# International Handbook of Housing Policies and Practices

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## Canada

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Political leaders and government housing officials continually remind Canadians that they "are among the best housed people in the world" and that Canada's housing system has provided "an adequate supply of suitable accommodation at prices most people can afford" (Canada Mortgage and Housing Corporation 1985a, 10). The key word in such claims is "most." Undoubtedly, most Canadians do enjoy a very high standard of housing relative to many other countries, and Canadian housing policy has played a significant role during the past forty to fifty years. But many Canadians still have great difficulty affording adequate housing appropriate to their needs.

## TRENDS IN CANADIAN HOUSING CONDITIONS

As a result of both the Depression in the 1930s and the Second World War, Canada entered the postwar period with a large stock of old and substandard housing located in communities that often lacked adequate municipal services. Many households lived in overcrowded conditions or paid shelter costs that consumed a large percentage of their income. Since the mid-1940s these conditions have changed dramatically. Canada's housing institutions have evolved to meet the great surge in population growth and household formation.

Between 1941 and 1986 the population more than doubled, and the number of households and the number of dwelling units required more than tripled. In 1986 Canada's population was 25.3 million compared with 11.5 million in 1941; the number of households in 1986 was 9.3 million compared with 2.6 million in 1941. One of the more significant social and cultural trends is the decrease in average household size from 4.5 persons per household in 1941 to 2.7 in 1986. Along with overall population growth, this decrease in household size has played a particularly important role in housing demand throughout the postwar period. Overall population growth (natural increase and immigration) accounted for about two-thirds of the 6.7 million new households established between 1941 and 1986, and decreasing household size accounted for approximately one-third of new household formation. Thus a major restructuring in the living arrangements of Canadians has taken place in recent decades: there are many more one- and two-person households and more families with fewer children.

A dramatic shift in the urban and rural distribution of the Canadian population has also occurred. In 1941 only 54 percent of the population was urban, and only 30 percent of this urban population lived in cities with a population over 100,000 (see table 9.1). By 1981, 76 percent of the population was urban, and 52 percent lived in cities with more than 100,000 people. The single largest locational shift in population between 1941 and 1981 has been a decrease in the percentage of people living on farms—from 27 to 6 percent. The degree of urbanization is surprising to people who think of Canada as the world's second largest country (10 million square kilometers), close to half the size of the Soviet Union. Yet 7.7 million people, almost one-third of the total population, live in the three largest metropolitan areas of Toronto, Montreal, and Vancouver. Even in 1941, 22 percent (2.5 million people) lived in these three largest cities. (Table 9.2 provides recent population figures for Canada's fifteen largest metropolitan areas.)

**Table 9.1**
**Urban Transformation, Canada, 1941–1981**

| | 1941 | | 1981 | | % Change |
|---|---|---|---|---|---|
| | 000s | % of Total | 000s | % of Total | 1941-1981 |
| Rural - Total | 5,254 | 45.7 | 5,907 | 24.3 | + 12 |
| Farm | 3,117 | 27.1 | 1,436 | 5.9 | - 117 |
| Non-Farm | 2,137 | 18.6 | 4,472 | 18.4 | + 109 |
| Urban - Total | 6,252 | 54.3 | 18,436 | 75.7 | + 195 |
| under 10,000 | 1,259 | 10.9 | 2,285 | 9.4 | + 82 |
| 10-100,000 | 1,506 | 13.1 | 3,558 | 14.6 | + 136 |
| over 100,000 | 3,487 | 30.3 | 12,593 | 51.7 | + 261 |
| CANADA | 11,506 | 100 | 24,343 | 100 | + 112 |

*Source*: Statistics Canada, *Census of Canada*, 1941, 1981.

**Table 9.2**
**Population of the Fifteen Largest Metropolitan Areas, Canada, 1981 and 1986**

| Census Metropolitan Area | Rank 1986 | Population ('000) 1981 | 1986 | Percent Change 1981-1986 |
|---|---|---|---|---|
| Toronto | 1 | 3,130 | 3,427 | 9.5% |
| Montreal | 2 | 2,862 | 2,921 | 2.1 |
| Vancouver | 3 | 1,268 | 1,381 | 8.9 |
| Ottawa-Hull | 4 | 744 | 819 | 10.1 |
| Edmonton | 5 | 741 | 786 | 6.0 |
| Calgary | 6 | 626 | 671 | 7.2 |
| Winnipeg | 7 | 592 | 625 | 5.6 |
| Quebec City | 8 | 584 | 603 | 3.3 |
| Hamilton | 8 | 542 | 557 | 2.8 |
| St. Catharines | 10 | 343 | 343 | 0.2 |
| London | 11 | 327 | 342 | 4.7 |
| Kitchener | 12 | 288 | 311 | 8.1 |
| Halifax | 13 | 278 | 295 | 6.6 |
| Victoria | 14 | 242 | 256 | 5.8 |
| Windsor | 15 | 251 | 254 | 1.2 |
| | | | | Average Change 5.5% |

*Source*: Statistics Canada, *Census of Canada*, 1981, 1986.

Table 9.3
**Characteristics of Housing and Households, Canada, 1968–1986**

| | 1968 | 1972 | 1976 | 1980 | 1986 |
|---|---|---|---|---|---|
| Total Households(millions) | 5.4 | 6.2 | 7.1 | 8.0 | 9.3 |
| Persons per household | 3.6 | 3.3 | 3.0 | 2.9 | 2.7 |
| Rooms per household | 5.3 | 5.3 | 5.3 | 5.6 | 5.7 |
| Persons per room | 0.68 | 0.63 | 0.57 | 0.53 | 0.48 |
| Household Size | | | | | |
| 1 Person | 14% | 15% | 18% | 18% | 21% |
| 2 Person | 40 | 26 | 29 | 29 | 31 |
| 3 Person | 18 | 16 | 18 | 18 | |
| 4-5 Person | 30 | 29 | 29 | 29 | 27 |
| 6 or more Persons | 16 | 13 | 8 | 6 | 3 |
| **Tenure** | | | | | |
| Owners | 63% | 61% | 62% | 64% | 63% |
| Renters | 37 | 39 | 38 | 36 | 37 |
| Owners without Mortgage | .. | .. | .. | 44% | 50% |
| Year Dwelling Built | | | | | |
| Before 1940 | 41% | 35% | 28% | 23% | 20% |
| 1940 to 1959 | 36 | 31 | 25 | 23 | 23 |
| Since 1960 | 23 | 34 | 47 | 54 | 57 |
| Type of Dwelling | | | | | |
| Single Detached | 63% | 60% | 56% | 58% | 56% |
| Single Attached (Duplex) | 37 | 40 | 44 | 8 | 9 |
| Other (Apartment) | | | | 34 | 35 |

*Source:* Statistics Canada, *Household Facilities by Income and Other Characteristics*, catalogues 13-218 and 13-567. Ottawa, various years.

Canada has always been a nation of predominantly single detached homes, and although Canadians now live in smaller households in urban areas, the size of the average dwelling unit has increased slightly from 5.3 rooms in the 1940s to 5.7 rooms in the 1980s. In 1941 just over 70 percent of the housing stock consisted of single detached houses. Much of the housing built after World War II was in suburban districts around the larger cities, and many of these units were detached houses on large lots. By the mid-1980s about 56 percent of the housing stock consisted of single detached houses, a slight decline from about 63 percent in the mid-1960s. The continuing predominance of single detached houses accounts for the relative spaciousness of the average Canadian dwelling. (Table 9.3 provides a summary of the characteristics of Canada's households and housing stock for the years between 1968 and 1986.)

The quality of Canada's housing stock has improved dramatically since the 1940s. Housing in need of major repair fell from 27 percent in 1941 to 7 percent in 1981, and only 1.6 percent of dwellings lack basic facilities. The housing



stock is in relatively good condition because most of it is fairly new. Only 20 percent of the current stock was built before 1941, and more than 55 percent has been built since 1960. Even renters have relatively high-quality housing. In 1980 only 2 percent of renter households were found to be overcrowded (dwellings with more than one person per room) and only 1 percent of rental units were found to be inadequate (lacking basic facilities).

One major characteristic of Canadian housing that has not changed significantly is housing tenure. Just over 60 percent of Canadian households own their own homes (table 9.4). The Depression of the 1930s reduced the home-ownership level from a high of 66 percent in the early 1920s to a low of 57 percent by the early 1940s. After World War II the home-ownership rate returned to the 66 percent level by the early 1960s and has since remained in the 60 to 63 percent range. Housing is also relatively affordable for most households, especially for the 50 percent of homeowners who have paid off their mortgage. Canadians spend, on average, less than one-fifth of their gross income on housing.

An aspect of housing tenure that has changed, however, is the composition of each tenure. In the twenty years between 1967 and 1986 the percentage of households in the lowest-income quintile who are homeowners has fallen from 62 to 38. For households in the highest-income quintile, the percentage of homeowners has increased from 73 to 86 (Statistics Canada 1987). There is a growing polarization of Canadian households based on income and tenure. A decreasing percentage of higher-income households are in the private rental sector, and an increasing percentage of lower-income households are renters rather than homeowners.

