The Convergence of Nonequity Housing Models in Canada: Changes to Housing Policy Since 1990

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Abstract

This study examines the impact of housing policy convergence on the nonequity housing system in Ontario, Canada. Ontario has four distinct nonequity housing models—public, nonprofit cooperative, municipal nonprofit, and private nonprofit. This article argues that since 1990, housing policy in Canada, and particularly in Ontario, has become increasingly influenced by the neoconservative agenda of downsizing and decentralization of government functions found in the United States.

The findings reveal that changes to housing policy have caused the convergence of nonequity housing models in the areas of management and administration. Drawing on the present findings and on an experimental project in tenant management, this article argues that the trend toward convergence will continue and will likely result in one nonequity housing model in Canada. This pattern is interpreted in light of the neoconservative agenda of both countries that emphasizes private sector solutions to housing low-income families.

Keywords: Canada; Low-income housing; Nonprofit housing

Introduction

Governments in Canada and the United States have taken similar approaches to ensuring that all members of society are adequately housed. In both countries, housing policies were originally developed on the premise that the state should not interfere with the ability of the private sector to provide affordable housing (Bacher 1993; Vale 2002). Accordingly, over the past 50 years, the governments of both countries developed policies in which state involvement with affordable housing was limited and, arguably, also inconsistent. The approach taken to guaranteeing affordable housing for society’s most vulnerable members was contingent on the government in power.

While both countries have shared the market focus, there has been a greater emphasis on nonequity housing in Canada than there was in the United States (Dreier and Hulchanski 1993). By nonequity housing, we mean housing that is produced for use only and not as a commodity that would benefit the owner financially when personal interests dictate that it be sold (Dreier and Hulchanski 1993). The owners of nonequity housing are normally government housing authorities or
nonprofit groups that operate it for the social goal of making it available for tenants with low incomes. Tenants benefit from secure tenure in good-quality housing at a reasonable price. When tenants leave, the housing unit is not sold but simply passed onto another user.

Unlike the case in most European countries, nonequity housing in Canada comprises a relatively small portion of the rental housing stock—about 5 percent—but it is more than double that found in the United States (Dreier and Hulchanski 1993). This article discusses a major transition that is under way in Canada’s nonequity housing sector. These changes are being driven by the neoconservative political agenda of shrinking government, reducing public expenditures, and finding market-based solutions, including focusing nonequity housing on low-income earners. In pursuing the neoconservative agenda, Canada—and particularly the province of Ontario on which this research focuses—has been heavily influenced by the U.S. pattern of reducing government services. The concluding section of the article will argue that Canada’s attempt to emulate the better-equipped market-based solutions of the United States is not as suited to housing persons with low incomes because of the Canadian tradition of using nonequity housing for this purpose.

Nonequity housing in Canada

There have been two major transitions since the 1940s in the Canadian government’s involvement in providing affordable housing to low-income earners. The first followed World War II, when the government itself started to own and administer nonequity housing in the form of public housing. The second started in 1973 with the formation of partnerships between the government and nonprofit organizations to build nonequity housing. This second transition introduced the category of social housing, which replaced public housing as the sole approach to providing low-income earners with affordable housing. The second transition produced four distinct models of nonequity housing in Canada—public, private nonprofit, municipal nonprofit, and cooperative (these models will be discussed in greater detail later).

This article argues that since the early 1990s, a third transition in nonequity housing has been under way. Our data indicate that there has been a fundamental shift toward the public housing model and a simultaneous shift in public housing in the direction of social housing, thereby causing a convergence of the nonequity housing models. In other words, the distinct models of nonequity housing are converging into a single model called social housing. One indication of this
convergence is that government legislation and associated policies increasingly refer to public housing as social housing (Ontario Ministry of Municipal Affairs and Housing 2002). A further indication, to be discussed later, is an ongoing pilot project in tenant management of an urban public housing project, an experiment signaling a more profound shift in the delivery of nonequity housing. This convergence is not yet complete, but our findings (based on a representative sample of nonprofit, cooperative, and public housing organizations in Ontario) indicate that it is well advanced.

Convergence is normally used to describe the simplification and streamlining of myriad state policies within a changing political system through a process of consolidation (Bennett 1991; Carroll and Jones 2000; Koebel, Steinberg, and Dyck 1998). In the context of housing policy, over the past 50 years, the federal, provincial, and municipal governments have produced numerous policies and programs with the objective of building affordable housing. Over the past 15 years, an effort has been made to simplify, or converge, various housing policies, but there has been a notable absence of research examining the impact of these policy changes on nonequity housing and particularly the changing responsibilities of key stakeholders.

Since the early 1940s, the government’s primary approach to encouraging homeownership, as well as building affordable housing for low-income earners, took the form of financial incentives to private sector businesses (Bacher 1993; Dennis and Fish 1972; Vale 2002). However, financial incentives have had unpredictable levels of success in both countries. According to Hulchanski (1990), the private sector’s inability to provide affordable housing for those who cannot purchase private housing or afford to pay rent in the private rental market has given rise to an increased role for government in financing affordable housing. Nonequity housing is an important subset of such housing. This role for government would be predicted from market failure theory (Hansman 1986); that is, government and nonprofits become involved in markets where the private sector does not succeed. However, providing incentives to private sector and third sector organizations has been the primary approach to encouraging nonequity housing options in the United States (Bacher 1993).

Public housing was the initial model of nonequity housing in both Canada and the United States (Rose 1980; Vale 2002) and became the primary means of offsetting the private sector’s inability to provide housing to low-income individuals and families. A major advantage of nonequity housing over private-market rentals is that housing charges or rents rise only to meet increased operating costs.
In the United States, the federal government worked with individual states to produce and manage public housing (Vale 2002). Accountability measures were created to ensure that the states honored their commitment to maintaining affordable housing, and as a result, hundreds of public housing projects were built across the United States. Also, a variety of federal programs outside the public housing program were established to finance the creation of affordable housing by nonprofit and for-profit entities. These units were typically required to be affordable for a particular period of time (15 years in the case of the Low-Income Housing Tax Credit program), after which they could potentially convert to market-rate status.

