Housing Affordability in Canada: Are We Addressing the Problem?

Occasional Paper No. 24

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edited by Tom Carter
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CONTENTS*

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INTRODUCTION

The main difficulty many Canadians have with housing is that they cannot afford adequate and suitable accommodation. Statistics from the 1985 Household Income, Facilities and Equipment Data Base (HIFE) indicate that there were 1,294,000 households with affordability, adequacy or suitability problems (see Table 1). Out of this total, approximately 60 percent or 768,000 were included on the basis of affordability alone, and 21 percent had affordability combined with other problems. There were 519,000 renters and 249,000 owners paying 30 percent or more of their gross household income for housing, which is well in excess of the traditional affordability norm of 25 percent of income. In addition, there were another 196,000 renters and 84,000 owners who had affordability problems, combined with suitability and adequacy problems. Although there are many owners with affordability problems, approximately 68 percent of all households that spend 30 percent or more of their income for housing are renters.

The whole issue of affordability is one that is fraught with problems. These problems revolve around a number of issues, including: the definition of affordability; the difficulty in determining changes in affordability over time; deciding on appropriate policies to deal with the problem; and determining whose responsibility it is to assist households to overcome the problem. The three papers in this publication explore a number of these issues.

The first paper by Patricia Streich, "What Do We Mean By Progress? The Case of Housing Affordability in Canada since 1946," addresses three main issues. It first discusses problems with the traditional measure of affordability, then poses the question, "Have government policies and programs become more effective over the post-war period in addressing affordability problems?" It ends with a discussion of alternative approaches to our standard definition of the problem. The second paper by Marion Steele, "Homeownership and Low-Income Housing Policy in Canada," examines trends in homeownership since World War II, discusses the advantages and disadvantages of ownership, assesses post-war government policy and concludes with proposals for a new homeownership policy for low-income households. The final paper, "Affordable Housing: Whose Domain?" by Ivy France, uses the Region of Peel as a case study, and examines the role played by a number of government, private sector and non-profit agencies in addressing affordable housing.

As a group, the three papers provide an excellent background document on a number of aspects of the concept of affordability in Canada. They highlight many aspects of government policy, the role played by a variety of agencies in addressing the affordability problem of low-income households, and the successes and failures of past policy initiatives.

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TABLE 1 HOUSEHOLDS IN CORE NEED BY TENURE AND TYPE OF PROBLEM (Thousands of Households)						
Problem Type	Renters		Owners		Total	
	#	%	#	%	#	%
Affordability Only	519	60.5	249	56.9	768	59.4
Affordability & Suitability and/or Adequacy	196	22.8	84	19.2	280	21.6
SUB-TOTAL	715	83.4	333	76.2	1,048	80.9
Adequacy Only	47	5.5	90	20.6	137	10.6
Suitability Only & Suitability &/or Adequacy	95	11.1	14	3.2	109	8.4
TOTAL	857	66.2	437	33.8	1,294	100.0

Source: Statistics Canada: 1985 Household Income, Facilities and Equipment Data Base (HIFE)

WHAT DO WE MEAN BY PROGRESS?
THE CASE OF HOUSING AFFORDABILITY IN CANADA SINCE 1945**

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INTRODUCTION

The purpose of this paper is to consider the concept of "progress" as applied to the question: "Has housing in Canada become more affordable for Canadians since 1945?"

This paper is based on work undertaken for the Monograph "Housing Progress in Canada since 1945" commissioned by Canada Mortgage and Housing Corporation and co-ordinated by the Centre for Urban and Community Studies at the University of Toronto.[1]

Over the last two years, Monograph authors have had to reflect on the meaning of "progress" in the context of post-war housing in Canada. Many authors have attempted to define the important *elements or dimensions* of "progress" in relation to the specific subject matter of their chapters. This paper does not attempt to capture the diverse views and perspectives of other authors, but rather focuses on the interpretation of "progress" with housing affordability.

The paper has three parts: first, problems with traditional measures are discussed; second, we pose the question, "have government policies and programs become more effective over the post-war period in addressing housing affordability problems?"; and, third, an alternative approach to housing problem definition is outlined.

The paper does *not* address questions about the quality of Canada's housing stock. It is evident from existing data bases that great strides have been made in eliminating the worst substandard housing stock in Canada, and, although pockets of poor quality housing remain, the physical quality of Canadian housing has improved since 1945. There may, however, be grounds for concern that we have improved housing conditions at the expense of consumer ability to afford adequate accommodation.

PROBLEMS WITH TRADITIONAL MEASURES: SOME FACTS AND FIGURES

Traditional aggregate statistics on housing affordability present a paradox; despite rising prosperity in income terms, Canadians have been increasing their expenditures on housing and there appears to have been little change in the proportions of households spending large percentages of their incomes on shelter; furthermore, homeownership seems to have become less accessible to low- and

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**This paper is based on research for the monograph entitled "Housing Progress in Canada," prepared by a number of authors under the overall direction and editorship of Professor John Miron of the University of Toronto. The entire monograph was financed by a grant under Part IX of the National Housing Act.

moderate-income households. Four types of indicators illustrate the difficulty of discerning progress with housing affordability problems.

First, household expenditure data show that Canadians have spent about *a fifth* of their household incomes on shelter for the last four decades: the 1937-38 Family Income and Expenditure Survey showed that renters spent 20 percent of their expenditures on shelter, and owners 19 percent. The 1982 HIFE showed that renters spent 23 percent, owners with mortgages 24 percent, and owners without mortgages 17 percent.[2]

Second, consumer price indices reveal that housing prices have increased at about the same rate as the prices of all goods and services while incomes increased much more rapidly. From 1946 to 1981, the housing price index increased by *five times*, about the same as the Consumer Price Index, while personal disposable incomes increased by twelve times. However, shelter expenditures as a proportion of consumer expenditure remained about the same: 31 percent in 1949, 32 percent in 1967 and 35 percent in 1978. Households' shelter costs have not declined in importance, even though there has been real (and more rapid) growth in personal incomes.

Third, housing analysts have used measures such as the shelter cost/income ratio to identify the prevalence of the affordability problem. Data suggest that the proportion of households paying over 30 percent of their incomes for shelter has increased somewhat in the last twenty years; for example, in 1969, 15 percent spent over 30 percent, and in 1982, 18 percent over 30 percent.[3] There has been considerable debate about the usefulness of the shelter/income ratio approach, and an alternative concept--"core need"--was developed by CMHC to discount for voluntary over- and under-consumption of housing among those with shelter/income ratios over 30 percent.[4] The core need measure tends to produce lower estimates of households with housing problems than the shelter/income ratio approach; for example, in 1974, 17 percent or 589,000 households were identified as being in "core housing need," compared with 24 percent or 702,000 households spending over 30 percent of their incomes on shelter (based on data for metropolitan areas only).[5]

Fourthly, the accessibility of homeownership, another measure of housing affordability, seems to have declined since the 1950s. In 1951, more than half of all Canadian households could afford the average new NHA financed house with 30 percent of their income. By 1983, less than 15 percent of households could afford the average-priced house with 30 percent of their incomes. Considering only renter households in the 25-44 year age groups (the prime buying years), CMHC data show that only 28 percent could afford the average house in 1983, compared with 50 percent in 1971.[6]

These kinds of data suggest that housing has not become any more affordable since 1945; indeed, the tendency seems to have been towards rising dollar expenditures on shelter. Though incomes have been increasing, for some members of society, households' shelter costs have increased more rapidly so that the costs have consumed a larger share of the household budget. The opportunities for households to afford homeownership (the traditional hedge against rising shelter costs) seem to have diminished rather than increased.

CMHC has reported that in the early 1980s, half a million Canadian households living in rental housing spent more than 30 percent of their incomes on shelter.[7] In what senses then can we argue that "progress" has been made toward more affordable housing in the post-war period?

GOVERNMENT POLICIES AND PROGRAMS: HAVE POLICIES PROGRESSED?

The second section of this paper considers the question: "Have government policies become *more* effective in addressing housing affordability problems (or have the policies progressed)?" This is a different question from asking "have policies been effective in making housing more affordable?", which is a program evaluation issue. The example of low-income subsidized housing is used to illustrate the historical policy perspective.

Governments have been addressing housing affordability problems since 1945 and the major instrument of low-income housing policy from 1948 to the 1970s was the public housing approach. From 1946-1973, over 120,000 public housing units were produced, providing subsidized rental housing for about 2 percent of Canadian households.

The 1970s saw the beginning of a major shift in policy approaches to affordability. Changes in policy instruments since 1973 have coincided with shifts in the institutional arrangements for housing (and especially for social housing policies).[8] In the '50s and '60s, Canadian housing policies were driven by the federal government, and co-operative federalism prescribed various cost-sharing arrangements with provincial governments; federal policies leaned heavily on supply-side strategies--new construction of public housing projects and subsidizing unit rents based on tenant incomes. The year 1973 marked the beginning of an era of unilateral federal and provincial low-income housing policies; first with the federal non-profit/co-operative housing program, and later with provincial housing allowance programs.

The 1973 federal non-profit program incorporated the concept of "income mixing," that is, that a proportion of units in each project would be low-income housing, and the balance for a higher-income clientele. The rationale for this policy shift has been related to criticisms about concentrations of low-income families in large public housing projects, criticism which figured largely in the Hellyer Task Force Report of 1968.[9]

Whatever the strengths and weaknesses of "income mixing" *per se*, the effects or outcomes of the policy in terms of effectiveness to address affordability problems seem quite clear. Whereas in 1971, Canada produced about 20,000 public housing units with rental subsidies for the lowest income group, in 1979, the NHA non-profit program produced over 20,000 units, *but* only 6,000 units were affordable to low-income households; the other 14,000 units were occupied by moderate-income tenants paying market rents.

Therefore, although the federal non-profit program achieved similar annual unit output as the prior public housing program, the number of subsidized units for low-income households was reduced to about one third of the annual production of public housing. To have achieved the 1971 level of low-income subsidized housing, Canada would have had to provide over 65,000 units of non-profit housing *each year*. It is difficult not to conclude that the shift from the public housing programs to non-profit/co-operative housing programs diminished the support for low-income housing. The change in instruments might be seen as "progress" toward more socially-integrated housing, but it hardly seems to be more effective in penetration of the problem because of the low *volume* of program output.