These national averages, however, tend to hide more than they reveal. It is only natural that averages and aggregate data for a country as wealthy as Canada would produce a rosy picture. A closer look reveals a much more troubled situation than the national averages, aggregate data, and percentages so often cited by government would indicate. The 75,000 people who live in the Yukon and the Northwest Territories, for example, are only now beginning to receive adequate housing appropriate to northern conditions. The thousands of urban poor and the deinstitutionalized individuals who are homeless or live in temporary shelters are still being ignored by policymakers (Oberlander and Fallick 1987; Hulchanski 1987). The most severe problems are found in the high-cost housing markets of Toronto, Montreal, and Vancouver; in rural areas; and on native reserves. For example, the housing conditions of Canada's native population are much worse than nonnative households. About 18 percent of native households live in overcrowded conditions compared with 2 percent of nonnatives; 13 percent of native households have no bathroom compared with 1 percent of nonnatives; and 16 percent of native honseholds live in dwellings in need of major repairs, compared with about 7 percent for nonnatives.

The use of percentages in measuring housing progress can also be deceptive. In 1941, for example, when 27 percent of the housing stock required major repairs, the absolute number of such units was 700,000. In the 1980s the number

Table 9.4
**Home-Ownership Rates, by Region, Canada, 1921–1986**

| | 1921 | 1931 | 1941 | 1951 | 1961 | 1971 | 1981 | 1986 |
|---|---|---|---|---|---|---|---|---|
| Atlantic Provinces | 74.0 | 69.9 | 69.4 | 77.0 | 76.5 | 72.7 | 74.3 | 75.1 |
| Quebec | 55.8 | 47.9 | 44.6 | 48.6 | 49.0 | 47.4 | 53.3 | 54.8 |
| Ontario | 67.7 | 61.4 | 56.5 | 69.5 | 70.5 | 62.9 | 63.3 | 63.7 |
| Prairie Provinces | 73.7 | 69.0 | 64.4 | 72.4 | 73.4 | 70.0 | 66.0 | 66.6 |
| British Columbia | 56.8 | 58.5 | 59.0 | 69.6 | 71.0 | 63.3 | 64.4 | 62.9 |
| CANADA | 65.8 | 60.5 | 56.7 | 65.6 | 66.0 | 60.3 | 62.1 | 62.4 |

*Source:* Statistics Canada. *Census of Canada*, 1921–1986.



of units in need of major repair is surprisingly close to the 1941 number, about 600,000 units, even though these units represent only 7 percent of the now much larger stock of housing. Although it is true that "most" Canadians can afford good-quality housing, the Statistics Canada survey of households and incomes found that 970,000 renter households (27 percent of all renters) paid more than 30 percent of household income on rent in 1986. Furthermore, this is an increase compared to ten years earlier, when 23 percent of renter households paid more than 30 percent of income on rent (Statistics Canada, 1987,9). It is primarily the renters in the lowest income groups who are paying more than 30 percent of their income on housing (figure 9.1).

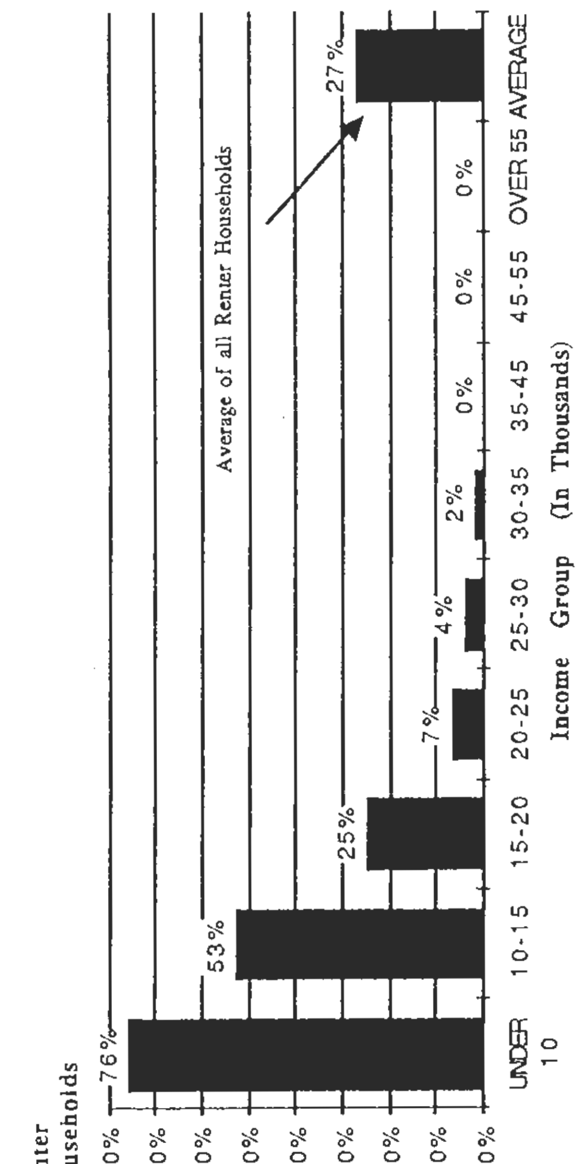
The rosy picture of Canadian housing conditions painted by government officials can primarily be found in selected urban and suburban districts where high incomes and ownership of detached houses are common. Lower-income households, many renters, and several demographic groups (single parents, young adults, single women, the elderly, natives, and the disabled) have great difficulty obtaining or affording appropriate and adequate housing. A much more detailed examination of housing data and trends is required for a more valid picture of housing conditions in a country as large and diverse as Canada.

## CANADA'S HOUSING INSTITUTIONS

The dominant characteristic of Canada's housing system is the overwhelming degree to which housing is a market commodity. Slightly more than 95 percent of the housing stock is privately owned. There are only 425,000 nonmarket housing units in the country (about 4 percent of the stock). These are units subsidized by government and owned and managed either by government housing authorities, private nonprofit housing societies, or not-for-profit housing cooperatives. Although residential construction plays a major role in the economy, government has, for the most part, intervened indirectly, leaving the construction and ownership of most of the stock in the private sector.

Housing policy and programs are a shared responsibility between the federal and provincial governments, although it is the federal government that has generally played the major role. The Canada Mortgage and Housing Corporation (CMHC) is the federal government's housing agency with the responsibility for administering the National Housing Act (NHA). The CMHC is a crown corporation established in 1946 with a board of directors reporting to a federal minister responsible for housing. Under the mandate of the NHA, the CMHC functions partially as a financial institution that, since 1954, insures mortgages and partially as a government department responsible for housing-supply programs, housing-rehabilitation programs, research and demonstration projects, and the dissemination of housing information. The ten provincial governments also have housing corporations or housing departments that perform similar functions as those of the CMHC at the provincial level. Most of the social

Figure 9.1
Renters Paying 30 Percent or More on Rent, by Income Group, Canada, 1986




*Source:* Statistics Canada, 1987.



housing-supply programs have been jointly funded by the federal and provincial governments.

Residential construction has accounted for 5 to 6 percent of gross domestic product since the 1950s, and for most of the postwar period the construction of single detached houses has been the largest segment of new starts. During the 1950s construction of single detached houses represented 65 to 75 percent of all starts; during the mid–1960s to the late 1970s boom in rental and condominium apartment construction detached housing starts fell to the 40 to 50 percent range; and during the 1980s, with the fall in apartment starts, single detached starts have returned to the 60 percent level. Semidetached houses and row houses have generally averaged between 10 percent and 15 percent of all starts during the past few decades.

Because of the size of the country, the significance of single-detached-housing starts and the variable local building conditions and municipal regulations, new housing in Canada tends to be constructed by numerous private firms. The typical firm is small, building fewer than 10 units per year. The larger firms, which may build up to 2,000 units per year, are still relatively small compared to firms in other sectors of the economy. Few honse-building firms operate in more than one market area, and no national firms building single detached houses are active in all major markets (Canada Mortgage and Housing Corporation 1987a, 20–21).

Developers of apartment buildings played a significant role in the housing industry from the mid–1960s to the mid–1970s, when apartment construction constituted a high proportion (40 percent to 50 percent) of all new residential construction. Many of these firms had originally been small builders of single detached houses, but as residential demand shifted toward apartment units, a number of house building firms became large successful real estate developers (Lorimer 1978). The shift in demand was due to several key factors: the baby-boom generation entering the housing market, the tend toward smaller households, the increased demand for central city locations, and the general prosperity of the times, in particular the rising real wages and the increase in the number of two-income households.