The federal government in Canada took a similar approach by forming partnerships with the individual provincial and municipal governments that provided financing and the necessary land for public housing projects (Carter 1997; Rose 1980). The partnerships resulted in the government’s having a share in owning and directly managing housing projects of varying scales across Canada (Rose 1980).

By the 1960s, the Canadian and U.S. governments realized that larger public housing projects were not feasible because they were too expensive to build and maintain (Rose 1980; Sewell 1994). Furthermore, some larger public housing projects received negative publicity and became known as urban ghettos with above-average rates of crime and other social problems (Prince 1998; Sewell 1994). The approaches taken by the two countries to address the concentrated poverty and related social problems in public housing projects started to diverge. Specifically, the U.S. government increasingly stressed that homeownership was possible for all citizens and that the private sector had to be motivated to produce affordable housing. The federal government, via the U.S. Department of Housing and Urban Development (HUD), established various programs with a private-market focus. As a result, hundreds of public housing projects were demolished and replaced with new housing that could be purchased either by the residents or by other low-income earners.

In Canada, the National Housing Act, the legislation regulating housing practices, was amended in 1973 to encourage the production of other forms of nonequity housing (Rose 1980; Van Dyk 1995). With the changes to the legislation, the government opted to limit its direct administration of nonequity housing (that is, public housing) and chose to enter into a partnership with different nonprofit and cooperative organizations as the principal means of developing and administering nonequity housing (Carter 1997). This was an excellent example of the partnership model (Salamon 1987, 1995) that was evolving for many
public services, but as applied to nonequity housing (Koebel, Steinberg, and Dyck 1998).

The new partnerships created two distinct nonequity housing models under the category of social housing—cooperative and nonprofit housing—that share the characteristic of resident involvement in how their community is managed; such involvement in turn gives residents a sense of ownership. These organizations were predominantly community based, which meant that they had specific knowledge of community concerns. As a result of these changes, hundreds of relatively smaller housing communities were built across the country; however, unlike what happened in the United States, projects were not demolished, but all levels of government implemented ad hoc solutions to address the many physical and social problems that arose from years of neglecting the public housing stock (Anderson 1992; Sewell 1994).

In the postwar period, Canada has developed proportionately more nonequity housing than the United States. For instance, approximately 600,000 units of nonequity housing have been built in Canada, representing about 5 percent of the current rental housing stock (Dreier and Hulchanski 1993; Hulchanski 1993a, 1993b; Statistics Canada 1999), whereas in the United States only about 2 percent of housing is nonequity (Dreier and Hulchanski 1993). Approximately 45 percent of all nonequity housing (274,000 households) is concentrated in Ontario (Ontario Ministry of Municipal Affairs and Housing 2000b), which makes the province’s policies and practices influential across the country.

In Ontario, the nonequity housing models received funding from the federal, provincial, or municipal governments. Nonprofits and cooperatives constructed between 1973 and 1985 received direct mortgage financing from the federal government, which guaranteed lower mortgage rates (a bridge subsidy to help offset development costs). After 1985, the province and municipalities became the dominant source of funding for new nonequity housing developments (Smith 1995). In all cases, sponsoring organizations have entered into an operating agreement with the specific level of government that outlines their financial and reporting responsibilities, typically for about 35 years and “typically correspond[ing] to the project mortgages” (Ontario Ministry of Municipal Affairs and Housing 2000b, 21).

To sustain reasonable housing rents at below-market rates, nonequity housing models receive two types of government funding. The first is a rent-geared-to-income (RGI) subsidy that assists low-income households. The second is a bridge subsidy that provides an incentive to development by covering a portion of the costs and permitting the

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organization to make its rents affordable. A bridge subsidy from the provincial government ensured that there was enough revenue to account for any budget shortfall but has also been used to finance capital improvements and to defray a portion of the development cost. A brief description of each of the forms of nonequity housing follows.

Cooperative housing

In Canada, the predominant form of cooperative is nonequity and was built in response to the aforementioned government programs. There are some equity cooperatives (the most common form of housing cooperative in the United States), but these do not receive government funding, given that their focus is on homeownership and that their owners purchase and sell them at market value.

The cooperative sector was encouraged by the social housing programs introduced by the Canadian government in 1973, and many cooperative organizations entered into an operating agreement with a specific level of government. Under the partnership arrangement, cooperative housing flourished as vibrant member-controlled communities. Over the past 30 years, the cooperative housing model has become one of the more successful ways of providing affordable housing for low-income earners (Dreier and Hulchanski 1993).

For cooperatives built before 1985, the federal government housing agency, Canada Mortgage Housing Corporation, served as the guarantor of the subsidized mortgage (Van Dyk 1995). For cooperatives built after 1985, the subsidy came from the province—or in some cases from the federal government. In contrast to federally financed housing cooperatives, these organizations, referred to as provincial cooperatives, have their finances overseen by the provincial government and have experienced more constraints over the use of funds.

While the financing arrangements ensured that nonequity developments were built, the cooperative philosophy ensured their success (Cooper and Rodman 1992). Cooperatives thrive because they are generally small (under 100 units) and fit well into the neighborhood. Most of the housing units are geared to low- and moderate-income families (Co-operative Housing Federation of Toronto 2002). The residents are referred to as members and have a voice in decisions that could affect

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1 All references to cooperatives in this article are to nonequity or nonprofit cooperatives.

2 There are a few cooperatives built before 1985 that have operating agreements with both the federal and provincial governments.

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their home and community through the board of directors and committee participation.

Cooperatives normally have an income mix, meaning that one household can receive a subsidy from the government while its neighbor may be paying market price. The residents have security of tenure such that they can live in the community for as long as they wish provided they adhere to community-established bylaws and pay the community-established housing charge. Until recently, the tenant selection process was coordinated by the cooperative in the form of a waiting list for both subsidized and nonsubsidized units, and the selection of new residents was approved by the board of directors. The waiting times tend to be shorter for market units, and in many instances, the cooperatives divide their lists according to special-needs households, for example, seniors or victims of abuse. The special-needs applicants are given priority access to subsidized and nonsubsidized units. Since 1973, the year that the federal funding program began, 90,566 cooperative housing units have been built in Canada, with 44,033 units (48.6 percent) in Ontario (Co-operative Housing Federation of Canada 2002).