While federal policy changes in the 1970s do not suggest progress in solving affordability problems, some provincial governments became more involved in their own unilateral programs in the '70s, adopting demand-side strategies to address affordability problems. Provincial housing allowance measures in British Columbia, New Brunswick, Manitoba and Quebec targeted assistance to the needy low-income population--mainly seniors in rental accommodation. The rationale for such programs was, in part, the ineffectiveness of supply-side subsidized housing programs to deal with affordability problems. A demand-side strategy provided a more immediate and less expensive method of meeting the needs of people who were often quite adequately housed, but who were spending substantial proportions of their low incomes on housing. These programs were able to target assistance to about 40,000 households in the early 1980s; most of these were senior citizens.[10]

To summarize the post-war history of low-income housing policy, from 1945 to 1973, about 120,000 public housing units were provided for low-income households; from 1973 to 1982, about 112,000 public and non-profit/co-op units were provided for low-income households, plus some 40,000 households were assisted with housing allowances. At the same time, from 1973 to 1982, approximately 70,000 non-profit/co-op units were provided for moderate-income households.[8] In 1982, CMHC estimated that more than 500,000 renter households in Canada were facing shelter costs in excess of 30 percent of their incomes. In other words, there were still *twice* as many renters with affordability problems as we have addressed through subsidised, public/non-profit housing and housing allowances since 1949.

An historical perspective on policy change suggests that there has been some progress in the shift from supply-side to demand-side subsidies. However, the housing allowance provisions have barely compensated for the federal policy shift away from low-income housing policy.

ALTERNATIVE CONCEPTS OF AFFORDABILITY CHANGE

The simple question, "Has housing in Canada become more affordable for Canadians since 1945?", is difficult to answer because it is not specific as to scale or time-frame. Talking about "Canada" begs the question of scale or units of analysis. Are we referring to individual Canadian households, families and individuals, or are we referring to society as a whole? Many governments have committed themselves to the societal goal of "affordable housing" (however this may be defined), without specifying what this means for individual households. There is little consideration of individual consumers' housing goals. Consuming households display a wide array of preferences and choices among housing and other goods and services; some consumers may choose to consume more (or less) housing than societal norms. If the focus were on *individual goals* rather than *societal goals*, the purpose of public policy would be to ensure access to opportunities for individuals to realize their own goals rather than attainment of a societal standard.

Secondly, there is the question of the relevant time period or reference period. Most of our thinking about housing situations has been cross-sectional and static. The data bases we use reinforce the tendency to look at "snapshots" in time. Do we mean "Is housing more affordable in a given Census year than it was in another Census year?" Comparison of aggregated 1971 and 1981 statistics may suggest a global trend which has little meaning for individual housing consumers; conceivably, many Canadian households could have less affordable housing than they did ten or twenty years ago--and be worse off. In terms of individuals' housing goals, it may be more meaningful to adopt a longitudinal perspective; consumers make housing decisions along with major changes in their life-cycles, and as their career patterns evolve. Focusing on individual consumers' housing goals and their housing opportunities suggests that the life-cycle of housing or the housing careers of families and households are more relevant than static cross-sections of the population.[11]

AN OPPORTUNITIES CONCEPT

Considering both the scale and time-frame dimensions of "progress" suggests that a life-time opportunities concept is an alternative to standard housing problem definitions. From the opportunities perspective, progress would involve measuring the improvement in housing opportunities for households, and assessing whether households are able to move toward their own, individual housing goals over their housing careers. This alternative approach has several implications for how we think about progress.

The opportunities concept focuses attention on the individual consumers' goals rather than societal goals implying individual freedom of choice and housing preferences. In this view, public policy intervention would involve creating or enhancing opportunities for individuals to achieve their own goals. Public policies would be evaluated by their ability to increase housing opportunities rather than "solving" a static or current problem. Rather than program evaluation which measures the success of programs in reaching their own internal sets of objectives, we would be asking to what extent new policy measures were more effective in increasing the range of opportunities available to consumers. In other words, we would be adopting a longitudinal perspective on policy change.

Since the housing career concept is longitudinal rather than cross-sectional, monitoring progress would require longitudinal data series rather than the current cross-sectional housing databases. Canadian housing analysts have relied heavily on baseline Census data to measure the state of our national housing health. Some use has been made of special housing surveys such as the Survey of Housing Units (SHU) in 1974, and special housing supplements to standard Statistics Canada Surveys such as the Household Facilities and Equipment Survey.[12] Traditional survey instruments have been fine-tuned to capture details about the physical conditions of dwellings, and appear less amenable to providing housing career-type data. Nevertheless, there are some relevant precedents for a new strategy toward our housing databases. First, the housing allowance experiments in the United States involved tracking enroled households over a five-year period. The Experimental Housing Allowance Program (EHAP) databases have been extensively used for housing research in the United States. Secondly, Statistics Canada developed and conducted the Family History Survey, a retrospective study of changing household composition, as a supplement to the regular Labour Force Survey in 1984. Finally, the original concept for the 1974 SHU was to create a longitudinal database, linking the 1971 Census and the 1974 SHU data for the sampled households. Although the intent was not fully realized, the concept seems sound, and perhaps even more worthy of consideration now as our traditional measures of and data sources on housing conditions become less relevant to the decades ahead.

NOTES

1. For a discussion of housing affordability concepts and issues, readers are referred to Chapter 13 in the forthcoming Monograph "Housing Progress in Canada since 1945."

2. HIFE is the Statistics Canada Household Income Facilities and Equipment Survey. Data quoted in *Consultation Paper on Housing* (Ottawa, 1985), p. 10.

3. Quoted from M. Denis, *Low-Income Housing: Programs in Search of a Policy* (Ottawa: CMHC, 1972), p. 60, and *Housing in Canada: A Statistical Profile* (Ottawa: CMHC, 1984).

4. "The core need approach seeks to identify those households currently experiencing housing problems who would be unable to obtain a minimum standard of housing without paying an excessive proportion of their income on shelter." (*Housing Affordability Problems and Housing Need in Canada and the US: A Comparative Study* [Ottawa: CMHC, 1981], p. 4).

5. Ibid., Table 2. Based on the 1974 Survey of Housing Units (SHU).

6. *Housing in Canada,* p. 16.

7. Ibid.

8. See P.A. Streich, "Canadian Housing Affordability Policies in the 1970s: An Analysis of Federal and Provincial Government Roles and Relationships in Policy Change" (Ph.D. Dissertation, Queen's University, Kingston, 1985).

9. The 1968 Hellyer Task Force on Housing and Urban Development in Canada has been widely quoted for its criticisms about the "ghettoisation" of the poor in large scale public housing projects.

10. In most of the housing allowance programs, subsidies were applied to only a portion of the recipients' rent above some preset maximum; in effect, recipients continue to spend more than 30 percent of their incomes on rents after receipt of the allowances. In part, allowance schemes provided less generous subsidies, because recipients remained in private housing and were expected to pay a larger proportion of their incomes for the greater freedom of choice this entails.

11. Myers (1980) discusses the difference between individual or personal housing goals, and national or institutional housing goals. Traditionally, housing policy has been assessed in relation to some set of policy goals defined bureaucratically or politically. A micro-behaviourial approach may be more meaningful, taking account of the ways in which consumers move toward their desired (or preferred) housing choices through their housing (and income) careers. See Dowell Myers, "Measuring Housing Progress in the Seventies: Definitions and New Indicators" (Working Paper No. 64, Joint Centre for Urban Studies of MIT and Harvard University, May 1980).

12. For a review of housing database options, see *Housing Data Need and Options: A CMHC Housing Supplement in 1985* (Ottawa: CMHC, 1984).

HOMEOWNERSHIP AND LOW-INCOME HOUSING POLICY IN CANADA*

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INTRODUCTION

Most Canadian households are homeowners.[1] This is widely regarded as the most desirable state, as the popular phrase "the dream of homeownership" attests. Yet homeownership is relatively neglected in low-income housing policy. Despite the fact that a large proportion of low-income households have managed to become homeowners, it is often assumed that homeownership is inappropriate for them. It is the view of this paper that homeownership is indeed appropriate, and that the great attention paid to social housing as compared with various forms of homeownership, as solutions for low-income housing problems, is unwise.

This paper examines post-war data on homeownership and after a discussion of the advantages and disadvantages of homeownership, assesses post-war government policy on low-income homeownership. This is followed by a discussion of certain problems for homeownership caused by inflation. The paper concludes with proposals for a new homeownership policy for low-income households.

SOME ASPECTS OF THE PATTERN OF HOMEOWNERSHIP IN CANADA

For insight into the prospects for increased homeownership among low-income households it is illuminating to consider particular aspects of the current homeownership pattern.

HOMEOWNERSHIP IN LARGE URBAN AREAS

In large urban areas (those with more than 100,000 population), the homeownership rate varies greatly between income groups. In 1982, the rate was 24 percent for households with a 1981 income below $8,000, and 35 percent for those with an income $8,000 to $16,000. For these two groups together, the rate was 30 percent, much less than half the 74 percent rate of those with an income $35,000 to $45,000 (Statistics Canada, 1983, Table 2.1). The great differential by income is no surprise.

*This paper, mostly written in 1987, is based on research for the monograph entitled "Housing Progress in Canada," prepared by a number of authors under the overall direction and editorship of Professor John Miron of the University of Toronto. The entire monograph was financed by a grant under Part IX of the National Housing Act. The author would like to thank John Miron for his many helpful suggestions. Any errors are her responsibility alone.

TABLE 1
HOMEOWNERSHIP RATE, SELECTED CATEGORIES
CENSUS YEARS 1941-1981

				Heads Aged 35-44		
Year	All Areas	Urban	Rural	Urban	All Areas	All Areas Male Only
1941	56.7	41.2	75.6	23.1[a]		
1951	65.6	56.1	82.0	64.5[a]		
1961	66.0	59.3	83.1	62.5	67.5	69.5
1966	63.1	56.8	83.2		67.2	69.9
1971	60.3	54.3	82.0		67.1	70.6
1976	61.8	55.6	84.2		70.9	75.5
1981	62.1	56.1	84.0		71.7	77.4

[a] Cities of 30,000 or more only.

Sources: 1941 Census, 9, Table 51
1951 Census, 10, Table 91
1961 Census, 2.2, Table 84
1966 Census, 2, Table 3
1971 Census, 2-3, Table 9
1976 Census, 3, Tables 5, 13
1981 Census, I, Table 4

In large urban areas, land costs and house prices are relatively high and building codes are relatively strict, so that homeownership is not easily accessible to low-income groups. More interesting is the fact that, despite the great differential, the homeownership rate of low-income groups is still substantial. This is contrary to the perceptions of most observers, as is evident by the frequently heard, dismissive assertion that low-income households cannot afford homeownership. These data show that very many low-income households have valued homeownership sufficiently to breach the accessibility barriers, and with some government assistance more might be able to do so.