Another important factor in the emergence of large-scale development firms was the introduction, during the late 1960s and early 1970s, of condominium tenure. The rapid growth in the construction of rental apartments quickly gave way by the mid–1970s to the more profitable development and marketing of condominiums. By the late 1970s virtually all large development firms left the rental sector, and most even sold their rental projects because a much greater and often quicker return on investment could be obtained outside the rental sector. As a result, the large development corporations diversified into office complexes, shopping centers, and industrial parks. Only a few remained in the residential sector, usually in the condominium market. As rental starts began to fall in the early 1970s a series of new subsidy programs and tax incentives were introduced that had the effect of stimulating additional rental starts but only during the life of the subsidy programs. Many of the subsidized units were also registered as condominiums to permit easy conversion to ownership status when market conditions were right.

Not only is construction carried out by the private sector, but residential finance in Canada is also largely private. Individuals and investors shop for mortgage funds from banks, trust companies, and other financial institutions. Although government mortgage loans through the National Housing Act did play a role in the past, no special institution or system for residential mortgage lending exists apart from the general money market. Even most social housing projects must obtain their mortgage financing in the private sector. Following the introduction of the National Housing Act in the mid–1930s, the government share of outstanding mortgage loans remained around 20 percent until the 1980s when its share fell to about 10 percent. Historically, life insurance companies were the most active lenders, and until mortgage insurance was introduced by the federal government in 1954, the country's major financial institutions, the chartered banks, were not allowed to make residential mortgage loans. Today, a variety of lending institutions compete for a share of the mortgage market, and shifts in market share occur from time to time (table 9.5).

## FEDERAL HOUSING POLICY

After a decade-long depression and another half-decade devoted to the war effort, there was virtually no house-building industry. The existing stock was old, overcrowded, and in poor condition. A great deal of "catching up" was necessary. In 1946 the federal minister responsible for postwar economic recovery told the House of Commons that "adequate housing for the Canadian people is one of the major tasks before us" (House of Commons 1946, 3753).

Although the role of government in Canada's housing sector has grown significantly during the past fifty years, the approach established by the housing programs initiated in the 1930s and the 1940s have remained virtually unchanged. Canadian housing policy has focused almost exclusively on the *supply* of housing units in the *private* sector. Rather than a housing policy as such, there has been a series of housing programs designed to stimulate private residential construction as an instrument of macro-economic policy. There has been little concern over distribution issues.

The federal minister who developed Canada's postwar housing policy, C. D. Howe, told the House of Commons in 1946 that "it is the policy to ensure that as large a portion as possible of housing be built by private initiative" (House of Commons 1946, 3753). In 1955 the CMHC stated that "it has been a guiding principle of national participation in housing that, while the government may act to stimulate and supplement the house building market, it should not assume direct responsibilities . . . which could effectively be borne by private enterprise" (Central Mortgage and Housing Corporation 1956, 7). The federal government's 1985 *Consultation Paper on Housing* explained that "government has used

**Table 9.5**
**Mortgage Loans Outstanding, by Type of Lending Institution, Canada, 1935–1985 (In Millions of Dollars)**

| Year | Life Insurance Companies | | Chartered Banks | | Loan Companies | | Trust Companies | | Credit Unions | | Government & Gov. Agencies | | Other | | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1935 | 405 | 43% | | | 183 | 20% | 97 | 10% | | | 155 | 17% | 95 | 10% | 935 |
| 1940 | 412 | 44% | | | 169 | 18% | 86 | 9% | | | 193 | 21% | 73 | 8% | 933 |
| 1945 | 339 | 45% | | | 137 | 18% | 66 | 9% | | | 151 | 20% | 53 | 7% | 746 |
| 1950 | 901 | 50% | | | 265 | 15% | 113 | 6% | | | 459 | 26% | 62 | 3% | 1,800 |
| 1955 | 2,016 | 48% | 294 | 7% | 444 | 11% | 228 | 5% | 211 | 5% | 868 | 21% | 109 | 3% | 4,170 |
| 1960 | 3,412 | 36% | 971 | 10% | 698 | 7% | 472 | 5% | 390 | 4% | 1,995 | 21% | 1,454 | 15% | 9,392 |
| 1965 | 5,662 | 30% | 810 | 4% | 1,839 | 10% | 1,975 | 11% | 695 | 4% | 3,222 | 17% | 4,415 | 24% | 18,618 |
| 1970 | 7,723 | 25% | 1,481 | 5% | 2,868 | 9% | 3,829 | 12% | 1,353 | 4% | 7,221 | 24% | 6,170 | 20% | 30,645 |
| 1975 | 10,364 | 17% | 8,039 | 13% | 6,560 | 11% | 10,542 | 17% | 5,205 | 8% | 11,100 | 18% | 10,561 | 17% | 62,371 |
| 1980 | 16,319 | 13% | 19,105 | 15% | 12,956 | 10% | 26,816 | 21% | 15,619 | 12% | 13,738 | 11% | 21,351 | 17% | 125,904 |
| 1985 | 21,666 | 13% | 11,040 | 6% | 42,553 | 25% | 37,229 | 22% | 21,659 | 13% | 16,346 | 10% | 20,968 | 12% | 171,461 |

*Source:* Canada Mortgage and Housing Corporation, 1986b, table 78.

housing measures as an instrument of macro-economic policy'' (Canada Mortgage and Housing Corporation 1985a, 23). In 1986 the CMHC stated that its objectives were ''to assist in developing a climate of stability for the private market so that it can function effectively'' and ''to assist households in need who cannot obtain affordable, suitable, and adequate shelter in the private market'' (Canada Mortgage and Housing Corporation 1986a, 12, 14).

This focus on starts and the near total reliance on the private market has been the subject of continuing criticism, but little has changed. In 1964 a major housing policy review stated that ''housing performance under the National Housing Act has been production oriented rather than distribution oriented, a quantitative operation qualitatively devoid of broad social objectives and economically inaccessible to many Canadians'' (Ontario Association of Housing Authorities 1964, 49). The 1968 Federal Task Force on Housing and Urban Development found ''ample evidence of imperfection within the existing market mechanism'' and noted that housing ''is a universal need, yet the private market on which Canadians have relied is anything but universal in its present scope and application'' (Canada, Federal Task Force on Housing and Urban Development 1969, 14). A 1972 study of low-income housing policy noted that ''production goals are adopted on the assumption that all Canadians will be decently housed if a sufficient number of units are produced so that there is one adequate dwelling for every Canadian family'' (Dennis and Fish 1972, 29). The size, type, location, price, and tenure were left largely to the market and local regulations, with low-income households dependent on the filtering process. The 1972 study concluded that filtering had not worked. In his review of postwar housing policy Humphrey Carver, a senior CMHC researcher for twenty years, reported as follows:

> 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 home ownership. . . . The criterion of success was the number of new housing units provided under the National Housing Act. . . . To give some humanity to these statistics the expression used was ''the number of new front doors,'' suggesting the grateful smiling faces of the families who would respond to the postman's knock. A subject that did not appear on the agenda was the question of what was behind the front door and what it looked upon. The environmental quality of the product was not considered important. (Carver 1975, 108)

The problem of producing enough new housing after the war was solved by the late 1960s when the house-building and house-financing capacity of the nation was no longer a problem. Canadian housing policy helped shape the mortgage-lending system, helped develop the house-building industry, and played a significant role in the municipal land-servicing process. House-production objectives were achieved, although distributional and equity considerations were ignored. The aim of Canadian housing policy has been to make ownership of a detached house and, more recently, a condominium apartment or townhouse, a feasible option for those able to qualify for a mortgage.



### Public Housing, Nonprofit Housing, and Cooperatives

Reliance on the private sector and political and ideological resistance to an extensive government role in subsidizing nonmarket housing for low-income people was so great that a national public housing program was not implemented until 1949 (Bacher 1988). The city of Toronto used its own funds to build the nation's first public housing project in 1948 (Rose 1958). The 1938 National Housing Act contained provisions for assisted rental housing, but only subsidies for home ownership were ever implemented. Even the 1949 legislation that introduced a public housing program did not result in a great deal of activity.

During the fourteen years between 1949 and 1953, only 11,624 public housing units were built, amounting to 0.7 percent of the new residential construction (an annual average of 830 units). The federal minister responsible for housing in 1956 stated that ''we would be justified in using public funds for housing only where private enterprise fails to meet the need'' (Dennis and Fish 1972, 173). A member of the Board of Directors of CMHC explained in 1957 that ''we are not competing with private enterprise who we assume will be building a more attractive product intended for those who can afford it.'' Public housing, he said, ''should be based on economic and urban development considerations primarily and . . . the needs of individual tenants should be secondary'' (Dennis and Fish 1972, 174).

The continued failure of the private sector to meet the need for low-rent housing and an unrealistic faith in filtering led to a decision to expand the public housing program in 1964. The new commitment to public housing resulted in 164,000 additional public housing units between 1964 and 1978 (an annual average of 11,680 units). By the late 1980s about 206,000 public housing units in about 4,700 projects had been built. These units comprise 2 percent of Canada's housing stock, and almost one-half of them are in Ontario. Most of the units (165,000) are provincially owned, with subsidy costs shared equally by the federal and provincial governments. The remainder are owned jointly by the federal and provincial governments with costs shared on a 75/25 percent basis. Rents are based on a federal or provincial rent-geared-to-income scale and generally equal 25 percent or less of the household's income. Sixty-three percent of the units are in high-rise buildings, and 86 percent of all public housing units are in good condition (Canada, Task Force on Program Review 1986, 56–61).