Nonprofit housing

In Ontario, there are approximately 125,000 nonprofit housing units representing 49 percent of the overall provincial nonequity housing stock (Ontario Nonprofit Housing Association 2002). Whereas the administering group for a cooperative is the corporation of its residents, local sponsors and not the residents control the decision-making practices of nonprofit housing communities. In Canada, there are two types of nonprofit housing sponsors: (1) private nonprofits, which are owned and administered by groups such as churches, service clubs, seniors' organizations, unions, and ethnocultural groups, and (2) municipal nonprofits, which are administered by a municipal government or its designates.

Like cooperatives, these communities tend to be small (under 100 units), to fit in well with surrounding neighborhoods, and to be mixed income (Rose 1980; Van Dyk 1995). Also, like cooperatives, nonprofits receive two forms of government subsidies—an RGI subsidy to help low-income households afford the rents and a bridge subsidy to fund any budget shortfall or to defray the cost of capital projects and other development costs. Like cooperatives, nonprofits have maintained their own waiting lists for subsidized and nonsubsidized units, but the board of directors does not need to approve new residents. In general, there are shorter waiting times for market units. Again like cooperatives,
these organizations have the option of dividing their lists according to special-needs households such as seniors or victims of abuse, who are granted priority access to available subsidized and nonsubsidized units.

Municipal nonprofits operate at arm’s length from the municipal government, but they also receive funding from it. The size of municipal nonprofit communities varies from under 100 units to 1,000 units. The government normally appoints the board of directors, which can mean that residents often lack a voice in the development of their community. For private nonprofits, residents may have a say in the management of the community through the board of directors, but the board is not necessarily accountable to the residents. However, in some cases there are community elections.

**Public housing**

There are 96,582 public housing units in Ontario, and this form of housing is funded, owned, and administered by the government or its designate. Unlike previous models, the scale of public housing developments varies according to geographic location. For instance, some housing projects in northern Ontario have less than 100 units, while projects in metropolitan Toronto can be as large as 2,000 units. The sole source of funding is the RGI subsidy, and any development costs are absorbed within the larger government budget. However, the resources available to public housing projects are often insufficient to improve the lives of the residents, who typically require supports that are beyond the means of the project to provide (Haworth and Manzi 1999). Because all residents of public housing projects pay their rent according to their income level, there is no income mixing in these communities.

Tenants of public housing have always been selected from a centralized waiting list, and each family must qualify for a subsidy through income-contingent criteria. Individuals and families on the list can wait more than five years for a suitable home (Toronto Social Housing Connections 2003); the length of time is contingent on the size of the unit and the location of the project. In general, tenant selection proceeds in chronological order. The centralized waiting list is divided into special-needs categories, as defined by the government; falling into one of those categories can shorten the length of time an individual or family remains on the list.

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3 Many of the older housing projects continue to receive a form of bridge subsidy, based on original federal financing commitments from the province. The subsidy is used primarily for mortgage costs.
The governance of public housing differs markedly from that of cooperatives and nonprofits. While other housing models are managed and governed on site, public housing projects have always been part of the government bureaucracy. Residents of most public housing projects must adhere to policies set forth by managers who are distant from the issues faced by the community. Until recently, the projects were owned by the provincial government and managed by 56 different local housing authorities. These operated as government agencies and were collectively governed by a single board of government appointees and are therefore neither independent of the government nor accountable to the residents. Furthermore, residents do not have a direct say in the development and management of their community. However, in Toronto, there are now two seats on the board of directors for representatives elected from the greater population of public housing residents.

As shown in table 1, there are some key differences across housing models. In all models, the government is a key stakeholder, but resident involvement in governance and decision making is primarily found in the cooperative model. Table 1 also illustrates the size differences among the models according to the number of units found in individual properties. Finally, it is important to note that nonprofit housing (public and private combined) represents a greater share of the nonequity housing stock than the other models.

Table 1. Comparison of the Four Nonequity Housing Models

<table>
<thead>
<tr>
<th>Feature</th>
<th>Cooperative</th>
<th>Nonprofit Municipal</th>
<th>Nonprofit Private</th>
<th>Public</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of units</td>
<td>Less than 100</td>
<td>100 to 1,000</td>
<td>Less than 100</td>
<td>100 to 2,000</td>
</tr>
<tr>
<td>Stakeholder in decision making</td>
<td>Members and government</td>
<td>Government</td>
<td>Sponsor and government</td>
<td>Government</td>
</tr>
<tr>
<td>Governance structure</td>
<td>Residents</td>
<td>Government appointees</td>
<td>Sponsor appointees</td>
<td>Government appointees</td>
</tr>
<tr>
<td>Share of nonequity housing stock</td>
<td>17%</td>
<td>17%</td>
<td>31%</td>
<td>35%</td>
</tr>
<tr>
<td>Level of resident involvement</td>
<td>High</td>
<td>Medium</td>
<td>Medium</td>
<td>Low</td>
</tr>
</tbody>
</table>
Recent changes to housing policy

In the mid-1990s, the relationship between the government and nonprofits and cooperatives started to change. Having been influenced by neocorporate policies in the 1990s and learning from the U.S. experience in devolving housing responsibilities, Canadian governments reconsidered their role in providing nonequity housing. The first major change, in 1993, was the federal government’s withdrawal from the direct financing of nonequity housing by devolving the responsibility to the provinces (Carroll and Jones 2000). Following the 1995 election in Ontario, the Conservative government placed a freeze on building new nonequity housing (even canceling existing contracts) and embraced the neoconservative agenda of encouraging the private sector to fill the void. This, however, has not occurred (Statistics Canada 2000).

In 1998, the province proposed to develop legislation to transfer, or devolve, the responsibility of nonequity housing to the municipalities. That legislation, introduced in 2000, is known as the Social Housing Reform Act (SHRA), and it effectively removed the provincial government from being financially responsible for providing nonequity housing (Ontario Ministry of Municipal Affairs and Housing 2000d). Furthermore, this legislation outlined a new relationship between all forms of nonequity housing, including nonprofits and cooperatives, and the three levels of government. These changes were undertaken with the belief that “social housing is best administered by local governments who are closest to the people they serve and who best understand the needs of their communities” (Ontario Ministry of Municipal Affairs and Housing 2000b, 4). The legislation also has a provision that allows the privatization of public housing properties under specific conditions.