HOMEOWNERSHIP IN RURAL AREAS

In rural areas, almost all households, rich and poor, are homeowners. Between 1951 and 1981, the homeownership rate in rural Canada fluctuated narrowly between 82 and 84 percent, up somewhat from 76 percent in 1941 (Table 1). In 1982, 81 percent of those with a household income below $8,000 were homeowners, not greatly lower than the ratio for those in the highest income group (Statistics Canada, 1983, Table 2.4).

Rural households are predominantly homeowners for a number of reasons. First, most farms are owner-occupied, so that the homes on them are also, conveniently, owner-occupied. Second, the typical rural dwelling--single-detached and widely separated from its neighbour--is somewhat unattractive as rental property, because of the time per unit required to manage it, as compared with an urban unit. On the demand side, homeownership of single-detached houses is affordable, even for low-income households, because land is cheap, and building and zoning bylaws tend to be loose and laxly enforced, so that it is possible to build a cheap, low quality house, often with the household acting as its own general contractor. Indeed in 1982, 34 percent in the lowest income group in rural areas lived in a dwelling (most of which were single-detached) of four or fewer rooms (Statistics Canada, 1983, Table 2.4). Further evidence on accessibility in rural areas is the fact that in 1978-81, 36 percent of PEI households using "informal construction" to build a new house had an income below $15,000 in the year of construction, while only 21 percent of all Canadian households with a house built in 1980-82 had an income in 1981 as low as this.[2]

What insights does the high homeownership rate in rural areas give us? It suggests that most households, rich and poor, prefer homeownership, and accordingly choose this tenure when it is accessible. It also suggests that one aspect of the lack of accessibility in urban areas is the stricter building and housing regulation there: to the extent that this is true, one "price" of high standards set by regulation has been the reduction of accessibility to homeownership for low-income households.

HOMEOWNERSHIP AMONG FEMALE-HEADED HOUSEHOLDS

The rise in the number of female-headed households has been a major phenomenon of the last two decades. In particular, their number more than doubled between 1971 and 1981, to become *25 percent* of all households. These households are disproportionately poor, and yet a substantial proportion of them are homeowners. Further, the proportion has risen greatly in recent years. Specifically, in 1981, 27 percent of households headed by females aged 25-34 were homeowners, as compared with less than half that figure a decade earlier; even among very young female heads, those under 25, 9 percent were homeowners in 1981, compared with 4 percent a decade earlier (1971 Census, II.4, Table 35; 1981 Census, 1, National Series, Table 9 [cat. no. 92-933]). This enormous change is of course, only one of the many changes in the economic status of women over these years. One factor affecting female homeownership was the reduction in discrimination by lending institutions.

Another factor encouraging female homeownership was the increased availability of condominiums. These only became common in the late 1960s (Hulchanski, 1987). Earlier, a household wanting homeownership but not wanting a single-detached house had little choice but a duplex or triplex, with the attendant property- and tenant-management tasks. Condominiums free homeowners from these tasks. In 1981, the rate of condominium ownership among homeowners was more than twice as great for female homeowners as for male homeowners, although even in the age group (under 25) where condominiums had the greatest penetration among homeowners, only 10 percent of female homeowners were condominium owners (1981 Census, 1, National Series [cat. no. 92-933] Table 9). While the rise in condominiums has not been of dominant importance as a force encouraging homeownership among female households, it has clearly been of some importance.

These data on female-headed households suggest that homeownership is attractive to non-traditional types of households. The relative success of condominiums in this group suggests that the availability of non-traditional and relatively low-priced forms of homeownership is especially important for improving access.

HOMEOWNERSHIP AMONG THE ELDERLY

A high percentage--63 percent in 1981 (1981 Census 1 [cat. no. 92-933])--of the elderly are homeowners, although the elderly include a relatively high proportion of low-income households. One major explanation for this is the build-up in net worth with age. An alternate explanation is that the elderly have had a working lifetime of chances to purchase, and so the likelihood of having had the income and liquidity to purchase at *some* past time is higher for them than for a younger person. The elderly, despite the drop in income associated with retirement, typically retain the homeownership status they have acquired during their high income years; 48 percent of those with an income under $8,000 in 1981 were homeowners in 1982 (Statistics Canada, 1983, Table 3.5).

A phenomenon of some interest is the fall in the homeownership rate among the elderly during the last two decades, contrary to the trend for other age groups. For male heads, the rate dropped to 73 percent in 1981 from 81 percent in 1961. Most of this drop occurred in the early '60s, before subsidized, senior-citizen housing was available. It seems likely that this is largely associated with the phenomenon of greatly increased household splitting. When adult children leave home to live on their own, there are fewer people to share expenses and maintenance duties, and, of course, the need for space declines. In fact, in regressions of the decision to sell and become a renter, one of the few variables having a statistically significant effect was the number of people in the household (Steele, 1979, Table 6.7). The probability that a homeowner would sell and become a renter was much higher, other things equal, for a small household than for a large one.

The data suggest that the elderly typically have a strong preference for homeownership. The existence of alternatives to the single-detached house may be important determinants of whether they retain homeownership status when their household size declines.

THE ADVANTAGES AND DISADVANTAGES OF HOMEOWNERSHIP AS VIEWED BY HOUSEHOLDS

In the previous section, some data on homeownership was discussed. We now turn to a discussion of the forces behind these numbers.

Why do people wish to be homeowners? One reason is that homeownership gives a household more control over its environment and housing expense than tenancy does. This is an especially powerful attraction for low-income households, who are apt to have little control over many aspects of their lives. A tenant has little control over the day-to-day quality of housing services. Moving, the tenant's ultimate sanction against a "bad" landlord involves substantial psychic and monetary costs (together these may be labelled "moving costs" or transactions costs). A homeowner, in contrast, not only controls the amount of housing maintenance performed, but also may choose whether or not to perform this maintenance. The do-it-yourself option allows what may be called a "sweat" housing expense which makes the housing burden more flexible for a freehold homeowner (without a large mortgage[3]) than for a renter. For instance, a homeowner usually may pay to have the house painted or lawn mowed, but not during a period of unemployment. Additionally, an elderly homeowner has the option of doing very little maintenance, which would use up much housing capital in the period of low-income associated with retirement. Thus, depreciation may play, in part, the role of a reverse annuity or a pension supplement.[4]

The most fundamental aspect of control over environment that homeownership provides is security of tenure: so long as a homeowner pays the bills, there need be no fear of a forced move except in the unlikely event of expropriation. A private tenant, in contrast, may be legally evicted in some jurisdictions if the landlord chooses to occupy the housing her- or himself, to renovate it, to demolish it, or if the tenant is deemed to disturb other tenants. While the legal rights of the landlord to evict have been substantially circumscribed in recent years (see Hulchanski, 1987), economic forces bringing about eviction have intensified.[5]

Low-income households are much more subject to forced moves than other households. Economic eviction resulting from very high rent increases will especially affect them. They have been disproportionately affected both by the publicly funded slum clearance of the 1950s and 1960s (Rose and Wexler, 1987), and by its 1980s analogue, gentrification (Rose and Wexler, 1987; Patterson, 1987). Data in Steele (1985a, Table 3,5, computed from the Survey of Housing Units, 1974) indicate the magnitude of the problem in the urbanized core of Ontario CMAs. Among families (defined as a single person or adult with at least one child less than 18) below the poverty line, 41 percent of renters had moved within the last year, as compared with only 11 percent of homeowners. This indicates how much less likely it is that low-income families will suffer the disruption of moving if they own rather than rent. It is true that renters as a class move much more than homeowners, but low-income families are especially likely to do so. Over 13 percent of family renters below the poverty line had moved four or more times within three and a half years, as compared with 3.5 percent for family renters with income more than twice the poverty line. "Other reason for last move," which includes eviction, was given by 13 percent of renting families below the poverty line, as compared with under 9 percent of high-income renting families.

The elderly poor who rent are also apparently somewhat affected by insecurity of tenure: 5.7 percent of elderly renters below the poverty line gave "other reason for last move," as compared with 3.3 percent of high-income elderly renters. A very high moving frequency is a problem, however, only for poor families.

Security of tenure is more important the scarcer accommodation becomes, because scarcity increases search costs. If a household is forced to move in a housing market when there happens to be a 5 percent vacancy rate, alternative but similar accommodation will generally be easy to find and the forced move may not impose a major burden. But the opposite is apt to be the case when the vacancy rate is very low. The fact that very low vacancy rates are no longer rare has made security of tenure a major concern.

A second reason people wish to become homeowners is the role homeownership plays in the accumulation of wealth. The standard, level-payment mortgage constitutes a major forced saving scheme of the same order of magnitude as pension-plan saving. A mortgage-free home, attained after some years of this forced saving, represents a major protection against devastation during the spells of unemployment during the spells of unemployment to which low-income households are especially subject.

The saving involved in homeownership, and particularly that involved in the standard, level-payment mortgage, is association with a dramatic difference in net worth between homeowners and others. In 1977 in Canada, the average net worth of homeowners was over $71,000 while that of others was less than $9,000 (Statistics Canada, 1977). Tenure is thus a good indicator of whether net worth is substantial or almost trivial in size; variations in the net worth of households across provinces are strongly associated with variations in the homeownership rate and in the value of homes (Table 2). The great difference exists at all income levels; for example, for those with an income of $5,000 to under $7,000, net worth is more than ten times as great for homeowners as for renters.

Wealth held in the form of an owner-occupied home is favourably treated by the fiscal system. Imputed rent, part of the implicit return to home equity, is untaxed and is not generally taken into account in the calculation of transfer payments. This is of great importance for the low-income elderly. Effectively, the Guaranteed Income Supplement (GIS) formula implies a 50 percent tax on income, but income for this purpose is defined to exclude imputed rent. Thus there is an enormous GIS advantage for low-income elderly to be homeowners rather than renters (see Steele, 1985a, Table 10 for illustrative calculations). The housing allowance program for renters existing in some provinces offsets partially, but not completely, this tax inequity. An additional, but less important, advantage for low-income households is the nontaxation of capital gains realized from the sale of a principal residence.

The tax advantages of homeownership relative to tenancy are reduced by the fact that rents tend to be depressed in times of inflation, because landlords may fully deduct expenses (including the inflationary component of mortgage interest), and yet are taxed at a lower-than-income-tax rate on capital gains, and only when these are realized. The general capital cost allowance provisions of the tax system, various subsidy schemes and rent control all tend to depress rents further.[6] The elimination of most subsidy schemes in the last decade, the effect of the 1987 tax reform on capital cost allowances and on capital gains taxation, and the fall in the rate of inflation, however, are all forces which will tend to increase real rent in the future. Rent regulation also provides little protection against a trend of rising real rent. In Ontario, the guideline increases in the last two years have been above the rate of inflation, and provisions allowing increases in excess of the guideline have been used to produce substantially higher increases in many cases.

