(D)evolution and neoliberal restructuring of social housing in Canada: a comparative study of municipal and provincial governance in Toronto, ON and Vancouver, BC

by

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A thesis submitted in conformity with the requirements for the degree of Doctor of Philosophy
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Abstract

Neoliberal policies have been widely adopted and implemented in capitalist societies. Canada is no exception, as neoliberal strategy is evident at the federal, provincial and municipal levels. Examples of this can be found in Canadian social housing, among other areas of policy. Since the 1990s the ways in which social housing is managed and funded have changed significantly. Through devolution the federal government’s role has decreased considerably, resulting in increased responsibilities for provinces and municipalities. While most provinces now manage social housing portfolios, Ontario is the only province to subsequently devolve its responsibility to the municipal level. Given reduced levels of government funding, providers are increasingly challenged to find new and innovative ways to assist in the delivery of social housing. The purpose of this research is to examine how varying levels of devolution influence neoliberalization processes at the local level, and determine if a greater degree of downloading is linked to a more intensified withdrawal of direct state involvement and increased private sector participation. This is achieved through an in-depth comparison of Toronto and Vancouver, two of Canada’s largest cities. The results highlight how neoliberal policies
are experienced differently across time and space, the complexity of policy devolution, and consider the role of local path dependencies in social housing provision. Additionally, by presenting detailed accounts of the devolution process, the introduction of new ‘affordable housing’ programs, and the expiry of federal operating agreements, this study provides a comprehensive, critical and updated review of Canada’s evolving social housing system.
Acknowledgements

First and foremost, I wish to thank my doctoral supervisors, Dr. Alan Walks and Dr. Deborah (Debby) Leslie. Your expert advice and direction throughout this program has been invaluable, and I am fortunate to have worked with both of you. This was a long journey, and I appreciate your enduring patience and faith in me.

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I gratefully acknowledge the many unnamed interviewees from Toronto, Vancouver and Ottawa for sharing with me their experience and expertise in the field of social and affordable housing. Your kind participation was essential to my research.

Finally, I wish to thank my family and friends for their support and encouragement, especially my wife, Jenn. Thank you.
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<td>Canadian Economic Action Plan</td>
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<td>DBFOM</td>
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Chapter 1: Introduction

Housing plays a critical role in everyday life. More than a mere physical container that offers protection from the elements, housing contributes, directly or indirectly, to economic, social and health outcomes (Pynoos 1973; Miron 1993; Wellesley Institute 2010). For homeowners and renters alike, it also tends to be the biggest household expenditure (Pynoos 1973; Miron 1993; Harris 2000). In fact, the proportion of income devoted to housing is significant enough that it can be used to measure standard of living (Miron 1993). However, many households simply cannot afford adequate and suitable housing:

Providing adequate housing for people is one of the great problems in the world today. In many places it is the lack of adequate places to live combined with the lack of jobs that is causing desperation, riots and general social upheaval characteristic of life in even the most advanced countries (Fuerst 1974, p. 13).

Although the excerpt above was written more than four decades ago, the sentiment remains valid today.

The vast majority of Canadians are ‘well housed’ (Wolfe 1998). Most households are able to obtain suitable, adequate and affordable housing options (Carter 1997). Additionally, at a rate of more than two-thirds, Canada is largely a nation of homeowners (Statistics Canada 2013; Hulchanski 2007). Nevertheless, despite ‘rather glowing figures’ (Carter 1997), 1.6 million households were in core housing need at the time of the most recent national census (CMHC 2014). Since the postwar period, all levels of government have attempted, independently and collaboratively, to alleviate this problem.

1 1.6 million represents 12.5 percent of Canadian households.
2 Core need refers to a household that is unable to access affordable, suitable and adequate housing. The specifics of each requirement will be addressed in further detail.
3 The most recent census was conducted in 2011.
Social housing represents between 5 and 6.5 percent of Canada’s total housing stock, and is perhaps the best means of housing those who cannot afford adequate and suitable options.4

1.1 What is Social Housing?

Canada Mortgage and Housing Corporation (CMHC) defines social housing in the following way:

Social housing is housing subsidized by governments (often developed in collaboration with the private and public not-for-profit sector) that is made available to those who would otherwise be unable to afford to live in suitable and adequate housing in the private market. Client groups for social housing include low-income singles and families, recent immigrants, lone-parents, seniors, persons with disabilities, Aboriginal people, and victims of domestic violence (CMHC 2011, p. 127).

Most housing, including privately owned stock, receives and benefits from some form of government subsidy at one time or another (Carter 1997). Therefore, in addition to funding that reduces rent levels, social housing is owned and operated either directly by government or an approved agency. This type of intervention is critical since it responds to the private market’s failure to produce sufficient housing stock at low rent levels. While private market housing is generally secured based on ‘ability to pay,’ social housing offers units according to ‘need’ (Harloe 1995, p. 13).

Dreier and Hulchanski (1993) argue social housing is an ‘imprecise term’ that can include all forms of non-market housing. Similarly, Sousa and Quarter (2003) use the term ‘nonequity housing.’ For the purpose of this study, social housing is treated as an umbrella term that includes three primary types of government assisted housing: public, non-profit, and co-operative housing (Wolfe 1998; Sousa and Quarter 2003; Hackworth

4 Various estimates exist, and tend to differ depending on which forms of housing are included. For example: Hulchanski 2007: 5 percent; Dreier and Hulchanski 1993: 5.5 percent; Hackworth and Moriah 2006: 6 percent; Smith 1995: 6.5 percent.
and Moriah 2006; Hackworth 2008; Ontario Non-Profit Housing Association).\textsuperscript{5} Some definitions also include units created through rent supplements and Aboriginal housing programs (Dreier and Hulchanski 1993; Smith 1995; CMHC 2011). However, rent supplements are primarily used in conjunction with non-profit and co-operative housing (Fallis 1995), and Aboriginal housing was provided by separate federal programs and not devolved to the provinces in the same way (CMHC 2011). Furthermore, additional forms of housing that receive some kind of subsidy, such as homeless shelters, emergency shelters, or affordable housing, are not categorized as \textit{social housing} here. These undoubtedly serve important roles in the housing continuum, but typically differ in tenure and structure, and receive funding through separate government programs.

Social housing has experienced significant change since its inception. Such programs were established on foundations of the Keynesian welfare state (Hackworth 2007), which assumes government intervention and investment is necessary to overcome market-failures. However, criticisms of the welfare state as inefficient and ‘too socialist’ (Hackworth 2003) led to its eventual abandonment, only to be replaced with market-based strategies believed to promote and produce more efficient delivery of social services.

\textbf{1.2 A Neoliberal Turn}

Neoliberalism professes the advancement of individual economic freedoms and liberties (Harvey 2005). In order to achieve these objectives, the intense government interventions associated with the Keynesian welfare state must be either abandoned or greatly

\textsuperscript{5} Sousa and Quarter (2003) suggest there are four types of social housing in Canada. This difference is explained by the separation of non-profit housing into two distinct variants: private non-profit (operated by community, charitable or religious organizations) and municipal non-profit (operated by local government). However, both types are funded by common programs and often lumped together for purposes of defining social housing.
restricted (ibid). Past market failures are dismissed, and remnants of the welfare state are dismantled (Keil 2002; Harvey 2000). Instead, the free market becomes the ‘central plank’ that structures everyday life (Johnston et al. 2000, p. 547; Harvey 2005). This process is manifested through fiscal austerity, government downsizing, deregulation, free trade, privatization, and the creation of public-private partnerships (Harvey 2000).

Despite a relatively straightforward premise, a growing body of research highlights the complexity and contradictory nature of neoliberalism in practice. For example, the impacts of neoliberal policies are often experienced unevenly across both time and space (Harvey 2005). Critics point to an ‘actually existing neoliberalism,’ rather than some ‘pure form’ or ‘end state,’ and argue that outcomes are differently shaped by the ‘path dependencies’ of various institutions, regulatory frameworks and agents that can serve to either embrace or hinder neoliberalism (Brenner and Theodore 2002). While certain policy forms and developments appear to reflect the ‘neoliberal’ trend, others seem to suggest some degree of reversal. These kinds of inconsistencies highlight the contested nature of the neoliberal project, and further demonstrate the importance of ‘actually existing neoliberalism’ and ‘path dependency.’

Neoliberal policies have been widely adopted and implemented in capitalist societies. The impacts these have on social programs, including housing, are often profound. In fact, Glynn (2009) argues a ‘housing revolution’ is underway:

For millions of households across the world, the nature of their home is changing as the political orthodoxy of neoliberalism puts into effect some of the most financially significant and socially pervasive mechanisms of deregulation and privatization (p. 1).

Although neoliberal policies affect the entire housing market, individuals ‘at the bottom of the housing pile’ tend to be most negatively impacted (Glynn 2009, p. 1). For
example, the Keynesian public housing programs developed in the United Kingdom and the United States during the post-war period were aggressively dismantled during the 1970s. While this process occurred differently in each country, the ultimate goals were similar: reduce funding and increase privatization. Britain cut housing expenditures significantly and sold much of its public housing stock to both tenants and the private sector (Hodkinson 2009). The United States introduced a moratorium on the creation of new public housing and switched to a voucher system that relied primarily on private rental stock (Hackworth 2005). Similarly, remaining public housing was at risk of demolition or privatization (ibid). Intensive government investment and direct involvement in social housing lasted nearly two decades longer in Canada. However, the sector would eventually ‘fall victim to neoliberalism’ (Hackworth 2009, p. 257).

With respect to housing, some critics suggest the welfare state in Canada came to an end in 1995 (Cole 2008). In particular, the federal budget contained significant reductions to transfer payments for social services, including social housing. Similarly, where funding remained, certain stipulations imposed upon provinces were relaxed (ibid). Accordingly, Cole (2008) argues the federal government ‘abandoned any responsibility’ for ensuring Canadians had access to suitable, adequate and affordable housing (p. 185). Now, social housing providers must continue to operate, and even try to expand, with reduced funding. Therefore, many are forced to ‘re-think how they do business and provide service,’ and thus become more entrepreneurial (ONPHA 2010, p. 3). This involves finding ways to reduce costs, generate new revenue, and unlock value from existing assets. Furthermore, these pressures were intensified when the federal
government devolved most of its administrative and funding responsibilities for social housing to the provinces.

1.3 What is Devolution?

Devolution refers to a method of legislative decentralization, in which powers are transferred from a senior government to a lower tier (Bogdanor 1979, 1999; Burrows 2000; Johnston et al. 2000). According to Bogdanor (1979), it involves three components: “the transfer to a subordinate elected body on a geographical basis, of functions at present exercised by Parliament” (p. 2; italics in original). The concept of devolution has been described a ‘peculiarly British contribution to politics’ (Bognador 1979, p. 3). As a result, there exists a substantial body of literature that examines political decentralization in the United Kingdom (Bognador 1979, 1999; Bradbury 1997, 2006; Keating and Elcock 1998; Burrows 2000; Keating 2004; Birell 2012). Nevertheless, research on devolution is conducted worldwide.

In a technical sense, ‘devolution’ is sometimes applied inaccurately. Bognador (1979, p. 2) and Kincaid (1998, p. 14) both argue the term is used ‘loosely.’ Similarly, Kincaid (1998) claims devolution within the context of the United States is a ‘curious notion,’ one that cannot exist occur under federal system of government:

Devolution is also a curious notion because, strictly speaking, there can be no devolution in the American federal system. Unlike British parliamentary supremacy, whereby Parliament can unilaterally devolve powers to regional and local authorities that possess no sovereignty or supremacy of their own, the U.S. Congress possesses only limited, delegated powers, and the U.S. Constitution establishes a system of dual sovereignty characterized by the U.S. Supreme Court in 1869 as “an indestructible Union of indestructible states”… The U.S. Constitution, therefore, does not contemplate devolution of powers from the federal capitol to the state capitols (p. 13).
American states can devolve powers to municipalities, but the same transfer between federal and state governments requires amendments to the constitution (Kincaid 1998). A similar set of circumstances also exists in Canada. The Constitution Act, 1867 outlines the distribution of legislative authority between the Parliament of Canada and the provinces. In contrast, the nation’s three territories hold no constitutional status.

Constitutionally, the territories remain a creature of the federal government and must be distinguished from the provinces. Unlike the provinces which all have equivalent status and are fully autonomous within their sphere of exclusive legislative powers, the territories have no entrenched constitutional status or legislative powers under the Canadian Constitution… The distinction is considerable… The Parliament of Canada has, by statute, devolved some of its constitutional powers to the territorial administrations. This devolution may, in principle, be revoked, in all or in part, at any time by Parliament and is not constitutionally entrenched (Department of Justice Canada 2015).

Therefore, devolution in the territories perhaps represents the most valid examples in Canada. In spite of these ‘constitutional niceties,’ Kincaid (1998) suggests the term remains as a buzz word that is often used interchangeably with processes such as ‘decentralization’ and ‘delegation’ (p. 14). Ultimately, the meaning of devolution as employed in this study will reflect this more flexible and informal characterization.

In addition to examples such as deregulation, privatization and public-private partnerships, devolution is often included as a form of neoliberalization (Leitner et al. 2007, p. 1; Rocheleau 2007, p. 222; Slowey 2008, p. 17; Suttor 2011, p. 259). However, the process is not inherently neoliberal. Instead, the decentralization of legislative authority is ideologically neutral, but can be applied to achieve desired neoliberal

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6 Municipalities are ‘creatures of the state’ under the U.S. Constitution (Kincaid 1998, p. 15).
7 Canada is a federal parliamentary democracy and a constitutional monarchy.
8 Northwest Territories, Nunavut and Yukon.
9 Even decentralization and delegations can have varying definitions (Kincaid 1998).
outcomes. This notion is supported through a comparison of how Margaret Thatcher and Ronald Reagan pursued neoliberal agendas.

Thatcher and Reagan are commonly described as ‘ideological soul-mates’ who maneuvered the United Kingdom and the United States, respectively, in neoliberal directions (Wolman 1988, p. 425). However, each employed ‘dramatically opposing policies’ to achieve a common agenda (ibid). While Thatcher centralized legislative power, Reagan embarked on a process of decentralization (ibid). Wolman (1988) argues that concepts of centralizing or decentralizing governments are often incorrectly perceived as ‘ends,’ but are instead ‘means’ of achieving another objective:

Both Reagan and Thatcher have employed the conduct of intergovernmental relations not as an end or even as a major strategy, but as a tactic in the service of other strategies and ends. In doing so, they are using different intergovernmental systems as vehicles for achieving similar objectives whose values are deemed more important and fundamental than those relating to the intergovernmental distribution of power. These shared objectives are a reduction in the role of the public sector in the economy…and a decrease in the amount of spending for social welfare or welfare state programmes (p. 428).

It is these broader underlying objectives that shape the overall impact of such ‘vehicles’ and determine the ‘winners and losers’ (Wolman 1988). Additionally, changes in the distribution of government authority do not occur in a policy vacuum. Various forms of restructuring operate concurrently, which makes it difficult to isolate and assess the outcomes of a process such as devolution.

If localized authority is implemented simply as a means to create more democratic forms of government and better provide state-led services, then devolution need not be neoliberal. However, these theoretical benefits assume the transfer of decision-making powers will not be applied for ‘radically different ends’ (Keating 2004, p. 329). For example, devolution can also be used as a means of offloading financial
responsibility to a lower level of government. Sharpe (1988) describes this as a potential motivating factor:

[Another] option open to governments is to transfer some of the functional burden, and perhaps some of the fiscal burden, to another level of government. In short, one explanation for the decentralization of the modern democratic state is simply the desire of the centre to escape the political bind it finds itself in as a result of the public’s tendency to favour discrete benefits (say public education, health services)... (p. 378; brackets in original).

Similarly, the removal of centralized legislation can have a deregulatory effect (Hackworth 2007).

Devolution also tends to produce conflicting and uneven results. For example, regional governance is an assumed solution to many of the perceived inefficiencies associated with a large central state. Walker (2002) contrasts the ‘vices’ of centralism with the ‘virtues’ of localism:

We are all localists now. Centralism has come to be synonymous with bureaucracy, rigidity and control freakery. These vices are contrasted with the virtues of local and regional diversity, creativity and innovativeness. The beauty of devolved government is that it can do things differently (Walker 2002, p.5; also in Jones et al. 2005).

However, devolution does not necessarily result in a withdrawal of the state, or a subsequent freeing of the market. Instead, government bureaucracy is often simply reorganized at a different scale. In fact, the need for new layers of government at the local level can actually increase the size and scope of the state (Peck and Tickell 2007; Burrows 2000). The fiscal capacity and will of regional or municipal governments to absorb devolved responsibilities is also a real concern. Kincaid (1998) suggests capabilities of American states are mixed, concluding that, “some states can and some cannot, and some will do a better job than others” (p. 37). Increased ‘fiscal stress’ can lead to expenditure reductions and public service cuts (Tannenwald 1998). Therefore, it is unclear whether devolved governance is more effective in the achievement of social
and economic goals. Critical examination of social housing devolution in Canada will further investigate these themes.

Devolution efforts launched in the late 1990s radically transformed how social housing in Canada is administered and funded. As a result, the federal government’s role has decreased considerably, thus amplifying the responsibilities of provinces and municipalities. The downloading process was incomplete and varied regionally. While most provinces now administer and fund social housing portfolios, only Ontario subsequently devolved its portfolio to the municipal level.¹⁰ In the absence of new federal investments, provinces, local governments and providers alike are increasingly challenged to find new and innovative ways to assist in the provision of social housing. Additionally, Ontario’s municipalities lack the equivalent fiscal capacity of provinces to assume these imposed funding obligations. The role and impact of devolution within the broader neoliberal restructuring of social housing is the thematic focus of this research.

1.4 Research Problem

The cancellation of new funding in the 1990s marked the first major example of neoliberal restructuring in Canada’s social housing system. In the following years, successive reform efforts were introduced. The broad purpose of this research is to examine how restructuring by neoliberal governments impacts the governance and provision of social housing. More precisely, the objective is to investigate how varying levels of devolution influence the neoliberalization process at the local level, and to determine if a greater degree of downloading is linked to a more intensified withdrawal of direct state involvement and increased private sector participation. This is achieved

¹⁰ Three provinces opted against devolution, and certain programs were exempt from the download.
through an in-depth comparison of Toronto, Ontario and Vancouver, British Columbia, two of Canada’s largest cities. While the province of Ontario devolved social housing responsibility to the municipal level, social housing remains a provincial matter in British Columbia. Accordingly, this study is driven by the following problem:

How has neoliberalism affected the governance and provision of social housing in Canada?

This problem is addressed through the following sub-questions:

In what ways has the provision of social housing in Canada evolved since its introduction in 1949, and especially since the federal government withdrew its support for social housing in the early 1990s and attempted to devolve responsibility to the provinces?

Does the devolution of social housing in Canada represent a form of neoliberalism?

Do the impacts of devolution in Toronto and Vancouver, two cities that have major concentrations of social housing in Canada, differ because of historical path dependencies’?

How do recent federal and provincial investments in affordable housing fit within a broader neoliberal agenda? How do these relate to social housing, and do they signify a reintroduction of welfare-based policies?

What are the potential advantages and disadvantages associated with provincial and municipal governance of social housing? Is there an ideal scale of governance for administering and funding this type of social program?

Could the devolution process be reversed, or has the reorganization and destruction of previous institutions prevented this option?

By examining these questions, this study intends to make two important contributions to housing and neoliberal literatures. First, it presents a comprehensive, critical and updated review of Canada’s evolving social housing system. Substantial work on this topic was conducted up until the 1990s, but the post-devolution period has received comparatively less academic attention. More specifically, this study provides detailed accounts of the devolution process, the introduction of new ‘affordable housing’ programs, and the
expiry of federal operating agreements. Second, it considers how the transformation of social housing is explained within the context of neoliberal literature, as well as how the empirical findings can also contribute to these theories. In particular, certain examples of restructuring reinforce the significance of path dependency and ‘actually existing’ neoliberalism as key concepts for understanding reform initiatives. However, other instances of neoliberal restructuring within the social housing sector do not appear to fit within this paradigm.

1.5 Methodology

The abovementioned research questions are investigated using two primary methods: interviewing and discourse analysis. Interview questions target all aspects of the research questions, whereas discourse analysis is applied to a particular area of inquiry. Additionally, a small amount of existing quantitative data is incorporated where available and appropriate.

1.5.1 Interviewing

Intensive, in-depth interviewing was employed to reveal detailed information regarding the nature, implementation, successes and failures of neoliberal policy in the social housing arena. Interviewing is a useful research tool to gather information about events, opinions and experiences (Dunn 2005). An interview can be defined as “a face-to-face verbal interchange in which one person, the interviewer, attempts to elicit information or expressions of opinion or belief from another person or persons” (Maccoby and Maccoby 1954, p. 499). By asking questions about people’s lives, interviews become ‘windows on the world’ that produce empirical data (Holstein and Gubrium 2004, p. 140).
All interviews were semi-structured to ensure that a series of specific questions are addressed, while still enabling interviewees to introduce new ideas. As noted, the purpose of these interviews was to generate rich and detailed accounts from stakeholders with specific types of experience and expertise. Therefore, randomness is irrelevant and the vast majority of interviewees were recruited through purposive sampling.11 12

A total of 40 in-depth interviews with informants in Canada’s social housing sector were conducted over the course of this study.13 Interviews were conducted in two primary locations: Toronto, Ontario and Vancouver, British Columbia. Fieldwork in Vancouver occurred during autumn 2011. One supplementary interview was conducted in Victoria, British Columbia, which is the site of many provincial ministerial offices. Toronto interviews commenced in autumn 2012 and concluded in spring 2013. A small number of interviews were also conducted in Ottawa, Ontario (the nation’s capital) in winter 2013. Follow-up interviews (in person) or clarifications (via email) were also occurred in some instances. The entire interviewing process yielded a total of 53 hours of

11 Potential participants were identified through publicly accessible information and contacted by e-mail. This preliminary correspondence outlined the nature and purpose of the research project and clearly explained what participation entailed. A sample e-mail script is attached as Appendix 1.1.