In January 2001, devolution became a reality, and reluctant municipal governments have replaced the federal and provincial governments as a primary stakeholder responsible for nonequity housing. The changes are meant to increase cost-effectiveness as well as uniformity within the nonequity housing system (Ontario Ministry of Municipal Affairs and Housing 2000b). The SHRA replaced the 56 provincial local housing authorities with 47 municipal local housing corporations (LHCs) that operate as independent agencies of the municipal governments. The sole shareholder of the new entities is the municipal government, which is referred to as the service manager and now owns and manages the municipal nonprofit and public housing stock. The service manager also provides the public with other social services, such as welfare, and in many cases these new LHCs are part of the same service division.
According to the Ontario government, changing the funding relationships and the reporting structure was intended to make the nonequity housing system more efficient (Ontario Ministry of Municipal Affairs and Housing 2000b). However, as indicated by the results that follow, the simplification (or convergence) of the numerous housing policies had an unintended effect. In this study, we analyze the impact of the convergence of housing policies on the models of nonequity housing by looking at how responsibilities have changed over the past 10 years in terms of the key stakeholders involved.

Method

Procedure and design

To assess the convergence of nonequity housing models, we took the following steps. First, we conducted an in-depth examination of current housing policies to determine whether shifts in government policy are reflected in changes to current administrative practices. Second, we developed a taxonomy detailing the different functions required to effectively manage a nonequity housing property. Third, we did a series of semistructured interviews with key stakeholders with the goal of understanding the changes in the functions integral to the administration and management of each form of nonequity housing since 1990.

The interviews were designed to determine which stakeholders controlled particular functions for each of the nonequity housing models now and in 1990. The respondents represented each of the primary stakeholders from each model of nonequity housing. They comprised tenants (users of the service), members of the board of directors, professional managers, nonprofit housing associations and development groups, government representatives, organizations providing financing, and community representatives. The respondents did not necessarily play the same role within the organization, but all were knowledgeable—for example, a property manager, a property coordinator, a vice-president, and a policy analyst. The interview was focused but lasted up to 90 minutes. The information collected from the interviews was subsequently checked against a content analysis of various policy documents.

Sample selection

To draw a sample of key informants from each housing model, the province of Ontario (Canada’s largest) was divided into five regions according to area code. The sample consisted of organizations from
northern Ontario (807 and 705), eastern Ontario (613), western Ontario (519), the greater Toronto area (905), and metropolitan Toronto (416). For public and cooperative housing, one organization was chosen at random for each region, and for nonprofits, two were selected (one private and one municipal), for a total sample of 20.

Contact information was obtained from three different sources. For nonprofits, the source was the Ontario Nonprofit Housing Association (2002), which is a member-based organization of nonprofit housing providers across Ontario; the 2001–02 directory, which contains 600 listings for private nonprofits and 108 listings of municipal nonprofits, was used. The Ontario Nonprofit Housing Association is a second-tier resource organization that provides advocacy and support for individual providers of nonprofit housing.

For cooperatives, the source was a listing obtained from the Co-operatives Secretariat (2001) of 817 housing cooperatives in Ontario. The Co-operatives Secretariat is a federal agency that coordinates the interaction between the government and the cooperative sector. For public housing, the source was a contact list of the 47 municipal LHCs obtained from the Ontario Ministry of Municipal Affairs and Housing.

In the sampling and data analysis, we differentiated between private nonprofits (administered by religious organizations, labor bodies, or aboriginal groups) and municipal nonprofits. Table 2 presents the distribution of the nonequity housing models by region. As can be seen, the distribution by region is uneven, but in selecting a sample, it was decided to choose an equal number per region because issues could arise that are particular to a region.

<table>
<thead>
<tr>
<th>Region</th>
<th>Cooperative</th>
<th>Nonprofit Municipal</th>
<th>Nonprofit Private</th>
<th>Public</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Ontario</td>
<td>87</td>
<td>41</td>
<td>73</td>
<td>9</td>
<td>210</td>
</tr>
<tr>
<td>Greater Toronto Area</td>
<td>202</td>
<td>11</td>
<td>106</td>
<td>7</td>
<td>326</td>
</tr>
<tr>
<td>Metropolitan Toronto</td>
<td>308</td>
<td>2</td>
<td>161</td>
<td>1</td>
<td>472</td>
</tr>
<tr>
<td>Northern Ontario</td>
<td>79</td>
<td>35</td>
<td>123</td>
<td>15</td>
<td>252</td>
</tr>
<tr>
<td>Western Ontario</td>
<td>141</td>
<td>19</td>
<td>137</td>
<td>15</td>
<td>312</td>
</tr>
<tr>
<td>Total</td>
<td>817</td>
<td>108</td>
<td>600</td>
<td>47</td>
<td>1,572</td>
</tr>
</tbody>
</table>

Table 2. Number of Nonequity Housing Organizations in Ontario Included in the Sample
The Convergence of Nonequity Housing Models in Canada

Data analysis

The data analysis had three primary steps. First, to determine whether there have been any shifts in the responsibility for certain functions, the responses of each organization were summarized according to year and stakeholder function. That is, the stakeholder responsible for a specific function or task in the early 1990s was compared with the stakeholder currently responsible for that function. The functions performed by stakeholders in the early 1990s therefore served as the baseline for determining whether a shift had occurred. The second step involved aggregating the responses by nonequity housing model and also by region to identify differences between models and regions. The third step was to compare the responses with existing policy documents to identify the degree to which current practice reflects current official policy and vice versa.

Results

The findings indicate that each of the housing models has had to adjust to changes in the provincial government legislation regulating social housing. The SHRA (Ontario Ministry of Municipal Affairs and Housing 2000b) not only initiated the devolution of housing responsibilities, but also instituted fundamental changes to the operations of each nonequity housing community. The SHRA does not highlight the distinctiveness of the four housing models since its purpose was to establish uniformity in the provision of social housing; all of the housing models are explicitly referred to as “housing providers.” The data reveal five specific areas of change in how each housing model operates and also illustrate links between these changes and the SHRA. These areas of change are reporting structure, sources of funding, low-income tenant selection, subsidy eligibility, and best practices.