TABLE 2
NET WORTH, HOMEOWNERS AND NONHOMEOWNERS
AND OTHER DATA, BY REGION, 1977

	Atlantic Provinces	Quebec	Ontario	Prairie Provinces	British Columbia
Average Income in 1976$	13,049	15,369	16,879	15,144	16,706
Homeowners	70.3%	49.6%	62.4%	62.9%	60.4%
Average Net Worth					
-- Non-homeowners $	4,927	5,726	11,911	8,665	11,441
-- Homeowners $	35,500	45,800	79,600	88,900	96,700
-- All $	26,486	25,621	54,169	59,108	62,936
Average Market Value of Home, Homeowners $	25,516	30,275	53,225	41,885	56,420

Source: Statistics Canada, *Incomes, Assets and Indebtedness of Families in Canada, 1977.* Ottawa: Ministry of Supply and Services, 1980. Tables 48, 49. Data are for families and unattached individuals.

People also wish to be homeowners for reasons having to do with incomplete markets. Some kinds of housing are virtually unavailable in many cities, and some others are available on a continuing basis only through homeownership.[7] A family with two children may find it impossible to rent a duplex--even an old, run-down one--with good yard space in a low-rise neighbourhood in many urban areas. The availability problem is acute for households with children, because many landlords perceive that such households are costly to serve and discriminate against them.[8] The availability problem is apt to be especially acute for a single-parent mother.

Another reason for homeownership, emphasized by Henderson and Ioannides (1983), is essentially the obverse of the point just made: if landlords in fact make their accommodation available without discrimination, charging all tenants the same rent, and if some tenants are more costly to serve than others, then low-cost tenants are in effect overpaying. Under these circumstances, other things being equal, the only way to avoid overpaying is to become a homeowner. For example, a household which is very careful not to cause damage will reap the full rewards of this low-cost behaviour as a homeowner, but may not as a tenant. Related to this is an environmental control point: if multiple-unit buildings have tenant mixes which are perceived to be undesirable (Harris, 1987), then homeownership may be a solution. For instance, an elderly couple may not wish to have a young family or partying singles living above them. One way to avoid this is to be a homeowner, either in a single-family house or in a condominium targeted to empty-nesters.

There are a number of disadvantages of homeownership relative to tenancy which may make tenancy attractive for some households. One disadvantage is high transaction costs. These are much higher for homeowners than for tenants. Purchase and sale of a home together involve out-of-pocket costs (real estate brokerage fees, land transfer tax, legal fees, moving fees) which are in the 10 percent range for households using a real estate broker; in addition there are psychological and monetary adjustment costs. A major risk associated with homeownership is capital risk: the home's value may decline over the long term if it is located in a one-industry community and that industry declines; or there may be a short-term drop in value just when the owner has to sell. A home's value may decline--even in nominal terms--because of macroeconomic factors such as high interest rates, or because housing subsidies for new homes undercut the market for nearby houses only a few years old, or because economic and other forces move against a particular region. Homeowners selling in Montreal when the separatism threat looked strong, or selling in Calgary after the petroleum boom collapsed, sold at prices far below earlier ones.

The size of transactions costs and of short-term capital risk mean that, in the absence of expectations of a price boom, homeownership will not be cost-efficient for a household which faces a substantial risk of a forced sale within a period of a few years. A couple whose marriage is likely to break down is one such household. A young household which is likely to move to a job in another region may find that homeownership, far from helping it accumulate wealth, wipes out wealth it already had. A household likely to become unemployed and unable to keep up mortgage payments also faces a substantial risk of loss from homeownership.

A major attraction of tenancy is the freedom it provides from housing management and maintenance tasks. This may be especially important for single-parent mothers and for elderly widows. One person living alone will find the task of organizing roofing, painting and plumbing a heavier burden than two people living together. The rise of the condominium, however, greatly reduces the advantage of tenancy in this respect.

Some of the attractions of homeownership relative to private tenancy may be matched by tenancy in social housing. In particular, the security of tenure of social housing tenants is probably as great as that of the homeowner. Indeed, what may be called economic security of tenure is greater for the former than the latter in the early years of homeownership, when mortgage payments are high. On the other hand, other aspects of control of environment are less favourable for social housing tenants. If changes in management or government policy result in changes in maintenance policy or changes in tenant mix, the household may feel just as impelled to move as if affordability deteriorated. In addition, social housing may be unavailable except after a long wait, and it may be unavailable at any time in the form of a low rise, low density unit. Finally, it provides no opportunity for the build-up of equity which provides a bulwark against misfortune, nor does it provide the important assurance of some assets to help in the search for adequate housing in case the household finds it desirable to move to another location--perhaps in search of better job opportunities.

PUBLIC POLICY GOAL AND HOMEOWNERSHIP

The most frequently articulated goal for housing policy is the provision of physically adequate, uncrowded, affordable accommodation (e.g., Rose, 1980, p. 7; CMHC, 1983, pp. 34-5). The encouragement of homeownership does not immediately or *directly* accomplish the first two aspects. However homeownership does give the household direct control over physical adequacy and space, so that if it does live in a badly maintained or otherwise inadequate dwelling, this represents in part the exercise of consumer sovereignty.

The relation of homeownership to the affordability goal is complex. In the early years of house purchase, homeownership quite typically (in an inflationary environment) actually *reduces* affordability.

That is, the cash flow cost of homeownership for a new purchaser is typically greater than the rent previously paid, so that housing expense as a ratio of income increases as a consequence of purchase. This point is underlined by the fact that while the Canada Mortgage and Housing Corporation (CMHC) criterion for an housing affordability problem is a rent-to-income ration of 30 percent or less (e.g., CMHC, 1983, p. 38), applicants may qualify for a National Housing Act (NHA) mortgage with a ratio of mortgage payment (principal and interest), property taxes and heat expense to income, of 32 percent. When the expense of other utilities, maintenance and insurance are added, the housing-expense-to-income ratio is well above this. Under inflationary conditions, so long as the homeowner's income does not fall in real terms, this expense ratio will fall over the term of the mortgage, because the nominal mortgage payment will remain constant, while nominal income will rise. Ultimately, when the mortgage is paid off, the expense ratio will fall still further to a very low level. Thus the encouragement of homeownership among those under 35 can be view as a policy to ensure affordability *for the middle-aged and elderly* or, more broadly, as part of an optimal income security system. The 1981 pattern of mean housing expense of owners to mean gross rent illustrates the point well. This ratio is 1.63 for households headed by those 25 to 34, but falls steadily with age and is only .64 for heads 75 or over (1981 Census, 92-933, Table 9).

The success of homeownership in this respect is graphically illustrated by the experience of the Quebec Housing Allowance Program. This program directly tackles the affordability problem of the low-income elderly (Steele, 1985a). Although homeowners as well as tenants are eligible, homeowners account for a minuscule proportion of all recipients, and the mean subsidy they receive is very low. Elderly homeowners are less likely to be a drain on the income security system than elderly renters.

Homeownership directly and unambiguously achieves the security of tenure goal. Associated with this is the goal of availability and the avoidance of homelessness. A homeowner who moves--selling one home and buying another--knows that so long as he/she is willing to pay the asking price, he/she will have little difficulty purchasing a home. A renter, in contrast, may have difficulty finding accommodation because landlords regard some of his/her characteristics as undesirable.

Homeownership may be seen as a goal in itself, rather than as a means to other goals. Some regard widespread homeownership as the foundation for a stable democracy, because of the belief that the ownership and care of property increases the responsibility and independence of the citizenry, and increases the stake of citizens in their community (Harris, 1987). Indeed, the requirement in many jurisdictions that property owners but not tenants must be notified when changes are proposed in zoning implies that lawmakers believe property owners have a special right, not enjoyed by tenants, to influence laws affecting their neighbourhood. A second view is that the character of the citizenry is neutral with respect to housing tenure. In this view, homeownership merely represents an investment decision, and has no implications beyond economic ones. There is also a third view, the Marxist, that homeownership undermines social progress because "Pressures for better state pensions . . . may . . . be weakened by the existence of owner-occupation to the benefit of capital," and "The nature of housing [provision] as widespread repercussions on personal life, acting as a severe restriction on attempts to break down the dominance of patriarchal nuclear family structures." (Ball, 1984, p. 365, and p. 391).

Homeownership may make the achievement of some social goals more difficult. It may reduce national income by making the labour force less mobile. This is the outcome of the high transactions costs for homeowners. This reduced-mobility effect, however, exists unambiguously only relative to tenancy in a private-rental market where there is ample supply. There are substantial impediments to mobility in the social housing system, and in private markets where rent review depresses rents below unregulated levels. In these cases tenants will be uncertain of the availability of accommodation on the same terms at a new location. Membership in a non-equity housing co-operative (see Hulchanski, 1987) can also be a major impediment to mobility.

Homeownership may also make the achievement of income mix more difficult in the rental sector. This will be a particular problem if homeownership increases so that the private rental sector becomes very small, while there is growth in that part of the social housing sector without an explicit income-mix component. On the other hand, a reduction in the income mix in rental housing because of growth in homeownership will be accompanied by an increase in the income mix in the homeownership sector.

HOMEOWNERSHIP ASPECTS OF CANADIAN POST-WAR HOUSING POLICY

One interpretation of CMHC activity for the first decade following World War II is that its main preoccupation was the encouragement of homeownership among middle-income families. A wiser view is that, confronted by thousands of veterans and others needing housing in the early post-war period, CMHC saw its main task as ensuring that mortgages were available and houses were built; there was an underlying assumption that homeownership was more desirable than tenancy. It seemed natural that these new houses should be for homeowners and so homeowner policies were the focus of CMHC's attention. Humphrey Carver has commented about the first decade after the War:

> The only interested party in the housing scene which didn't seem to get much attention at the staff meetings of CMHC was the Canadian family which couldn't afford homeownership (1975, p. 108).

The implicit assumption of this comment is that for the family which *can afford it*, homeownership is more desirable than tenancy; the statement makes no reference to the family which *does not wish* to be a homeowner, nor to nonfamily households.[9]

In the 1940s and 1950s, the major accomplishment of CMHC with respect to homeownership was its transformation and support of the residential mortgage market, which ensured that middle-income households anywhere in the country would be able to obtain financing (Poapst, 1987). CMHC, however, did little to help low-income families become homeowners. CMHC policy largely helped middle- rather than low-income families. This was the outcome of NHA mortgage practices: its relatively high (for the time) construction standards (which set a floor on house price), its unfavourable policies for lending on owner-occupied duplexes and triplexes, its exclusion from "qualifying income" of the income of anyone other than the household head, and the fact that it lent exclusively on new buildings (and therefore excluded the cheapest acceptable houses, which are old). The second and third of these factors operated against the use of NHA financing by large extended families, as well as other household groups outside the traditional norm.