In the late 1970s the public housing program was phased out in most parts of the country and replaced by a much greater use of the public, private, and coop housing programs. This shift from public housing to the more socially mixed public, private, and cooperative nonprofit housing programs resulted from dissatisfaction with large-scale public housing projects for only the very poor. Since the early 1970s, nonprofit and cooperative housing have become the main vehicle for providing social housing assistance. By the mid-1980s the nonprofit and cooperative programs have accounted for 80 percent of new social housing units.

In addition to public housing construction, the federal and provincial governments lease about 36,000 rental units for low-income households. About half of the rent supplement units are in Ontario and the remainder are distributed across the country (Canada, Task Force on Program Review 1986, 51–54). This Rent Supplement program is used as an alternative to public housing.

Public, private, and cooperative nonprofit housing comprises the remainder of Canada's social housing stock—110,000 units developed and managed by public nonprofit housing corporations (provincial or municipal) and by private nonprofit housing corporations (church groups, unions, community organizations), as well as an additional 50,000 cooperative housing units. The 1964 NHA amendments provided funding for the first private nonprofit housing, but only 18,000 units were built until the 1973 NHA amendments expanded the nonprofit program and added funding arrangements for nonprofit continuing cooperatives.

Although housing cooperatives exist in many countries, they are usually similar to condominiums in that individuals make an equity investment and have the right to sell their share in the coop at market values and profit from any capital gain that may accrue. This type of market coop is virtually the same as owning a condominium. In Canada, condominiums and "nonmarket" continuing housing cooperatives are very different. Unlike condominiums, nonprofit housing cooperatives involve no equity investment by the residents. The federal coop housing program provides mortgage insurance and subsidies enabling lower- and moderate-income households to afford the monthly housing charges. An operating agreement covering the thirty-five year term of the mortgage guarantees ownership of the project by the residents on a nonprofit cooperative basis. It is the nonprofit and nonequity form of ownership combined with democratic self-management that distinguishes cooperative from condominium ownership. Cooperative housing in Canada represents a distinctly different tenure option for the ownership and management of housing. It is neither individually owned housing nor is it government owned and managed housing. Co-ops are within the public domain, like public housing; yet in practical and legal terms, they are owned by the people who live in them (Selby and Wilson 1988; Hulchanski 1987; and Laidlaw 1977).

In 1986 the Conservative government changed the orientation of the nonprofit and coop housing programs. It eliminated income mixing from public and private nonprofit housing that, in effect, reintroduced the public housing program. Cooperative housing continues as an alternative to home ownership for moderate-income households. The new orientation targets the public and private nonprofit projects to the extremely poor and recognizes the broader social objective of housing cooperatives—as an alternative to home ownership. Thirty percent of the units in the new co-op housing program receive rent supplement subsidies for lower-income households, thereby maintaining a social mix (Canada Mortgage and Housing Corporation 1985b).



Nonmarket housing has never received much attention from federal and provincial housing policymakers. Together, the public housing, rent supplement, nonprofit and co-op housing units comprise 4 percent of Canada's housing stock. In contrast to Canada's acceptance of strong public sector involvement in health and education, neither the state nor a majority of citizens have viewed the meeting of housing needs for all people as a public responsibility. The attention of policymakers and private citizens has focused primarily on problems of home ownership: development of private mortgage-lending institutions and provision of federal and provincial subsidies for home ownership. This focus has also neglected the private rental sector, which, as in many other Western countries, is in decline (Clay 1987; Hamnett 1984; Harloe 1985; Paris 1984). A declining private rental sector and a small social housing sector mean fewer options for the growing number of Canadians who cannot purchase a house.

### Residential Mortgage Lending

With the exception of the small public and nonprofit housing programs, much of the history of Canadian housing policy is a history of a constant struggle aimed at improving the functioning of the private mortgage market to enhance opportunities for home ownership and, in doing so, to keep to a minimum the direct government role in the mortgage market.

Until the 1970s the major impediment to home ownership was the willingness of investors to lend sufficient funds in the residential mortgage market. Each time a crisis in mortgage availability arose, the federal government intervened with new incentives for private lenders. The first national housing legislation, the 1935 Dominion Housing Act, introduced joint mortgage lending between the government and the private sector (Hulchanski 1986, 27). The federal government extended the amortization period, absorbed most of the risk, subsidized the interest rate on its portion of the loan, and allowed private lenders to charge a higher than usual rate of interest on their portion of the loan.

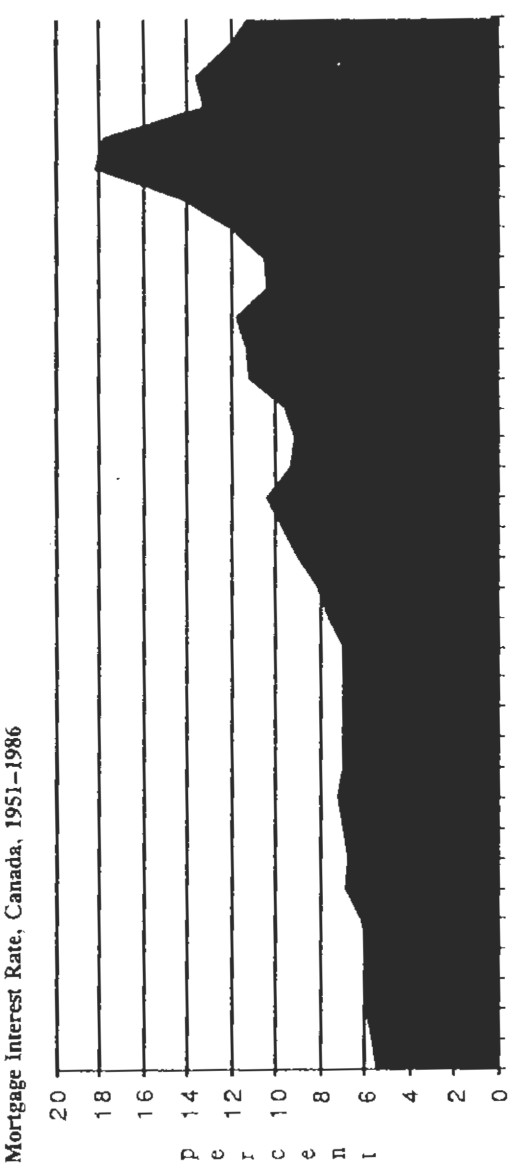
The main elements of the joint loans introduced in 1935 remained intact until the creation of federal mortgage loan insurance in 1954. The intent was to end the joint-lending activity by creating a virtually risk-free investment for lenders. In exchange, the government retained the right to determine the lending terms, especially interest rates, to retain considerable influence over the mortgage market. However, the mortgage insurance scheme did not eliminate the need for direct federal mortgage lending. The scheme worked as long as rates of return on mortgage loans were equal to or better than other kinds of similar investments. When a crisis arose due to a lack of adequate mortgage funds in mid-1957, the CMHC was forced to intervene with massive direct mortgage lending to satisfy the "suburban house-builders of Canada" who were "hungry for funds to keep going" (Canada Mortgage and Housing Corporation, 1970, 21). In 1955 and 1956 the government financed only 700 homeowners each year, whereas in 1957 the CMHC financed 17,000 homeowners. In 1958 and 1959 government financing increased to 27,000 each year, and by the late 1960s more than 223,000 homeowners received mortgage funds directly from the government compared with fewer than 200,000 private sector mortgages financed under the NHA (Canada Mortgage and Housing Corporation 1970, 21). Mortgage lenders did not like the government-established NHA interest rate. In 1966 only 4,000 private sector NHA loans were made compared with nearly 28,000 CMHC loans.

Since the federal government gave no serious consideration to establishing a fully public residential mortgage lending system, its only option for decreased public involvement consisted of making mortgage terms much more attractive to investors. In 1967 the government introduced a new formula for setting the NHA mortgage interest rate, and in June 1969 it set the NHA interest rate free of any government regulation. The rate had been restricted by statute to a maximum of 2.25 percent above the long-term government bond rate. After June 1969 the only remaining difference between NHA and conventional lending was the risk-free nature of the NHA-insured mortgages. In addition, the government reduced the minimum term of the NHA mortgages from twenty-five years to five years, thereby eliminating long-term mortgage-rate security for homeowners (Smith 1974). Lending institutions began to enter the residential mortgage market in greater numbers, reducing the dominant role of life insurance companies (see table 9.4). While the pure market approach to mortgage lending pleased lenders, the higher interest rates increased costs for homeowners, and the shorter-term mortgages eliminated mortgage interest-rate stability. This introduced the use of a new term in the discussion of Canadian housing problems: *affordability*.