For each of the housing models, the first and second areas of change—reporting structure and sources of funding—are related to the new local housing corporations established by each of the municipal governments. According to a policy guide provided by the Ontario government to each municipality in the province, “47 Local Housing corporations (LHCs) will be created, each having the local service manager as its sole shareholder...Each Local Housing Corporation will have the same management responsibilities as LHAs do currently” (Ontario Ministry of Municipal Affairs and Housing 2000c, 4).

The role of the LHCs is to manage the public housing stock, facilitate local policy development, and implement directives from the Ministry

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of Municipal Affairs and Housing. However, according to a similar policy guide for nonprofits and cooperatives, “The partnership which has existed between community-based agencies and the Ministry of Municipal Affairs and Housing is now being transferred to the 47 Service Managers across the province” (Ontario Ministry of Municipal Affairs and Housing 2000a, 50). In other words, like public housing projects, all nonprofits and cooperative organizations must now report directly to the LHC in a variety of areas.

Since nonequity housing organizations rely on government funding, they are vulnerable to changes in government housing policy. To continue to receive funding from the municipal government, these organizations must adhere to the decisions made by the LHC. As a result, nonequity housing organizations have had to adjust their administrative and management practices, which has had the effect of reducing the autonomy of cooperatives and private and municipal nonprofits. For public housing, this type of external control has always existed, but for cooperatives and nonprofits, it represents a fundamental shift.

The third and fourth areas of change are low-income tenant selection and subsidy eligibility. Historically, each cooperative and nonprofit has been responsible for selecting tenants and determining subsidy eligibility. The SHRA is very clear about the policy change and stipulates that it applies to every nonequity housing development: “A service manager shall establish and administer one or more waiting lists for rent-geared-to-income units in its designated housing projects, and shall do so in accordance with such requirements as may be prescribed” (Ontario Ministry of Municipal Affairs and Housing 2000d, 50).

In other words, a centralized waiting list is now the practice and all housing providers must refer to that list to house new low-income tenants. Further, determining the eligibility for a subsidy is now within the purview of the LHC, not each housing development as in the past.

Another significant change is related to how each housing property is managed. According to the SHRA, “The housing provider shall comply with the prescribed rules respecting the establishment and use of benchmarks and best practices” (Ontario Ministry of Municipal Affairs and Housing 2000d, 50). The effect of this clause is that each housing model must adhere to the specific administrative practices directed by the LHC.

Although the legislative changes have led to a substantial adjustment for cooperatives and nonprofits, a positive aspect of this process has been that representatives of each housing model have started to communicate with one another about their operational (or best) practices.
Several of those practices have fallen within the areas of providing contract services and increasing the level of tenant involvement. In terms of contracting services, cooperatives and private nonprofits have indicated that significant cost savings have accrued. Traditionally, municipal nonprofits and public housing have maintained staff and maintenance divisions responsible for repairs and property management. At this point, each model is adopting the practice of contracting services to save money, the preferred approach used by cooperatives and private nonprofits. However, unlike tenants in cooperatives and private nonprofits, tenants in the public and municipal nonprofit models do not have input into who is hired for particular services, and as a result property management is not always working with community support. The goal of management is saving money, an objective that arises from the SHRA.

The five areas of change emphasized in the SHRA have had varying effects on each housing model. However, the general impact of the legislative changes has been homogenization of the four models. The remaining part of this section is a detailed analysis of the specific impacts of the five areas of change on each of the models.

Public housing

The significant change for public housing was the devolution of social housing from the provincial to the municipal level. Historically, a provincial housing agency administered public housing, but with devolution, LHCs have taken over that responsibility.

As noted, public housing has taken up some best practices of the other housing models—for example, increased contracting of services to the private sector. Private companies now handle most maintenance, minor and major. Furthermore, the hiring of private management companies to administer and manage individual public housing projects has increased. According to several respondents, “The reason for hiring outside is purely economic.” When respondents were asked whether tenants were involved in determining who was hired to provide a particular service, the common response was, “Why? What would be the purpose? Residents are not knowledgeable in the specialized areas of property management.”

Nevertheless, resident participation in the individual communities has increased. Several respondents cited the other three housing models as influencing the decision to increase resident participation. A general manager of one of the larger local housing corporations stated that “resident involvement is a very useful exercise and the level of participation...
found in nonprofit housing is something we are trying to achieve. But the co-op legislation gives too much responsibility to [the] members.” As this quotation illustrates, resident participation in public housing is desired, but it should remain consultative only.

**Municipal nonprofits**

Municipal nonprofits have followed a similar pattern. A key area of change has been the amalgamation of municipal nonprofits with public housing providers. As mandated in the SHRA, all of the management and associated responsibilities have been taken over by the same service provider, the LHC in the area. As a result of this amalgamation, the models have become indistinguishable from each other.

The other area of change has been the tenant selection process. Both public housing and municipal nonprofits are now selecting from the same pool of prospective tenants, whereas in the past, municipal nonprofits maintained their own lists. Under the SHRA, prospective tenants have a greater pool of properties to select from; however, given the negative image of public housing projects, tenants tend to tilt in the direction of cooperatives and private nonprofits. According to one municipal official respondent,

> The amalgamation of the housing companies has provided more units for families to choose from, but we don’t know what the new corporation will look like yet. People like our housing, which is why our vacancy rate is low. We don’t know how to encourage people to choose the public housing projects. There are now over 65,000 people on the waiting list, but there still isn’t enough housing.

**Private nonprofits**

As noted earlier, the private nonprofit housing model emerged as the result of 1973 changes to the National Housing Act that encouraged smaller properties for mixed-income earners. The implementation of the SHRA has compromised the autonomy of private nonprofits in each of the five areas. For instance, in the past, each private nonprofit reported to the provincial Ministry of Municipal Affairs and Housing, but under the SHRA, all report to the LHC, and that organization has also become the primary funding source, as shown in this quote from one of the respondents:

> Although the board of directors determines the rules of the housing, all of our rules and methods must now comply with regulations put...
forward by the local housing corporation. We are not sure what the final process will look like, so we will have to wait and see how different it will be.