The exclusion of existing houses from NHA financing was, at least in part, attributable to the use of house building as a way of absorbing unemployment. Reducing unemployment is a worthy objective in itself, and increasing construction is a particularly effective way to do it. Thus a major defense against the criticism that government policy did little to directly help the housing situation of low-income households is that housing policy was being used to achieve another, important target, and that in general one instrument can only be depended upon to achieve one target.

Another defense was the "trickle-down" or filtering theory. It was claimed that building new houses helped low-income families indirectly if not directly because when middle-income families bought new houses, the older houses they vacated became available to poorer families. Increasing the overall supply of houses depressed the general level of house prices below what it would otherwise have been, it was thought, and this downward pressure on prices helped deliver older, relatively low quality houses to low-income families. There is no doubt that in some circumstances this contention was correct, but in others it was not. The availability of an older house at a depressed price might simply encourage young middle-income singles and couples to leave their parents' home or their own apartment sooner than they otherwise might have done, so that they, not a low-income family, moved into the older house. Furthermore, the pressure of middle-income demand on land and construction labour and supplies might drive up the price of the low-end, new housing which low-income households might otherwise be able to afford. An increase in housing starts might in these circumstances actually operate to the detriment to low-income households.

In the last two decades, the death blow to the filtering of houses has been gentrification. Old houses in central locations have become positively attractive to upper-income households, and thus the filtering process has been stood on its head: houses have filtered up rather than down. The elimination of a substantial amount of private, low-income rental and ownership low-rise housing has been the result. The filtering down of *high-rise* rental apartments continues,[10] but this kind of housing is often unsuitable for families, and, of course, it does not provide homeownership.

While federal government policy in the late 1940s and 1950s largely relied on filtering to help low-income households into homeownership, some provincial policies offered more direct help. For example, starting in 1948, Quebec's Family Housing Act provided a 3 percent interest subsidy to families. High income families were ineligible (in contrast to NHA rules), as were expensive houses. Under a Nova Scotia program, low-income families were sold houses with unfinished interiors (shell houses). No downpayment was required; "sweat equity," in the form of the labour required of the family to finish the house, replaced financial equity.[11]

There is evidence that during this period, CMHC, unlike many of the provinces, regarded homeownership as positively unsuitable for low-income households, despite the large percentage who had achieved this status without subsidy (Hulchanski, 1987). In 1949 it resisted a proposal by Ontario for no-downpayment loans to low-income households.[12] In 1962, in reaction to a proposal for low interest, long amortization, loans to low-income families, CMHC made clear that it believed its assistance to low-income families should be confined to rental housing.[13]

The federal opposition to direct efforts to make homeownership accessible to low-income families gradually evaporated during the 1960s. Downpayment and qualification requirements were relaxed. As a consequence, while in 1954 and 1957 only 6 percent and 2 percent, respectively, of NHA borrowers were in the lower third family income group, in 1965 the proportion in the lower third had risen to 18% (*CHS*, 1966, T. 70; 1968, T. 60). The expansion of NHA in the late 1960s into condominium lending and lending on existing houses opened homeownership to many low-income families which would otherwise have found it unaffordable. Further, in 1968, the decision was taken to target CMHC lending at low-income families (*CHS*, 1968, p. x). At first it was used essentially only for rental housing, but little by little CMHC moved towards the revolutionary step of a large-scale subsidy program for homeownership. The first step, in 1970, was the $200 million "innovative low cost housing programme" (*CHS*, 1970, p. x) which was aimed at low-income households and which funded in the order of 10,000 ownership units.[14] This program did not, however, provide loans at below the CMHC direct lending rate. Its follow-up in 1971, the $100 million "assisted-home-ownership programme" (*CHS*, 1971, p. xii) did do this, and also extended the amortization period.[15]

The giant step--the introduction of the Assisted Home Ownership Programme (AHOP)--was taken in 1973. The CMHC programs for homeowners in the 1950s and 1960s--mortgage insurance and direct lending programs--were only subsidy programs in a very limited sense, and the $100 million program in

1971 represented only a small change. AHOP was a brave and path-breaking departure; it married large initial monthly subsidies to a mortgage design which was radically different from the standard, and thus made new homeownership accessible to a greatly increased number of families. Under AHOP the initial monthly payments on a new dwelling unit were greatly reduced by the use of a mortgage payment design which provided for payments that gradually increased over many years.[16] The rationale for this design was the assumption that inflation would continue at the same or higher rate, and accordingly, incomes would rise (so that the payment-to-income ratio under AHOP would not rise), and house prices would rise (so that the homeowner's equity would not fall); interest rates on rollover (see Poapst, 1987) would have an unchanging inflationary premium.

Events proved these assumptions incorrect, and this bad luck, along with imperfect design, resulted in much higher defaults than was foreseen. Of the 161,000 units funded by assisted homeownership programs over the period 1970-78, 18,000 had defaulted by 1985, an 11 percent rate.[17] This is an extremely high rate by the standards of the first two post-war decades, but it must be put into context. First the defaults were largely an Ontario problem: 60 percent of all defaults occurred there, and the Ontario rate, at 20 percent, was about twice as great as the next highest regional rate. Both Quebec and the Prairies had a rate of only 4 percent.[18] Second, during this period the default rate for *regular* NHA loans was also very high,[19] presumably because of the much greater house price volatility after 1970 than in earlier post-war years.

As the numbers cited above indicate, AHOP was a popular, large-scale program. As a result, it achieved a major change in the nature of NHA borrowers. In 1975, an amazing 31 percent of NHA borrowers were from the lower third income group (*CHS*, 1976, Table 103). Close to half of AHOP borrowers in 1973-75 were in this category; the proportion was much higher than this in the West (*CHS*, 1975, Tables 97, 99). A somewhat lower, but still high, proportion of AHOP borrowers in the next three years was also low-income families.

In 1978, as delinquencies grew, AHOP was terminated. CMHC general programs for homeowners are now confined to mortgage insurance. The only programs aimed explicitly at low-income families are the narrowly targeted Residential Rehabilitation Assistance Program and the Rural and Native Housing Program. It is important to note, however, that low-income families make up a significant proportion of those benefitting from the extension in the late '60s of NHA financing to cover condominiums and existing houses. In 1984, for instance, while borrowers with family income under $30,000 accounted for only 15 percent of all NHA borrowers for new single-detached houses, they accounted for 32 percent of borrowers for existing single-detached houses and 33 percent of borrowers for condominiums (*CHS*, 1984, Tables 86, 87, 88).

RECENT PROBLEMS FOR HOMEOWNERSHIP

INFLATION AND THE TILT PROBLEM

The existence of inflation makes the standard mortgage design an important issue. Under inflation, this design has the much discussed "tilt" problem; that is, the burden of the mortgage payment on borrowers is much higher at the beginning of the term than it is later. This can be seen as follows. The monthly payment over the term of the mortgage is constant. It blends interest and principal repayment so that, if the maturity term of the mortgage is the same as the amortization term, then the mortgage is completely paid off by the end of the term. Now, suppose that the income of a borrower rises at the rate of inflation, implying that the income of the borrower is constant in real terms. Suppose also that the initial mortgage-payment-to-income ratio is 28 percent. If there is no inflation, this ratio remains the same over the life of the mortgage. On the other hand, if the rate of inflation is, say, 8 percent, then income rises so that at the end of the first year, the ratio has fallen to 26 percent, and by the end of the fifth year to 19 percent. This is, in part, the tilt.

So far, the effect of inflation appears benign in its effects on the borrower; indeed, under the assumptions so far, inflation confers a large benefit on the borrower as the mortgage ages, without imposing any cost. This would in fact be the case if inflation were not anticipated. If, however, inflation is anticipated then lenders will demand a higher interest rate so that they are compensated for the decline in the real value of their principal. The inflationary premium they demand will equal the expected rate of inflation. The nominal interest rate minus this inflationary premium is the real rate of interest. Assume now that this real rate is 4 percent. Then, when the rate of inflation is zero, the nominal interest rate is 4 percent; when the rate of inflation is 8 percent, the nominal interest rate is 12 percent. For a $50,000 mortgage, the annual payment, assuming a 25-year amortization, is $6,375, or 28 percent of an income of $22,767 when the rate of inflation is 8 percent but only 13 percent of income when the rate of inflation is zero.[20] Thus, while inflation results in a falling mortgage payment burden over the life of the mortgage, it also, if it is anticipated, increases the initial burden greatly--in our example, from 14 percent of income, to 28 percent.

An associated additional consequence of inflation is that it results in a much faster build-up of equity than if there is no inflation. If house values increase at the rate of inflation and the rate of inflation is 8 percent, equity increases by more than 8 percent of the value of the property in the first year of the mortgage, far more than the build-up in equity associated with the mortgage amortization payment.

THE PROBLEM OF VARIABLE INTEREST RATES AND HOUSE PRICES

A second problem associated with high inflation is high variability in interest rates and house prices. In Canada, in contrast to the United States, the 1970s saw the end of long-term mortgages (Poapst, 1987). As a consequence, Canadian borrowers bore great mortgage-rate risk. A home purchaser was no longer secure in the knowledge that his/her mortgage payment was fixed for 25 or more years; instead, it could change greatly in five or fewer years. The magnitude of the possible change is indicated by the fact that some purchasers borrowing at 11 percent in 1976 faced a rate of 18 percent or more at renewal in 1981. A purchaser faced the possibility that homeownership which was affordable at the date of purchase might become unaffordable later.

As Table 3 shows, nominal and real house prices also were much more variable in the 1970s and 1980 than earlier. House-price risk increased in the 1970s as well as interest rate risk.

IMPLICATIONS

One implication of the tilt, by itself, is reduced access to mortgage finance. The high initial mortgage payment under inflation means that some households cannot qualify for a mortgage, despite the fact that *on average*, over their working life, they can afford the payments. This reduction in accessibility will especially hurt low-income households. It was this observation that motivated the design of AHOP and its successor, the Graduated Payment Mortgage (GPM).

The reduction in accessibility because of the tilt, however, is less than it seems. Initially, the increase in the tilt was accompanied by a relaxation of lending rules which, at least in part, offset the reduction in accessibility caused by the tilt. The maximum Gross Debt Service (GDS) ratio, the ratio of the monthly principal, interest and taxes (PIT) payment to income increased; the percentage of spouse's income included for the purposes of this ratio increased; minimum downpayments fell (Poapst, 1987). This relaxation allows households to purchase even when their resources are tightly stretched. This probably only makes sense in the context of a tilt. A 32 percent ratio of PIT-plus-heat-to-income at the time of purchase would likely be a problem *if it were not quickly eroded* by inflation.