12 Additional participants were generated by referral or recommendation. Some participants suggested other professionals who work in the field and would likely be able to contribute to the study. Non-consent-driven disclosure of personal information for new recruits was not solicited.

13 The University of Toronto’s Research Ethics Board (REB) approved all interaction with interview participants. This review process did not identify any direct forms of harm – including physical, psychological, social, economic or emotional – associated with an interviewee’s participation in the study. No potential conflicts or vulnerabilities were identified. All participants were provided with a Letter of Information and Consent Form in advance, and the details included in both forms were discussed prior to the interview to help ensure that informed consent could be granted. These documents are included as Appendices 1.2 and 1.3. Additionally, all participants agreed to have the interview recorded and were notified of their right to decline answering any particular question or terminate the interview at any time, for any reason, without consequence.
recorded material, which represents an average of approximately 80 minutes per participant.

Interviewees included an array of professionals who are qualified by extensive experience in the housing field. Participants comprised representatives from the following types of organizations: government officials from the municipal, provincial and federal level; housing providers; non-profit and co-operative sector; housing activists or advocacy groups; urban planners; researchers and academics. Furthermore, numerous participants had familiarity working within multiple types of social housing organizations and various locations. For example, an interviewee may be able to draw on the perspectives of both a government agency and a social housing provider, and as well as direct knowledge of the Toronto and Vancouver locales. A small proportion of interviewees requested not to be identified by name or organization in any quotations, and some participants preferred that only select segments of the transcript be kept nameless. The option to remain anonymous enabled those interviewees the opportunity to provide candid comments and opinions that may differ from an employer’s official standpoint. However, in the end no participants were named. Identifying some interviewees but not others posed the risk of exposing anonymous individuals through deduction, especially because of the subject matter or nature of the data. Thus, the

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14 It should be noted that social housing residents were not recruited as interview participants. Exploring how neoliberal restructuring can impact the daily lives of people who live in social housing would provide interesting perspective and insight to the research problem, but was not the aim of this particular study. This notion of tenant experience and satisfaction, however, serves as a potential opportunity for future research.

15 Hackworth and Moriah’s (2006) study of social housing providers in Ontario notes that some respondents were hesitant to be identified in cases where their responses were critical of the devolution process.
decision to withhold names was made to ensure the confidentiality of those who wished to participate anonymously. Instead, the type of organization that an interviewee is affiliated with was listed in order to provide a balance of privacy and qualifying context. Ultimately, the diverse backgrounds of participants generated a comprehensive set of interview data.

Interview data served as a critical component in the analysis generated from this study. Thorough review of published reports revealed important facts and histories, but in-depth discussions with experts in the field provided an extensive set of supplementary details and interpretations regarding the restructuring of social housing governance and provision in Canada. In addition to triangulating existing narratives and filling obvious gaps, interview data also offered insight into the kinds of motivations, politics and impacts associated with policy and program change. This is significant, as information of this type tended to be absent from official government documentation. The opinions expressed on some topics were nearly unanimous, whereas other themes garnered more debate, thus highlighting the complex and contested nature of numerous processes under investigation. As a result, many of the details reported in this study are unique. For example, the comprehensive account of the devolution process reveals an interesting account that is missing in existing literature.

1.5.2 Discourse Analysis

This method is used to investigate and identify important shifts in the terminology included in recent government housing programs, as well as to discuss how theories of and attitudes towards neoliberal policy and social housing are produced and reproduced. In particular, new programs tend to provide funding for affordable housing, rather than
social housing. A careful deconstruction and comparison of social and affordable housing programs helps determine if and how these programs differ, and what this might mean in terms of the ideology behind new government housing programs. This is significant because it helps shed light on whether recent government investments should be considered as examples of ‘bucking the trend’ of neoliberalism and returning to more welfare-based programs of the past.

Discourse analysis goes beyond a simple examination of the text, allowing the researcher to examine how meanings, and networks or meaning, are produced and legitimized (Waitt 2005; Johnston et al. 2000). Often associated with the work of Foucault, the approach examines how linguistic categories can depict objects and how they are subsequently comprehended (Bryman and Teevan 2005). The goal is to understand ‘how what is said fits into a network that has its own history and conditions of existence’ (Barrett 1992).

Thematically relevant reports produced by government agencies, the social housing sector organizations, advocacy groups, and social housing providers, and other miscellaneous research reports were carefully reviewed. This information was evaluated in conjunction with interview data to develop a more comprehensive understanding of how the concept of ‘affordable’ is evolving within government housing programs.

1.5.3 Quantitative Indicators

The data used to investigate the research problem is primarily qualitative. Although a variety of figures are used to provide support, the oral histories and opinions that emerge from the interview process form the backbone of the given results.
There is a lack of available quantitative data that directly addresses the research questions of this study. Comparative analysis between provinces is particularly difficult, and has become increasingly difficult in the post-devolution period. A report produced by the Social Housing Services (2010) explains that “no one keeps track any more”:

One consequence of devolution is that no one keeps track anymore. For example, the federal government subsidizes 48,000 fewer social housing units than it did in 1998. While it is probable that most of these units continue to house low income Canadians, it is impossible to confirm. Most provinces don’t report on social housing stock on a regular basis (p. 2).

This type of province-to-province inconsistency is especially pronounced in British Columbia and Ontario. British Columbia experienced the greatest amount of growth and is characterized as being the most complete and transparent, while current totals for Ontario’s portfolio size are unavailable. Relevant parts of that report are included below in Table 1.1.

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Size of Social Housing Stock</th>
<th>Households in Core Need</th>
<th>Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>British Columbia</td>
<td>Strong growth: 40,100 social housing units in 2002/03, 65,200 in 2009/10</td>
<td>Decreased: 14.6% of households, or 221,500 households in 2006, vs. 223,700 in 2001</td>
<td>Most positive growth of all provinces; Reports lead the nation for clarity and comprehensiveness.</td>
</tr>
<tr>
<td>Ontario</td>
<td>Unclear: stock of about 255,000 units shifted to municipal level in 2001; consolidated municipal results not available</td>
<td>Increased: 14.5% of households, or 627,500 households in 2006, vs. 599,700 in 2001</td>
<td>Lack of information prevents meaningful conclusions.</td>
</tr>
</tbody>
</table>

Source: SHSC 2010 A, p. 5-6.

Nevertheless, given the various types of social housing programs and complex assortment of subsidy levels, simple unit totals and growth figures alone are inadequate
for the development of conclusions regarding the neoliberalization of social housing in each province. More recently, the City of Toronto and the Ontario Municipal Benchmarking Initiative (OMBI) have started to track and report various indicators related to social housing. However, without parallel information in British Columbia, a direct Toronto – Vancouver comparison is not viable.

1.5.4 Rationale for Toronto – Vancouver Comparison

A comparative study of Toronto, Ontario and Vancouver, British Columbia is justified for a number of reasons. First, social housing in each site operates under a different governance model. Devolution to the provincial level in British Columbia can be evaluated against the ‘double download’ in Ontario. Second, there is considerable evidence of neoliberal policies operating in each province (Keil 2002; Isin 1998; Boudreau et al. 2009; Mitchell 2004; McBride and McNutt 2007). Third, comparisons of Toronto and Vancouver have been employed in other research studies investigating the neoliberalization of social welfare (Chouinard and Crooks 2008; Collier 2004). Chouinard and Crooks (2008) chose to examine the restructuring of the state in Ontario and British Columbia since both provinces demonstrate a variety of changes in provincial assistance and state regulatory regimes under various provincial parties. Collier (2004) justifies her comparison of Ontario and British Columbia given that both were ‘have’ provinces prior to 2000. Furthermore, the implementation of more aggressive neoliberal policy occurred at slightly different times, typically beginning earlier in Ontario than British Columbia (Chouinard and Crooks 2008).

The comparative case of social housing between these two provinces (achieved through an examination of the largest city in each province) is especially interesting since
the funding and responsibility for social housing in British Columbia remains at the provincial level, whereas Ontario devolved both funding and responsibility to the municipal level through the enactment of the *Social Housing Reform Act* of 2000.

This study could be achieved through a broader comparison, such as evaluating the existing federal-provincial-municipal governance relationships in social housing in Canada’s three largest cities: Toronto, Vancouver and Montreal. However, Montreal – and the governance relationship with the Province of Quebec – has been excluded. This exclusion is made for practical purposes, namely the English-French language barrier. Initial research indicated that a significant amount of relevant information is published only in French, including various annual reports and service plans. Nevertheless, limiting the comparison to Toronto and Vancouver is functional since it represents a more precise evaluation of the role that government downloading (federal ➔ provincial ➔ municipal in Toronto; federal ➔ provincial in Vancouver) has on the provision of social housing.

**1.6 Dissertation Structure**

The remainder of this study is organized into four primary parts. First, critical understandings of neoliberalism in theory and practice are developed. The next series of chapters chronicle the creation and evolution of social housing programs in Canada. These theoretical and contextual components are followed by empirical case study comparisons of Toronto and Vancouver. Although the theme of devolution is included throughout, it is here that the research questions are most directly engaged. Finally, the future of Canada’s social housing portfolio and prospects of further neoliberalization are considered.

Neoliberalism has undoubtedly impacted Canada’s social housing system. Establishing a comprehensive theoretical foundation of the term is an appropriate starting
point for this study, since the progression of changes to social housing in Canada will be analyzed within the context of neoliberalism. Chapter 2 outlines historical foundations, reviews relevant academic literature, and presents a series of critiques regarding how the doctrine works in practice. Furthermore, concepts such as ‘path dependency’ and ‘actually occurring neoliberalism’ become important themes in later chapters. Ultimately, this section provides the theoretical framework for the remainder of the study.

Despite an abundance of literature on the topic, few studies capture a complete account of social housing in Canada. In particular, the post-devolution period is relatively underdeveloped. Chapter 3 recounts the history of social housing programs from inception until the termination of new funding in the 1990s. This progression demonstrates a gradual shift from intense direct federal and provincial involvement in deeply subsidized and relatively large-scale public housing projects towards a mixed-income model that includes significant involvement from community-based non-profits and co-operatives. The next part of this section focuses on the devolution process. Chapter 4 explains the rationale and implications associated with the transfer of responsibility for social housing to a lower tier of government. Additionally, detailed description of which programs were devolved in each province reveals an incomplete and fragmented mixture of social housing governance across Canada. Lastly, Chapter 5 describes the introduction of new federal and provincial housing programs after a void lasting nearly a decade. However, investments now targeted affordable housing rather than social housing, the type built across Canada until the 1990s. It is important to ascertain how both program types vary, the significance of this change, and if differences
are attributed to neoliberal policies. Taken together, this section is intended to provide the requisite background information for the empirical case studies.

The impact of devolving and restructuring social housing provision and governance is assessed through manifestations of neoliberal mechanisms at the local level. Analysis and comparison of Toronto and Vancouver considers the relationship between each city’s unique housing portfolio and the extent of downloading. Chapter 6 examines how social housing providers in each city are becoming more entrepreneurial, focusing specifically on alternate forms of revenue generation and cost reduction strategies. Furthermore, rather than assumed as responses to devolution, local circumstances and path dependency are taken into consideration. The case studies are continued in Chapter 7, but the emphasis shifts to the concept of public-private partnerships (PPPs). A particular social housing redevelopment initiative in each city is compared and contrasted: Regent Park in Toronto and Vancouver’s Little Mountain. Chapter 8 draws on these findings and offers general evaluations of how downloading has shaped neoliberal restructuring, as well as future options for social housing governance. Overall, the ensuing analyses suggest the extent of devolution can directly impact the use and effectiveness of certain neoliberal mechanisms, yet have limited influence in other areas of social housing provision.

The final section introduces an additional factor in the neoliberalization of social housing in Canada. In spite of devolution, most providers still continue to receive transfer payments from the federal and provincial governments. However, the impending expiration of these legacy commitments may radically transform the way housing providers operate. Most examples of urban entrepreneurialism undertaken thus far have
occurred while some level of subsidy was still in place. Therefore, as government funding disappears completely and capital repair needs increase, neoliberal mechanisms may be embraced in a more aggressive manner.
Chapter 2: Literature Review

In the opening chapter of this study, neoliberalism is introduced as an ideological concept with a simple premise, yet one that can be complex and contradictory in practice. Therefore, it is important to further theorize the idea in significantly more detail before addressing the proposed research questions. This chapter is broken into six main parts. First, neoliberalism and its history are outlined. Second, an overview of key literature that analyzes and evaluates neoliberalism and the ways it works in practice is provided. These include ideas such as ‘roll-out/roll-back’, ‘path-dependency’, and ‘actually occurring’ neoliberalism. Third, an examination of the changing roles and relationships of the public and private sectors is introduced, emphasizing the concept of public-private partnerships. Fourth, a series of case studies highlight neoliberal restructuring of social housing systems in other countries. These help further illustrate how the key concepts discussed here are experienced in practice and adds context to the neoliberalization of social housing in Canada. Fifth, there is a discussion of the possible future of neoliberalism as a dominant theory used to shape political and economic decisions. Last, this chapter will explain why social housing serves as a useful vehicle to explore questions related to neoliberalism.

2.1 The History and Theory of Neoliberalism

Keil (2002) theorizes neoliberalism as the ‘sweeping aside’ of concerns surrounding the market’s inability to solve issues faced by contemporary cities. Hackworth (2007) explains this as the ‘ideological rejection’ of the Keynesian welfare state, and the selective reintroduction of classical liberal ideas, such as the ‘unfettered market’. Furthermore, Harvey (2000) describes this process as the introduction of:
Mantras of private and personal responsibility and initiative, deregulation, privatization, liberalization of markets, free trade, downsizing of government, draconian cutbacks in the welfare state and its protection (p. 176).

Harvey (1989) suggests the recession of 1973 played a causal role leading to the eventual development of neoliberal and urban entrepreneurial processes. The negative economic impacts of the recession produced a climate that would welcome reform in the way cities operated:

Deindustrialisation, widespread and seemingly ‘structural’ unemployment, fiscal austerity at both the national and local levels, all coupled with a rising tide of neoconservatism and much stronger appeal (though often more in theory than in practice) to market rationality and privatization, provide a backdrop to understanding why so many urban governments, often of quite different political persuasions and armed with very different legal and political powers, have all taken a broadly similar direction. The greater emphasis on local action to combat these ills also seems to have something to do with the declining powers of the nation state to control multinational money flows, so that investment increasingly takes the form of negotiation between international finance capital and local powers doing the best they can to maximize the attractiveness of the local site as a lure for capitalist development. By the same token, the rise of urban entrepreneurialism may have had an important role to play in the general transition in the dynamics of capitalism from a Fordist-Keynesian regime of capital accumulation to a regime of ‘flexible accumulation’ (Harvey 1989, p. 5).

While the recession of 1973, and its consequent economic changes, certainly helped push neoliberalism towards becoming a mainstream political and economic strategy, made famous by Margaret Thatcher and Ronald Reagan, its ideological roots can be traced back much further.

Peck (2010) suggests that neoliberalism has been ‘a transnational, reactionary, and messy hybrid from the start,’ and that the term has ‘many authors, many birthplaces’ (p. 39). As the name suggests, *neo*-liberalism is partly rooted in the political theory of liberalism. Even the concept of liberalism, however, is confounded by its various meanings over time and in different contexts (Hayek 1960). Liberalism has evolved over time and in different places, so much so that it has been referred to as a ‘protean’ political
theory (Johnston et al. 2000). In fact, the fundamental concepts that inspire liberalism reach back to ancient Greece and Rome (Hackworth 2007). An examination of classical liberalism is most relevant when tracing the roots of neoliberal thought, although egalitarian liberalism and embedded liberalism will also be discussed later.

The origins of classical liberalism date back to the Renaissance and the Reformation, but the philosophy became most prominent during the eighteenth and nineteenth centuries (Bullock and Trembley 2000). While the ideological focus has varied, Hackworth (2007) suggests that classical liberalism is generally characterized by three primary principles. First, is the importance of the individual, as based on the beliefs of Hume, Bentham and James Mill. The individual should have the opportunity to determine needs and wants without any limiting societal or institutional structures. Second, individual autonomy is best achieved through a free or ‘unfettered’ market. Third, the role of government should be minimal. A nominal ‘laissez-faire’ state is believed to best create the conditions for individual autonomy and a free market.

The last two postulates are heavily influenced by the writings of Adam Smith; particularly his seminal piece The Wealth of Nations. Smith’s (1776) work was fundamental in the establishment of classical economics, and helped shape the directives of classical liberalism. A major tenet of classical economics is the assumption that prices and wages are flexible, and can thus quickly adjust (in both the short and long run) in order to keep the market in equilibrium (Abel et al. 1999). This belief that the market will respond to interruptions in the business cycle has important policy implications, since it calls for the role of government to be minimized. Some of the best examples of classical liberal influence are evident in early American documents, such as the Constitution and
the Declaration of Independence (Hackworth 2007). Despite criticisms from socialist supporters, the economic principles of classical liberalism remained the dominant macroeconomic approach (especially in the United States) until the beginning of twentieth century.

Despite some degree of ‘anti-liberal’ opposition (Hackworth 2007), it was not until the Great Depression that classical economics, and by extension classical liberalism, encountered its most serious challenges (Abel et al. 1999). The Stock Market Crash of 1929 and the ensuing Great Depression of the 1930s highlighted the inability of the ‘unfettered market’ to resolve sustained levels of high unemployment. John Maynard Keynes proposed an explanation for the relentless unemployment, and introduced a new economic model that would become the solution. The Keynesian economic model did not represent a complete ideological shift, and was far from a socialist approach. In fact, it shared some common principles with classical economics. Both models agreed that prices and wages would adjust in the long run to achieve equilibrium and that individuals acting in self-interest would boost the general welfare of the entire economy (Abel et al. 1999). The fundamental difference rested in the theory of price and wage fluctuations in the short run.

While classical economics assumes short run prices and wages are flexible and able to adjust quickly, Keynes argued they were ‘sticky,’ and there was often a lag before adjustments occurred and equilibrium reestablished (Abel et al. 1999). It was this lag, Keynes argued, that was responsible for the high rates of unemployment experienced during the Great Depression. The Keynesian model is ‘skeptical’ of the laissez-faire approach (or the very similar concept that Smith referred to as the ‘invisible hand’), and
its main tenet is the need for government intervention in the market, especially during periods of recession:

Keynes’ proposed solution to high unemployment was to have the government increase its purchases of goods and services, thus raising the demand for output. Keynes argued that this policy would reduce unemployment because, to meet the higher demand for their products, businesses would have to employ more workers. In addition, Keynes suggested, the newly hired workers would have more income to spend, creating another source of demand for output that would raise employment further. More generally, Keynesians tend to be skeptical about the invisible hand and thus are more willing to advocate a role for government in improving macroeconomic performance (Abel et al. 1999, p. 21).

Just as Smith had a profound influence on classical liberalism, Keynes’ economic principles would have important policy implications for the development of egalitarian liberalism.

Classical liberalism, and particularly its absence of government intervention, had proven increasingly ineffective. Similarly, capitalism and socialism in their pure forms had been considered failures, and therefore some blended model of governance was needed (Harvey 2005). This resulted in the emergence of egalitarian liberalism, which has been defined in the following way:

Egalitarian liberalism combined several basic tenets of classical liberalism – particularly the focus on the individual and the elegance of the market – with a redistributive nation-state that would more aggressively intervene to provide some of the basic economic conditions necessary for experiencing the putative political freedoms of classical liberalism (Hackworth 2007, p. 6).

Drawing heavily on the work of John Stuart Mill and Keynes, this more recent form of liberalism still adhered to a strong belief in individual autonomy, yet acknowledged the importance of government in market interventions and redistribution (Hackworth 2007). Harvey (2005) refers to this as ‘embedded’ rather than ‘egalitarian’ liberalism. The market played an important role, but instead of acting as freely as possible, it was constrained by or ‘embedded’ in regulations or institutions that essentially oversee its
processes and outcomes. Furthermore, egalitarian liberalism incorporates the economic principles of Keynesian and the redistributive nature of the welfare state.

Keynesian economics is easily defined, but understandings of the welfare state are more variable. Hayek (1960) claims the welfare state does not have a specific meaning, but does suggest a broad explanation: “the phrase is sometimes used to describe any state that ‘concerns’ itself in any manner with problems other than those of the maintenance of law and order (p. 374). Similarly, Barr (2004) argues that welfare state as a concept ‘defies precise definition’, yet claims the idea can be understood to refer to the “state’s activities in four broad areas: cash benefits; health care; education; and food, housing, and other welfare services” (p. 21). The lack of an exact meaning can be attributed to the fact that its origins are traced to various places at different times. Hayek (1960) outlines three such beginnings: 1870 Germany, as Bismarck’s economic policies began to include redistribution; in Great Britain through the 1942 Report of the Inter-Departmental Committee on Social Insurance and Allied Services (or Beveridge Report); and in the United States in 1937, when President F.D. Roosevelt added the term ‘general welfare’ to the constitution. Together, the concepts of Keynesian economics and the welfare state served as the policy framework for egalitarian liberalism (Knox et al. 2008).