Like the municipal nonprofits, the private nonprofits maintained their own waiting lists of low-income earners. However, as a result of the SHRA, private nonprofits must now select their tenants from a centralized waiting list maintained by the LHC. Furthermore, the LHC also determines the subsidy eligibility for both new and existing tenants. The fifth area of change, best practices, has had an impact on how private nonprofits operate as well. According to one respondent, “The new rules are much more constraining than ever before, and we are concerned that many tenants will lose their subsidy because of the [Social Housing] Reform Act and of practices of the local housing corporation.” For example, residents receiving a subsidy are now required to submit their bank balance in order to prove that they do not have undeclared income. Moreover, the declaration requirements are broad and involve all assets and sources of income (including gifts). Should undeclared income be found, a household could lose its subsidy. Households receiving a subsidy have always faced close scrutiny, but the new rules appear to be punitive and overly intrusive.

Cooperatives

As stated in the introduction, there are two forms of cooperatives, federal and provincial. The initial idea was to include all of the cooperatives within the SHRA. However, the Co-operative Housing Federation of Canada, the umbrella association, successfully lobbied the federal government to exclude federally funded cooperatives from the SHRA, so cooperatives built before 1985 remain autonomous in all areas of operation. According to one respondent,

We tried to fight for all cooperatives, but we were unsuccessful because the provincial government wanted these changes and since some cooperatives were funded by the government, we could not lobby on their behalf. The success of excluding the federal co-ops was only because of the source of funding. The exclusion is only temporary, and when the operating agreements for all of the federal co-ops expire, they will be facing the same pressures as the provincial co-ops.

The provincial cooperatives have faced the same changes as the private nonprofits. All of the changes emerging out of the SHRA have resulted in significant loss of autonomy for provincial cooperatives.
In summary, each housing model has had to make significant adjustments that have resulted in a convergence of nonequity housing into a single housing model. Table 3 outlines each of the five areas of change mandated by the SHRA and the changes for each housing model as well as presenting the stakeholder who was responsible for a function in the early 1990s versus who is responsible now.

Discussion

The SHRA (Ontario Ministry of Municipal Affairs and Housing 2000b) not only initiated the devolution of housing responsibilities, but was also the catalyst for formalizing the convergence of the nonequity housing models. Our study indicates that this convergence exists, but the pattern is not uniform across all models. The next section details where the convergence has taken place.

Major aspects of the convergence

The greatest convergence has been between municipal nonprofits and public housing, with the municipal nonprofit model shifting toward public housing. Evidence of this is the amalgamation of the two models into a single organization controlled by the LHC, which oversees property management, much of it previously supervised by each organization. As a result, a trend toward greater centralization of services is occurring, and this is seen as a way of achieving cost savings by avoiding duplication and increasing efficiency. For instance, a number of administrative tasks such as purchasing and human resources are now within the jurisdiction of a municipal department. However, it is too early to determine whether there have been significant reductions in expenditures for individual municipalities. According to several respondents, savings are being found because of “cuts to staffing and union positions since private management companies tend to not have union labor….Any savings are offset by the need for capital improvements to the properties since much of the housing stock is old and in need of major renovation.”

There is also convergence between municipal nonprofits and public housing in budget planning and capital improvements. Until recently, managers planned budgets independently of the residents. In public housing, residents were not always encouraged to participate in determining the future of their community, whereas in municipal nonprofits, they had some input in establishing priorities. Because of devolution and the successful experience with resident participation in municipal
**Table 3. Changes in the Stakeholder Responsible for Each Task within Each Housing Model in Ontario**

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<td>Funding sources</td>
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<td>Low-income tenant selection</td>
<td>Provincial housing agency’s central list</td>
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*Notes: Housing Corporation refers to the LHC; Ministry refers to the Ministry of Municipal Affairs and Housing; and provincial housing agency refers to the local housing authorities that existed before devolution.*
nonprofits, budget planning done by the LHCs solicits resident input for both municipal nonprofits and public housing.

There has also been a degree of convergence between the four non-equity models in tenant selection. Before the SHRA (Ontario Ministry of Municipal Affairs and Housing 2000d), private nonprofits and cooperatives enjoyed great autonomy from government in tenant selection, but this has changed. Like municipal nonprofits and public housing, private nonprofits and cooperatives must now select residents from the same centralized waiting list produced by the LHC following a procedure mandated by the SHRA. An applicant for nonequity housing ranks up to 15 selections of particular developments, which can be any of the four housing models. However, applicants may not be offered their preferred location if a unit is not available. For example, an applicant who selects 10 nonprofits with a public housing project as the 11th choice could conceivably be offered the public housing project because of the greater popularity of nonprofit properties. The emphasis on maintaining centralized tenant lists, used in the past by public housing and municipal nonprofits, exemplifies the convergence of the models. However, with respect to tenant selection, private nonprofits and cooperatives still retain control over determining those to whom nonsubsidized units are rented.

Despite convergence, cooperatives still retain several areas of distinctiveness—for example, control over the charges for the nonsubsidized units, control over creating their own bylaws, discretion over administrative practices such as hiring staff, and capital planning. Although cooperatives remain the most distinct of the nonequity housing models, there is still a shift in the direction of the other models in at least two main areas—funding and, as noted, tenant selection. Funding refers to both the RGI subsidy for low-income households and the bridge subsidy for rehabilitation or capital improvements. At this time, most federal cooperatives are guaranteed the bridge subsidy because of preexisting operating agreements. However, once these agreements expire, cooperatives will have to access the same funding source as the other three models. In the case of cooperatives that were originally financed by the provincial government, the SHRA gave the municipalities the authority to cancel the operating agreements (Ontario Ministry of Municipal Affairs and Housing 2000d), and in many cases these agreements are being renegotiated. For low-income households requiring RGI subsidies, cooperatives are expected to use the same tenant selection process and centralized waiting list as the other three models, thereby losing an important area of distinctiveness.

There are two additional areas of convergence for all forms of nonequity housing—first, an increase in services being contracted out, and
second, the creation of a new accountability framework stemming from
the SHRA. While the contracting-out pattern is uniform across models,
the process and the stakeholders differ. For municipal nonprofit and
public housing, the board of directors and management are making the
decisions, while in private nonprofits the pattern is similar; but the pri-
mary stakeholder is the board of directors. Although cooperatives also
contract out services, the process differs quite significantly because the
board of directors consists of residents, and the decisions are presum-
ably motivated by the interests of the community as well as the desire
to save money. Without resident input, it is conceivable that a company
could be hired to perform a service that is not a priority for the commu-
nity, for instance, situating trash containers in an area frequented by
children.

