project resource allocations were managed by the Partnership team as they knowledge of local priorities and possibilities. A much longer account of possibilities for such vehicles is available from the authors (Maclennan advised both the UK and Australian governments on the development of city deals and still sits on the scrutiny for the Glasgow Region City Deal, the largest UK project).

With infrastructure, communities and housing now located in the same Federal Ministry, and with local outcomes such as 15-minute neighbourhoods and 30 minute cities key to better housing-travel outcomes (not just on carbon reduction) there is much scope to construct collaborative multi-order partnerships for change. Multi-order partnerships are powerful, and respectful, means by which to give local carriage to federal ideas and resources. With substantial uncommitted resources remaining in the NHS (potentially 40 billion) there is scope for a substantial pilot programme that could leverage other public and private equity funds into such partnerships. And the action would release CMHC from the endless scrutiny of relatively small sums of money and allow its formidable capacities to be redirected elsewhere.

This is the smarter, collaborative governance that has a chance of remaking Canada's housing for the better.

## **6. What about CMHC?**

CMHC has embraced the notion of the 'housing system' and it has critical roles to play in, now, persuading housing policymakers in Infrastructure Canada of the merits of that approach. Infrastructure and the Housing Minister have the task of driving that perspective to the core of Federal housing system understanding. Some argue that CMHC is no longer necessary. Others that it should be split into a 'finance/loan insurance agency' and a housing-infrastructure-communities agency. Whether still combined or split that second set of functions will be central to the ability of federal government to give effective 'carriage' to the major shift towards multi-sector housing investment partnerships. It will be the agent that raises system thinking and understanding across Canada and then catalyses local engagement with federal partners and, over the longer term, remains a key federal presence and partner in evolving and delivering collaborative housing governance, on behalf of the Federal, whilst respecting local autonomies, CMHC can give national to local reach to deliver and help frame federal policy aims and play key roles in identifying fractures and separations and keep abreast of national and international best practice in resolving them.

CMHC's key attribute in shaping a better housing system governance will not be channelling funding but in knowing local places, partners, people and projects. It can deliver 'housing with' and 'housing and', essential requirements of a systems approach, for Federal Canada. It will have experiential and tacit knowledge to contribute to policy formation and it has potential flexibility within collaborative partnerships to play supportive as well as prime leadership roles. That is difficult for a federal department to do.

In these processes of change, Canada should not underestimate the significant, and internationally regarded, technical, socio-economic, financial (and other) competences and knowledge for 'housing system functioning' accumulated within CMHC. The nature of the problem, the housing system as a wicked problem, requires Federal and more local actions. To effectively achieve housing goals Federal Canada requires its own ears, eyes, and voices in local housing systems as well as Ottawa's corridors of power. Indeed, and especially where decades of neglect have atrophied sub-national housing strategy and project formulation skills (and in 'smaller' Canada they have) then CMHC must change its operational geography and have an enhanced regional and local presence.

### **Last Words: From Systems Thinking to System Action**

This paper, that merely scratches the surface of change possibilities, highlights the challenges but also the opportunities and potential benefits of moving towards an outcomes oriented collaborative governance of Canada's housing. The Federal government has multiple, and significant, roles in shaping the national housing system and with a new funding and action partnership approach in working with other orders of government there is real local carriage of Federal housing system actions and CMHC has critical roles to play in driving that future, better narrative for housing policies and then becoming the critical federal agent for shaping collaborative governance that can begin to tackle the wicked housing issues with newly virtuous policies.