Households can adopt strategies to product a home-made flattening of the tilt. One strategy is to purchase a cheaper house, initially, than would otherwise be done, with the plan to move up from this so-called "starter" once the tilt has reduced the payment-to-income ratio and increased the equity-to-value ratio sufficiently. The ready availability of condominium apartments and townhouses in the 1970s in many

TABLE 3
HOUSING PRICE CHANGES 1941-1984

Year	Real Rent Index	Real New House Price Index	Percent Change Real New House Price Index	MLS Real Average Price Index	Five Year Conventional Mortgage Rate	Financing Cost Indicator
1941	198.7	57.1	N/A	N/A	N/A	N/A
1942	184.5	57.9	1.40	N/A	N.A	N/A
1943	179.4	60.4	4.32	N/A	N/A	N/A
1944	178.3	62.3	3.15	N/A	N/A	N/A
1945	176.9	62.0	-0.48	N/A	N/A	N/A
1946	172.1	64.1	3.39	N/A	N/A	N/A
1947	163.0	66.2	3.28	N/A	N/A	N/A
1948	148.5	68.6	3.63	N/A	N/A	N/A
1949	146.0	69.5	1.31	N/A	N/A	N/A
1950	153.2	71.4	2.73	N/A	N/A	N/A
1951	147.0	75.3	5.46	N/A	5.5	414.1
1952	151.7	74.5	-1.06	N/A	5.8	432.1
1953	158.0	75.9	1.88	N/A	6.0	455.4
1954	161.7	77.3	1.84	N/A	6.0	463.8
1955	166.1	79.6	2.98	N/A	5.9	469.6
1956	166.5	81.6	2.51	55.0	6.2	505.9
1957	164.3	80.3	-1.59	56.8	6.9	554.1
1958	163.0	79.7	-0.75	59.9	6.8	542.0
1959	162.9	80.7	1.25	60.8	7.0	564.9
1960	162.3	78.6	-2.60	60.2	7.2	565.9
1961	161.5	76.8	-2.29	59.9	7.0	537.6
1962	160.1	74.5	-2.99	59.5	7.0	521.5
1963	157.9	74.0	-0.67	59.1	7.0	518.0
1964	156.5	76.0	2.70	61.0	7.0	532.0
1965	154.6	79.1	4.08	63.2	7.0	553.7
1966	151.9	82.5	4.30	67.4	7.7	635.2
1967	151.9	83.2	0.85	71.0	8.1	673.9
1968	152.0	84.8	1.92	75.8	9.1	771.7
1969	152.8	87.5	3.18	79.8	9.8	857.5
1970	151.8	88.7	1.37	79.0	10.4	922.5
1971	150.6	89.7	1.13	80.0	9.4	843.2
1972	146.6	94.7	5.57	82.1	9.2	871.2
1973	138.5	107.3	13.31	89.2	9.6	1030.1
1974	127.9	124.6	16.12	101.6	11.2	1395.5
1975	122.0	119.2	-4.33	100.0	11.4	1358.9
1976	120.6	118.9	-0.25	103.8	11.8	1403.0
1977	118.6	113.3	-4.71	101.2	10.4	1178.3
1978	116.0	107.1	-5.47	100.6	10.6	1135.3
1979	110.9	101.1	-5.60	100.9	12.0	1213.2
1980	104.8	98.6	-2.47	97.3	14.3	1410.0
1981	100.0	100.0	1.42	18.1	100.0	1810.0
1982	98.3	91.3	-8.70	85.6	17.9	1634.3
1983	99.7	85.9	-5.91	86.1	13.3	1142.5
1984	99.0	84.9	-1.16	86.2	12.5	1061.2

SOURCES FOR TABLE 3

Column 1: Rent component of Consumer Price Index divided by Consumer Expenditure Deflator

Column 2: Nominal new house price: Annual average of quarterly new house price index constructed (largely on the basis of Statistics Canada's new housing price indexes for certain cities and on the basis of NHA cost per square foot data) in Steele (1986) linked at 1969 to the average cost per square foot of NHA singles (*HSC*, series S326) linked at 1952 to the residential building construction input index (*HSC*, series K136)

Column 3: Real new house price index: nominal house price index divided by Consumer Expenditure Deflator

Column 4: Nominal average MLS price index: annual average of quarterly MLS index constructed (on the basis of MLS city data) in Steele (1986) linked at 1969 to average MLS price in *HSC* Series S319. Real average MLS price index: nominal average MLS price index divided by the Consumer Expenditure Deflator

Column 5: CANSIM B14024

Column 6: Column 5 times Column 2

cities helped purchasers implement this. A second strategy is to buy a cheap, unrenovated house with the plan to move up by renovating it later. A third strategy is initially to rent out part of a house, planning to occupy the whole house later. The last two strategies fit in less well with lending rules than the first, but the extension of HNA insurance to existing houses in 1966 was of some assistance.

It is noteworthy that all these offsets to the tilt result in less consumption, i.e., more saving, during the early years of homeownership that if there were no tilt. Where the downpayment is low, however, this may be seen, to some extent, as merely substituting a high saving rate after purchase for a high saving rate before. Indeed, saving at a high rate before purchase so that a large downpayment is accumulated is another strategy for gaining access. This strategy was subsidized, for the years 1974 to 1985, by the RHOSP tax shelter.

Some households with low net worth benefit from intergenerational transfers to enable them to make a large downpayment and reduce the burden imposed by the tilt. Intergenerational transfers will be encouraged when there is inflation because of inflation's positive effects on the net worth of elderly homeowners and the low after-tax real return to financial instruments.

An implication of interest rate variability is the increased possibility that homeowners may have to sell or may become delinquent borrowers because an initially affordable home becomes unaffordable. This however, is unlikely to be much of a problem so long as the mortgage is the standard one. In the example, given above, of the homeowner renewing in 1981 at 18 percent, the monthly payment increased by about 40 percent. But the payment-to-income ratio was *still* less than in 1976, the date the mortgage was originally taken out, so long as the household's income increased by 53 percent, the average rate of increase over the period (Department of Finance, 1985, pp. 82, 117). Thus, the tilt, even in this quite extreme example, rescued the homeowner. The high demand by households for short-term mortgages and the low demand for the Mortgage Rate Protection Plan (Poapst, 1987) suggest that households do not regard interest variability as an important risk problem, although a high *level* of interest rates has a great negative impact on demand.

The great variability in house prices also has important implications. It means that great capital gains are possible. The lure of these tax-free gains is enhanced by the availability of low downpayment loans. The resultant leverage means that a purchaser whose timing is superb may earn a very high return on equity. This fact receives a great deal of attention in the popular press. What receives much less attention is the fact that the net return is usually much less than the gross return, because interest and other costs of homeownership will, in a time of inflation, be much more than imputed rent. These costs have been very important in many recent years. Furthermore, just as high price variability means great capital gains are possible, it also means large losses are possible. This possibility became a reality for many homeowners in Western Canada in the 1980s. The losses suffered by homeowners were reduced, however, by an asymmetry. Mortgage insurers often accept a "quit claim" when a borrower is no longer able or willing to make mortgage payments, so that the borrower's loss is limited to his/her equity (and the accumulated difference between his/her periodic cash costs and gross imputed rent). The homeowner "walks away" rather than bearing the difference between the mortgage principal and the market value of his/her house. A new mortgage design, a shared appreciation mortgage, would reduce this asymmetry. Larger downpayments, i.e., lower leverage, would also do so.

A NEW POLICY FOR LOW-INCOME HOMEOWNERSHIP

In view of the discussion in this paper what would be a desirable homeownership policy for low-income households? As a preliminary, consider succinctly the rationales for subsidizing low-income homeownership. First, low income households are especially likely to need income supplements in old age. Homeownership, because of its associated forced saving, will increase their net worth and reduce this need. A small amount of assistance to low-income families with middle-aged heads is likely to pay substantial dividends in the future, in terms of reduced income supplement payments. Second, the tax breaks for homeowners are less for low-income families, because of their low marginal tax rate, than for higher income families. Third, low-income families with children are apt to be perceived by landlords as high-cost tenants, and so they will find it difficult to obtain accommodation. Homeownership is one solution to this problem. Finally, homeownership subsidies would reduce the inequitable treatment of low-income homeowners as compared with low-income occupants of social housing.

The first aspect of a new policy for low-income homeownership would be a careful investigation of the existing qualification rules of thumb for NHA mortgages to ensure that they do not discourage nonstandard housing arrangements. For instance, one way a low-income single parent mother may be able to afford homeownership is to buy a house, but rent out a few rooms (possibly to another single-parent mother). There seems to be no general, powerful reason why this rent should not be taken into account before the GDS ratio is calculated, but CMHC does not do this in assessing qualification for NHA loans.[21] Neither does it deduct the rent of the second apartment in a duplex; in this case the rule-of-thumb GDS ratio is 42 percent, instead of the standard 32 percent.[22] This is very conservative. To illustrate, consider the case of a single-parent mother considering becoming an owner-occupier and willing to bear the burden of a 32 percent GDS ratio. Suppose her income is too low to allow her to qualify to buy even the cheapest single-detached house. However, suppose that 57 percent of her income would be enough to carry a modest old house which has been converted into two units.[23] If she rented the second unit to a single parent mother with the same income, and that tenant paid rent equal to 25 percent of her income, then an amount equal to 57 percent of the owner's income would be generated (32 percent directly from the owner-occupier and 25 percent from the tenant). The *42 percent CMHC rule of thumb does not come close to the 57 percent* in this example, and is inconsistently low relative to the 32 percent standard single-detached unit. Note that if each single-parent mother has one child, the total number of occupants of the converted house will be only four; this is fewer than most old houses, even very modest ones, would originally have accommodated.

The great rise in the number of single parent and other types of nontraditional households in the last two decades (Miron, 1987b) makes an assessment of qualification rules of thumb like the 42 percent rule especially desirable. In the past, in its loosening of restrictions on including a wife's income for the purpose of qualifying for a mortgage, CMHC has shown suitable flexibility with regard to a major change in household arrangements. Now is the time for CMHC to show further flexibility.

A second aspect of the policy would be to offer Price Level Adjusted Mortgages (PLAMs), i.e., fully indexed mortgages, to low-income households. These would be sold to investors and would be fully insured against default. Indications are that the market interest rate for these mortgages would be in the order of 7 percent (Bossons, 1985). It should be noted that the existing 32 percent of maximum GDS plus heat ratio is unsuitably high for an indexed mortgage payment and so it should be lowered for this kind of mortgage. Such a lowering would partly, but only partly, outweigh the effect of the lower interest rate on increasing accessibility. A PLAM mortgage would eliminate the tilt caused in the standard mortgage plan by a positive rate of inflation, but it would not incorporate the rigidity of the AHOP and GPM schemes.