For a few decades egalitarian (or embedded) liberalism seemed able to successfully deliver its intended outcomes. Government investment in infrastructure raised employment and postwar suburbanization resulted in significant growth: “the synergy was very powerful” (Hackworth 2007, p. 9). Eventually, however, ‘this bundle of political and economic forces would begin to unravel’ (Hackworth 2007, p. 9). Egalitarian liberalism, governed by its Keynesian economic principles, eventually
encountered a new economic problem: high unemployment coupled with high inflation. Historically, there was believed to be a negative relationship between unemployment and inflation (Abel et al. 1999).¹ This meant that inflation could be artificially increased in order to reduce the unemployment rate, or vice versa. However, the occurrence of high levels of unemployment and inflation at the same time, dubbed ‘stagflation,’ seriously undermined the Keynesian approach, and therefore by extension, egalitarian liberalism.

Harvey (2005) helps illustrate how the fiscal crises that emerged in the 1970s prompted the need for yet another political ideology:

By the end of the 1960s embedded liberalism began to break down, both internationally and within domestic economies. Signs of a more serious crisis of capital accumulation were everywhere apparent. Unemployment and inflation were both surging everywhere, ushering in a global phase of ‘stagflation’ that lasted throughout much of the 1970s. Fiscal crises of various states (Britain, for example, had to be bailed out by the IMF in 1975-6) resulted as tax revenues plunged and social expenditures soared. Keynesian policies were no longer working… The embedded liberalism that had delivered high rates of growth to at least the advanced capitalist countries after 1945 was clearly exhausted and was no longer working. Some alternative was called for if the crisis was to be overcome (Harvey 2005, p. 12).

This time, it was neoliberalism that would be adopted as the response to fiscal crisis.

Egalitarian liberalism was not criticized solely for its inability to maintain full levels of employment in the long-term. Classical liberals strongly believed that any form of government intervention, except for purpose of maintaining a free market, threatened individual freedoms. Hayek (1960, 1963), Friedman (1982) and Hackworth (2007) note that this concern was only further exacerbated by ‘troubling examples’ of Communist and Fascist state involvement in the Soviet Union, Germany, and Italy. Consequently, classical liberals had been in the process of developing a new type of political economy

¹ This negative relationship is referred to as the Phillips Curve, based on the empirical work of British economist A.W. Phillips (Abel et al. 1999).
long before the fiscal crisis of the 1970s that largely discredited the egalitarian model. A meeting arranged by Hayek in 1947 at Mont Perelin played a significant role in the development of an alternative ideology, one that would eventually evolve into neoliberalism. Peck (2010) highlights the objective of the Mont Perelin assembly:

In his welcoming address to the group, Hayek emphasized the need ‘reconstruct a liberal philosophy’ for the circumstances of the age… The Mont Perelinians’ ‘great intellectual project’ would involve both ‘purging traditional theory of certain accidental accretions,’ while confronting some of the intractable problems that ‘over-simplified liberalism has shirked.’ This called for an explicit engagement with real-world problems, from third-world development to tax and trade policy, forging critical alternatives to Keynesian orthodoxies. Consciously, this process was a geographically situated one, the evolving ideational project of neoliberalism gaining traction, and creative momentum, from the uneven landscape of the ‘collectivist consensus.’ (p. 49).

This new model included a ‘selective return’ of classical liberal principles, namely the pursuit of individual freedoms and limits to government intervention in the marketplace. Hackworth (2007) describes this as the “ideological rejection of egalitarianism in general and the Keynesian welfare state in particular” (p. 9). The role of government should now be limited to ensuring that the market functioned freely, as well as securing free trade and private property rights (Harvey 2005). Using Harvey’s (2005) notion of ‘embedded’ liberalism, the goal of neoliberalism would be to ‘disembed’ the market from government imposed regulations or institutions that hindered its freedom. Given the government failures of egalitarian liberalism, neoliberalism was quickly justified as the necessary form of governance (Hackworth 2007).

Neoliberalism became ‘naturalized’ and attained ‘hegemonic status’ by the 1990s (Hackworth 2007). Following its application in Chile and Argentina in the 1970s, and perhaps most famously by Margaret Thatcher and Ronald Reagan in the 1980s, the ideology was widely adopted across much of the globe (Harvey 2005; Hackworth 2007).
Harvey (2005) recalls how in 1971 United States Republican President Richard Nixon proclaimed ‘We are all Keynesians now,’ yet by the 1990s political leaders such as Bill Clinton and Tony Blair could have declared ‘We are all neoliberals now.’ While conceptualizing the underlying principles of neoliberalism is arguably straightforward, developing real understandings of the term in practice is far more complex, and deserves in-depth examination.

2.2 Neoliberalism in Practice

Harvey (2005) argues that general characterizations of neoliberalism are difficult to construct. This is attributed to variable and evolving nature of the ideology in different places and times, as he outlines below:

First, systematic divergences from the template of neoliberal theory quickly become apparent, not all of which can be attributed to the internal contradictions already outlined. Secondly, the evolutionary dynamic of neoliberalization has been such as to force adaptations that have varied from place to place as well as over time. Any attempt to extract some composite picture of a typical neoliberal state from this unstable and volatile historical geography would seem to be a fool’s errand (p. 70).

Although Harvey (2005) is referring to the state, his reasoning is applicable to the neoliberal process in general. Furthermore, this serves as a good starting point for developing an understanding of neoliberalism in practice.

Drawing on definitions introduced earlier in this chapter (Keil 2002; Hackworth 2007; Harvey 2000), one of the main objectives of the neoliberal project is the freeing of markets from government and institutional constraints. When examining the workings of neoliberalism in practice, perhaps it is useful to begin by explaining how markets get ‘disembedded’ from such constraints. Brenner and Theodore (2002) try to explain this disembedding using a three-stage process.
The earliest stage of neoliberalism fosters the necessary conditions for a shift away from an intervening government and towards an ‘unfettered market’. While this phase does not involve significant restructuring, it does generate a series of ‘sociopolitical’ struggles at the local level. Hendrikse and Sidaway (2010) describe this stage as an ‘intellectual project,’ one that introduces the neoliberal ideology, and draws on the works of Hayek and Friedman to promote free market principles. The Keynesian model is ‘systematically undermined,’ and cities become ‘flashpoints’ and ‘battlegrounds’ for determining how restructuring should be achieved (Brenner and Theodore 2002). Although local initiatives are established to encourage the progression of the neoliberal process, ‘sociopolitical settlements and redistributive arrangements’ are largely preserved. Brenner and Theodore (2002) refer to this as ‘proto-neoliberalism’.

After laying the foundations for change, the ‘roll-back’ phase of neoliberalism marked the start of the restructuring process. As seen in the 1980s, this involved the destruction of government regulations and institutions, and is characterized by a shift towards ‘lean government’ and cost-reduction initiatives (Peck and Tickell 2002; Brenner and Theodore 2002). Cut backs and privatization are justified as a means of reducing government expenditures, while tax breaks or subsidies are provided to private corporations as a tool for encouraging investment. Such ‘best practices’ were typically designed by senior government and then imposed on the local level (Brenner and Theodore 2002). Nevertheless, this deregulation of Keynesian policy frameworks eventually needed to be replaced by some form of neoliberal regulation.

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2 The dates provided best represent the timeline of neoliberalism in countries like the United States and Britain, which Peck and Tickell (2002) have referred to as the ‘North Atlantic zone’.
The ‘roll-back’ of the 1980s was soon followed by the ‘roll-out’ of new policies and regulations in the 1990s. Applying more regulatory tools seems to contradict the neoliberal ideology, but was essential for two reasons. First, the frequent inability of the ‘roll-back’ process to achieve intended outcomes necessitated new policies and institutions. Brenner and Theodore (2002) refer to this as the ‘evolutionary reconstitution’ of neoliberalism that is needed to mitigate its ‘immanent contradictions and crisis tendencies’ (p. 374). Second, a series of regulations were required to safeguard neoliberalism as the dominant ideological system. Ironically, the free-market approach needed to be protected from the “manifold failures of the market, the state and governance that are persistently generated within a neoliberal political framework (Brenner and Theodore 2002, p. 374). Peck and Tickell (2002) explain this shift as the movement from ‘deregulation and dismantlement’ to ‘active state-building and regulatory reform,’ which can also be understood as the transition from ‘destruction and discreditation’ to ‘construction and consolidation’ (p. 384).

The ‘roll-back’ can be understood as the dismantling of the regulatory and institutional frameworks of the Keynesian welfare state, whereas the ‘roll-out’ aims to establish new institutions and regulations that effectively reproduce the neoliberal project while also attempting to prevent any resemblance of the Keynesian welfare state from emerging again in the future. While perhaps simple in definition, the ‘roll-back’/‘roll-out’ processes are far more complex in practice:

The creative destruction of institutional space at the urban scale does not entail a linear transition from a generic model of the ‘welfare city’ towards a new model of the ‘neoliberal city.’ Rather, these multifaceted processes of local institutional change involve a contested, trial-and-error searching process in which neoliberal strategies are being mobilized in place-specific forms and combinations in order to confront some of the many regulatory problems that have afflicted advanced capitalist cities during the post-1970s period (Brenner and Theodore 2002, p. 375).
It is these varying and ‘place-specific’ forms and outcomes that contribute to the development of the notion of ‘actually existing’ neoliberalism.

Brenner and Theodore (2002) suggest that in practice, neoliberal programs rarely occur in a ‘pure form’. Although neoliberal ideology expected market principles to function as ‘immutable laws’ that could repeatedly produce the same results regardless of where they were ‘unleashed,’ in practice the outcomes tended to vary considerably. The ‘one size fits all’ neoliberal model fails to consider the institutional and structural ‘legacies’ of local areas (Brenner and Theodore 2002, p. 351). The institutions, regulatory structures and frameworks that existed before neoliberal policy is imposed are never completely eliminated and fully replaced (Gough 2002; Brenner and Theodore 2002). Instead, the new structures and frameworks become ‘complex politico-ideological hybrids derived from contextually specific adaptations, negotiations, and struggles within particular political-economic conjunctures’ (Brenner and Theodore 2002, p. 360). Therefore, what becomes imposed is described as ‘actually existing’ neoliberalism. Furthermore, neoliberal policy itself must adjust, transformed through interaction with ‘inherited institutional landscapes and power configurations’ (Brenner and Theodore 2002, 362). They describe this concept as ‘path-dependency,’ which ultimately limits the ‘scope and trajectory of reform’ (Brenner and Theodore 2002, 361).

Path dependency assumes that systems have a tendency to progress in response to past circumstances and decisions (Martin and Sunley 2006; MacKinnon 2008). Whether the result of chance or deliberate action, historical events contribute to the development of trajectories or paths that are ‘locally contingent’ and ‘place dependent’ (Martin and Sunley 2006, p. 409). While not entirely bound by the past, previous conditions are
believed to increase the likelihood of certain future outcomes (MacKinnon 2008). Walker (2000) captures the essence of path dependency in the excerpt below:

One of the most exciting ideas in contemporary economic geography is that industrial history is literally embodied in the present. That is, the choices made in the past – technologies embodied in machinery and product design, firm assets gained as patents or specific competencies, or labour skills acquired through learning – influence subsequent choices of method, designs, and practices. This is usually called ‘path dependence’... It does not mean a rigid sequence determined by technology and the past, but a road map in which as established direction leads more easily one way than another – and wholesale reversals are difficult (Walker 2000, p. 126; also in Martin and Sunley 2006, p. 398).

Although the above characterization refers specifically to regional economic geographies, the concept is broadly applicable to the examination of neoliberal reform. Rather than unfolding or advancing uniformly across space, this kind of restructuring is often experienced in path dependent ways (Brenner and Theodore 2002). This theory will be considered as a means of understanding the neoliberalization of social housing in Canada.

The concepts of ‘actually existing’ neoliberalism and ‘path dependency’ help explain how elements of the previous political-economic system continue to exist despite the ‘roll-back’ and ‘roll-out’ processes of destruction and creation. It is clear that in practice neoliberalism is riddled with contradictions and uneven outcomes. Perhaps one of the most interesting aspects, however, is the contradictory role of the neoliberal state. Gough’s (2002) examination of socialisation concluded that ‘neoliberalism, then, is not simply the freeing of markets’ (p. 411).³ Brenner and Theodore (2002) describe this as a ‘blatant disjuncture’ between the ideology and the real experiences of neoliberalism:

On the one hand, while neoliberalism aspires to create a ‘utopia’ of free markets liberated from all forms of state interference, it has in practice entailed a dramatic

³ Gough (2002) defines socialisation as “the coordination and cooperation of social actors other than through markets” (p. 406)
intensification of coercive, disciplinary forms of state intervention in order to impose market rule upon all aspects of social life (p. 352).

Thus, decades of ‘roll-back’ and ‘roll-out’ neoliberalism, however, have not necessarily reduced the role of government, but rather than changed the scope and nature of intervention.

Jessop (2002) highlights some of the ways in which the role of the state is changing under neoliberal regimes. While more responsibilities are imposed upon the local level, global organizations also become increasingly involved in decision-making processes. This concurrent downward and upward shift in governance is described as ‘hollowing out’ the nation state. Hackworth (2007) explains this ‘hollowing out’ of government as “decreasing its role as an institutional buffer between localities and the machinations of the global economy” (p. 12). Furthermore, Peck (2001) describes this as a ‘simultaneous roll-back and roll-out of state functions’ (p. 447). However, the nation state does not disappear. An ‘historically and geographically specific institutionalization of the state’ is hollowed out by this process, leaving a reconfigured government in its place (ibid).

Peck (2001) also suggests that the changing role of government under devolution is also complex. While certain roles or responsibilities might be devolved, or downloaded,’ to lower levels of government, much of the authority or decision-making powers are often not included in these transfers:

In reality, ‘devolution’ can be a signifier for a wide array of inter-scalar shifts – in resources, personnel, institutional capacities, delivery systems, governance arrangements and so forth. These may, or may not, add up to a ‘real’ transfer of (national) state power. In fact, in its neoliberal guise, devolution usually exhibits a ‘thin’ form, by way of dispersal ‘out’ to markets and/or delegation ‘down’ to local agencies, while powers of institutional coordination and ideological control remain firmly located (albeit in a restructured form) at the center (Peck 2001, p. 452).
Therefore, Peck and Tickell (2002) suggest that while neoliberalism promotes itself as a form of anti-regulation, this label is paradoxical and is more accurately described as a ‘metaregulation’ (p. 400). Furthermore, Davis and Bertrand Monk (2007) provide a more severe commentary on the actual role of the state that emerges under neoliberal policies:

…The hegemony of neoliberal policies has nothing to do with self-regulating markets, supply and demand, or even the ‘economic’ as an autonomous category. Neoliberalism is not the Wealth of Nations 2.0; nor is it latter-day Cobdenism, healing the world’s wounds through peaceful trade; and, most certainly, it isn’t the advent of the stateless market utopia romanticized by Friedrich von Hayek and Robert Nozick. On the contrary, what has characterized the long boom since 1991 (or 1981, if you prefer) has been the massive, naked application of state power to raise the rate of profit for crony groups, billionaire gangsters, and the rich in general (p. x).

Consequently, Harvey (2006) claims that the “main achievements of neoliberalism have been redistributive rather than generative” (p. 43). This concept is not new, as Davis (1984) was skeptical of neoliberal rhetoric thirty years ago:

Although the rhetoric of the various campaigns and tax rebellions that paved Reagan’s road to power was vigorously anti-statist, the real programmatic intention was towards a restructuring, rather than diminution, of state spending and intervention in order to expand the frontiers of entrepreneurial and rentier opportunity. Typical explicit or underlying demands included: accelerated depreciation allowances, unfettered speculative real estate markets and rampant condominiumization, subcontracting of public services, transfer of tax resources from public to private education, lowering of minimum wages, abolition of health and safety standards for small businesses, and so on.

Ultimately, the neoliberal project clearly expands beyond the freeing of the market. Thus, the complexity and variability of neoliberalism that leads some critics to question the ability of a single term to fully capture this ‘free market’ ideology.

Given the discussion above, it might come as no surprise that there is growing discontent among scholars surrounding the term neoliberalism itself. The concern is based around the ability for a single term to adequately encapsulate the wide range of forms, processes and outcomes that ‘neoliberalism’ can embody. This is made evident by
a path-dependent ‘actually existing’ neoliberalism. Hall (2011) argues the term neoliberalism is ‘not a satisfactory one’. Furthermore, he argues that it “lumps together too many things to merit a single identity; it is reductive, sacrificing attention to internal complexities and geo-historical specificity” (p. 706). Additionally, Peck and Tickell (2002) argue that neoliberalism is an ‘ongoing ideological project’ (p. 401). They perceive it as process, not some end state, and therefore suggest the term neoliberalization is more appropriate than neoliberalism. Despite his concern noted above, Hall (2011) suggests that attaching a name to neoliberalism is “politically necessary to give the resistance to its onward march content, focus, and cutting edge” (p. 706; emphasis in original). Therefore, given the absence of alternatives, the term ‘neoliberalism’ will be used throughout this study.

2.3 Changing Roles and Relationships of the Public and Private Sectors

In 1985, a group of academics, private businesses and policy makers convened in Orleans to discuss the ways in which urban government should respond, ‘in the face of the widespread erosion of the economic and fiscal base’ many large cities previously relied upon. Harvey (1989) highlights both the consensus and unanswered question that emerged:

The colloquium indicated a strong consensus: that urban governments had to be much more innovative and entrepreneurial, willing to explore all kinds of avenues through which to alleviate their distressed condition and thereby secure a better future for their populations. The only realm of disagreement concerned how this best could be done. Should urban governments play some kind of supportive or even direct role in the creation of new enterprises and if so which ones? Should they struggle to preserve or even take over threatened employment sources and if so which ones? Or should they simply confine themselves to the provision of those infrastructures, sites, tax baits, and cultural and social attractions that would shore up the old and lure in new forms of economic activity? (p. 4).
One of the ways cities have attempted to embrace these ideals of entrepreneurialism is through an increased use of public-private partnerships.

Harvey (1989) contends public-private partnerships (or PPPs) form the ‘centerpiece’ of urban entrepreneurialism. He defines PPPs as a growing phenomenon in which local governments and private businesses embark on joint projects for the purpose of attracting new sources of funding, investments, and employment opportunities. However, the private sector has always been involved in the provision of public goods and services to some extent. For example, large-scale public infrastructure such as highways, mass transit, schools, hospitals and prisons have historically been developed through partnerships between the public and private sectors.

Under the rhetoric of neoliberalism, many cities have been labeled as economic failures (Cochrane 2000). This notion stems from the belief that local governments can no longer create and implement policies that effectively deal with the social and economic problems now plaguing cities (Cochrane 2000). The increased mobility of capital and globalizing markets has led to deindustrialization, disinvestment and growing urban inequality (Leitner and Garner 1993). In addition, significant government restructuring and decreased funding at the local level creates challenges for cities to continue providing social services and resources. Consequently, critics claim cities must become more ‘entrepreneurial’ and better ‘attuned to global market forces’ (Mayer 1995; Cochrane 2000). This includes fewer government restrictions and creating more opportunity for the incorporation of private businesses to help stimulate and secure investment and growth to revitalize the city. The formation of partnerships between the public and private sectors assumes “no single agency is capable to tackling urban
problems effectively”, and that the partnering of public and private can meet the needs of local markets and communities more effectively and efficiently (Cochrane 2000, p. 536-537). Furthermore, this concept of ‘joined-up thinking’ between local government and business is considered to be the appropriate means of addressing local issues:

The advantage of partnerships is that if properly constituted and run they are more suited to implementing the bottom-up approach to regeneration than a single central or local government organization (DETR 1997, para. 5.2.1).

Much of the early literature exploring partnerships critiques the effectiveness of these partnerships. For example, Leitner and Garner (1993) suggest urban entrepreneurialism is generally unable to produce the intended objectives:

It is our contention that local initiatives, even of the most progressive type, do not generally constitute a viable alternative to shared federal, state, and local responsibilities for urban revitalization and social welfare. Only federal, state, and local government together have the fiscal and political capacity to provide declining as well as growing cities with the means to address these issues adequately. Thus we support state and federal policies that take greater responsibility for urban revitalization and social welfare, with the qualification that such help should be delivered in a politically accountable manner, by an approach that neither obscures the beneficiaries of public sector intervention nor contributes to increased spatial and social inequalities (p. 72-73).

Similarly, Harvey (1989) suggests that many public-private partnerships provide substantial subsidies that often only benefit the already profitable and powerful businesses. The joint ventures between local governments and private firms, designed to create the ‘preconditions of profitable investment’ typically result in increased subsidies for capital, but a decreased provision of local social services, thus producing further cleavages in social and economic polarization (Harvey 1989). Thus, the attempt to ensure private businesses ‘stay in town’ comes at the expense of the disadvantaged, whose circumstances, in many instances, actually worsen (Harvey 1989). However, despite
these critiques, Leitner and Garner (1993) suggest partnerships will remain a fundamental part of urban governance.

The general theory and rationale behind the use of public-private partnerships are clearly articulated. However, while Harvey (1989) and Leitner and Garner (1993) critique the effectiveness of partnerships, there is also a growing debate regarding how PPPs should be defined and categorized. Siemiatycki (2012) argues the nature and structure of public-private partnerships have evolved over time, which makes the identification of a precise partnership model more challenging. Although the private sector has almost always been engaged in large public infrastructure projects, the role of each sector is dynamic. For example, between the 1950s and 1970s, the function of the private sector was often limited to the design and construction phases, at which point the project was handed over to the public sector (Siemiatycki 2012). The private sector’s short-term involvement meant future risks and liabilities were ultimately absorbed by governments (Harvey 1989; Flyvberg et al. 2003). As a result, the extent of collaboration under this type of model was narrow.

