Why Housing Affordability Matters And For Whom

Presentation to the Board of Directors
Canada Mortgage and Housing Corporation (CMHC)

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A Short History

• Origins of federal role date back to the 1930s
• Clear housing goals came in NHA in 1964 – to create 1 million low income units over 5 years
• Added in 1973: assisted home ownership, Aboriginal, non-profit and co-op housing
  – Provinces entered in 1970s, but Ottawa paid 50-75%
• Mid-80s, federal cuts began; by 1993, new units delivered fell to zero; loss of cost share led to parallel provincial cuts
• Re-entry began in 1998; but tentatively
Quality of Housing Matters

• Quality of housing includes many attributes: cost, access, stability of tenure, etc.
• It matters for healthy human development
  – For success in school
  – For early childhood development
  – For elders and people with mental illness
• And for economic success
  – It strengthens economic growth, attracts and retains workers, and mitigates deadweight social costs
• People need a home and a community
Quality and Stability

- Children will not succeed in school without
  - Quiet space to do their homework
  - Stable attachment to a particular school
  - Supportive neighbourhoods
- Families can’t function if the home is in need of repair, unheated, or costing too much
- Individuals do not function well if they are isolated, fearful of surroundings, unable to access supportive services
Cost of Housing Matters

- When rents are too high, people go without food, medication, other necessities
- When it takes two incomes to pay the housing bill, and one person loses his job . . .
- Or, someone in the family requires intensive care giving . . .
- Landlords (public and private) can be “unforgiving” – one month lapse and you’re out
Insecurity and Rigidity

• Meanwhile, to control costs, governments and landlords have made the rules for low and modest income more rigid

• Housing insecurity throws people into disarray, and sometimes into a downward spiral
  – High degree of mobility in and out of poverty
  – Makes it difficult to accumulate assets and find stable housing
Market Failures

- Prices of rentals and starter homes have risen faster than low and modest incomes
- Private developers and builders prefer to build units with higher ROI
- Spatial concentration of poor and distressed
- 1.7 million are on welfare; another 2 million adults work for less than $10 / hour;
  - Leading to large numbers of working poor
  - Canada has about 600,000 social housing units
Economic and Social Links

- **HEALTH CARE**
  Improving physical and mental health

- **EDUCATION**
  Enhancing educational attainment

- **SOCIAL DEVELOPMENT**
  Foundation of family life social interaction

- **HOUSING**
  A stabilizing and facilitating role

- **COMMUNITY DEVELOPMENT**
  Skills development, investment, capacity building

- **INCOME SECURITY**
  Enhancing income security

- **LABOUR FORCE**
  Contributing to stability and mobility

- **IMMIGRATION**
  Facilitating integration
Policy Failures

- Loss of confidence in merits of social housing
- Delegation of housing finance and construction to private developers
- Cuts in Social Assistance (esp. Ontario and Alberta) and decline in real minimum wage
- Closure of mental hospitals and failure to create community capacity
- Failure to see gradation of housing need
- More focus on homeless shelters than long-term solutions
Changing Social Need

- Influx of immigrants with language and cultural barriers to finding a good job
- Younger Canadians moving to the city
- Incomes of young families depressed
  - Wage structure
  - Longer commitment to education, more student debt
- More lone parents with only one earner
- More people living alone, including elders
- Weak supports for mentally ill
Imagine a Different Context

• If Canada had
  – A living wage for all workers
  – A comprehensive early childhood education program
  – Robust systems of public transit to take workers and students to and from their homes
  – Generous home care and supportive housing for people with chronic illness

• Then Canadians could cope better with the shortage of affordable housing
But . . .

- We have none of the above
- Thus the flaws in the market and in a broad range of public policies create a deep housing deficit – still as deep as in 1991
  - Deeper than 1991 in Ontario, Nova Scotia
- Action is needed on many fronts – social and economic
- The most important questions on housing are:
  - Who will be responsible for the housing file?
  - What range of interventions is needed to manage the insecurity of Canadians?
Past Options

• Governments played a risk management role
• Mortgage insurance, through CMHC, to help manage the financial risk
• Public and private retirement income systems, so elders could afford independent accommodation
• Investments in social housing (construction and ongoing subsidies) . . .
• And in institutions, for people with disabilities
The Policy Vacuum

- Governments have “delegated” responsibility for affordable and sheltered housing -- to families and to the private sector
- No one is responding to the changing social and economic dynamics outlined earlier
- Governments need to agree on
  - A new pattern of responsibilities (who does what)
  - And a way to coordinate all the actors . . .
- Taking into account the strengths of each actor
Who Can Do What?

• Federal and provincial:
  – Financing, incentives, land, minimum standards, ancillary services (schools, health clinics)

• Local government:
  – Incentives, zoning, land, standards, taxes, provide ancillary services and supports (transit, recreation)

• Communities:
  – Define need, develop non-profit options, manage and maintain projects, provide ancillary services
And the Private Sector

• Developers, builders and landlords:
  – Key partners with expertise, possible investors
  – Potential builders, promotion of mixed communities

• Employers:
  – Key partners with land, financing, employee volunteers

• Financial institutions:
  – Creative financial instruments
  – Source of equity and debt
Minimizing Costs

• Creating a continuum of possibilities, designed to create stability and related services
  - Fully subsidized units
  - Geared to income
  - Modest rental
  - Modest ownership
  - Rent-to-buy
  - Supportive housing for frail elders and mentally ill
    (which includes services as well as space)
Implications

• Housing is a central resource for economic and social development
• It is a central piece of the urban agenda
• It requires inter-governmental, inter-sectoral action
  – A vision and a working agenda
  – A plan for who does what and who pays
• Many actors can contribute to the vision and help implement the agenda
  – First Ministers should launch the initiative
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