The term *housing affordability problem* first started to be widely used in the early 1970s. The 1970s was a decade in which a great deal of change took place in the macroeconomic conditions and housing-market conditions affecting virtually all aspects of the existing housing stock and the supply of new housing. Low-income households always had and continued to have a housing affordability problem. As a result of the difficult economic times during the 1970s, the problem of affording adequate and appropriate housing left the domain of households who were poor and began invading a significant proportion of the middle class, both tenants and homeowners. Macroeconomic and housing-market conditions made access to and maintenance of an expected standard of housing much more difficult.

One of the more obvious factors affecting "housing affordability," especially the ability of a family to purchase its first house, is interest rates. If interest rates remained relatively stable, house buyers had little to worry about. As interest rates rose in the 1970s and then became unstable in the early 1980s, access to home ownership and the risk of foreclosure among recent home buyers developed into a serious problem (see figure 9.2). From the early 1950s to the late 1960s the conventional mortgage interest rate was highly stable, ranging between 6 and 7 percent. From 1959 to 1965, for example, it stood firm at 7 percent. After the NHA mortgage rate was freed from any restrictions, it became unstable, jumping to 9 percent in 1969 and then fluctuating between 9 and 12 percent

**Figure 9.2**
**Mortgage Interest Rate, Canada, 1951–1986**




*Source:* Statistics Canada, *Canadian Economic Observer*, January 1988.

during much of the 1970s. The rate climbed to 18 percent in 1981 and 1982, reaching 21 percent in August 1981, and fell to 13 percent for two years and then to the 10 to 12 percent range.

The response to the problem of inadequate funds in the mortgage market was to make mortgages one of the safest and most lucrative investments. Still, this response generated new problems: access to home ownership and the threat of foreclosure. Many households, including those with two incomes, found it increasingly difficult to afford the purchase of a house in the major urban centers. In the early 1950s less then a third of all family households had more than one wage earner. By the 1980s more than two-thirds had two wage earners, and it took both incomes, rather than one, to qualify for a mortgage on an average suburban house. The home-ownership rate in Canada began to decrease in the 1960s from a historic peak of 66 percent in 1961 to 60 percent in 1971, and after many costly home-ownership-subsidy programs, the percentage of owners increased only slightly to 63 percent in 1986. By the early 1980s the federal government had classified more than 460,000 homeowners as being in "core housing need," that is, having severe problems affording their house (Canada, Task Force on Program Review 1986, 23). The political fallout of these conditions made short-term home-ownership-subsidy programs an inevitable part of the political process.

### Home-Ownership-Subsidy Programs

During the early and mid-1970s the CMHC initiated several major home-ownership-subsidy programs. The early 1970s was a period of unprecedented house-price inflation. Between 1972 and 1974, for example, the cost of both the average resale house and the average new house rose by 53 percent whereas the average Canadian salary increased by only 22 percent (Schaffner 1975, 7). Home ownership became much more expensive relative to other cost-of-living factors, and incomes failed to keep pace. A greater proportion of households could not afford to buy a house. The CMHC's measure of the percentage of renters of prime home-buying age (twenty-five to forty-four years old) able to afford the average-priced house fell from 50 percent in 1971 to 17 percent in 1975 and 7 percent in 1981 (Canada Mortgage and Housing Corporation 1985a, appendix I, p. 15).

Political pressure on government from would-be home buyers and from the residential construction industry forced the creation of a string of expensive short-term subsidy programs through the 1970s and during the early 1980s. (Figure 9.3 provides a summary of federal home-ownership programs.) The government invented six new forms of primarily short-term subsidies in the 1970s and four in the early 1980s.

The first major benefit provided to homeowners after the 1969 changes in the NHA mortgage system was the exemption of the family house from capital gains taxes. In 1972 new tax rules introduced a 50 percent tax on capital gains with the exception of housing, thereby permitting homeowners to continue to benefit fully from appreciation. The exemption has become a permanent and popular housing subsidy. The capital-gains tax break allows homeowners to build up and shelter equity in their house, trade up to better houses, and eventually "cash in" their equity at retirement (or at any time). Unlike some countries, however, Canada does not allow homeowners to deduct mortgage interest and property-tax payments from taxable income. One result of the debate over the housing affordability "crisis" in the mid-1970s was the 1978 promise by the federal Conservative party to implement mortgage-interest and property-tax deductibility if elected. The Conservatives were elected but only as a minority government that lasted nine months, so the plan was never implemented, and it is now rarely mentioned (Shaffner 1979).

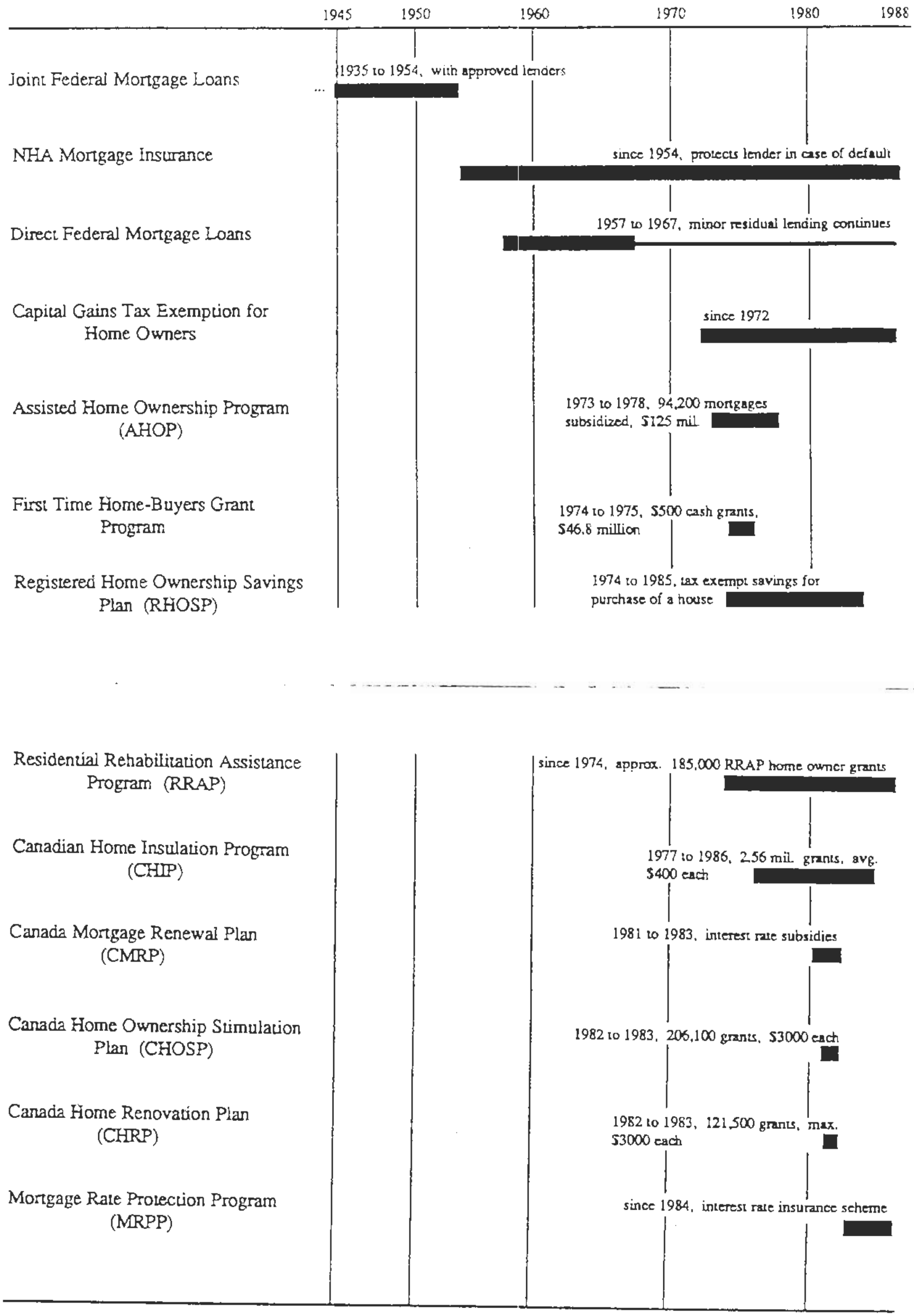


As the inflationary 1970s took its toll on the ability of households to afford the average house, a scheme to encourage renters to save for a down payment was introduced. The Registered Home Ownership Savings Plan (RHOSP) allowed up to $10,000 to be accumulated toward a down payment (from 1974 to 1985). Money placed in the RHOSP and the accumulated interest was exempt from income tax. In addition, to help moderate income households afford a mortgage, a five-year mortgage subsidy plan was introduced in 1973 (the Assisted Home Ownership Program, AHOP), and another 1974 program provided cash grants to help with the down payment (First-Time Home-Buyers Grant Program). About 95,000 households received AHOP-subsidized mortgages during the five-year life of the program. In addition, subsidy programs offering grants and loans to existing homeowners for renovations and insulation were introduced: the Residential Rehabilitation Assistance Program (RRAP) in 1974 and the Canadian Home Insulation Program (CHIP) in 1977.