More recent conceptualizations of PPPs tend to suggest that both the private and public sectors should have an ongoing stake in joint projects (Hodge and Greve 2010; Roberts and Siemiatycki 2014). The exact form of participation can vary, but a continuing role is assumed to keep both sectors more engaged and help share risk (Siemiatycki 2012). Similarly, it is this long-term component that distinguishes a ‘partnership’ from contracting or privatization schemes (Hodge and Greve 2010; Roberts and Siemiatycki 2014; Teisman and Klijn 2002; Wettenhall 2007). Regardless, the meaning of PPPs in practice can vary significantly (Bovaird 2004), and the term has
become an increasingly popular ‘buzz word’ (Hodge and Greve 2010, p. S10). These themes are developed in further detail in Chapter 7, and supplemented by case study examples of how PPPs can be applied in social housing.

2.4 Case Studies: the Neoliberalization of Social Housing

Many of the principles of neoliberalism, as presented by early proponents such as Hayek (1960), are appealing, at least superficially. For example, the idea of increasing personal freedoms, enhancing productivity, and improving the overall welfare of the population are easy notions to support. In practice, however, many outcomes of neoliberalism proved to be far more complicated. There is a growing body of work that highlights the uneven impacts of the free market approach. For example, Davis and Bertrand Monk (2007) present an interesting edited collection of case studies, ‘ranging from Arizona to Afghanistan.’ These include: Sader’s (2007) study of agricultural reform in Brazil; Mitchell’s (2007) analysis of the ‘fairy tale’ of the replacement of public ownership by privatization in Egypt; and Broudehoux’s (2007) examination of China’s use of mega events, such as the 2008 Beijing Olympics, as justification for dramatic and costly transformations of the urban landscape. These examples suggest the consequences of neoliberalism are occurring not just in Britain and the United States, two of the first nations to aggressively adopt the ideology, but all across the globe. The many narratives critiquing neoliberal policies highlight real and presently occurring consequences of ‘unfettered capitalism’, rather than simply predictions or prophecies of the future, some imaginations of what might happen.

Subsequent chapters critically examine the restructuring of Canada’s social housing system. Therefore, a sampling of international examples that highlight the
neoliberalization of social housing helps provide broader context for these issues. The following four countries are included: the United Kingdom; the United States; Australia; and New Zealand. These nations were not chosen arbitrarily. Glynn (2009 A) suggests they represent appropriate comparisons given that all are industrialized nations and followed relatively similar patterns of political and economic development. Accordingly, Glynn (2009 A) claims these nations, “share many basic characteristics, and, significantly, are frequently used as models of neoliberalism, making them of universal relevance” (p. 5). In contrast, countries such as China and Russia embraced capitalism much later, and do not demonstrate the same likeness (Glynn 2009 A).

This collection of case studies exhibits similar general trends in housing policy framework. Most countries reluctantly developed government subsidized programs in response to housing crises caused by the Great Depression or the Second World War. After a period of intense investment, the focus of housing policy shifted to homeownership and private rentals. As a result, programs such as public housing were subjected to significant retrenchment and marginalization. Nevertheless, despite any parallels, these examples also demonstrate that the neoliberalization of Keynesian public housing systems can occur in variety of ways and over different timelines.

2.4.1 United Kingdom

It is fitting to begin these case studies with the United Kingdom since it was first to establish a comprehensive public housing program. Similarly, public or ‘council housing’ historically composed a large component of the nation’s housing supply, whereas the private rental sector was relatively tiny (Best 1998). At a peak of 32 percent, council housing made up a much more significant proportion of total housing than the other
countries examined in this section (Best 1998). Despite various waves of ‘advances and retreats,’ the United Kingdom continually invested in council housing from 1919 to 1979 (Hamnett and Randolph 1987, p. 32). By the end of this period, England alone had amassed a ‘precious asset’ of more than 5.1 million council homes (Hodkinson 2009, p. 99). However, the election of Margaret Thatcher and a conservative government in 1979 marked a radical change in British housing policy. An intense shift to homeownership and private rentals meant council housing was, “stopped dead in its tracks and thrown into sharp reverse” (Hamnett and Randolph 1987, p. 32; Best 1998).

Council housing was immediately put at risk after the 1979 election. In fact, it has been described as the, ‘first and eventually largest target’ of the Thatcher government (Hodkinson 2009, p. 99). Best (1998) attributes this animosity to an, “inherent dislike of public-sector provision and a desire to roll back the frontiers of the state” (p. 184). Therefore the goal was to scale back council housing in primary ways: “privatization, marketisation, and corporatisation’ (Hodkinson 2009, p. 99).

The first strategic move came in the form of dramatic funding reductions. Beginning in 1979, government spending on council housing was reduced by an astonishing 60 percent over a fifteen-year period (Hodkinson 2009). As a result, production of new stock reached historic lows (Hamnett and Randolph 1987). In addition to expenditure cuts, Hodkinson (2009) explains certain regulations were implemented for the purpose of ‘starving’ the sector even further:

The Conservatives found innovative ways of starving local authorities of the financial means to invest in and repair their housing stock. They curtailed their ability to borrow or to reinvest the money generated by council housing sales (their capital receipts) and tenants’ rents. Instead, 75 per cent of capital had to be ring-fenced to repay the so-called ‘historic debt’ that financed public housing in the first place, ‘despite local authorities having enormous problems of repair and
modernisation, and despite the housing debt represting only a tiny fraction of the current value of local-authority housing stock (p. 101; brackets in original).

As capital repair needs grew, council housing quickly began to ‘crumble’ (Hodkinson 2009, p. 101). This fiscal retrenchment was soon followed by attempts to liquidate public assets.

The ‘Right to Buy’ program was included as part of the 1980 Housing Act. This initiative offered council housing tenants the opportunity to purchase their unit at ‘huge discounts’ of as much as 70 percent less the market value (Best 1998; Hodkinson 2009). Promoted as a means of empowering tenants – ‘property owning democracy’ – Hodkinson (2009) claims the move was more accurately motivated by the desire to raise capital and avoid the capital repair and replacement liabilities associated with an ageing housing stock. In less than a decade, Hamnett and Randolph (1987) reported more than 900,000 council houses had been sold and converted into homeownership. This was the first of many privatization schemes designed around the transfer of public stock to private entities or non-profit housing organizations (Hodkinson 2009). By 1997, the volume of council housing removed from state ownership reached approximately 2 million units (ibid).

In addition to ‘roll-back’ measures described above, the ‘roll-out’ of new policies further residualized council housing. The Sustainable Communities Plan launched in 2003 was pitched as a means of revitalizing dilapidated projects through redevelopment as socially mixed communities. However, Hodkinson (2009) claims these initiatives are simply attempts to, “prime what remains of public housing for future disposal,” and thus labels them as ‘state sponsored gentrification’ (p. 102-103).
The various forms of restructuring first initiated by Thatcher have proven ineffective in improving the United Kingdom’s housing needs. Instead, Hodkinson (2009) claims the neoliberalization agenda is undoing much of the progress in housing that was achieved prior to 1979:

The turn to neoliberalism has devastated people’s hard-won right to decent, affordable and secure housing and is recreating the precarious private market system of the nineteenth century (p. 105).

Rents have increased for both private and (remaining) council housing (Hodkinson 2009). Waiting lists for council housing have become impossible long (ibid). Similarly, rates of homelessness, temporary housing, and overcrowding are growing at alarming rates (ibid). Therefore, housing in the United Kingdom has reached state of crisis (ibid).

2.4.2 United States

Housing policies in the United States are developed and implemented through the U.S. Department of Housing and Urban Development (HUD). Bratt and Keating (1993) claim HUD has become the subject of harsh scrutiny:

[HUD] has become synonymous with all that is wrong with federal domestic social policies and programs. Its failures to deliver housing have been used to justify cutbacks in federal spending by those who believe in ‘the genius of the market economy’ (p. 3).

An historical review of key policies reveals that the private market has consistently been favoured over state intervention, and therefore it is not surprising that the provision of welfare-based housing is a nearly impossible task. Despite a brief but intense period of investment in public housing, the majority of initiatives launched since the 1970s serve as relentless attempts to dismantle and marginalize this subsidized rental stock.

Public housing in the United States has always comprised a small fraction of the nation’s total housing supply, and relatively less than most industrialized nations
Nevertheless, it has long remained a contentious issue. Furthermore, while implemented as a Keynesian policy, the public housing system has always been shaped and impeded by private sector interests (Hackworth 2009). For example, Hackworth (2009) suggests the passing of the 1937 Housing Act could only be achieved through the inclusion of ‘significant consessions’ to the private real estate and development communities (p. 234). Similarly, the 1949 Housing Act was ‘severely compromised’ by external interests (p. 234-235). The deliberate curtailing of this policy is further illustrated below:

Among other things, public housing rents could only be 20 per cent lower than the lowest comparable housing units in the neighbourhood; eviction authorisation was legalised for families exceeding rigid income limits; design limitations were created to make public housing stand out from the average stock, and operating budgets for [public housing authorities] were set at unsustainably low levels (Hackworth 2009, p. 235-236).

Although the ‘birth’ of public housing first began in 1937, initial output was relatively sluggish; the ‘apex’ did not occur until decades later (Hackworth 2005; 2009). The Housing and Urban Development Act (HUDA) was introduced in 1968 and included two new policy options (Hackworth 2009). First, existing public housing units could be purchased by tenants and thus converted into homeownership. The second important component was the addition of rent supplements that could be redeemed in the private market as opposed to local public housing authorities (PHAs). These subsidies were designed to offer rent relief to low-income households while concurrently encouraging private developers to construct more purpose-built rental stock (Hackworth 2009). The subsidy instrument was particularly successful in expanding the supply of

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4 The exact proportion depends on what is included. For example, Hackworth (2003) estimates only 1 percent of housing stock in the United States is government owned. However, 5.7 percent receives some form of federal subsidy.
affordable housing. For example, the number of new units created between 1968 and 1973 alone was roughly the same as the cumulative total added from 1949 to 1968 (Hackworth 2009). Nevertheless, this growth caused federal expenditures to soar. By 1973 US President Richard Nixon declared public housing to be ‘too expensive’ and consequently suspended the program (Hackworth 2009, p. 237).

Hackworth (2009) refers to the period from 1937 until 1973 as ‘Keynesian public housing.’ A new era of ‘neoliberal public housing’ began in 1974 through the enactment of the Housing and Community Development Act (HUDA) (Hackworth 2009). The new policy resulted in funding cuts so severe that portions of the portfolio were rendered ‘uninhabitable’ within a matter of years. This ‘roll-back’ process was soon accompanied by a series of ‘roll-out’ initiatives that fundamentally transformed public housing provision (Hackworth 2009). This included a revamped rent supplement program that relied exclusively on private market units. Referred to as ‘Section 8 vouchers,’ this move solidified the shift away from the use of PHAs. Similarly, the Low Income Housing Tax Credit (LIHTC) provided private developers with tax incentives in exchange for the production of low-income units. Hackworth (2009) argues both policies ‘further institutionalised’ assumptions in the inherent efficiency of the market as opposed to direct government intervention (p. 238).

A combination of Section 8 vouchers and LIHTC altered the way in which new affordable housing was created. However, a new program unveiled in 1990 was intended to advance the retrenchment of public housing even further by demolishing old projects. Homeownership and Opportunity for People Everywhere (HOPE) was a series of initiatives designed to bring about improved housing options for low and moderate-
income families. In particular, the HOPE VI program provided funding for the demolition of ‘severely distressed’ public housing (Hackworth 2009). Although there is an expectation that razed stock will be rebuilt, full replacement of ‘public units’ is often not achieved (ibid). Hackworth (2009) describes this as the “single most significant roll-back of public housing outlays in US history” (p. 241). Although the United Kingdom and United States are perhaps the obvious subjects for comparison, a review of housing policy changes in Australia and New Zealand helps to add further perspective.

2.4.3 Australia

The transformation of public housing in Australia can be broadly summarized in a concise way: “reduced stock, reduced funding, and a reduced political commitment” (Phibbs and Young 2009, p. 217). Careful analysis, however, reveals that public housing seldom received the same level of political support in Australia as in most other countries. Hayward (1996) claims, for the most part, the government has served as, ‘reluctant, rather than willing, landlords’ (p. 6). Nevertheless, despite this enduring resistance, recent forms of neoliberal restructuring marginalize the public housing system even further.

The Commonwealth State Housing Agreement (CSHA) was implemented in 1945 and signified Australia’s first national housing program. Over the next decade, this initiative facilitated the construction of approximately 100,000 units of public housing intended for low-income families and military veterans (Hayward 1996; Phibbs and Young 2009). While the early years tend to be considered the nation’s ‘golden age’ of public housing, Kemeny (1983) suggests this period began to subside as early as 1949. A newly elected conservative government quickly diverted funding to other forms of
housing. Next, program changes introduced in 1956 enabled public housing units to be sold as affordable homeownership options rather than retained by government authorities (Hayward 1996; Phibbs and Young 2009). This move from public housing to homeownership was upheld for decades. Thus, by 1981 only 15 percent of the 840,000 total units developed under CSHA funds were kept as public housing. These 120,000 units composed a mere 5 percent of all housing stock across the country, a figure that remained relatively constant until the 1990s (Phibbs and Young 2009).

The sale of public housing slowed during the 1970s and 1980s. However, new income targeting requirements gave priority to households in greatest need (Phibbs and Young 2009). However, it also altered the ‘security of tenure’ in public housing (Hayward 1996). According to Hayward (1996), more aggressive resident selection protocols demonstrated that, “every attempt was being made to force tenants out of the system as soon as their finances allowed it” (p. 32). As a result, public housing was transformed into ‘welfare’ or ‘high needs’ housing (Phibbs and Young 2009, p. 218). For example, low-income households constituted 20 percent of public housing residents in 1976, but this figure climbed to 65 percent in 1985, and reached 86 percent by 2006 (Phibbs and Young 2009). Income targeting also had a substantial impact on the financial stability of providers, since a greater proportion of low-income tenants reduced the rental revenue stream of providers.

Australia’s public housing system was further transformed in the 1990s through escalating funding cuts. Government support declined by 25 percent between 1990/91 and 2000/01 (Hall and Berry 2007). A later assessment revealed subsidies were slashed by 31 percent between 1994/95 and 2003/04 (Phibbs and Young 2009). As physical
assets aged and capital repair or replacement needs grew, a decline in both program funding and monthly rent revenues became compounding issues (Phibbs and Young 2009). In 1991 nearly every state housing authority (SHA) had an operating surplus, yet all but two were either breaking even or running deficits by 2006 (ibid). As a result, the supply of public housing is shrinking (Hall and Berry 2007; Groenhart and Burke 2014). As Phibbs and Young (2009) explain, some state housing authorities are now forced to sell projects to ‘make ends meet’:

The combined result of cumulative funding cuts and growing operating losses has been no growth in public housing. Moreover, as operating deficits deepen, the only option for SHAs is to sell assets to make ends meet. This is, of course, self-defeating as it decreases capacity in the system further (at a time of record levels of housing stress), yet does not resolve the structural insolvency of providers (p. 219; brackets in original).

This type of ‘self-defeating’ strategy only threatens the future of housing authorities.

Instead, the private sector has been called upon to provide affordable rental options.

The private sector has invested heavily in Australia’s rental sector (Groenhart and Berry 2014). However, these ventures have little or no impact on the supply of low-cost housing (ibid). Additionally, a series of CSHA reforms instituted in 1995 were designed to introduce various ‘pseudo-market’ instruments into public housing (Hayward 1996). A sample of such mechanisms is highlighted below:

CSHA capital funds are to be replaced with Commonwealth rental subsidies paid directly to public tenants. Tenants are being referred to as customers or clients… Public rents are to be market based so as to give wealthier tenants an economic incentive to leave public housing… Low income tenants in better stock in better locations will then pay more than the tenants on similar incomes in inferior dwellings located in less well serviced areas (Hayward 1996, p. 31).

Furthermore, Hayward (1996) suggests these reforms are motivated by the following ideological assumption: “The perceived beauty of the price mechanism is to replace the
perceived bureaucratic inefficiencies that have bedevilled the [State Housing Authorities] for so long” (p. 32). This highlights a clear embodiment of neoliberal philosophy.

An increasingly market-based model has proved ineffective in solving Australia’s affordable housing needs. In fact, Groenhart and Burke (2014) argue the neoliberalization of public housing has only exacerbated the issue. The private sector is exhibiting symptoms of ‘market failure’ and the shortage of affordable rental stock is increasing further (ibid). For example, the number of households experiencing ‘housing stress’ exceeded 850,000 in 2006 (Phibbs and Young 2009). Taken together, Groenhart and Burke (2014) claim the restructuring of public housing, “presages a problematic future for this type of tenure” (p. 145).

2.4.4 New Zealand

The motivating factors behind the restructuring of public or ‘state housing’ in New Zealand are not unique. Although the country had demonstrated a ‘long-held commitment’ to subsidized housing, and Keynesian welfare policies in general, the associated high costs and intense level of involvement did not fit within neoliberal ideology that was sweeping across the capitalist world (Murphy and Kearns 1994; Murphy 2009). Beginning in the early 1990s, deregulation and privatization transformed the nature and delivery of state housing (Murphy 2009). The shift was described as the “most fundamental redirection in housing policy since the 1930s” (Luxton 1991, p. iv; also in Murphy 1994, p. 623). However, unlike the previous cases outlined here, a failed neoliberal experiment necessitated the reintroduction of certain government interventions.

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5 In this instance ‘housing stress’ refers to unaffordable rents and a lack of tenure security.
New Zealand embraced neoliberalism in a ‘radical and enthusiastic’ manner (Murphy 2009, p. 195). In fact, the uptake and ensuing economic and social transformations were significant enough to become known globally as the ‘New Zealand experiment’ (ibid). This shift can be traced back to a specific set of policy changes introduced in 1984. The elected centre-left government at that time was ‘committed to the welfare state,’ but implemented certain forms of deregulation and restructuring as a means of offsetting a struggling economy (Murphy and Kearns 1994). Purportedly intended as ‘once-only’ measures, they marked the first of what would become an ongoing course of neoliberal action (ibid). Some of the earliest examples include the ‘corporatisation’ of government bureaucracies or departments into profit-driven state-owned enterprises (SOEs). The objective of these limited liability corporations was clear: “state operations could be exposed to the rigours of the market, but with overall control remaining vested in government hands” (Murphy and Kearns 1994, p. 625). Thus, SOEs were expected to operate as competitive businesses, while maintaining ‘social responsibility’ and acting as ‘good employers’ (ibid). These initiatives were generally deemed successful, at least in financial terms, namely by converting annual losses into profits. The earliest restructuring efforts focused on resource and service sectors, such as the forestry and telecommunications (Murphy and Kearns 1994). However, the ‘appetite for reform’ continued to grow and eventually expanded in social services (ibid).

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6 For example, the country was formerly a ‘highly regulated economy,’ but quickly became one of the ‘least regulated’ members in the Organization for Economic Cooperation and Development (OECD) (Murphy and Kearns 1994, p. 625).

7 Murphy and Kearns (1994) suggests financial benefits were accompanied by negative factors including job loss and reduced service levels.
Prior to restructuring, New Zealand’s homeownership rate exceeded 70 percent (Thorns 2000; Murphy 2003; Murphy 2009). Although state housing constituted only 5 percent of the country’s total stock, it nonetheless retained a critical role in providing affordable options for low and moderate-income families (Thorns 2000; Murphy 2003). However, the ‘neoliberal experiment’ aggressively altered the nature of public intervention in housing. Beginning in 1991, the government-run Housing Corporation of New Zealand (HCNZ) was reconfigured as Housing New Zealand Ltd (HNZ). Like the SOEs explained above, this new entity remained state-owned, but operated as a profit-driven company (Murphy and Kearns 1994; Kearns). HNZ quickly liquidated various state housing properties, especially in high demand locations, selling off 12,565 houses between 1992 and 1999 (Murphy 2009). Next, the rent-gearied-to-income price structure was abandoned in favour of market rate housing charges. As a result, the cost of rent in HNZ units doubled between 1992 and 1999, which was twice the rate of increase than the private rental market over the same time period (ibid). Although low-income households were eligible for a supplement to help bridge this new rent gap, the available supports were limited and tenants often ended up paying more compared with the income-based model (Murphy 2009). Additionally, ‘accommodation supplements’ were introduced as a demand-side instrument that could be redeemed in the private rental market. This kept the government further removed from direct housing provision and was expected to stimulate an increase in the supply of private rental units (ibid). Nevertheless, this restructured, more market-driven housing system quickly proved to be largely ineffective.
Early on, Murphy and Kearns (1994) suggested the reforms represented an ‘expensive exercise,’ and claimed the possibility of ‘fiscal blowout is everpresent’ (p. 634). Rather than providing a market fix, the number of households requiring accommodation supplements grew from 251,505 in 1994 to 317,505 in 1999 (Murphy 2009). In addition to an increased number of beneficiaries, the average cost of these supports ballooned, and total expenditures swelled from NZ$352 to NZ$868 million over the same interval (ibid). At the same time, homeownership only became more expensive. House prices climbed by 130 percent since the reform process began in 1991 (ibid). It was apparent as early as 1996 that recent policy changes required reexamination (Murphy 2003). However, reforms were not ‘seriously challenged’ until a coalition government composed of centre-left and left-wing parties was elected in 1999 (ibid). The enactment of the Housing Restructuring (Incomes Related Rent) Amendment Act in 2000 facilitated yet another round of restructuring.