There is also convergence because of the new accountability framework
associated with the SHRA. This legislation has created an expectation
that each nonequity housing organization (regardless of type) report to
the LHC in its region and adhere to the LHC’s directives and plans. In
other words, the legislation has removed some control from each hous-
ing organization (Co-operative Housing Federation of Canada 2002).
Although a variation of this model existed previously for public hous-
ing, with the SHRA (Ontario Ministry of Municipal Affairs and Hous-
ing 2000b) it exists for all forms of nonequity housing. Therefore,
provincial legislation is encouraging convergence in the direction of
public housing.

There is evidence that public housing is shifting in the direction of the
other nonequity housing models in two areas: first, in establishing mar-
ket rent levels, known as rent caps; and second, in increased resident
participation and consultation. Instituting a rent cap, or a maximum
rent that is higher than the rent charged those on social assistance,
began as a pilot project in 1992 in metropolitan Toronto. The general
goal was to encourage a greater mix of residents and to create a
stronger sense of community. Having mixed-income public housing
projects is controversial because some officials believe strongly that
families should leave the community once they can afford to pay mar-
ket rents. One official interviewed for this study summed up that point
of view: “We are in the business of housing and not of community. We
do not have enough housing stock for everyone, so people should be
couraged to leave.” Despite the lack of housing stock, several public
housing organizations have instituted a rent cap to encourage persons
with higher incomes to remain in the community, thereby effectively
creating an income mix similar to that found in the other nonequity
housing models.
A second area in which public housing is shifting in the direction of the other forms of nonequity housing is in resident participation and consultation on capital priorities. For public housing, the process is strictly consultative, meaning that resident input is heard but not necessarily acted on. Furthermore, since the public housing budget is centralized, decisions are made on behalf of the whole system and not an individual community. Consultation does give public housing residents a say in the overall system, and in that regard there is a shift toward the other nonequity housing models. However, unlike cooperatives and private nonprofits, public housing residents do not have a voice in their own community.

There are indications from several experimental programs in Toronto that the LHC is intending not only to increase the participation of public housing residents but also to place greater value on resident input. This approach will draw that model even closer to the other forms of nonequity housing. First, in the metropolitan Toronto LHC, residents of public housing projects are now electing two from their group to the board of directors. With approximately 60,000 households, the Toronto Community Housing Corporation (2003) is the largest local housing agency in Canada and one of the largest in North America.

The second experiment is referred to as community-based budget planning. In this process, residents are beginning to have input into establishing capital priorities for public housing and municipal nonprofit communities. The impetus for increasing the value of resident participation is a bold move for the nonequity housing organizations, but not surprising, given that LHCs are no longer responsible only for low-income residents. In fact, the convergence of models is taking place because the organizations provide nonequity housing for individuals with all levels of income, and residents of three of the four housing models have a tradition of being involved and being taken seriously.

The third experiment is even bolder than the other two. It involves the conversion of a public housing project to a tenant-managed cooperative (Atkinson Housing Co-operative), which is the first conversion of this type in Canada and similar to the U.S. initiatives referred to as the Homeownership and Opportunity for People Everywhere (HOPE) series of programs and the more recent Program for Revitalization of Severely Distressed Public Housing (HOPE VI) (Epp 1996; Rohe 1995; Vale 2002). In the Atkinson conversion, the focus is not on homeownership, as in the United States, but on collective ownership and pooling community resources. A description of this experiment follows.

The Atkinson conversion process predates the SHRA. The residents of this large public housing project in metropolitan Toronto decided over
10 years ago that they wanted more control over decision-making practices. The Atkinson experiment follows programs in the United Kingdom (Best 1996; Hague 1990), in the United States (Epp 1996; HUD 1999), and in Australia (Darcy 1999) that have focused on increasing resident control to enhance a sense of community while maintaining a government partnership. Some of these programs have been market based and have encouraged homeownership either by converting public housing stock into limited-equity cooperatives (Miceli, Sazama, and Sirmans 1998; Rohe 1995) or through direct sales to tenants (Balchin, Isaac, and Rhoden 1998). Other programs have attempted to transform the communities by reframing the relationship between the government and public housing residents through the creation of tenant-managed corporations (Hugman and Sotiri 2001; Koebel and Cavell 1995; Vale 2002). However, tenant-managed corporations lack the autonomy and flexibility to be resilient when faced with changes in government.

The Atkinson experiment represents a major shift in the direction of public housing toward the other nonequity models. However, Atkinson differs from other housing cooperatives in that it remains within the public sector; all of its residents receive a housing subsidy, and its managerial prerogatives are more limited than they are for housing cooperatives in general. Nevertheless, in this community, the tenants elect from their group a board of directors that forms the legal governance of the organization. This represents a major departure in the administration of a public housing project. Atkinson remains unique in Canada, but it is being watched closely since there are indications that Ontario and other provincial governments are interested in encouraging the conversion of other public housing projects into one of the three other forms of nonequity housing. Should such conversions become more widespread, there would be minimal difference between public housing and the other nonequity housing models.

Even if the Atkinson experiment is not replicated, the move toward convergence is still pronounced—government is more tightly regulating the finances of nonequity housing organizations and thus reducing their decision-making freedom; budgets are being reduced, thereby leading to homogeneous contracting-out of services, including management; the income mix is being flattened in cooperatives and nonprofits and enhanced in public housing, thus leading to homogeneity; and tenant consultation is becoming the norm for public housing and external controls are reducing tenant impact in the other models.

With the exception of the increased tenant consultation in public housing, the other changes can be attributed to the neoconservative agenda.
of smaller government with reduced services, less government involvement in the direct provision of services, and the targeting of government expenditures to the neediest members of society rather than having universal programs. Although tenant consultation can be viewed in the context of the human resources tradition (Nightingale 1982), in fact, the selling point of the Atkinson conversion is that it will reduce costs. According to the Atkinson Co-operative business plan (1996), “By converting into a cooperative the government can immediately save about 15% in administration costs” (6). In other words, even though this experiment can be interpreted as part of a tenant rights tradition, it is viewed as creating efficiencies associated with smaller, more efficient government.