In the early 1980s an economic slump and extremely high interest rates led to further programs to help out potential and existing homeowners. A short-term program, the Canada Mortgage Renewal Plan (CMRP), offered interest-rate subsidies for owners hit the hardest by the jump in interest rates, and in 1984 a permanent insurance scheme was introduced to protect owners from an increase of more than 2 percent in mortgage interest rates (the Mortgage Rate Protection Program). In 1982, when a sharp fall in starts was feared, the Canada Home Ownership Stimulation Plan (CHOSP) provided $3,000 cash grants as incentives for purchasing a house. To stimulate even more investment in residential construction in 1982, the Canada Home Renovation Plan (CHRP) furnished cash grants to a maximum of $3,000 per unit.

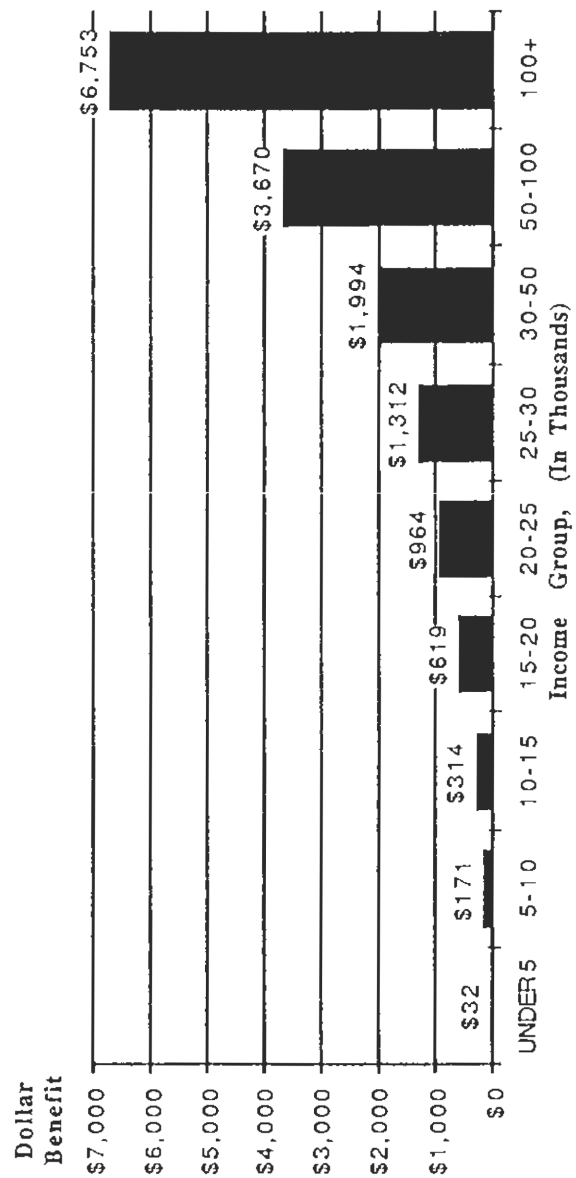
These home-ownership-subsidy programs, though very popular, were expensive and assisted few if any lower-income households. The three major programs in the early 1980s cost more than $1 billion: the CMRP cost $48 million, CHOSP $800 million, and CHRP $230 million (Canada Mortgage and Housing Corporation 1986a, 68–73). The foregone revenue from the nontaxation of capital gains on houses is estimated to be a $1.5 billion annual subsidy to homeowners. The RHOSP costs about $100 million per year (Dowler 1983, 56–75). (Figure

Figure 9.3
Evolution of Federal Home-Ownership Programs, Canada, 1945–1988




*Source:* Compiled by J. D. Hulchanski, School of Community and Regional Planning, The University of British Colombia, April 1988.

Figure 9.4
Average Benefit from Federal Housing-Related Tax Expenditures, by Income Group, Canada, 1979




*Source*: Canada, Department of Finance, *Analysis of Federal Tax Expenditures for Individuals*, Ottawa, 1981, p. 12.



**Table 9.6**
**Poverty, by Tenure, Canada, 1986**

| | Families | | Unattached Individuals | | Total | |
|---|---|---|---|---|---|---|
| | Poverty Rate | Number of Poor Families | Poverty Rate | Number of Individuals | Poverty Rate | Households in Poverty |
| Owners | 7.3% | 361,700 | 24.4% | 187,000 | 9.4% | 548,700 |
| Renters | 25.6% | 489,300 | 38.0% | 794,400 | 36.8% | 1,283,700 |

*Source*: Canada, National Council of Welfare, 1988.

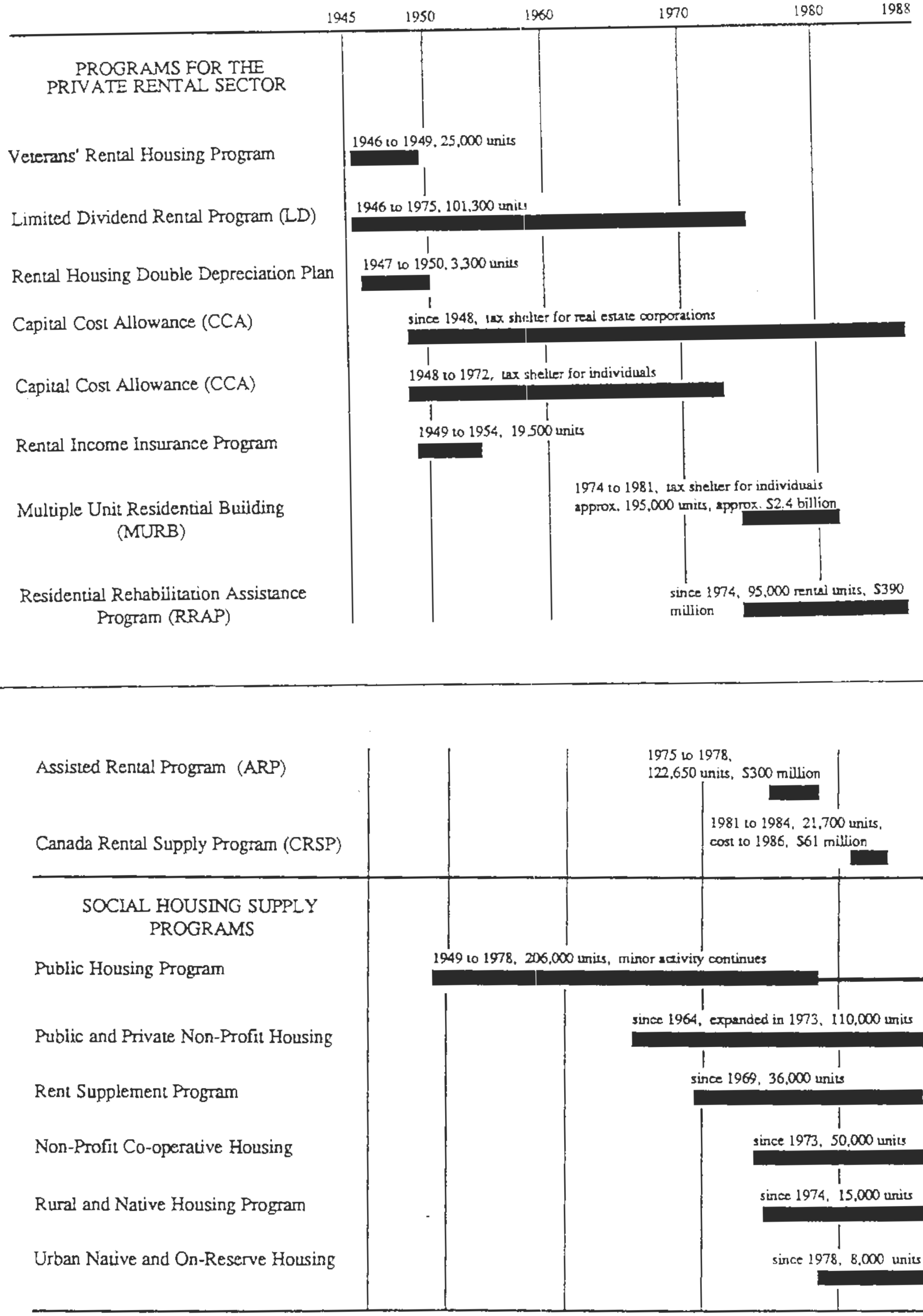
9.4 provides a Department of Finance summary of how unequally the housing-related tax expenditures are distributed.) Higher-income individuals receive most of the benefits of the housing subsidies provided through the income tax system. In comparison, the annual subsidy cost for all direct expenditures on the social housing units ever built in Canada for low- and moderate-income households—the public, nonprofit, and cooperative housing projects—was $600 million in 1982 and $773 million in 1983 (Canada Mortgage and Housing Corporation, 1986a, 68–73). As of 1986, only 1 percent of the federal budget had been spent on social housing.