The new act has introduced two important policy developments. First, income-based rents were reinstituted (Murphy 2003). Second, the profit-driven HNZ was replaced by a new housing agency. Housing New Zealand Corporation was established in 2001 and was more reflective of the original state-run Housing Corporation. Murphy (2003) suggests that these changes reflect a “stepping back from the ‘market model’ solution,” and an increase in state engagement (Murphy 2003, p. 125). However, select neoliberal elements remain intact. Murphy 2009). In particular, accommodation supplements and the role of the private market continue to be key components of the housing system. Furthermore, the long-term future of state housing is dependant on the ‘political whim’ of subsequent governments (Murphy 2009, p. 213).
Despite the critiques of neoliberal policies presented above, neoliberalism still remains a dominant political and economic approach across much of the globe. The following section will address the ways in which the neoliberal project is able to reinvent itself and escape serious opposition.

2.5 The Future of Neoliberalism?

Neoliberalism has been described as the ‘most successful ideology in world history’ (Anderson 2000). This description is an appropriate starting point for considering the continued popularity and dominance of the ideology in the future:

For the first time since the Reformation there are no longer any significant oppositions – that is, systematic rival outlooks – within the thought-world of the West; and scarcely any on a world scale either, if we discount religious doctrines as largely inoperative archaisms, as the experiences of Poland or Iran indicate we may. Whatever limitations persist to its practice, neo-liberalism as a set of principles rules undivided across the globe: the most successful ideology in world history. … Virtually the entire horizon of reference in which the generation of the sixties grew up has been wiped away – the landmarks of reformist and revolutionary socialism in equal measure (Anderson 2000, p. 17, in Hackworth 2007, p. 2-3).

While Anderson’s (2000) claim was made more than a decade ago, the sentiment probably remains valid. This may seem strange, however, given the mounting body of evidence detailing the uneven outcomes of various neoliberal policies, as well as the more recent global economic crisis of 2008-2009 (Brenner et al. 2010). Nevertheless, the free-market approach enjoys continued support.

The Great Depression ‘shook the faith’ of neoclassical economists, and a few decades later stagflation had a similar impact on the Keynesian approach (Abel et al. 1999, p. 21). As a result, both groups spent time reassessing their approaches and ‘reworked them extensively to repair their weaknesses’ (ibid). However, the recent economic crisis seems to have had little impact on the free-market neoliberal ideology. In fact, Glynn (2009A) argues the ‘almost universal support’ from policy makers has even
become ‘further entrenched’ (p. 1). If neoliberal policies are ineffective, the solution is to *increase* the intensity: “The promoters of these policies argue that if the neoliberal medicine is failing, the dose is not high enough” (Glynn 2009A, p. 1). Nevertheless, a number of critics disagree.

It was market failures that caused the shift from classical to egalitarian liberalism, and subsequently it was government failures that acted as the justification for the rise of neoliberalism (Knox et al. 2008). Given the current market failures, has this process come full circle, and will the result be the ushering in of some new form of egalitarian liberalism or Keynesianism? Or, using Harvey’s (2005) language is there a real need to re-‘embed’ or constrain the market once again in the hopes of improving the global economy? Larner (2000) suggests that increased social and spatial polarization resulting from neoliberal strategy might be addressed in the following way:

Thus a policy agenda involving a return to the more protectionist stance associated with Keynesian welfarism, is seen as the primary solution to the problems generated by neoliberalism (Larner 2000, p. 8).

It is worth considering the notion of a shift in policy direction, and the reintroduction of what seem to be Keynesian-based approaches.

In 2009, Nobel Prize-winning economist Joseph Stiglitz proclaimed ‘We are all Keynesians now’ (Stiglitz 2008). Altvater (2009) declared the ‘inherent tendency of disembedding markets from society and markets has halted,’ noting that ‘the nation state has come back in’ (p. 84). For example, in response to the global economic crisis, the United States and Chinese governments invested $969 billion USD and $583.5 billion USD, respectively, in fiscal stimulus spending between 2008 and 2009 (United Nations 2009). Glynn (2009A) suggests that while there have been some Keynesian strategies, neoliberal policies continue: “Even when they seem to be looking at more Keynesian
approaches, these become distorted by a neoliberal lens that confuses the health of finance capital with the health of society” (p. 1). Nevertheless, policy directives that may initially appear Keynesian in scope might benefit from further examination.

Peck (2010) suggests that upon closer examination, US President Obama’s stimulus package was designed to be politically popular, and the overall outcome was less impressive since significant components of the spending were essentially offset by various tax cuts at other scales of government:

Obama’s stimulus package, designed to attract bipartisan support and immediately rushed through Congress, may have been bold in comparison with the Bush Administration’s ham-fisted efforts, but it was hardly radical. Its largest item, at fully 37 percent of the $787 billion package, went on tax cuts, followed by state and local fiscal relief (accounting for an additional 18 percent), which in another echo of the first New Deal was negated almost immediately by even sharper spending cutbacks at those subnational scales of government (p. 246).

Additionally, further analysis of government ‘bailouts’ in the United States highlights how their structure varied by industry. Sectors like the automotive industry had severe restructuring imposed, resulting in significant downsizing and wage reductions. On the other hand, the financial sector did not experience the same harsh discipline (Peck 2010). Joseph Stiglitz explains that the, “low-income workers who had worked all their life and done nothing wrong would have to take a wage cut, but not the million-dollar plus financiers who had brought the world to the brink of financial ruin” (in Peck 2010, p. 251). Therefore, Peck (2010) argues that there is ‘unmistakable evidence’ that ‘these rules did not apply to Wall Street itself’:

Ruthless pragmatism in economic policy apparently meant very different things for Wall Street and Main Street. While the banks and their top managers were treated with kid gloves, the auto companies were forced through structural adjustment. This was evidence of a ‘clear double standard’ (p. 251).
Thus, at this time it seems premature to suggest that either the stimulus spending or government bailouts signal any real or sustained departure from the trends of neoliberalization.

A key contributor to the continued success of neoliberalism is its ability to shield it itself from real opposition. Peck (2001) asserts that despite ‘all of the rhetoric about choice and opportunity’, the variety of ‘politically legitimate’ policy options is actually getting smaller (p. 446). Similarly, policy options once previously used during the reign of egalitarian/embedded liberalism are now considered to be ‘out of bounds’ (ibid). Therefore, real opposition must highlight the fact that ‘viable and progressive alternatives’ actually exist (Hackworth 2007, p. 204). Hackworth (2007) claims generating opposition has been rather unsuccessful due to the following three reasons. First, neoliberalism has been successful at naturalizing both its ideology and strategies. Once naturalized, it becomes taken-for-granted and accepted. Furthermore, the TINA syndrome – ‘there is no alternative’ (p. 200), helps neoliberalism continue to thrive as the dominant approach. Second, it has been hard to ‘pin down’ and ‘attack’ neoliberalism. This is attributed to the fact that neoliberalism is “so often used to justify a set of policies that are counter to its professed ideal – neoliberalism’s proponents often use it disingenuously to promote a set of policies that are anything but liberal,” and it has been used as “little more than a red herring to distract attention from another policy” (p.199-200). Last, this is only compounded by the fact that, in practice, critics have found it difficult to organize unified opposition against neoliberalism. While supporters of neoliberalism have remained fairly cohesive, its rivals have been ‘beset with internal division’:
There are thousands of disparate struggles to resist or reject one of neoliberalism’s manifestations – the erosion of public housing, public space, welfare, labor laws, and so on – but there is no unified struggle against the global forces causing these injustices, in part because the linkages between the former and the latter are not always clear or, at least, are not always made clear by activist intellectuals. The connection that globally neoliberal institutions – think tanks, rating agencies, and the like – have to cities tends to be too obscure to organize against effectively, so almost by necessity the power of a potential resistance is split into hundreds of local struggles in a variety of cities” (Hackworth 2007, p. 197).

Furthermore, Brenner et al. (2010) argue the locally specific outcomes of the neoliberal restructuring process make coordination difficult. There is a real need for ‘orchestrated networks’ on counter-neoliberalizing efforts so that they are not limited to the same local spaces or scales, and acting simply as ‘mere irritants to the global machinery of neoliberalism’ (p. 343). Brenner et al. (2010) recognize that local or regional ‘context-specific regulatory experiments’ remain important, but claim that greater impact is best achieved through the development of a global alternative:

Therefore, ‘big picture’ interpretive frameworks remain as essential as ever, not only for analyzing the sources, expressions, and consequences of the contemporary global financial crisis, but also as structural and strategic reference points for mobilizing counter-hegemonic alternatives to the currently dominant political-economic practices (p. 343).

Additionally, Peck (2001) suggests that the neoliberization’s ‘fast policy regime,’ devolution and the ‘continued churning of policy strategies tends to outpace the mobilizing efforts and ‘diffuse the energy’ of its opponents (p. 452). Therefore, the challenge of ‘overthrowing’ neoliberalism is a difficult one.

If neoliberalism was to be ousted and a shift in policy direction was to occur, one cannot assume that the ideological replacement would be rooted in concepts like the Keynesian welfare state. In fact, Harvey (2005) suggests the possibility of a very different alterative: neoconservative authoritarianism. Like neoliberalism, neoconservatism assumes the necessity of an unfettered market, but is far more anti-
democratic, and if necessary will exercise ‘authoritarian, hierarchical and even militaristic means of maintaining law and order’ (Harvey 2005, p. 195). Neoconservatives refer to episodes of terrorism such as 9/11 in attempts to boost legitimacy and nationalism. Harvey (2005) outlines the danger that this form of ‘nationalism’ can have:

US nationalism also has a darker side in which paranoia about fearful threats from enemies and evil forces from outside take over. The fear is of foreigners and of immigrants, of outside agitators, and now, of course, of ‘terrorists’. This leads to the internal circling of wagons and the closing down of civil liberties and freedoms in episodes like the persecution of anarchists in the 1920s, the McCarthyism of the 1950s directed against communists and their sympathizers, the paranoid style of Richard Nixon towards opponents of the Vietnam War and, since 9/11, the tendency to characterize all critics of administration policies as aiding and abetting the enemy. This kind of nationalism easily fuses with racism (most particularly now towards Arabs), the restriction of civil liberties (the Patriot Act), the curbing of press freedoms (the gaoling of journalists for not revealing their sources), and the embrace of incarceration and the death penalty to deal with malfeasance. Externally this nationalism leads to covert action and now to preemptive wars to eradicate anything that seems like the remotest threat to the hegemony of the US values and the dominance of US interests (p. 196).

Harvey’s (2005) description of neoconservatism and the potential risks of unbridled nationalism is a troubling one. It would be incorrect to suggest that neoliberalism will inevitably give way to neoconservatism, yet given the nationalistic and (at least partly, in the case of neoliberalism) anti-democratic nature of both ideologies it is important to ensure that further elements of neoconservatism do not become more widely adopted.

An additional idea worth considering is the ability of alternative policies to produce their intended outcomes. For example, consider applying egalitarian/embedded liberalism to the current situation. Could the Keynesian principles of increased government investment during recessionary periods achieve the same results today as they did when applied to the market failures of the Great Depression, or have decades of rolling back and rolling out policies changed the government and institutional framework
so significantly that the product might be different? Careful acknowledgment of the local and regional nature of destruction and restructuring will likely have a key role in the feasibility of any alternative ideology that might try to supplant neoliberalism.

### 2.6 Why Study Social Housing as a Case Study?

The ideas discussed in this chapter, especially as those proposed by Gough (2002) and Theodore and Brenner (2002), help shape the questions that this research project attempts to address. Social housing serves as the vehicle through which broader theoretical questions are explored herein. Hackworth (2007) explains why examinations of the social housing system are useful in understanding the ‘wider process of neoliberalism’ (p. 41).

The ‘marginality’ and historically lower levels of popular support than other government services, like health care or education, make social housing more ‘malleable’ to ideological changes to policies. While Hackworth’s (2007) discussion focuses on social housing in the United States, it remains relevant:

> [P]ublic housing in the United States is a comparatively minor portion of the overall housing stock, and it was never as important to American Keynesianism as subsidies for homeownership were – and continue to be. Furthermore, it has never held the material or political posture of other aspects of the American welfare state, especially the social security system. In many ways, it has always been a marginalized subsector of the American welfare state. It is, however, precisely this marginality that makes U.S. public housing a useful vehicle through which to observe the process of neoliberalism. First, because it never enjoyed a broad constituency, public housing has been historically more malleable in the force of ideological shifts than other parts of the welfare system in the United States. The impact of various ideological movements – including but not limited to neoliberalism – tends to be more exaggerated, and thus more readily observable, in this sector than on others with more political support. Second, U.S. public housing is institutionally multiscalar by design. It was constructed and maintained as a system wherein general edicts by the federal government … could be filtered down to local public housing authorities (PHAs), which then had significant autonomy. The institutional architecture of the system is thus ideal for learning about the ways that generalized ideologies (such as neoliberalism) manifest themselves as an actually existing (and locally contingent) set of policies, practices, and experiences (Hackworth 2007, p. 41-42).
Additionally, a case study of social housing in Canada certainly contains plenty of ‘institutional architecture’ within which neoliberal processes can be investigated. The following chapters demonstrate the complexities of policy devolution and reveal some of the outcomes, and the different ways that they can be experienced across time and space.
Chapter 3: The Creation of Social Housing in Canada

Government subsidized housing in Canada has been considered to be in a state of crisis (Sewell 1994). This crisis, however, is not new. In 1948, housing planner Humphrey Carver declared, “In Canada we have hardly begun to attack the real hard core of our housing problems” (Carver 1948, p. xiii). Years later, Albert Rose remarked, “[t]he truth is that throughout the twentieth century Canada has been in the midst of a continuous housing crisis” (Rose 1980, p. iii). More recently, an interview participant immediately used the term when questioned about the current state of social housing in Canada:

The word I often use when I’m meeting the policy makers is ‘crisis’, in order to get people’s attention, but I think it legitimately is a crisis because we have all the indications that there are problems (Research, policy and advocacy).

The next two chapters will trace the history and development of social housing in Canada, in an attempt to explain why crisis seems to appear so frequently – from the 1940s until now – when housing issues are addressed.

Chronicling the course of this alleged crisis, however, can be rather difficult. Analysts note that housing policy in Canada has taken a ‘zigzag’ course over its history (Sewell 1995, p. 221). In fact, many policies and programs were cancelled as quickly as they were created, ‘jettisoned’ predominantly by mounting public pressures rather than tangible results or analysis (ibid). As a consequence, Sewell (1995) argues that the real history of housing in Canada is difficult to elucidate:

Anyone who wants to grasp what housing policy in Canada is all about must first stumble through essays and books that head off in various directions, sharing few common themes. What binds this material together is a lack of agreement on starting points or destinations and an argumentative tone… No wonder discussion about housing policy has not consumed the country. No wonder this is a topic too many
people avoid. Common ground for the start of decision making cannot be found amid all the heat and smoke of the debate (p. 220-221).

There is an abundance of excellent research focusing on social housing in Canada. However, the various pieces are arguably fragmented, and there is a void of unified and longitudinal or historical analysis that covers social housing from inception to the present time. The goal, therefore, becomes assembling all of the pieces in a clear and coherent manner, so that the entire jigsaw puzzle of social housing in Canada is revealed.

It is also worth noting that timelines of housing policies sometimes vary between sources. This is explained by the fact that there is often a lag between initial announcement, implementation of new legislation, and the actual completion of a physical housing unit. Poulton (1995) helps explain this:

… phases of Canadian housing policy are easy to identify but hard to delimit, because changes in opinions, legislation, budgeting, and physical product all come into play. Opinion in the form of green papers or commission reports may be the ‘leading indicators’ heralding an immanent change in policy. Conversely, the completion of the first batch of projects under a new policy lags commitment but provides the earliest physical manifestation of change (p. 53).

Nevertheless, an accurate history is attempted here through the critical examination of numerous sources.

3.1 What is Housing Legislation?

Housing legislation can take two main forms (Wilson 1959). The first type involves the quality or physical aspects of a housing unit. A government can impose and enforce a series of standards and controls designed to regulate the safety of a building and its occupants. For example, minimum standardizations and protections are defined in building codes. The second kind of legislation relates to the quantity or supply of housing. Government policies shape how housing is financed and determine the type and amount of housing produced at a given time. It is this form of housing legislation that
will be examined in the following discussion. However, not all legislative pieces and amendments will be outlined. Instead, emphasis is placed on housing policies most relevant to the development and evolution of social housing in Canada.

3.2 Early Housing Legislation

Concerns around housing conditions and availability have existed throughout nearly all of Canada’s national history (Rose 1980). The earliest housing issues tended to be addressed locally by charitable organizations, church groups, or wealthy individuals rather than by government programs. However, increasing urbanization rates and the growth of cities around the time of the First World War meant that housing would eventually require more substantial intervention (ibid). Rose (1980) points to the Halifax explosion of 1917 as the first ‘concerted public intervention and assumption of responsibility’ in Canadian housing (p. 1). CMHC (1979) highlights 1919 as the beginning of the federal government’s involvement in housing policy, when it loaned $25 million to municipalities for the purpose of building new and adequate units, resulting in the construction of 6,000 homes during a four-year program period.¹ These funds were not targeted to specific income groups, but instead were intended to help alleviate the ‘general scarcity’ within the Canadian housing market. However, others suggest government involvement in the housing market did not occur until years later.

The Dominion Housing of Act of 1935 is often considered the federal government’s real entrance into Canadian housing policy (Wilson 1959; Dennis and Fish 1972; Fallis 1959; Cole 2008; CMHC 2011). The act was different from previous government programs because it resulted in permanent federal participation in housing

¹ The federal government provided loans to provinces at an interest rate of 5 percent over a twenty-year period (Oberlander and Fallick 1992, p. 7-8). Provinces subsequently loaned these funds to municipalities (CMHC 1979).
policy. This new legislation provided a $10 million fund that would partner with approved private lenders to offer no-risk mortgage loans and interest subsidies to interested homebuilders and middle or upper income homeowners (CMHC 1979; Dennis and Fish 1972). Nevertheless, in the wake of the Great Depression it was clear that the primary motivating factor was stimulating the economy in general, rather than increasing or improving the housing supply in particular (CMHC 1979). Therefore, Wilson (1959) suggests that the government “fell into the housing field accidentally in an endeavor to assist the country out of the difficulties of the hungry thirties” (p. 219).

The federal government’s role was further expanded through the passing of the National Housing Act (NHA) in 1938. This new legislation was similar to that enacted in the United States in 1934, and involved providing loans to either provinces or municipalities for the purpose of constructing low cost rentals intended for low income families. Municipalities were required to provide land at a reduced cost, and the federal government would provide direct subsidies in order to reduce real estate taxes (Dennis and Fish 1972). However, this arrangement required amendments to provincial legislation, which resulted in significant delays. Ultimately, the program failed to produce a single unit, as Wilson (1959) explains:

The requirement that municipalities provide cheap land and underwrite vacancy loss out of tax revenues imposed on them obligations which exceeded their powers without a change in provincial legislation. Five provinces did pass complementary legislation to permit municipalities to enter the low rental housing field but because of the delay and the economic conditions resulting from World War II, not a single low rental house was produced or a single tax payment made under the legislation (p. 220).

While broader economic conditions partly impacted the results of early NHA policy, they would directly influence the federal government’s next housing effort.
3.3 Wartime Housing

The end of the Second World War created significant housing shortages. The need for increased housing, however, began during the war. Vast population changes occurred as workers relocated to ‘critical centers of production,’ causing a ‘mushroom expansion’ effect in certain urban areas, and resulting in severe housing needs that ultimately forced the government to ‘overcome its reluctance’ towards offering state-owned housing (Wilson 1959, p. 220-1). Wartime Housing Limited was established as a crown corporation, and successfully built nearly 20,000 units of low-cost housing between 1941 and 1945 (ibid). Furthermore, Canada also began to plan for the nation’s post-war housing needs.\(^2\) An Advisory Committee on Reconstruction was established and tasked with determining the housing and community needs of the post-war period (Dennis and Fish 1972; CMHC 2011). The final report, commonly referred to as the Curtis Report, projected that one-third of Canadians would be in need of adequate low-cost housing, and thus recommended the construction of vast quantities of rental units (CMHC 2011).

Additionally, the NHA was also amended to allow for slum clearance in order to help facilitate the production of large-scale rental developments more quickly (Dennis and Fish 1972). After the war, the influx of returning veterans caused even further housing shortages, which led to the creation of an additional 25,000 rental units between the end of the war and 1949. Benny Farm in Montreal is an example of this new type of low-cost housing.

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\(^2\) War veterans also received assisted access to housing through the Veterans’ Land Act (VLA), 1942-75. Designed as a rehabilitation and resettlement program, the VLA was intended to provide financing towards the purchase of a ‘small-holding’ of agricultural land (Harris and Shulist 2001). However, despite a ‘strong anti-urban bias’ by its legislators, the high demand for land closer to cities meant that the VLA gradually evolved into a successful urban housing program (ibid). Harris and Shulist (2001) argue the overall significance of the program tends to be improperly characterized and largely overlooked.
housing development. Completed in 1946 and intended for returning veterans and their families, the 384-unit complex was comprised of a series of low-rise buildings, and represented Canada’s first subsidized large-scale rental housing project (CMHC 2011). Perhaps one of the most significant outcomes of this period of intervention was the fact that “psychologically Canadians crossed the hurdle of an almost universal abhorrence of the idea of state-owned housing” (Wilson 1959, p. 221). This ‘crossing’ would change the nature and scope of future housing policy.