The two parts to a low-income homeownership policy outlined above would involve a subsidy only to the extent that they increased the rate of defaults. This possibility should be covered by an explicit contribution to the NHA mortgage insurance fund, but careful management might make its use unnecessary. In addition, policies should be implemented which would explicitly subsidize low-income homeownership. One policy would directly relate to the pension motive for homeownership. A tax credit equal to one-half of savings deposited in a special downpayment account could be introduced; twice this tax credit would then be deducted from the allowable Registered Retirement Savings Plan deductions. This scheme is essentially a cheaper and more progressive version of the recently terminated Registered Home Ownership Plan. It is cheaper because of its link to RRSPs; it is more progressive because of its form as a tax credit. It would help all households, not only low-income households, but unlike the RHOSP it would not help high-income households more than low-income ones. A simpler way to accomplish the same end would be to reduce the allowable RRSP limits, and use the tax savings to give every first-time purchaser above a specified age a downpayment grant.

A second scheme to help low-income households would be a housing allowance extended to homeowners as well as renters. Quebec already has such a program, although it is confined to the elderly. While the downpayment fund would help low-income households to purchase a home, a housing allowance scheme in which payments depended on both housing expense and income would help low-income households keep their homes in times of adversity such as unemployment. The housing allowance would reduce the ratio of mortgage payment to income for low-income households.

Because these schemes would cover old as well as new houses, low-income recipients would generally use them to assist in the ownership of relatively cheap homes widely distributed in any urban area. Unlike AHOP, these schemes would not be linked to a GPM plan which provides for automatically rising mortgage payments. It would be advisable to specify a minimum age (perhaps 30), or, for those under 30, a minimum years of employment (perhaps 5 years) for participants. These schemes would not encourage households who are still mobile to purchase a home, which would reduce that mobility or involve them in high transactions costs if they do move. Furthermore, the age/years-of-employment rule would reduce the subsidization of well-educated young people with a high lifetime income but low current income, while allowing a stable, employed factory worker to qualify before reaching 25 years of age.

Subsidizing homeownership for low-income households along with a housing allowance for private renters would mean that low-income households would no longer have to live in public housing, nonprofit housing or (non-equity) co-operative housing in order to receive a housing subsidy. Of course, for many nontraditional households--for example many widows and single-parent households--homeownership of a nontraditional type may be the best choice. A condominium relieves the homeowner of many of the management and maintenance tasks of a freehold homeownership. An equity co-operative allows the small household to share these tasks in the same way as larger households in a single-detached house. An equity co-operative, unlike a non-equity co-operative (Hulchanski, 1987), does not represent a major impediment to mobility. In an equity co-operative a person who has participated in paying off the mortgage can sell his/her share and use the cash to buy a share in another equity co-operative or to buy a house. It will be easier for a homeowner (i.e., a household with equity in his/her home) to move to a job in another city, or to move to another city or village on retirement. A member of a non-equity co-operative cannot do this without a major financial sacrifice. It would be both equitable and efficient to reduce the large subsidies currently given to non-equity co-operatives and use the savings to provide a small subsidy for those low-income households wishing to become or remain homeowners.

A more important source of funds for these subsidies would be funds released from the private rental industry by tax reform. Over the last decade, there has been a major reduction in subsidies to the private rental sector--ARP and MURBs have been eliminated, the allowance of "soft costs" tightened up--and tax reform tightens the squeeze. It is appropriate that the revenue saving achieved as a result should be targeted to the low-income households who are major losers in the tight rental markets which have resulted.

NOTES

1. A homeowner is taken to include condominium owner-occupiers and owner-occupiers of equity co-operatives, but not occupiers of non-equity co-operatives.

2. Rowe, 1986. The 33rd percentile income for Canada was $20,708 in 1981, and only 4 percent of 1981 NHA borrowers for single-detached houses had an income as low as this (*CHS*, 1982, Table 85).

3. In 1982 over 85 percent of homeowner spending units with head aged 65 or over were mortgage-free. Among homeowner spending units with heads aged 35-64, 67 percent of those with income of $20,000 or less, 48 percent of those with income $10,001 to $40,000 and 37 percent of those with income greater than $40,000 were mortgage-free (Statistics Canada, Family Expenditure Survey microdata, 1982).

4. The distinction between owners and non-owners is in actuality less sharp than this simplified analysis suggests. There is a continuum: a condominium or equity cooperative homeowner clearly has less control over his/her environment than a freehold owner, but more control than a renter. A non-equity cooperative member also has more control than a renter. Renters now have more control than they did in times past, because of increased regulation of landlord-tenant relations.

5. Among these factors are gentrification and rent review. For data on the effects of gentrification and rent review in Toronto see Smith and Tomlinson (1981), City of Toronto Planning and Development Department, Policy Section (1982) and chap. 19. For Montreal, the effect of gentrification and condominium conversion has been described as follows:

   > These new phenomena produced a profound transformation of the old core areas, due especially to the forced departures (as a result of takeovers or as a consequence of rental increases) of the traditional rental households. The elderly and the inactive, especially households headed by women, were most affected. The old rental market in Montreal in the core area changed hands. The new residents have much higher income, many more academic credentials and are younger than the former residents: everything differentiates the new residents from the old (Choko, 1986, p. 16).

   Choko (1986, p. 20) cites studies of conversions finding that 90 percent of resident households were forced to move and the elderly are the most likely to be dislodged. See also n. 10.

6. See Clayton (1974) for a discussion of the position of landlords vs homeowners and Clayton (1984) for a detailed accounting of the recent tax subsidies and explicit subsidies for landlords.

7. The factors generating gaps in the housing market are analyzed in Bossons (1978).

8. Survey evidence of landlords' perceptions of the costs of low-income households with children is given in Steele (1985c, chap. 2). Discrimination against children is sufficiently important that some jurisdictions have enacted laws prohibiting it (e.g., Ontario in 1987, as part of human rights legislation which also, for example, prohibited discrimination on the basis of sexual orientation). See Choko (1986) for comments on discrimination against children in Montreal.

9. An observer of housing policy from outside CMHC has commented:

   The best conclusion we can arrive at concerning national housing policy from 1945 through 1964 is that the Government of Canada was strongly in favour of the attainment of homeownership by every family. This goal was enunciated from time to time in Parliament and in the speeches of federal ministers, particularly those responsible for the operation of Central Mortgage and Housing Corporation (Rose, 1980, p. 35).

10. See Choko (1986) for the loss of *low rise* low-income housing in Montreal. See also n. 4. In the City of Toronto, according to Ward, Silzer and Singer (1986), about 1,000 units a year of low-rise stock have been lost; and about 2,000 moderate rental units per year have been lost in buildings containing six or more apartments, because of demolition, conversion and luxury renovation. In addition, according to Ward et al., "Planning staff of other municipalities within Metropolitan Toronto and City of Ottawa planners indicate that their losses due to the same kinds of pressures have been substantial" (1986, p. 4). Ward et al. attribute a substantial part of the move upmarket of these latter buildings to the renovation provisions in the pre-1987 rent review legislation.

    Perhaps the most notable example of a high-rise complex which has filtered down from middle income singles to low-income families and the elderly is St. James Town, a 6,000 to 7,000 unit development in the City of Toronto.

11. For further information on provincial programs, see Dennis and Fish (1972, pp. 276 ff.).

12. The president of CMHC in his reaction to this proposal, said: "a rental purchase scheme with virtually nothing down is rental housing" (cited in Dennis and Fish, 1972, p. 266). This odd statement ignores, among other things, the fact that house purchase provides a household with control over its environment, including security of tenure, and it generally results in a build-up of equity.

13. The proposal came from the builder, Robert Campeau. The president of CMHC, in his reaction to the proposal stated: "Mr. Campeau's proposal would undoubtedly enable families of lower income to achieve home ownership . . . The National Housing Act recognizes that not all families are able to own their own home. The Act make special provision for low rental housing projects." Another official, in 1967, argued, "One of the objections to the principle of providing subsidies for homeownership has been reluctance to asking some people . . . to pay for the acquisition of assets by other people." (Both quotations are taken from Dennis and Fish, 1972, pp. 267-8). It may be inferred that CMHC felt ready to subsidize housing, but was not ready to let a low-income family choose its tenure by offering a subsidy of the same present value, no matter what the tenure choice.

14. See *CHS*, 1970, p. x and Table 51, and the discussion in Dennis and Fish (1972). Dennis and Fish suggest that the typical recipient was a young man "on the way up" rather than someone with a low permanent income.

15. The "programme permitted a below-market interest rate" (*CHS*, 1971, p. xii). Over 20 percent of the units under this and the 1970 program were condominiums. The median income for the two programs was $6,112, about half that of borrowers in the regular homeownership programs and only slightly higher than tenants in Section 15 nonprofit rental units. The average age of borrowers was 31 years (*CHS*, 1971, p. xviii).

16. All AHOP participants (there was no income ceiling, although there was a house price ceiling) received an interest-free loan which increased by a decreasing amount each year for five years. At the end of five years no further additions were made to this loan and the interest holiday ended; repayment started at the end of six years. Lower families were also assisted by an annual grant. Ontario, Nova Scotia and Saskatchewan piggy-backed a grant into AHOP, so that in those three provinces the subsidy was particularly deep. (For further details, see *CHS*, 1973, p. xviii, 1974, p. xx) and Rose, 1980).

17. Defaults are given in *CHS*, 1985, Table 67 and units funded in *CHS*, 1979, Tables 60, 61. Defaults and units funded include those from the 1970 and 1971 programs discussed earlier in the text, as well as from AHOP proper. (Information on coverage of defaults thanks to Paddy Fuller, CMHC.)

18. See n. 17.

19. The default rate for non-AHOP, non-ARP (i.e., "regular") NHA new homeownership units plus NHA new and existing rental is estimated at 5 percent. This is computed by taking the ratio of defaults for regular new homeownership plus regular new and existing rental, to total units in three categories (new single-detached and multiples plus existing multiples) net of AHOP and ARP units (see *CHS*, 1979, Tables 60, 61, 1983, Table 60, 1985, Tables 67, 68). This is an underestimate of the true rate for two reasons. First, some of the existing multiple activity would be condominium (i.e., properly placed in the homeowner category), but no existing homeowner defaults are included--thus this tends to make the denominator too large, while not affecting the numerator. Second, the default data and the activity data are both for 1974 to 1985, which means that many of the defaults are yet to come. In contrast the AHOP defaults are those occurring 1974 to 1985 for units built from 1970 to 1978.

20. The payment is calculated assuming that interest is credited annually; the formula used, derived from the algebra of geometric series (Allen, 1956, p. 448), is $P = i*50{,}000/(1/(1+i))^{25}$ where P is the annual payment and i is the rate of interest. Published tables are available giving monthly payments under the assumption that interest is credited more frequently than annually.