## Private Rental Housing Subsidy Programs

There has been little fluctuation in the percentage of Canadian households who rent their accommodations. In the late 1930s and early 1940s the percentage of renter households peaked around 45 percent and has since ranged between 35 and 40 percent. The poor performance of the private rental market and the severity and persistence of rental housing problems throughout this century has required the government to intervene continually. The early health and building codes were in large part directed at poor-quality rental stock. Residential rehabilitation programs, which began with the 1937 Home Improvement Act and the postwar urban-renewal and slum-clearance programs, have eliminated much of the poorest-quality rental stock. Since the market responds to effective market demand rather than social need, the reliance of Canadian housing policy on market forces has led to the huge disparity between the quality and the quantity of housing consumed by the poor and the rich. The poor simply cannot generate effective market demand in the rental sector. In 1986 about 500,000 families and 800,000 single-person households in the rental sector lived below the official poverty line (see table 9.6). About 37 percent of all renter households live in poverty compared with 9 percent of homeowners.

In her study of the federal response to rental housing problems during the past eighty-five years, Joan Selby concluded that "despite the political and economic imperatives for government action which stemmed from early and continued

Figure 9.5
Evolution of Federal Rental Housing Programs, Canada, 1945–1988



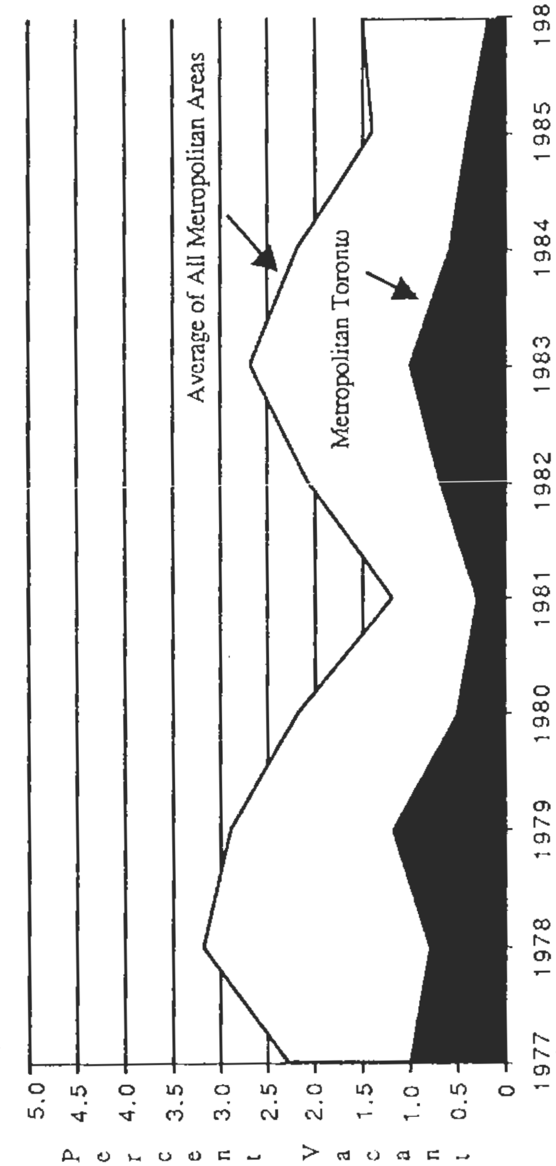

*Source*: Compiled by J. D. Hulchanski, School of Community and Regional Planning, The University of British Columbia, April 1988.

documentation of rental housing problems and prolonged advocacy for government intervention," the response has "been minimal, piecemeal and reactive, largely market supportive, and designed to challenge neither the principle of housing as a commodity nor the myth of market efficiency" (Selby 1985, 210). The resistance to developing a rental housing policy that effectively addresses the needs of lower-income households is due to four factors: (a) the reliance on the private sector for housing supply and housing-program delivery; (b) the focus on home ownership as the desirable tenure option; (c) the belief that severe housing problems are temporary aberrations rather than manifestations of fundamental, long-term problems; and (d) the view that housing is largely a local matter, with problems best left to municipalities and provinces to sort out (Selby 1985, 212).

The growth of the private rental stock has not been uniform during the postwar period. Only during the late 1950s and throughout the 1960s did market forces produce significant numbers of new rental units. After the war, to address the severe shortage, the federal government introduced two programs that directly subsidized rental starts, two providing tax benefits for rental investors, and one insurance scheme that guaranteed a certain profit level to investors (see figure 9.5). From 1945 to 1963, when 11,600 public housing units were built, the government subsidized a total of 83,500 private rental starts. Even the short boom in private rental starts during the 1960s was inadequate. To help meet the need for affordable rental housing, the government expanded the public housing program and increased the number of private rental units subsidized by the Limited Dividend Program.

When rental starts began to fall in the early 1970s two new subsidy programs resulted in 300,000 private rental units that were not targeted to the poor. They were short-term programs aimed at keeping the production of new units from falling more than they already had. The CMHC initiated the programs because some analysts claimed that the lack of rental investment was temporary, due to the unstable economic climate. Since the mid-1970s, however, almost all rental starts have been subsidized. As the *Consultation Paper on Housing* noted, "the federal government has devoted considerable resources to supporting rental production" spending "an estimated $4 billion to $5 billion in support of rental production" (Canada Mortgage and Housing Corporation, 1985a, 22). The gap between the economic rent of new units and the rent levels tenants can afford to pay has become increasingly large. There is no sign that the problem is temporary. Real incomes of average Canadian households declined during the early 1980s. The only private rental units built in the 1980s have been under government subsidy programs, and almost all multiple dwelling starts during the 1980s have been condominiums. Vacancy rates in the 1950s were about 5 percent. During the 1970s and 1980s they averaged closer to 2 percent, and many of the larger cities have rates persistently below 1 percent (see figure 9.6 for average vacancy rates between 1977 and 1986). It is in the context of market failure in the rental sector that most provinces maintain permanent rent regulations. Supply

**Figure 9.6**
**Average Annual Vacancy Rates in Canada, 1977–1986 (In Private Rental Apartment Buildings with Six or More Units)**




*Source:* Canada Mortgage and Housing Corporation, *Canadian Housing Statistics*, 1982, 1986b.

is not responding to demand; much of the demand is actually social need rather than effective market demand; and rental stock is being lost through condominium conversion and demolition.

## MAJOR PROBLEMS

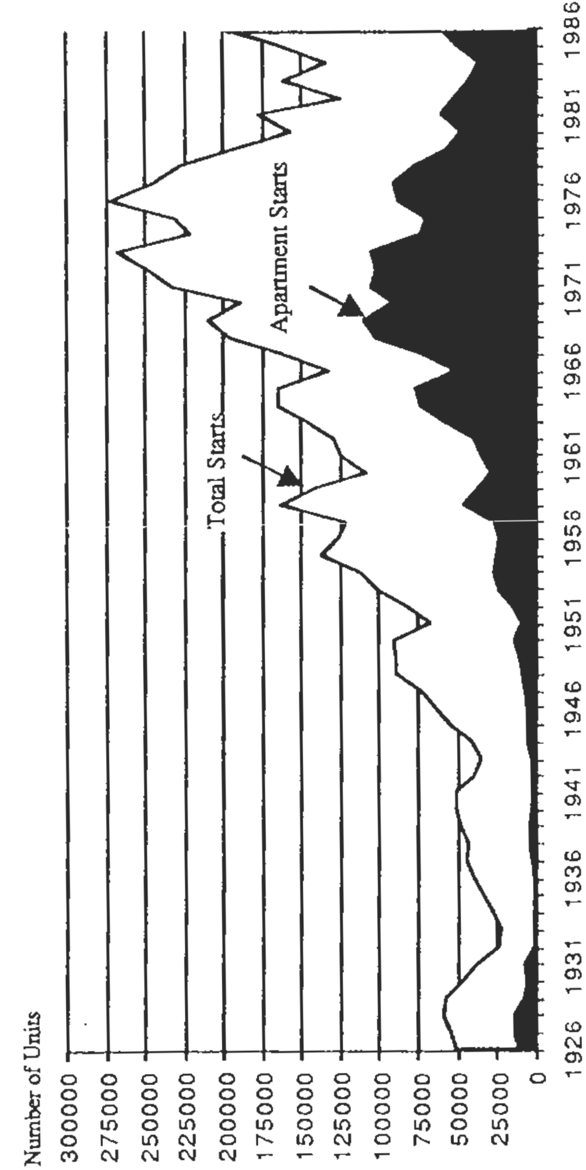
Canada has managed to construct a *partial* housing system during the postwar period. It is an exclusive system—it excludes those who cannot access the market. The nonmarket social housing sector is one of the smallest and least developed among major Western nations. The near total reliance on the private sector for supply, distribution, and maintenance of national housing resources means that people who cannot generate market demand will most likely not have their housing needs met. The market responds to market demand, not social need. The poor, in the past, were relegated to slum housing and their needs were, for the most part, ignored. As the quality of the housing stock improved after the 1940s there was less slum housing for the poor to disappear into. The gentrification that began happening during the 1970s further eliminated the lower-priced poor-quality inner-city housing stock (Ley 1985; Howell 1986). Canadian housing in the 1990s must deal with the legacy of a postwar housing policy that failed to address the housing needs of *all* Canadians and the impact of the adverse income, employment, and poverty trends of the 1980s that are affecting even more households than in the past.