3.4 The Establishment of CMHC

The increased activity and recent momentum by the federal government necessitated the creation of the Central Mortgage and Housing Corporation in 1946 (CMHC, later renamed Canada Mortgage and Housing Corporation) (Dennis and Fish 1972; Rose 1980). Established as a crown corporation, CMHC would both administer the National Housing Act and inherit all Wartime Housing units. Given the high unemployment and low vacancy rate of the postwar period, the corporation’s earliest initiatives aimed to alleviate these problems by increasing the housing supply through secure mortgage provision and stimulation of the construction industry (Fallis 1995). Therefore, despite the fact that CMHC was intended to improve housing conditions, Fallis (1995) suggests that initially very little was done to assist low-income families. Early policies tended to directly impact middle and upper-income families by enabling them to purchase new homes, but it was assumed that low-income families would also benefit from a ‘trickle-down’ process (ibid). Also, referred to as filtering theory, ‘trickle down’ is premised on the idea that low-income families are able to move into units previously occupied by

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3 This included developments such as Benny Farm in Montreal.
middle and upper-income households (Fallis 1995; Steele 1993). Additionally, any increase in supply is expected to reduce housing prices in general, and thus benefits all income groups (Steele 1993).

The use of CMHC as a component of a broader fiscal policy can be partly explained by the way the organization was created. As noted, instead of a government department or ministry, CMHC was established as a crown corporation. This was significant since it gave CMHC the ability to act rather independently, beyond the ‘close scrutiny’ of the Department of Finance (Fallis 1995). While this was useful in CMHC’s business-like function as mortgage lender, it arguably limited the corporation’s role in social policy:

When CMHC began to deliver significant amounts of social housing in the late 1960s, tension emerged between CMHC as a financial institution and as an agent of social policy. The tension and the dilemma concerning its appropriate organizational structure have persisted ever since. They remain issues when we contemplate the integration of social housing and social policy (Fallis 1995, p. 8).

Therefore, given the emphasis on mortgage lending for the construction of private homes, “there was little social housing policy” in early federal housing initiatives (Fallis 1995, p. 8). Responses to date clearly favoured ‘market welfare’ over ‘social welfare’ (Hulchanski 1986; Belec 1986; Wade 1986; Bacher 1993). Bacher (1986) further emphasizes this notion:

This tilt in Canadian housing policy in favour of those Canadians who are least in need of government assistance in securing decent accommodation is no accident, but reflective of the marketplace ethos that has shaped all federal efforts (p. 3).

This is significant, as Hulchanski (1986) argues that early policies created a precedent and helped to define the federal role in dealing with Canada’s housing problems. Overall,

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4 In practice, this concept has mixed results. Steele (1993) claims gentrification, “stood the filtering process on its head as houses filtered up rather than down” (p. 45).
the federal government’s effort successfully created a substantial supply of units for middle and upper-income families, but could not meet the demand for low-income rental units. It is this disparity that necessitated a new type of low-cost rental housing.

### 3.5 Public Housing

It was in 1949 that Canada first had a *social* housing program (Dennis and Fish 1972). Although Canada’s first public housing project, Regent Park North was built in 1947, 1949 is typically considered the beginning of the nation’s ‘public housing era,’ as amendments to the NHA in that year included a public housing program (CMHC 2011). Public rented housing refers to dwelling units built, owned and administered by government and managed directly by government or appointed housing agencies. This form of subsidized housing targets low-income individuals and families, and rents are determined as a percentage of total household income, which is usually 30 percent (Fallis 1995; CMHC 2011). All public housing rents were calculated using the rent-geared-to-income (RGI) model, and this meant that an annual government subsidy would be required to bridge the gap between collected RGI rents and the real costs of operating and maintaining projects (Fallis 1995). Due to the high levels of subsidy and direct government involvement, public housing ‘epitomizes the characteristics of a residual welfare state activity’ (Dreier and Hulchanski 1993, p. 48).

Various public housing programs ran between 1949 and 1985, during which time 205,000 units were produced across Canada through 4,800 different projects (CMHC 2011; Dreier and Hulchanski). The size of each project varied, with some containing fewer than 50 units or as many as 2,000, like in the case of Regent Park (ibid). An

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5 A second phase, known as Regent Park South, was added in 1954.
examination of the early public housing stock shows clear trends in the geographical distribution of units. Projects were overwhelmingly built in urban areas. In fact, more than three-quarters of all units were built in densely populated cities with populations greater than 100,000. Although some public housing was created in smaller towns or rural areas, less than 15 percent of units were built in areas with populations less than 25,000 (Skelton 1996; Dennis and Fish 1972). Furthermore, some parts of the country had little or no participation in the public housing programs (Dennis and Fish 1972). The number of units built was directly related to provincial and municipal interest. Nearly two-thirds of all public housing units built by 1970 were located in Ontario (ibid). Quebec had the next largest share at 14 percent, 6 percent were built in British Columbia, and only 9 and 7 percent in the Maritime and Prairie provinces, respectively (ibid).

Concerns of competition with the private housing market influenced some of the ways that public housing was planned and designed. While public housing units were intended to be structurally sound, they were purposely planned to be somewhat undesirable. A CMHC memorandum from 1962 outlines this notion:

There may be, however, merit in creating some measure of functional and social obsolescence; i.e. to incorporate in the concept of public housing design a number of traits making it less socially desirable…” (CMHC 1962b; in Dennis and Fish 1972, p. 175).

This undesirability was ensured through a series of design principles, such as installing windows that met light requirements but were purposely unfashionable, choosing kitchen appliances that deliberately lacked the styling or gadgets of current models, or leaving concrete walls unfinished.6 In addition, plans developed site layouts in which the location

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6 Walls were left unfinished as opposed to the application of drywall, plaster, or some equivalent material to achieve a more finished appearance.
of parking and garbage collection were ‘not too convenient’, or chose sites that were unfavorable for private development (Dennis and Fish 1972).

High subsidy costs can partly explain the location of some public housing projects within a city. Selecting sites in marginal or fringe areas often helped lower the cost of acquiring necessary real estate (Dennis and Fish 1972; Fallis). Consequently, many projects were built in areas with poor access to public transportation, retail amenities and public services. Sites could also be undesirable given a proximity to expressways, railways or industrial land (ibid). In addition to higher costs, the development of public housing in wealthier neighbourhoods was often opposed by local residents, who feared that projects would negatively impact property values and introduce a criminal element into the community (Fallis 1995). Consequently, public housing in Canada has been described in the following way:

... A minute segment of expensive housing, physically isolated and separately identified, put in a place by a tedious complicated process of intergovernmental checks and balances and occupied by a deliberate concentration of those in social or economic difficulty. When it is realized that this intermittent trickle of social housing production is contrived quite outside the mainstream of the community’s life and does not even belong to the cities it serves but is held on lease from a separate structure of senior government, the approach to the problem becomes suspect... (Ontario Association of Housing Authorities 1964, p. 119; in Dennis and Fish 1972, p. 173).

Nevertheless, this RGI portfolio has and continues to play an important role in the provision of low-cost housing across the country.

Since the 1949, the funding and delivery of public housing programs has varied. As the federal government’s role in housing continued to grow, so too did their costs. Given these increases, the federal government decided to involve the provinces and

7 Although others were built in the core of urban centers, and now hold significant land values.
territories in public housing (Dennis and Fish 1972). Through this partnership, the federal government would assume 75 percent of the initial capital and operating costs, while provinces and territories were responsible for the remaining 25 percent (ibid). Additionally, provinces and territories had the option of requesting contributions from municipalities. However, despite the new public housing legislation, few units were actually produced in the early years of the program.

Dennis and Fish (1972) describe the federal government as being ‘loathe’ to engage in public housing in the 1940s, and suggest that only ‘a minimum of funds or efforts’ were made until the late 1960s (p. 126). A letter written by a member of the CMHC Board of Directors highlights the types of attitudes that existed towards public housing in the late 1950s:

I feel that the construction of any particular public housing project should be based on economic and urban development considerations primarily and that the needs of individual tenants should be secondary… It seems to me that public housing projects should also be at a minimum of housing standard as far as accommodation is concerned, but not as far as external design, siting, etc. are concerned. In other words they should improve the community but only provide a bare minimum of housing for the occupants … It seems to me that this should be deliberately used not only to achieve economy, but to make clear 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 (Letter to CMHC President, February 12, 1957; in Dennis and Fish 1972, p. 172).

During the 1950s, public housing production ‘limped along’, producing an average of 834 units annually, which represented less than one percent of total housing starts nationwide (Dennis and Fish 1972). Instead, government efforts remained focused on attempts to ‘cajole’ private investment into the housing market (ibid). By the early 1960s, the federal-provincial partnership approach to public housing had ‘collapsed’ (Rose 1980, p. 37). In fact, in the early 1960s CMHC sought to either reduce or eliminate the public housing program, but continued due to interest by the federal government:
I am inclined to the view that the majority of the Board is opposed to the principle of public housing … and are opposed to CMHC participating in the production of subsidized public housing…

The fact is, however, that legislation exists, within the framework of which subsidized housing may be provided by CMHC in partnership with a province and municipality and the Board must share its policy-making function with the federal government. If the government decides that we are to go on receiving and processing applications, then we must do so (CMHC 1962a; in Dennis and Fish 1972, p. 174).

While most provinces had partnered with the federal government, the overall results were described as ‘grossly insufficient’ (ibid). Consequently, major revisions to the NHA were required.

The amendments made to the NHA in 1964 are considered a turning point in Canadian housing history (Rose 1980). First, this was the first time that the term ‘public housing’ actually occurred in the National Housing Act, as previous programs were simply labeled as ‘Federal-Provincial Projects’ (ibid). Second, the funding model was redesigned. Instead of a partnership in which the federal and provincial governments would share (75 federal: 25 provincial) both the capital and operating costs, the federal government would now provide loans for 90 percent of all initial capital costs, and both levels of government would share operating costs equally. Third, capital loans were made directly to provinces or provincially and municipally owned non-profit housing organizations. This was significant because it resulted in greater provincial responsibility, and thus marked a decentralization of housing policy (CMHC 1979). Additionally, there was an increased emphasis on urban renewal, creating wider opportunities for new public housing projects (CMHC 1979; Rose 1980). Within a few years, the results of these policy changes were clearly evident.

Between 1949 and 1967, total investments in public housing equaled $172 million, but spending over the next two years alone more than doubled to $377 million
(CMHC 1979). Nevertheless, almost as quickly as it had begun, this ‘feverish activity’ of investment in public housing was interrupted (Rose 1980). Newly elected Canadian Prime Minister Pierre Elliot Trudeau appointed a Task Force on Housing and Urban Development to conduct a comprehensive review of federal housing policies, the first of its kind since the Curtis Report in 1944. Cabinet minister Paul Hellyer chaired the task force, and thus the review is commonly referred to as ‘the Hellyer Report’. With the help of six of task force members, Hellyer completed the report in 1969, offering a series of recommendations regarding current and future housing directions. The most relevant suggestion here was a de-emphasis on public housing. The following excerpt from the report provides an example of the findings on public housing that emerged:

... The Task Force’s criticism of current public housing policies is not based solely – or even primarily – on a cost-benefit analysis. Its main complaint lies rather in the fields of sociology and psychology... The big housing projects, in the view of the Task Force, have become ghettos of the poor. They do have too many ‘problem’ families without adequate social services and too many children without adequate recreational facilities. There is a serious lack of privacy and an equally serious lack of pride which leads only to physical degeneration of the premises themselves. The common rent-geared-to-income formulas do breed disincentive and a ‘what’s the use’ attitude toward self and income improvement. There is a social stigma attached to life in a public housing project which touches its inhabitants in many aspects of their daily lives. If it leads to bitterness and alienation among parents, it creates puzzlement and resentment among their children. Or as the teenage girl so plaintively and graphically put it in Toronto, “all I know is that I live in Regent Park” (Canada 1969, p. 53-4).

It was the opinion of the task force that the current model of public housing was ineffective. Therefore, if not abandoned altogether, public housing required a substantial amount of further consideration. One of the formal recommendations of the report is that:

The Federal Government initiate a thorough research program into the economic, social and psychological issues of public housing. Until such a study is completed and assessed, no new large projects should be undertaken (p. 55).

In response to Hellyer’s cry for more research, two studies were commissioned: N. E. Lithwick’s (1970) *Urban Canada: Problems and Prospects*, also known as ‘The
Lithwick Report’; and Michael Dennis and Susan Fish’s (1972) Programs in Search of a Policy: Low Income Housing in Canada. As provinces awaited the results of both commissioned studies, and the federal government’s subsequent response, provincial investments in housing were ‘virtually at a standstill’ (Rose 1980, p. 69).

The Hellyer Report (1969), Lithwick (1970) and Dennis and Fish (1972) all expressed numerous concerns regarding current federal housing legislation, which would shape new directions in the next set of amendments to the NHA in 1973. In addition to changes in the assisted home ownership, neighbourhood improvement and residential rehabilitation assistance programs, there was a shift towards greater income mix in social housing.

3.6 NHA Amendments 1973: Non-Profit and Co-operative Housing
In response to growing concerns surrounding the high costs and poor outcomes of public housing, changes to the National Housing Act in 1973 ushered in a new era of subsidized housing in Canada (Sewell 1994). Legislative amendments meant that public housing would no longer be the primary means of providing low-income housing. Non-profit and co-operative housing programs were added, and these three types would together form social housing. Additionally, a rent supplement program was also introduced to help support the three primary modes of social housing. Small amounts of non-profit and co-operative housing had previously existed, but it was not until 1973 that either became prevalent. Sometimes referred to as the ‘third sector’ because they were neither entirely public nor private organizations, non-profits and co-operatives quickly became the preferred means of providing low-cost rental housing (Fallis 1995).
3.6.1 Non-Profit Housing

Non-profit housing is distinct from public housing in a number of ways. First, unlike the deeply subsidized and completely RGI public housing program, the non-profit model was based on a principle of income mixing. Second, the non-profit model involved significantly less direct government involvement than public housing (Dreier and Hulchanski 1993; Sousa and Quarter 2003). While public housing projects were planned, built and administered by the federal (and later provincial) government, the development and administrative duties are carried out by non-profit organizations themselves. And last, although there is a range in the size of developments, non-profits are often smaller in scale and better suited to fit within communities than typical high-rise public housing projects (Dreier and Hulchanski 1993).

The rent-governed-to-income funding model of public housing proved to be expensive since the gap between rents collected and actual operating costs tended to be large (CMHC 2011). In addition to the financial constraints, the concentration or segregation of low-income residents had negative social consequences (Hellyer 1969; Lithwick 1970; Dennis and Fish 1972; Sousa and Quarter 2003). Accordingly, income mixing was proposed as a solution to the stigmatization and poverty:

The only remedy for that is to house low and middle income people in the same housing, so that the service is not stigmatized. To the one million units produced for the low income group, there would have to be added another 500,000 at least, for the middle income group in the same projects. Those units would not require subsidies but would have to be included in the capital cost of the housing to be built (Dennis and Fish 1972, p. 352).

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8 This is sometimes termed social mixing. However, it is important to note that social mixing can have various meanings. For example, social mixing in the United States tends to focus on the reduction of ethnic or racial segregation, whereas in Canada the approach is used primarily to combine income groups (Harris 1993).
Income mixing means that residents with the lowest incomes pay RGI rents, and moderate-income earners pay market rents. The number of units in a given project that pay RGI rents can be as low as 25 percent, and as high as 100 percent. However, 40 percent of units in an average non-profit would pay RGI rents (Ontario Non-Profit Housing Association C).

The Non-Profit Housing Program enabled various types of organizations to become sponsors and provide housing for low and moderate-income families. Organizations could be purpose-based around charitable, community and religious groups, or can be operated by municipalities (Dennis and Fish 1972; Dreier and Hulchanski 1993). Some (Sousa and Quarter; Hackworth 2008) make a clear distinction between private and municipal non-profits, but since they are funded under the same programs, both are lumped together here. Furthermore, while the distribution may vary between provinces, 89 percent of all non-profit housing in Ontario is owned by private organizations (Ontario Non-Profit Housing Association A).

Public housing projects were planned and developed by CMHC, whereas non-profits were established individually through a proposal process. This meant that a non-profit organization would apply for a loan to either buy existing housing units or develop new ones, and CMHC provided low-cost mortgage funding for up to 50 years, plus additional capital funds. Additionally, instead of being managed by the same government housing agencies as public housing, non-profits are run by volunteer boards of directors. There is significant level of variation in the size and form of this type of housing. The average project size is 50 units, although large non-profits (especially municipal) might

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9 The distinction essentially clarifies who owns and manages the housing units (Dreier and Hulchanski 1993).
have thousands of units, and small ones could have as few as four (Ontario Non-Profit Housing Association B; Dreier and Hulchanski 1993) Furthermore, units can be located in high-rise buildings, townhouses or single-family homes in both urban and rural areas (Ontario Non-Profit Housing Association B). Some provide low-cost rentals to any qualified recipient, while others target a particular type of housing need, such as seniors, mental health or physical disabilities. Furthermore, in addition to government subsidies, non-profits can also receive funding in the form of donations. All together, more than 235,000 units of non-profit housing were produced during the funding programs that ran between 1973 and 1993 (CMHC 2011).

3.6.2 Co-operative Housing

The third form of social housing is co-operative housing, or ‘co-ops’. Also formally included in the NHA beginning in 1973, co-ops are similar to non-profits in many ways. Both are based on principles of income mixing, tend to be smaller in scale than public housing projects and are therefore easily integrated into surrounding neighbourhoods, and also manage their own waiting lists (Sousa and Quarter 2003). However, co-ops are created around a model of shared ownership. Co-op residents are ‘members’ who are joint owners of their housing development, which means co-ops are ‘fundamentally democratic’ and ‘member controlled communities’ (Cole 2008, p. ix; Sousa and Quarter 2003, p. 596). Although members own a co-op, this is a form of non-equity homeownership, meaning that units cannot be sold or transferred if a resident chooses to leave (Dreier and Hulchanski 1993).\(^\text{10}\) The principle of non-equity ownership means that

\(^{10}\) In contrast, equity co-ops also exist. These can be bought and sold like any other form of private property, and are especially popular in the United States. However, equity co-ops do not operate based on government subsidy, and are therefore not considered social housing (Sousa and Quarter 2003). Equity co-ops are considered uncommon in Canada.
members elect a volunteer board of directors, develop annual budgets, and help set policy directions of the co-op. Additionally, in many cases members take on additional responsibilities such as performing yard work or developing community newsletters (CMHC 2005). As a result, the co-op model is credited with its ability to create communities, rather than simply housing units. Similarly, the increased resident participation and self-management has meant that co-ops have had the lowest operating costs of the three forms of social housing (CMHC 1992; Dreier and Hulchanski 1993). However, given that co-ops are considered to be the most innovative of the three, they are also the ‘most closely watched and evaluated’ (Dreier and Hulchanski 1993, p. 55).

A small number of non-equity housing co-ops existed prior to 1973, but the legislative change that year simplified the process of establishing a co-op and provided new funding programs (Rose 1980; CMHC 1989). Like the process of starting a non-profit housing project, groups or individuals interested in establishing a co-op would begin by seeking financing from CMHC. The initial start-up package included full and direct financing from CMHC for a 50-year preferred rate mortgage, as well as a capital contribution of 10 percent of the total mortgage value, all of which would be used to either build a new development or purchase an existing building (CMHC 1989; CMHC 2011; Cole 2008). Overall, these new favourable terms proved to be effective incentives, and resulted in substantial growth in the number of co-ops across the country (CMHC 2005). By 1999, there were 110,000 co-op members living in 2,000 co-ops (ibid).

11 The Co-operative Housing Federation of Canada was founded in 1968, but dedicated funding was not available until 1973 (CMHC 2011). Refer also to CMHC (1989) and Cole (2008) regarding housing co-ops prior to 1973.

12 While this might appear to be a dated total, there has been little growth since federal funding ceased in 1993.
3.6.3 Rent Supplements

The Rent Supplement Program provided subsidies to help reduce monthly rents for low-income tenants (CMHC 2011). Introduced in 1973, rent supplements reduce rental costs to a rent-geared-to-income model within private rental properties, as well within certain non-profit and co-operative projects (CMHC 2011; CMHC 1999; Miron 1993). Therefore, a cost-shared federal and provincial subsidy would make up the difference between the actual rental cost and the tenant RGI contribution. In general, rent supplements were not heavily used by the private sector, but would eventually become popular within non-profits and co-ops as later government programs changed in structure (Fallis 1995, p. 11).

3.7 Further NHA Amendments: From Full Investment to Cost Reduction

The introduction of the non-profit and co-operative housing programs in 1973 resulted in significant growth in Canada’s social housing portfolio. However, most housing programs were modified to some degree with each subsequent NHA amendment. Throughout the late 1970s, 1980s and early 1990s, a substantial amount of social housing continued to be built, but programs were structured in noticeably different ways. While some changes were applied as improvements, others were implemented as cost reduction measures. Furthermore, it is argued here that these amendments, particularly those made in 1978 and 1986, highlight concerns of spending and budgetary restraint that foreshadow both the federal government’s termination of new funding commitments in 1993 and the devolution process that would follow later that decade.