21. Account would have to be taken of the possibility of the rental rooms becoming vacant. The likelihood of this would depend on the characteristics of the rooms and the characteristics of the market. For example, the likelihood of vacancy would be low in the Southern Ontario market at present.

22. This information was obtained from the CMHC Toronto office, February 1988.

23. The Kitchener, but not the Toronto, CMHC office requires that the building be a *legal* duplex, so that some converted houses would not qualify even for the 42 percent GDS ratio.

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AFFORDABLE HOUSING: WHOSE DOMAIN?

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INTRODUCTION

The Region of Peel was created in 1974 as part of the Government of Ontario's Economic Development Program. Peel Region lies to the west of Metropolitan Toronto, covers an area of 1,257 km^2 and has a population of approximately 600,000. Three municipalities--the cities of Mississauga and Brampton, and the town of Caledon--are located within the Region.

A housing department and a public non-profit housing corporation, Peel Non-Profit Housing Corporation (PNPHC), service the Peel Region. The Housing Department deals with housing and related issues that affect the region, while PNPHC supplies social housing to the population of Peel. Other providers of social housing in the region include Peel Regional Housing Authority (PRHA), which is operated by the Province of Ontario, a co-operative housing sector, and several private non-profit housing organizations.

Incorporated in 1976, PNPHC's current portfolio consists of approximately 2,500 units including apartments, townhouses, a group home and a nursing home. The corporation provides affordable housing for low- and moderate-income families, seniors and the physically disabled.

AFFORDABLE HOUSING: WHOSE DOMAIN?

PRIVATE SECTOR

The Region of Peel supports and encourages private sector initiatives by assisting in the creation of conditions which enable the private sector to act. This is evident through a variety of activities which are briefly discussed below.

FAIR RENTAL POLICY ORGANIZATION OF ONTARIO

The Fair Rental Policy Organization of Ontario (FRPO) is a province-wide, non-profit organization whose membership includes owners, builders, managers and financiers of rental residential and commercial properties in Ontario. Essentially, but not exclusively, this organization represents private sector landlords in the province. The Peel Region Housing Department is also a member. FRPO considers all housing issues which affect the industry, ranging from the Rental Housing Protection Act and rent review to residential standards legislation. As stated in its position paper "Fair Rental Policies for Social Housing," FRPO recognizes that not everyone is equally well-served in the current market place. As such, FRPO adopted an objective to "promote a housing policy which will provide affordable housing accommodation for the poor." Policy solutions include a return to normal market conditions in the long-term and the provision of shelter allowances, rent supplements and carefully targeted supply programs.

OWNERSHIP HOUSING

Peel Region is also involved in several activities regarding affordable homeownership, and has recently recommended two initiatives. The first is a review of incentives which could be provided to developers to produce affordable ownership and rental housing in the Region. The second is with respect to getting involved in the national study of regulatory reform presently under way through the Federation of Canadian Municipalities (FCM), the Canadian Home Builders Association (CHBA) and the Canadian Housing and Renewal Association (CHRA).

In addition, Peel Region is represented on the First Time Homebuyers' Task Force. This group evolved from a request by the Toronto Real Estate Board (TREB) for the establishment of a task force to study affordable homeownership. The Task Force is also seeking innovative solutions, including new financial options and the revision of restrictive requirements regarding the development process. Recommendations will be directed toward both the government and the private sector. Completion of the report is planned for the summer of 1990. At that time, the Task Force will hold a public forum to announce the contents of the report and the implementation procedures.

MANUFACTURED HOUSING

The First Time Homebuyers' Task Force will look at manufactured housing, despite the belief that there is only a limited potential for this type of housing within Metropolitan Toronto, due to its already high density levels. Peel Region, however, has a different perspective on manufactured housing. In the spring of 1987, the Region's Housing Committee requested the Housing Department to investigate the potential for locating trailer parks on leased land as a short-term solution to the housing crisis. The Housing Department broadened the scope of the report to include the entire concept of manufactured housing. To date the Region has:

- reviewed relevant literature;
- contacted a manufacturer in Southern Ontario who is engaged in pre-fabricated and modular housing production to discuss the potential for working together;
- held meetings with a local private sector developer regarding manufactured housing, leased land and interest in future activities;
- met with a representative from the Ministry of Housing to discuss potential funding for a manufactured housing demonstration project. While no formal proposals have been

submitted, there is a possibility that a joint venture may evolve between the Region of Peel, the Ministry of Housing and a local manufacturer to develop a manufactured housing project for first-time homebuyers.

These initiatives describe Peel Region's involvement with the private sector in the attempt to support and encourage the provision of affordable housing to low- and moderate-income households. Peel Region recognizes the importance of the private sector, and its willingness to act where it can. However, the Region also believes that there are realistic limits beyond which the private sector cannot act effectively, particularly in the area of special needs housing.

SPECIAL NEEDS

The Region of Peel believes that it is responsible for meeting the housing needs of special need households within its boundaries. The private sector also acknowledges that generally it has no interest in this type of housing. Accordingly, the Region of Peel Housing Department is involved in the activities described below.

THE HOMELESS

Peel Region is actively involved in several initiatives. During 1987, the International Year of Shelter for the Homeless (IYSH), Peter Smith, Commissioner of Housing for the Region of Peel, chaired a three-day conference jointly sponsored by the Canadian Housing and Renewal Association (CHRA) and the International Council on Social Welfare Canada (ICSW). The conference attracted 1,500 delegates from around the world. One result of the conference was the decision to form a national housing coalition. Work has begun in this area through an organization known as Rooftops.

Commissioner Smith is also the Past President of CHRA. CHRA holds a three-day symposium annually, and the theme for 1988 was "Housing Canadians: A National Strategy beyond IYSH." The conference attracted over 200 delegates. Additionally, CHRA is developing its potential as a stronger voice within Canada's housing field.

Peel Region has a dearth of emergency shelter and supports for its homeless population. Many who require help are provided with hotel or motel accommodation in the Region. The Region committed itself to review emergency shelter programs, with the goal of replacing the hotel/motel system of assistance by the end of 1989. It also intends to construct at least one facility to be owned and operated by the Region and to assist other agencies who wish to do the same. The emphasis in Peel Region's work is to develop an emergency housing program which will ensure entry or re-entry into permanent housing.

Peel Housing Department recently initiated a joint project with the City of Toronto regarding the homeless. Many Peel residents who are homeless rely upon Metropolitan Toronto Emergency Services, because Peel Region lacks necessary support services. This situation has added to the pressure put on Metropolitan Toronto and, in many instances, Toronto has had to refuse help to homeless households. Peel Council would like to take responsibility for these and other homeless persons whom the Region's support system cannot currently accommodate. Peel Region is attempting to determine which services are necessary to assist those households wanting to return to Peel, and to intervene to assist other homeless persons before they are forced to leave Peel to acquire necessary assistance.

PEEL MENTAL HEALTH HOUSING COALITION

During the mid-1980s, a coalition was formed in Peel Region to assist the psychiatrically disabled. Members of the Coalition include local hospitals, community-based support and legal service groups, and government agencies. The coalition is supported by the Department of Housing, which is represented by two staff members.

In the fall of 1987, the Coalition completed an agenda for action outlining thirteen short-term objectives. These objectives range from incorporation, to establishing a lobby profile, to developing a demonstration housing project. Regional Council has endorsed this report, and sub-committees have been established and are working on their tasks. Peel is involved in several sub-committees: one to look at the elimination of restrictive zoning and other barriers to allow appropriate housing to be provided for this group, and one to consider the development of the demonstration project.

HAMMOND ROAD

PNPHC built a group home for eight psychiatrically disabled persons who are supported by the local branch of the Canadian Mental Health Association (CMHA). This was the first partnership of this nature in Peel Region for a purpose-built project.

The group home was constructed in an exclusive, high-income area in Mississauga. Initially, there was neighbourhood opposition to the project. However, after several community meetings, residents displayed less opposition and fear of the project, and some interest in participating on a neighbourhood community board involved with the home. The home opened in the summer of 1988.

BATTERED WOMEN

Peel Region has two emergency shelters for battered women. Neither shelter is owned or operated by the Region. The Salvation Army and a non-profit group known as Interim Place are responsible for the shelters. Peel Region has a close liaison with both of these groups. PNPHC instituted a battered women's policy which is consistent with the policy within the Province of Ontario's social housing units. Once a woman has been verified as a battered woman, who sincerely desires to leave the battering situation, she is placed at the top of the PNPHC waiting list and is offered the next available suitable unit.

PNPHC is also taking steps beyond the policy. About 15 units will be made available within new projects ready for occupancy in 1988 and 1989. PNPHC will accept women from the two agencies who may be battered, but do not fit the policy definition. This could include women with no children or women who may already be housed, but not living in appropriate accommodation. Transition units may also be set up as a pilot project. That is, a woman and her children may be moved into a unit leased by the agency for a six month to one-year time period, until she locates her own place. This has not been done before in Peel Region.

YOUTH

Until recently, the youth in Peel Region were ignored. There is only one emergency shelter with counselling services for youth in the Region. This home is operated by a non-profit organization, which has also recently received funding through a Government of Ontario initiative to assist the homeless to construct a second home. PNPHC is assisting the group with site acquisition and project construction co-ordination.

SOCIAL HOUSING

A final comment is necessary regarding Peel Region's continuing efforts to create additional social housing units in the Region. The following initiatives are also under way:

- a request that the Ministry of Housing allocate 800 units per year for the next five years to PNPHC for family housing;
- the adoption of a "housing first" policy for all publicly-owned lands in Peel Region, discounted market values for social housing, and the potential for municipal landbanking;

- municipal investigation of a land dedication for social housing from the development industry as a condition of development approval, plus specific lot allocations in new subdivisions for special needs housing; and
- a review of intensification initiatives, including rehabilitation and renovation (granny flats, accessory apartments, home-sharing).

SUMMARY

Peel Region, one of the fastest-growing regions in the country, is in the midst of a housing crisis. Access to affordable housing is beyond the reach of many of its low- and moderate-income residents. Additionally, the Region does not have sufficient facilities to assist special needs households that require permanent housing and services.

Peel Region's housing initiatives are both aggressive and co-operative. Close links to the private sector have been established to create a climate in which that sector can provide affordable units, particularly for homebuyers. The Region has also taken an aggressive role in accepting responsibility for ensuring that supportive housing is provided for the various special needs groups. A similar role is being played to facilitate the production of more social housing in general.

Peel Region is attempting to meet the challenges created by the housing crisis. The Region believes that aggressive co-operative action is the most effective manner in which the housing problems can be resolved.