### A Policy of Crisis Management

A comparison of annual housing starts and the timing of new ownership and private rental-program initiatives supports the observation that Canadian housing policy consists of little more than a concern with production, that is, with maintaining a reasonable annual level of private sector starts (see figure 9.7 for annual housing starts, 1926 to 1986). The federal government adopted the first national housing legislation, the 1935 Dominion Housing Act and the 1938 National Housing Act, during the severe housing construction and employment slump of the Great Depression. Until that time there were no federal housing policy or programs, except for one home-ownership loan program for about 6,000 veterans after World War I (Jones 1978).

The introduction of mortgage insurance in 1954 followed the first serious postwar fall in housing starts. Housing starts leveled off at about 90,000 in 1948 and 1949 and then dropped to 68,000 in 1951. When it became obvious that mortgage insurance was not enough of an incentive for the private sector, the federal government began to lend mortgage funds directly in 1957. This intervention followed a decline in starts from a high of 138,000 in 1955 to 122,000 in 1957. A strong economy and continual direct lending by government helped maintain an increasing rate of starts until 1966. In response to a fear of another serious slump, the 1967 and 1969 freeing of the NHA interest rate and strong

Figure 9.7
Housing Starts in Canada, 1926–1986




*Source:* Canada Mortgage and Housing Corporation, *Canadian Housing Statistics*, various years.

economic growth contributed to very high annual production levels until 1973. The sharp fall in 1974 and 1975 gave rise to a range of home-ownership- and rental-subsidy programs that temporarily boosted housing starts.

After housing starts reached an historic high of 273,000 in 1976, almost all of which were at least partially subsidized, annual starts continued to decrease. The high interest rates of the early 1980s led to another "outbreak" of short-term ownership- and private rental-subsidy programs. These programs did not reverse the downward trend very much but kept it from becoming worse. In the late 1980s starts began to recover due to stable interest rates, although most (60 percent) are single detached ownership units. The rental sector continues to be in a serious slump, and government fiscal restraint measures have reduced the level of social housing activity (Hulchanski and Drover 1987).

## A Growing Housing-Affordability Problem

A number of economic trends during the 1980s indicate that many Canadians will have even greater difficulty affording housing in the 1990s.

*The Decline in Real Family Incomes.* Average real incomes of Canadian families fell by 6 percent between 1980 and 1984. Young families have been hardest hit, with a decline of 14 percent. This is a dramatic departure from trends between 1965 and 1976 when real incomes increased by 4.2 percent per year (Lindsay 1986, 15–16). A result of these trends is that by 1986 an estimated 3.7 million Canadians, 1 in 6, lived in poverty, a substantial increase of 215,000 since 1980. More than a million children under sixteen, 1 in every 6, are in low-income families (Canada, National Council of Welfare 1988, 2). By 1986, 1.9 million Canadians (7.5 percent of the population) were living on social-assistance payments, an increase from 1.4 million (5.7 percent of the population) in 1981 (Canada, National Council of Welfare, 1987, 8).

*More Low-Income Single-Parent Families.* During the period 1966–1986 the number of single-parent families increased 130 percent, whereas husband-wife parents increased only 42 percent. By 1986, 13 percent of all families were single parent compared with 8 percent in 1966. About 1.2 million children, or more than 14 percent of all children in Canada, lived in single-parent families. In 1986, 82 percent were headed by women, and women made up 94 percent of all young single parents (aged fifteen to twenty-four). About 60 percent of women single parents have incomes below the poverty line. The average income of female-headed single-parent families ($20,000 in 1985) was less than half that of husband-wife families with children ($44,000 in 1985). In 1986, 30 percent of female-headed single-parent families lived in single detached houses compared with 66 percent for other families with children. Also, 72 percent of female-headed single-parent families were renters, compared with 27 percent of other families (Moore 1987, 31–36).

*The Aging of the Population.* The population aged sixty-five and over is the fastest growing age group, and almost half (47 percent) of unattached elderly



Table 9.7
**Share of Income, by Quintiles, Canada, 1951–1981**

| | 1951 | 1961 | 1971 | 1981 |
|---|---|---|---|---|
| Lowest Quintile | 4 % | 4 % | 4 % | 4 % |
| Second Quintile | 12 | 12 | 10 | 11 |
| Middle Quintile | 18 | 18 | 18 | 18 |
| Fourth Quintile | 23 | 25 | 25 | 25 |
| Highest Quintile | 43 | 41 | 43 | 42 |

*Source:* Statistics Canada, 1984.

Canadians live in poverty. The number of elderly increased by 15 percent, from 2.4 million to 2.7 million, between 1981 and 1986, a growth rate more than three times that of the population as a whole (4 percent). The number of people over seventy-five increased by 19 percent (Devereaux 1987, 37).

These and similar income and poverty trends are occurring in the context of an already existing large gap between rich and poor in Canada and a very rigid income distribution. There has been little change in the distribution of income during the past thirty years (table 9.7). During the 1980s, however, there has been a measurable increase in economic inequality. Between 1980 and 1986 the bottom 60 percent of Canadian families saw their share of total national income fall from 37.6 percent to 36.5 percent, which is the equivalent of a $3 billion transfer. The top 20 percent of families (who have incomes exceeding $57,000 per year) accounted for all of the gain (Ross 1988, 20).

## A Growing Urban Housing Crisis

The inability of an increasing number of households to afford adequate housing is already evident in the larger cities. In Toronto, for example, a 1987 report issued by the mayor notes that the shortage of affordable housing in the heart of Canada's largest metropolitan region "has evolved into a crisis." The vacancy rate in the rental market is 0.3 percent and the waiting lists for all forms of social housing are large and growing. The number of homeless people, especially women, youth, and families, is growing. From 1976 to 1985 more than 11,000 of Toronto's rental units were lost by conversion, redevelopment, and demolition. Gentrification displaced 54,000 people from rooms, flats, and apartments in converted family homes (owner-tenant properties) between 1976 and 1985. Rapidly rising land prices have outstripped gains in household incomes, making home ownership significantly less affordable and adding further to the pressure on the rental market. In 1972, for instance, the average Toronto house cost $28,000 and required about 32 percent of the median family income; by 1987 the median house price was $213,278 requiring 50 percent of the median income (City of Toronto 1987, 1–3).

## PROSPECTIVE DEVELOPMENTS

Although a great deal of progress has been made during the past four decades in improving the standard of housing for most Canadians, many problems remain. Prospects for significant change in the near future are not good. Because of the generally high quality of the housing stock for most Canadians and the high cost and complexity of addressing remaining housing problems, it is too easy and convenient for the government and the housing industry to assert that housing markets are generally working well. To do otherwise invites more government intervention, which the housing industry opposes, and the spending of more money on housing, which is contrary to the fiscal restraint policies of the government.

Remaining housing needs will not be addressed until the ad hoc crisis-management orientation of housing policy is changed. The crises being managed, moreover, relate almost exclusively to issues of housing supply rather than distribution. Most Canadians will continue to be well housed while severe problems among a substantial minority—about 20 to 30 percent of all households, depending on the definition used—will likely worsen. The housing problem has tended to be framed in terms of conventional market analysis, which in turn limits the research and policy effort to a very narrow focus on marketplace transactions (the *processes* of the market). The *outcomes* of the market processes tend to be ignored. Rather than a housing affordability problem, it is conceptually more helpful to define the remaining housing problem as a resource-allocation problem: who gets what quality and quantity of housing at what percentage of their income and how this is decided. The housing debate is confused because problems and potential solutions are focused narrowly on subsidy programs and whether the country can afford them, rather than placing an emphasis on the allocative mechanisms of the economy—a fairer distribution of wealth, a less unequal wage system, and a less unequal allocation of housing resources. When we ask why, in the late 1980s, after more than fifty years of housing programs, so many Canadians have serious problems obtaining the housing they need, the only possible answer must point to the way housing resources are allocated. Canada is wealthy enough to guarantee every citizen adequate, appropriate housing at a reasonable cost. The accounts of housing-affordability problems that fill the media and much of the housing literature are, at their root, referring to a serious resource-allocation problem.

Forty years ago, in one of the first postwar studies of housing policy, Humphrey Carver noted that "the crucial and ultimate test of the effectiveness of housing policy is the condition of the worst-housed families in our communities" (Carver 1948, 123). The remaining unaddressed needs require making housing a priority and ensuring that resources are allocated appropriately. As Carver noted some



forty years ago, "ultimately the solution to this central problem of housing lies in the formation of a philosophy concerning the rights and equities within our society" (Carver 1948, 128). Canadians have not yet made such a commitment, and narrow self-interest in housing and land markets continues to exclude a substantial proportion of Canadians from obtaining adequate and appropriate housing at a reasonable proportion of their income.

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