13 The program was actually created in 1970, but not formally introduced until the NHA amendments of 1973 (CMHC 2011).
Beginning in 1978, CMHC would no longer act as a direct mortgage lender providing financing at preferred rates. Instead, new social housing developments were forced to rely on private lending, although CMHC would maintain its role as mortgage insurer. Now, CMHC would provide ‘bridge subsidies’ to fill the gap between collected rents and operating costs (CMHC 1989; CMHC 2011; Fallis 1995). Additionally, the mortgage amortization period was reduced from 50 years to 35, which meant a reduction in CMHC’s long-term subsidy commitments. Furthermore, these amendments occurred in part as a response to the ‘generally poor state of the economy’, and show a new reliance on private levers:

This feature of the new program replaced the direct mortgage loans … and was expected to reduce the federal government’s cash requirements. By leveraging private funds, it was believed that a larger social housing effort could be mounted with a given level of limited cash requirements (CMHC 1989, p. 9)

This effort to limit CMHC’s expenditures would actually be more costly in the long-term. Instead of securing mortgage loans from CMHC at preferred rates, it was now more expensive for social housing providers to obtain funds from private lenders at market rates. Ultimately, this meant that CMHC’s costs to subsidize the low-income residents increased:

Removing the direct mortgage lending from the CMHC budget appeared to reduce government spending on social housing. However, as analysts have pointed out, it actually increased later budgetary requirements for CMHC because, while the government could borrow money at a lower rate, social housing agencies found it more expensive to borrow money from private financial institutions. Therefore increased rent supplements were required for low income residents to make housing charges affordable (Cole 2008, p. 99-100).

The growing concern of financial restraint would lead to further program changes in the next set of NHA amendments.

In the wake of the OPEC oil crisis of the 1970s, another recession in 1981-82, and soaring levels of unemployment, many Canadians believed a ‘major economic crisis’
would soon ensue (Cole 2008, p. 122). Critics argued government spending had become “out of control”, and demanded reductions and restructuring (Cole 2008, p. 123). A series of program evaluations conducted in the early 1980s would result in major transformations to non-profit and co-operative housing. First, income mix would be abandoned in favour of targeting core need. Income mixing played a fundamental part of Canada’s social housing programs since 1973, but program reviews revealed that annual spending commitments were high, and too much funding was spent on moderate-income units. A report by CMHC (1983) evaluating non-profit and co-op programs was particularly critical:

The impact of the programs on the total identified need for assistance is marginal. On an annual basis, only 1 percent of the renter population in core housing need is served through Section 56.1 commitments. This is primarily due to restrictions in budget allocations, but is also because only one-third of those assisted through the programs are drawn from the population in need (p. 6).

Fallis (1995) provides further explanation of how providing mixed income housing was rather expensive:

The Section 56.1 Program was extremely costly; interest reduction subsidies had grown to $579 million in 1985. More problematic was that much of the money went to modest-income – even upper-income – households. In a representative, hypothetical project analyzed by CMHC, the “economic” rents were $965 per month (to cover mortgage payments and operating costs), “market” rents were $450 per month, and RGI rents were $192. Modest-income tenants were receiving a monthly subsidy of $515, and low-income tenants a subsidy of $773; but about three quarters of the tenants were not low-income. This created enormous controversy; confusion because tenants paying “market” rents did not feel they were subsidized (although CMHC had to pay $515 to ensure such rents), and controversy because the limited government funds were not directed to the neediest households (p. 16-7).

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14 According to CMHC, ‘core need’ occurs when a household must spend more than 30 percent of pre-tax income to find housing that is adequate, suitable, and affordable.
15 This particular NHA program facilitated the creation of non-profits and co-operatives from 1978 until 1986. In addition to providing funding for initial development costs, the program’s subsidy mechanism covered the difference between a mortgage at full market rate and one at an interest rate of 2 percent (Miron 1993). It was assumed that collected rents would be sufficient to pay the balance.
Despite claims that the results of the CMHC report were misleading (Cole 2008), a series of new NHA amendments in 1986 clearly identified that the new funding priority was exclusively core need. While the goal of ensuring those in greatest housing need get housed is understandable, the dramatic shift back to a model focused on low-income families was unexpected, especially given its widespread criticism little more than a decade earlier:

Income mix was lost under pressure for expenditure restraint. To escape the old problems, smaller buildings in dispersed sites were chosen for social housing. It remains to be seen whether the original critique will emerge again. The option of income mix, without significant or even any subsidy to modest-income tenants, was not explored (Fallis 1995, p. 17).

Furthermore, non-profits and co-ops were forced to rely increasingly on rent supplements in order to continue providing RGI rents to low-income tenants (CMHC 2011). The second important change that occurred in 1986 was the decision to include greater involvement of provinces and territories once again.

Early social housing programs tended to rely on some level of provincial and territorial contributions. In addition to the cost of shared public housing programs, the unilateral federal non-profit and co-op programs introduced in 1973 benefitted from additional ‘stacked subsidies’ made voluntarily by provinces and territories, which served as top-up funds (CMHC 1989). However, the ‘unresolved ambiguity’ of responsibility eventually resulted in the federal government’s decision to make CMHC act as the sole funder of programs (Fallis 1995, p. 16; CMHC 1989). The goal was to, "streamline social housing assistance into a single financial subsidy mechanism,” as outlined in the 1978 NHA amendments (CMHC 1989, p. 8). Nevertheless, given concerns of rising costs and efforts to reduce spending on social services, provinces and territories were effectively called back to the table.
The cost sharing of social housing programs was resumed in 1986 (CMHC 2011; Fallis 1995). In addition to renewed funding roles, the federal government desired to transfer responsibility for the delivery of social housing programs to the provinces and territories (CMHC 1989; CMHC 2011; Fallis 1995). Justified as a means of reducing duplication occurring at two levels of government, the transfer of program delivery was legislated through a series of new ‘global operating agreements’, which outlined both requirements and standards that must be upheld by provinces and territories (CMHC 2011; Fallis 1995; Wolfe 1998).\(^{16}\) Participation in these agreements required provinces and territories to make funding contributions of at least 25 percent, while the federal government retained a role in ‘policy, coordination and accountability.’ Another major development was that in addition to these jointly funded programs, provinces and territories could now also become active in developing their own social housing programs (Bacher 1993; Cole 2008). This proved to be significant because in some cases provincial and territorial activity actually outpaced new federal commitments (Cole 2008). Ultimately, the cost shared programs coupled with the new provincial programs would result in a period of growth in the social housing portfolio, especially in the non-profit and co-operative sectors (Fallis 1995).

### 3.8 The End of Long-Term Federal Commitments in Social Housing

After an initial period of growth in the number of social housing starts, new federal commitments began to decline (Fallis 1995). In fact, federal funding for all types of new social housing declined by more than $2 billion (cumulative total) between 1984 and

\(^{16}\) This transfer did not include the various Native housing programs. All provinces and territories except Prince Edward Island accepted a global operating agreement (CMHC 2011; Wolfe 1998).
1993 (Cole 2008). What was troubling, however, was that even as the number of new units declined, expenditures required for existing commitments still continued to rise:

... Even as annual new commitments declined, total subsidies to social housing continued to rise rapidly. From 1988 to 1992, federal subsidies to non-profit and cooperative housing rose from $670 million to $920; public housing subsidies rose from $548 million to $752 million. This was a 16.4 percent increase in real subsidies to non-profits and cooperatives and a similar real increase for public housing (Fallis 1995, p. 17; emphasis in original).

These rising expenditures were attributed to two factors. First, operating costs in general, including mortgage payments, were increasing at a faster rate than rent levels. Second, and more importantly, all new units now targeted low-income households, as opposed to the mixed income model that was predominant between 1973 and 1986. This meant that each new unit built required a deeper subsidy, and was thus more expensive (Fallis 1995). In contrast, only a fraction of units under a mixed income model were deeply subsidized. Therefore, while the number of new starts declined by nearly two-thirds between the late 1980s and early 1990s, costs still increased by almost half of a billion dollars:

Even as annual new commitments fell from 20,811 in 1987 to 6,548 in 1993, constituting a massive decline in federal commitment to social housing by one measure, annual subsidies increased from $1.32 billion to $1.76 billion – a massive increase in federal commitment to social housing by another measure (Fallis 1995, p. 19).

Until this time the federal government’s fiscal restraint was focused primarily on the number of commitments to new units, but the new objective would become a reduction in total expenditures (Fallis 1995). Consequently, over the next few years the social housing budget was gradually reduced. Finally, the 1993 budget revealed that no additional program funding would be provided. While remaining funding obligations of

17 The fraction of deeply subsidized RGI units varied from program to program. For example, some co-operative housing programs only required 15 percent of units to be RGI (CMHC 1989).
existing social housing units would be maintained, the federal government’s role in the creation of new social housing had come to an end (CMHC 2011).

This historical account outlining how social housing developed in Canada is primarily national in scope, and thus rather broad. However, the intensity of investment and program type selection varied geographically. As a result, the size and composition of provincial and municipal social housing portfolios are unique. The significance and long-term implications of these differences emerge as important themes in subsequent chapters.
Chapter 4: The Devolution of Social Housing in Canada

As outlined in the previous chapter, there is an abundance of detailed research highlighting the early history of social housing in Canada. For example, Dennis and Fish (1972), Rose (1980) and Bacher (1993) provide some of the most significant and comprehensive analyses of the earliest periods of housing policy. The development of national housing policies before and after the Second World War is clearly documented, as is the introduction of public housing, and the eventual movement towards non-profit and co-operative housing. There is also a fairly substantial amount of research that identifies the changes in federal government’s approach to housing in the late 1980s and early 1990s (Bourne 1986; Fallis 1995; Van Dyk 1995; Carter 1997). However, there is a real gap in the academic literature tracing the details of social housing after 1993, and in particular the devolution process beginning in the late 1990s.

Some recent studies, such as Silver (2011) or Sousa (2013), examine various aspects of social housing in Canada and include some level of historical background.¹ These historical contexts tend to include lots of information about early housing policy, but usually lack detailed accounts of what occurred beyond the early 1990s. Hackworth (2006, 2008, 2009) provides the best examinations of how neoliberal policies have impacted social housing in Canada. These studies focus on the case of Ontario after the

¹ Silver (2011) explores themes of redevelopment and revitalization in four public housing projects across Canada: Little Mountain (Vancouver); Regent Park (Toronto); Uniacke Square (Halifax); and Lord Selkirk Park (Winnipeg). Sousa (2013) explains the conversion of a public housing project (Alexandra Park) into a co-operative community (Atkinson Housing Co-operative) in Toronto.
province devolved its responsibility for social housing to the municipal level. They offer important insights and observations into some of the early outcomes of municipal management and administration. The results found in this study, however, help provide a more complete overview than the historical details outlined by Hackworth (2006; 2008; 2009). For example, Hackworth (2008; 2009) claims that federal social housing units were downloaded in all provinces and territories:

Deficit-obsessed finance minister Paul Martin immediately downloaded responsibility for social housing to the provinces and removed almost all of the subsidies that had previously accompanied federal responsibility. …The major exception to these cutbacks was the on-reserve aboriginal housing program” (Hackworth 2008, p. 12; footnote p. 25; refer also to Hackworth 2009, p. 262; p. 258; and footnote 4, p. 275).

In addition to First Nations housing, there were actually a number of other exceptions to federal devolution. The optional social housing agreements that facilitated the download were not accepted by Alberta, Quebec and Prince Edward Island (CMHC 2011). Additionally, federal co-operative housing portfolios in Alberta, British Columbia, Ontario and Prince Edward Island were not included in the devolution process (CMHC 2011; Cole 2008). Even where agreements were accepted, the process was complex and protracted, sometimes requiring nearly a decade to complete, as demonstrated by British Columbia’s initial reluctance and delayed signing. Furthermore, Hackworth (2006) describes Ontario’s Social Housing Reform Act (SHRA) as being similar to agreements in other provinces (p. 515). The Canada-Ontario Social Housing Agreement, signed in 1999, is comparable in some ways to agreements made between the federal government and other provinces and territories, but the SHRA is very unique, since it essentially dissolved previous operating agreements and defined new regulations and guidelines.
(Pomeroy 2012). To date, similar legislation to the SHRA does not exist elsewhere across the country. This is not intended to detract from the results of the studies listed above, but rather to highlight the need for more detailed accounts of social housing in Canada since the federal government decided to end new funding commitments and download existing units. Ultimately, the story of housing devolution, especially the details of what was devolved where, remains largely untold. The remainder of this chapter, therefore, attempts to tell this story.

A parallel objective is to adjudicate the degree to which this particular instance of devolution constitutes a form of neoliberalism, and a means of ‘rolling back’ the welfare state. Despite claims that the purpose of downloading is to enhance the delivery of a crucial social service, this study finds that cost reduction and spending restraint are more likely the primary motive. Additionally, the failed attempt to devolve all federal social housing responsibilities leaves a mix of residual government involvement that further conceptualizes the notion of ‘actually existing neoliberalism.’

4.1 The Transition From Funding Cuts to Devolution

Given rising expenditures, the federal government announced in 1993 that it would no longer fund any new social housing units (CMHC 2011). All existing units, however, would continue to receive subsidies until operating agreements expired. This process would soon be taken one step further through a devolution process that would decentralize various federal housing responsibilities to the provincial and territorial level.

The signing of the global operating agreements in 1986, which transferred the delivery of social housing units to the provinces and territories, can be considered a

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2 This is revisited later in the chapter.
precursor for future devolution (Wolfe 1998). By the mid 1990s, the federal government
desired to transfer administration and management roles as well. The idea behind this
further devolution can be traced to the Meech Lake (1990) and Charlottetown Accords
(1992), which proposed amendments to the Constitution of Canada, including changes to
federal and provincial responsibilities (Cole 2008). These conferences debated, among
other things, the downward transfer of social programs, including housing, to the
provincial and territorial levels (ibid). Devolution did not occur immediately, but took
place following further government spending cuts.

The gradual withdrawal of federal funding was initiated under the leadership of
Brian Mulroney, head of the Progressive Conservative party and Canada’s Prime
Minister between 1984 and 1993 (Cole 2008). These actions were highly criticized by the
Liberal Party in its campaign efforts in the 1993 federal election. Years earlier, the
Liberals put together a housing task force and developed a report highlighting a variety
of housing concerns across the country (ibid). First, the report disapproved of
Conservative policy and spending cuts:

In the name of deficit reduction the Conservative government has cut federal
spending on the back of the poor. Housing programs have consistently been a victim
of this government’s insensitivity to the social ills created by federal policy. … The
housing crisis is growing at an alarming rate and the government sits there and does
nothing; it refuses to apply the urgent measures that are required to reverse this
deteriorating situation… The lack of affordable housing contributes to and
accelerates the cycle of poverty, which is reprehensible in a society as rich as ours
(Martin and Fontana 1990, preface).

Next, and perhaps more importantly, the report provided a series of recommendations,
including the need for a renewed federal role in housing:

A national vision requires some national direction. It is necessary for the federal
government to co-ordinate a national housing strategy. Since few provinces can

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3 Discussions of the Meech Lake Accord began in 1987.
cover the costs of a comprehensive housing strategy, the federal government must place a major role in funding. It must also take a leadership role in setting direction, standards and initiatives for housing policy. Only the federal government has the position and the financial resources to provide leadership in solving the housing problems of today (Martin and Fontana 1990, preface).

These notions were emphasized in the Liberal campaign, which promised to “revitalize the federal role in housing,” and reinstate new funding for non-profits and co-operatives (Cole 2008, p. 183).

Liberals were victorious in the 1993 federal election. However, promises of new federal funds for social housing were never kept. The notion of “trimming government waste” remained intact, and the Liberals continued to cut government spending just as Mulroney had done (Cole 2008, p. 183). In fact, expenditure cuts were so severe that some critics argued that the 1995 budget “marked the endpoint of the welfare state in Canada” (Cole 2008, p. 184). Since new housing expenditures were already eliminated and delivery was transferred in 1986, the only significant remaining federal responsibilities in social housing were program administration and management. These, too, were now on the chopping block.

The 1996 budget proved to be significant to social housing in Canada, as Minister responsible for CMHC, Diane Marleau, announced that the federal government would transfer its remaining responsibilities to the provinces and territories:

CMHC will phase out its remaining role in social housing, except for housing on Indian reserves. The first step has already been taken – there has been no funding for new social housing since 1993. To further clarify jurisdiction in the social housing field, the federal government is now prepared to offer provincial and territorial governments the opportunity to take over the management of existing social housing resources, provided that the federal subsidies on existing housing continue to be used for housing assistance for low-income households. This should result in simpler administration and improved service to Canadians. The issue of the role for third parties in the administration of the social housing stock will be discussed with the provinces and territories (in Cole 2008, p. 184).
CMHC (2011) explains the decision to devolve as one that “clarify[ies] roles and responsibilities” (p. 137), as well as reducing “costly overlap” between the federal and provincial governments (Wolfe 1998, p. 125). Furthermore, CMHC (2011) claimed provinces and territories were now in a better position than the federal government to provide social housing:

Over time, [provinces and territories] have developed greater capacity for the design and delivery of housing programs, and bilateral agreements have provided them with increasing flexibility as to how these are designed and delivered (p. 137).

Therefore, beginning in 1996, the federal government, through CMHC, began to offer provinces and territories the opportunity to assume management and responsibility over all social housing units.

4.2 What is a Social Housing Agreement?

The devolution of federal responsibilities was legislated through the signing of social housing agreements. Beginning in 1996, these agreements offered provinces and territories the option to accept responsibility for federally funded social housing programs (CMHC 2011; CHF Canada 1998). This transfer included both unilaterally federal and joint federal-provincial/territorial programs.⁴ On-reserve First Nations housing, however, was not included in the devolution project (CMHC 2011).⁵ Agreeing provinces would become manager and administrator of these units, as well as take on the financial requirements associated with the portfolio. In order to meet these new fiscal obligations, the federal government would provide lump sums of funding annually, which reflected the costs of remaining mortgage and subsidy commitments (ibid).

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⁴ For the remainder of this chapter, the terms province and provincial will refer to both province and territory and provincial and territorial.

⁵ The Indian Act (first passed in 1876) stipulates that on-reserve indigenous housing is a constitutional responsibility of the Government of Canada (UN-HABITAT 2005).
Social housing agreements replaced all existing contractual arrangements between the federal and the provincial governments (CHF Canada 1998). All social housing projects – public housing, non-profits and co-ops – were created through operating agreements that defined funding and subsidy levels and outlined legal and practical terms stipulating the way in which the housing units were to be operated (Pomeroy and Falvo 2013). The length of an operating agreement was typically linked to the duration of the mortgage, which usually ranged from between 35 and 50 years. Therefore, signed social housing agreements meant that provinces assumed the federal government’s subsidy and operating loss obligations until all individual operating agreements expired. Depending on the starting point and period length of each individual operating agreement, provinces could be accepting as many as 40 years of responsibility (CHF Canada 1998).

Most social housing agreements are “substantially the same in their terms” (CHF Canada 1998). Although the federal government would relinquish direct administration and management duties, the agreements contained strict regulations and guidelines. For example, all funds must be used only for housing (Wolfe 1998). This meant that transfer payments could not instead be applied to other areas, including health care, education or transportation. Furthermore, agreements specified the type of housing programs that were eligible to receive funding, which excluded ‘related shelter services,’ such as correctional facilities, education and health care (Wolfe 1998). CMHC also outlined minimum income thresholds to determine household eligibility for federal funding. Furthermore,

6 It is important that operating agreements and social housing agreements are not conflated. The former outlines parameters of a particular housing project, while the latter is a devolution arrangement between the federal and provincial governments.

7 Period length varied by particular funding program.
the priority was to provide housing for as many low-income families as possible, rather than to create mixed income communities (Wolfe 1998). In general, moderate-income individuals or families already living in social housing would be unaffected by these new targeting requirements. However, any units that became available in a mixed-income housing project were to be filled by low-income households. Furthermore, any savings or surpluses are retained by the province, but must be spent on existing social housing programs or new housing initiatives that target low-income households and meet criteria outlined in the agreement (CMHC 2011). To ensure that conditions of the agreement are satisfied, provinces are required to submit annual performance reviews, as well as audits of funding and spending levels. In addition, more comprehensive program evaluations must be conducted every five years (CMHC 2011).

Although social housing agreements all shared certain common elements, all were unique to each province or territory. Since 1949 there have been numerous different social housing programs that varied significantly in structure and design. This meant that the federal government’s social housing portfolio varied in each province, and therefore it was necessary to take into account the size, program type, subsidy level, and terms of the various existing projects in order to determine appropriate levels of fixed funding required for a province to continue operating the portfolio. These analyses enabled CMHC to develop individualized proposals outlining the terms and funding transfer amounts for the provinces to consider. However, in addition to the details of what a province’s social housing agreement might include, careful consideration needed to be given to the potential advantages and disadvantages of accepting the devolution of federal responsibilities.
4.3 Advantages and Disadvantages of Social Housing Agreements

The negotiation and signing of social housing agreements with the federal government carries potential benefits and risks for provinces. The Co-operative Housing Federation of Canada (CHF Canada 1998) defines and explains social housing agreements and, perhaps more importantly, suggests a series of prospective advantages and disadvantages that provinces might face by accepting one. Advantages generally relate to potential savings and increased freedom and decision-making powers, whereas disadvantages include the possibility of substantial future liabilities. These are outlined below in further detail.

The first and perhaps most immediate and enticing advantage of signing a social housing agreement is that a province might receive an instant surplus of federal funding. Annual federal transfer payment amounts are determined based on the previous year’s expenditure values (for example, an agreement signed in 1997 would use 1995-96 totals), and this amount of funding is maintained until operating agreements expire. However, in some cases the real cost of funding the federal portfolio is actually less than the transfer amounts. Any surpluses must be spent on current social housing programs or used towards new housing initiatives that fall within the guidelines of the agreement. If the surplus is spent on existing social housing programs, this counts towards a province’s annual funding obligations, and thus reduces that year’s expenditure levels. Similarly, social housing agreements grant provinces the right to keep any savings that are achieved through cost reductions and increased efficiencies. Since savings do not result in a

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8 Exceptions include programs in which funding is tied to interest and inflation rates, such as the index-linked mortgage (ILM) mechanism used in some co-op programs.