Although the convergence of nonequity housing in Ontario has some contradictory features, the overall pattern is pronounced, and there is reason to believe that the trend will continue. This pattern of convergence refers to existing nonequity housing; it does not speak to the issue of developing additional nonequity housing to satisfy the need among low-income earners. For that objective, the neoconservative approach, with its emphasis on the private market, has been much less effective in Canada than it has in the United States.

Limitations of the U.S. approach for Canada

The development of nonequity housing in Canada has some similarities to the United States, among them that nonequity housing was a last resort and intended largely for low-income persons. In both countries, it was assumed that the private sector would be responsible for housing and, given appropriate incentives, even for housing targeted to low-income households. However, the two countries started to diverge in the 1960s on the question of what the best way to deal with their public housing stock was and which level of government should be responsible for providing nonequity housing.

Over the past 30 years, the U.S. government has increasingly taken a private sector approach to providing affordable housing (Dreier and Hulchanski 1993). Specifically, the government has shifted from being a housing provider to being a financial guarantor and overseer of property standards (HUD 1999; Vale 2002). As a result, the government has initiated a series of housing programs with different aims. First, programs have been created to improve the opportunities for low-income individuals to become homeowners. The HOPE programs encouraged private sector involvement by offering grants to public authorities and by providing financial guarantees to lenders (HOPE I)
and to lower-income families to become homeowners (HOPE II and HOPE III) (HUD 2003). A second aim has been to reclaim public housing by demolishing or rehabilitating abandoned or decrepit properties and building new communities using funds from the HOPE VI program. These properties would then be owned by individuals or by collectives, such as limited equity cooperatives (HUD 2003; Saegert and Winkel 1998).

In addition, there continue to be additional government programs funding the production of affordable rental housing. For example, the HOME and the Low-Income Housing Tax Credit programs, using both for-profit and nonprofit housing developers, continue to provide thousands of affordable housing units each year. The weakness in this approach, however, is that even though rent levels for the units for low-income tenants are capped so that they are affordable, constraints on market forces are typically in place for a prescribed period only, after which the owners can generally convert all units to market rents.

This problem is addressed to a degree by vouchers (referred to as housing choice vouchers) that are granted to eligible tenants and can then be used to rent housing from a private landlord. In the voucher program, the government provides a direct subsidy to the resident rather than a production subsidy to a developer or landlord. The government is not involved in managing the property, but does establish standards for the housing being rented (Vale 2002). However, the voucher approach is vulnerable to continued appropriations, because funding has never been set at a level adequate to provide vouchers for all households qualifying for this assistance. Moreover, there is no guarantee that the value of the vouchers will increase in response to changes in the housing market. Therefore, over time, low-income tenants may see their purchasing power eroded. This problem of incomplete and short-term solutions appears to run through the private-market strategy in the United States.

Canadian governments have also taken a private sector approach to providing affordable housing, but, as noted, there has been greater government involvement in nonequity housing solutions. Some scholars argue that the Canadian government has developed objectives instead of policies (Bacher 1993; Dennis and Fish 1972; Rose 1980). Historically, these objectives have had the effect of ensuring that government would enter into a pragmatic partnership with community-based sponsors to ensure a minimally adequate stock of nonequity housing (Dennis and Fish 1972; Rose 1980). However, with the introduction of the neoconservative agenda, with its emphasis on the private market and less government

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4 Voucher pricing is determined to some degree by housing markets.
involvement in providing services, governments appear to have changed their attitude toward continuing their partnership with community groups in providing for more nonequity housing. As noted, in 1993 the federal government withdrew its support for nonequity housing by devolving it to the provinces, and in 1995, the Ontario government ended its support for nonequity housing completely and subsequently devolved the responsibility to the municipalities.

The province provided further incentives to the private sector by making it easier for landlords to raise rents (the so-called Tenant Protection Act) and assumed that private sector developers and landlords would fill any gaps for low-income households. However, governments in Canada, unlike the United States, did not put into place government support programs for the private sector—programs with tangible incentives for producing new units of affordable housing. Rather, it was assumed that the private sector would fill a void once the government withdrew its support.

The anticipated development of affordable housing for low-income tenants by the private sector has not occurred (Hulchanski 2001; Layton 2000; Mayor’s Homelessness Action Task Force 1999; Statistics Canada 2000). The private sector strategy has proved problematic, as reflected in lengthy waiting lists for nonequity housing, increased numbers at risk for homelessness, and increased outright homelessness (Hulchanski 2001; Layton 2000; Mayor’s Homelessness Action Task Force 1999). Furthermore, Ontario’s withdrawal from providing and funding nonequity housing and the subsequent devolution to municipalities, which are ill-equipped in funding and administrative structure to handle this task, have created a situation that is widely referred to as a crisis in the housing market for low-income renters.

Evidence from the past 10 years indicates that Canadian governments have once again realized that private sector involvement in the housing market must be coupled with a government commitment to protecting society’s most vulnerable members. Recently, the federal government has created a small cost-sharing program with the provinces for building new nonequity housing (Co-operative Housing Federation of Canada 2002). In Ontario, the government has indicated support for the development of new nonequity housing, and the opposition parties awaiting election have made even stronger commitments. Given that the responsibility for nonequity housing has been devolved to the municipalities, however, it is not clear at this point where the impetus for new developments will come from. In sociological terms, there appears to be a state of anomie—the development mechanisms for nonequity housing have been undone, without the creation of suitable replacements.
While the mechanisms for creating new nonequity housing are no longer evident in Ontario, it appears that the trends toward convergence into one model are continuing for existing nonequity housing. While it is difficult to foresee the future, there is reason to believe that pressure within government for increased efficiency and accountability for expenditures will continue to lead to convergence into a uniform nonequity model.

In conclusion, therefore, although the neoconservative agenda of market-based development appears to provide a short-term solution in the United States, it has been less effective in Canada because the many incentive programs found in the United States do not exist in Canada. The traditional Canadian investment in nonequity housing is a more effective long-term strategy, since the housing stock remains available to low-income users and cannot be converted into other uses. However, this strategy can work only if the government is prepared to invest in development costs, and this has not happened either federally or in Ontario since the mid-1990s.

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