9 In that case there is no net gain to the social housing portfolio.
decrease of funding from CMHC, provinces are effectively encouraged to administer, manage and deliver social housing in a more efficient, less expensive manner.

Enhanced freedom from federal authority is another significant advantage that can be realized through the signing of a social housing agreement. This is important, for example, as provinces and territories reported, “considerable frustration in having to deal continually with CMHC on administrative and policy matters related to the shared-cost housing programs” (CHF Canada 1998). While the agreement includes a series of general guidelines, as noted above, many of them ensure that the federal government’s transferred responsibilities will be upheld, but do not dictate provincial resource use and funding requirements going forward. Therefore, this provides provinces with increased autonomy that can be experienced in a number of ways. First, provinces gain control over their own provincial resources and funding contributions. Again, assuming CMHC’s broad principles are fulfilled, a province can set its own priorities and divert funding to preferred programs. Obtaining control of resources is also significant, particularly in the case of federal/provincial cost-shared public housing, as it means that the province receives both title and control of the land upon which projects are located.10 Second, programs can be modified, combined, replaced or even eliminated. Third, as long as CMHC’s financial obligations are fulfilled, provinces have the freedom to manage their own spending commitments to social housing. Although this flexibility could lead to investment and program expansion, it might also result in funding cuts. Ultimately, a

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10 This transfer of land ownership arguably plays an important role in facilitating redevelopment projects, since the resource is owned by only one level of government, rather than shared by two levels.
province could choose to cut its own financial contributions, yet still continue to receive full funding transfers from CMHC:

Under the new Social Housing Agreement the province no longer has an explicit obligation to the federal government to provide funding for social housing. Although the province must meet CMHC’s obligations to existing projects as long as those projects remain in the portfolio the Agreement governs, there is nothing in the Agreement to prevent the province from reducing the size of that portfolio by disposing of housing that it owns directly or that until now the federal/provincial partnership has owned. Such dispositions, should they prove feasible, would reduce the province’s financial obligations without causing any reduction in consequence in the scheduled federal contributions (CHF Canada 1998).

Therefore, the potential cost savings and flexibilities listed above need to be carefully considered against a series of possible liabilities associated with a federal devolution.

Social housing agreements have been described as containing ‘serious shortcomings’ (CHF Canada, 1998). While many of the potential benefits would likely occur in the short-term, there are a number of long-term risks. These include increased liabilities related to cost overruns for program subsidies and operating losses, future capital repair and replacement expenses, as well as project failures or mortgage defaults. Additionally, critics question whether or not funding transfers for administrative duties will be sufficient to meet new and increased provincial responsibilities.

One of the most significant limitations of the agreements is that federal funding contribution amounts are fixed, while costs can fluctuate over time. In particular, interest rates and inflation play an important role in determining the costs of subsidies and operating losses. Historically, the federal government increased funding levels as necessary, both to unilateral and provincially cost-shared programs. However, once transfer amounts are established under the social housing agreement, they are “permanent” and “not subject to increase for any reason” (CHF Canada, 1998). Therefore, provinces become vulnerable to changing interest and inflation rates. The
agreements do include a one-time, initial allowance or reserve to help offset future variability, but the amount is considered to be ‘very small’ (ibid). Similarly, changes in resident incomes make the long-term costs of servicing the portfolio uncertain. This is especially pertinent to the rent-geared-to-income portion of the portfolio, as recession or high levels of unemployment could result in rising subsidies that bridge the gap between household incomes and actual operating costs. There is also a transfer of federal funds to help compensate for the greater administrative and managerial functions of the province. It is possible that provinces might benefit from a larger budget and the increased staffing needs would likely create new job growth, but there is skepticism whether the transfer includes sufficient resources to cover the expanded administration duties (CHF Canada 1998). Ultimately, it has been speculated that long-run interest or inflation rate changes will outpace any income increases of social housing residents, thus making the deeply subsidized rent-geared-to-income units more costly to fund (ibid).

Another concern of social housing agreements is that provinces become responsible for any and all future capital repair and replacement costs. This is important as a considerable portion of the social housing portfolio is aging and requires substantial capital repairs either now or in the near future. The three largest replacement and upgrade costs involve the interior, mechanical and structural elements of a building (City of Toronto 2013, p. 10-11; TCHC A). Interior repairs include bathrooms, kitchens, walls and flooring, common areas such as hallways and lobbies, as well as increasing the overall accessibility. Mechanical upgrades entail plumbing, heating and ventilation systems, whereas structural work addresses building foundations and envelopes. Other expenditures can include replacements or improvements to electrical systems, elevators,
parking garages, outdoor grounds and safety equipment. Second, even some of the comparatively newer projects require maintenance prematurely as a result of “serious design or construction deficiencies” (CHF Canada 1998). Third, energy efficiency upgrades are needed to help projects meet modern standards and help reduce operating costs. These needs are compounded by the fact that many projects lack adequate capital reserves required to complete such repairs and upgrades. Furthermore, a considerable amount of ‘capital repair backlog growth’ will most likely occur well after agreements are completed and funding transfer amounts are locked in at late-1990s levels.11 This is exemplified through the case of Toronto Community Housing, which will experience a substantial spike in capital repair cost increases beyond its 2013 backlog level, which has already ballooned to $862 million (City of Toronto 2013). Therefore, provinces (and Ontario’s municipalities) become responsible for all costs associated with capital repairs for the directly managed public housing stock and the indirectly managed non-profit and co-op units. While agreements contain some initial funding to help compensate for future repairs, the amount is likely inadequate. CHF Canada (1998) further explains this concern:

> Taken together, the modernization and improvement needs of both the public and non-profit housing stock represent large contingent liabilities that could dramatically overshadow any short-term financial gains that may accrue to the province under the Social Housing Agreement. Under the Agreement, the province cannot turn to the federal government for additional help in meeting these liabilities.

Given the existing capital repair backlog in many provincial programs, taking responsibility for federal units involves considerable risk.

The liabilities of social housing agreements also extend to project failures. A housing project ‘fails’ in cases of mortgage default. Although CMHC was not the direct

11 British Columbia did not complete an agreement until 2006.
mortgage lender for all social housing programs, it always served as mortgage insurer. Until devolution, the federal government was responsible for any losses and defaults incurred by its unilateral programs, and shared accountability with provinces for joint programs. However, social housing agreements mean that all liabilities for project failure were transferred to the province. CHF Canada (1998) expresses concern over the shifting of all liability to the provincial level, which is explained in the following way:

The new arrangement is inconsistent with basic risk management principles: instead of spreading the risk over a greater number of units, a larger geographic area, and a variety of housing types and programs (e.g. social housing and market housing), the requirement that each province indemnify CMHC against losses in its jurisdiction concentrates the risk within a smaller universe of projects, a single province and a narrower range of programs. The lower tier of government, with fewer resources and weaker taxation powers, is in effect now required to insure the higher, more fiscally powerful level of government.

This concentrated risk is especially concerning for smaller and less wealthy provinces. However, larger and wealthier provinces are also at risk, given that they typically have bigger portfolios. The unknown balance of outcomes ultimately means that the prospect of devolving social housing is met with significant concern.

Given the potential risks associated with federal downloading, there was substantial opposition to the social housing agreements. For example, Wolfe (1998) provides a succinct introduction:

Critics of this approach fear that social housing portfolios may begin to deteriorate. While federal funding is assured (over 40 years), the levels of provincial input are not specified and cutting corners may become attractive. In addition, the future of social housing after the operating agreements end and the mortgages expire is not clear (p. 126).

Therefore, these agreements were often perceived as an indication of government abandonment. Nevertheless, CMHC maintained that devolution did not signify a federal withdrawal from social housing. Mark Rochon, (then) president of CMHC, explained the changes in the following way:
Transferring administration of social housing resources to the provinces and territories does not constitute a federal withdrawal from housing. Quite the contrary: the federal government contributes approximately $1.9 billion to help low-income households access affordable housing and this will not change. The provinces and territories are simply taking over the management of those federal funds. And they will be expected to reinvest any savings from efficiencies back into social housing – either to help manage or renovate the existing portfolio or create new social housing programs (Rochon 1997, p. 19; underline in original).

Furthermore, Rochon (1997) insisted that the transfers would result in “significant benefits” for social housing:

Low-income households will have improved access to affordable housing. The provinces and territories will have greater flexibility in how they use their funds. For instance, they will be able to transfer funds between their programs and projects, depending on where the money is most needed, and tailor programs to suit particular communities (p. 19).

However, despite such claims, significant criticism remained. For example, housing journalist Bill Dunphy did not share Rochon’s outlook, arguing that the devolution did indeed signify a retreat from housing. Dunphy (1997) declared the federal government was ‘entombing’ its role in social housing, and that agreements represented “the first bricks in the wall” (p. 23). This was alarming since it was unclear how the various provinces would deal with these new responsibilities. At best, most provinces were considered apathetic to social housing, but others were feared to be ‘openly antagonistic’ (Maloney 1997, p. 16). Consequently, there was concern regarding the opportunity for provinces to reduce their own contribution levels:

[Social housing agreements] give provinces, for the first time, the freedom to take some of their own money out of programs and substitute federal money saved from cutting other projects in their portfolio (Dunphy 1997, p. 23).

This notion was similarly supported by another critic, alleging that the opportunity to reduce contributions would likely serve as the determining factor for some provinces to sign social housing agreements: “If some provinces are willing to take on the risks, it is precisely because of this new flexibility to cut costs” (in Dunphy 2997 p. 23).
A group of more than one hundred delegates from across Canada met in 1997 to participate in the Canadian Housing and Renewal Association’s (CHRA) annual convention. During this assembly, significant emphasis was devoted to discussion of the opportunities and disadvantages of federal devolution. While it was widely agreed upon that the transfer of administration could better serve local needs, there was an expected mismatch between financial capacity and the newfound level of responsibility (Goulet 1997). The panel also suspected the motives of the federal and provincial governments to be sinister, as Goulet (1997) explains:

Delegates did not feel that the federal and provincial governments are undertaking this devolution with the honorable goal of developing a more effective partnership. Nor do they feel these governments are concerned about supporting local groups to better plan and administer the subsidized housing stock, develop new initiatives or adjust to needs. Instead, in most provinces, there is a rush to hand over duties and responsibilities, along with shrunken resources and variable standards. As a result, governments will have substantially reduced their responsibilities to the disadvantaged members of society and their right to decent and affordable housing. They will also have evaded their duty to redistribute wealth and promote a more just society… In this context given the hesitation for municipalities to get involved, due to their limited financial and administrative capabilities, devolution will merely be a smokescreen for governments to shirk their responsibilities (p. 13).

Additionally, another major concern was that federal devolution would be merely a first step towards further government withdrawal (ibid).

The introduction of social housing agreements also signified an important shift in the federal government’s broader role in social policy. The Global Operating Agreements of 1986 were rationalized as a means of clarifying and simplifying administrative arrangements, as well as reducing, if not eliminating, duplication of labour. Forrest (1996) describes this process as ‘disentanglement’, and emphasizes its distinction from ‘devolution’. The global agreements “left the door open” for ongoing federal responsibility and new or increased funding commitments (Forrest 1996, p. 7). In
contrast, social housing agreements placed caps on current funding levels and meant that future commitments would “effectively be terminated” (ibid). Forrest (1996) further explains:

> With disentanglement, the federal government remained an active partner. With devolution, the federal government is, in effect, giving the provinces complete control over social housing subject only to the federal principles that federal housing dollars are targeted to low income households for housing consumption (Forrest 1996, p. 7-8).

This difference is described elsewhere as a ‘fundamental shift,’ one that moves from ‘cost-shared programs’ to ‘provincially-led programs with federal compensation’ (Dunphy 1997, p. 23). Such changes in leadership are significant because they can produce ‘diminished expectations,’ altering attitudes about the role of government in wider society (Chisholm 1999, p. 14). Nevertheless, despite the widespread outcries and criticisms, agreements were soon completed in most provinces.

**4.4 Incomplete Participation in Social Housing Agreements**

The signing of social housing agreements was optional. However, between 1997 and 2006, all but three of Canada’s thirteen provinces and territories completed an agreement with CMHC to accept the devolution of federal social housing. Saskatchewan was the first province to sign an agreement, believing that this would result in improved efficiencies:

> Saskatchewan hope[d] to profit from this new arrangement by consolidating the management of 42 earlier agreements, encompassing 18 programmes, to only 10, while continuing to receive contributions from the federal government at their current level. Rent scales, utilities allowances, income definitions and maintenance standards will be made uniform throughout the province, further contributing to efficiency (Wolfe 1998, p. 126).

Other provinces soon followed Saskatchewan’s signing, with most agreements completed between 1997 and 1999. British Columbia was the last province to sign an agreement,
“holding out for better terms” until 2006 (Pomeroy and Falvo 2013, p. 186). An interviewee describes British Columbia as ‘very reluctant,’ but eventually opted to sign:

They were very reluctant to sign… Because it is a pig in a poke. But when you raise the incentive high enough, they eventually come to the party (Former government organization or crown agency).

A chronological list of when social housing agreements were completed is included below in Table 4.1.

<table>
<thead>
<tr>
<th>Table 4.1: Canada-Provincial/Territorial Social Housing Agreements</th>
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<tr>
<td><strong>Social Housing Agreements Completed</strong></td>
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<tr>
<td>Province/Territory</td>
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<tr>
<td>Saskatchewan</td>
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<tr>
<td>New Brunswick</td>
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<td>Newfoundland</td>
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<td>Northwest Territories</td>
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<td>Nova Scotia</td>
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<td>Manitoba</td>
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<tr>
<td>Yukon Territory</td>
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<tr>
<td>Nunavut</td>
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<tr>
<td>Ontario</td>
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<tr>
<td>British Columbia</td>
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<table>
<thead>
<tr>
<th>Social Housing Agreements Not Completed</th>
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<tbody>
<tr>
<td>Alberta</td>
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<tr>
<td>Prince Edward Island</td>
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<tr>
<td>Quebec</td>
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</table>

Simple analyses of the dates when each province signed agreements shows that the less populated ones signed first.\footnote{The exception is Prince Edward Island, a province so small that it likely lacked the capacity to take over federal units.} It is reasonable to suggest that the devolution
process would be both less complex and less of a burden given the comparatively smaller federal social housing portfolios. In contrast, Canada’s three largest provinces by population – Ontario, British Columbia and Quebec – had more federal units, and were historically the biggest participants in the costly and deeply subsidized public housing programs. Therefore, this helps explain why Ontario and British Columbia were the last two provinces to sign, and why Quebec opted not to reach an agreement, for reasons discussed below.

Three provinces opted against social housing agreements: Alberta, Prince Edward Island and Quebec. Each of the three provinces had unique reasons for choosing not to sign a social housing agreement. In general, at the time that devolution was proposed both Alberta and Prince Edward Island had relatively small social housing portfolios, and there was little history of provincial initiatives. Therefore, neither province had developed the provincial capacity and expertise to take on federal housing units. Historically, Alberta has expressed little interest in social housing or active engagement in social housing, as Wolfe (1998) suggests: “In Alberta, with a strongly conservative government and a booming economy, social housing is not a priority for debate” (p. 126). Prince Edward Island’s refusal has been attributed to a matter of scale:

PEI, they are too small. I get it. How many housing projects do they have, 15? I can understand that. Why should they bother? (Sector organization)

Although the number of potentially devolved units would be small, the province likely lacked the available resources and expertise required to acquire the federal portfolio:

I think it is [also an] expertise issue. From my own understanding, they actually didn't have capacity at the government level to deal with [the devolution]. They would have to have staff to deal with all the housing providers, and they didn't have the tax base and resources to do that. So PEI, I think, is in a different situation than Alberta and Quebec (ibid).
In contrast, Quebec’s decision not to accept was based partly on concerns surrounding the terms of the agreement. Despite initial eagerness to take control of the entire portfolio, the province’s assessment of the physical condition of the federal housing stock suggested that the proposed funding transfers were insufficient to offset the actual costs that Quebec would incur (Goulet 1997; Cole 2008). The province requested additional funds, but the federal government’s refusal to adjust the terms resulted in Quebec’s rejection of the agreement (ibid). Additionally, Quebec has historically had a difficult relationship with the federal government, and did not want to let them ‘off the hook’, as one interviewee suggests:

There is a long history of Quebec and the federal government. Quebec does not want to let the federal government off the hook. I don’t know that Quebec will ever sign that agreement (Sector organization).

Despite the refusals for the various reasons outlined above, the signing of social housing agreements throughout the rest of Canada now means that approximately 80 percent of the total social housing stock is managed and administered by the provinces and territories (CMHC 2011).

4.5 **Future Social Housing Agreements?**

An important aspect of understanding the devolution process is to examine why some provinces chose not to accept a social housing agreement. Similarly, it is also important to investigate the likelihood of whether Quebec, Alberta or Prince Edward Island would decide to reverse their decision and accept a social housing agreement before all operating agreements expire.

In general, there is no hard evidence to suggest that any of the three provinces will accept an agreement with the federal government now or in the future. This is partly explained by the fact that there is little incentive to take over responsibility near the
expiry of operating agreements. In fact, accepting an agreement arguably becomes more precarious over time as the housing stock ages and further deteriorates, and thus becomes more of a liability. Furthermore, the federal government and CMHC are not likely to offer these provinces better terms to help offset this increased liability given that existing agreements include a “me too clause”. This type of clause, also referred to as a ‘parity’ agreement, stipulates that if a subsequent agreement that includes a preferable term is negotiated with another province, then the new terms can be applied to all existing contracts. This seriously limits the likelihood that CMHC would offer Alberta, Quebec or Prince Edward Island different terms as a means of enticing them to sign at this time, as explained by an interview participant:13

In the social housing agreements, there are 'me too clauses’. Every province that signed an agreement has a 'me too clause’, so if a subsequent province negotiates a better deal, that 'me too' clause means that you can adopt theirs...And so you can appreciate CMHC's reluctance to agree to any improvement, because then everyone else lines up behind them with their hands out for the improvements to the deal (Government agency or crown corporation).

There is, however, some speculation that Alberta is currently considering completing a social housing agreement. Such consideration is likely explained by the province’s real estate boom over the last decade, which creates the need and incentive for the Alberta to become engaged in social and affordable housing:

13 However, an interviewee explains that the agreement reached between CMHC and British Columbia arguably contained very favourable terms, but was structured so that other provinces could not invoke the ‘me too clause’:

CMHC was quite shrewd. They negotiated a very, very specific clause with BC, and gave them a very, very significant lump sum payment, but they structured it in such a way that no one could use the ‘me too’ clause, because they based it on the leaky condo issue and the remediation that was necessary to a bunch of the social housing buildings as a result of the leaky building envelope. And the other provinces did not have that, so therefore they could not get the ‘me too’ on that (Former government agency or crown corporation).

Therefore, it is possible that another future social housing agreement could be reached which contains a technicality and prevents the use of the ‘me too’ clause.
Alberta, I think, actually will sign the agreement eventually. I think they were in this long phase of 'screw you' – they didn't want anything to do with social housing. But now I feel there has been a shift, and I would expect that agreement to be signed (Sector organization).

When asked why the province of Alberta might reverse its initial decision so many years later, the same respondent suggested the following:

I think [the province] [is] finally realizing that they can actually do a lot with it. I also think Alberta has changed drastically and because all of the initiatives on homelessness, the National Alliance to End Homelessness is starting out of Calgary, the Calgary Homeless Foundation, all of that innovation is happening because of the huge issues they have had with housing in Alberta, so now they are seeing, 'Hey, we need that money, we need that control, and we need CMHC out of the picture' (Sector organization).

Despite the speculation described above, Alberta, as well as Quebec and Prince Edward Island, have not yet completed a devolution agreement with the federal government. In contrast, the province of Ontario has taken the devolution process one step further. What follows is a case study of what happened in Ontario.¹⁴

### 4.6 Double Devolution: the Case of Ontario

The 1995 Ontario provincial election ushered in a new Conservative government eager to implement a widespread set of neoliberal policies. The province was in the midst of widespread recession and job loss, and the newly elected Premier Mike Harris successfully campaigned on the concept of a “Common Sense Revolution” (Keil 2002; Cole 2008). Keil (2002) describes the Harris government as “uncompromising,” “a textbook case of a neoliberal policy strategy and project,” and one that was “reminiscent of Thatcherism and Reaganism” (p. 588). This so-called ‘revolution’ involved various forms of government regulation coupled with spending and tax cuts intended to generate economic growth and reduce the provincial deficit. For example, this was to be achieved

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¹⁴ Prior to the download there was substantial concern in Ontario, as Wolfe (1999) explains: “It is in Ontario that housing advocates are most anxious” (p. 126).
through “drastic” reductions in social programs such as welfare, widespread amalgamation of municipal governments, and the deregulation of various planning and environmental restrictions that the Conservatives claimed were constraining opportunities for “smart growth” (Keil 2002, p. 588-589). Furthermore, the Harris regime also had a specific agenda for social housing, which came in the form of a promise to “get Ontario out of the housing business” (Cole 2008, p. 186). In fact, Harris immediately endeavored to make good on this promise upon assuming provincial leadership.

Harris’ plan to get the provincial government ‘out of the housing business’ started with the cancellation of social housing units that had already been committed, but not yet constructed. This resulted in the abandonment of more than 17,000 planned co-op and non-profit units (Cole 2008). Nick Sidor, (then) president of the Co-operative Housing Association of Toronto (CHAO) describes Harris’ actions:

The Tories made two decisions at their first cabinet meeting…. One was to kill photo radar and the other was to freeze all social housing construction (in Cole 2008, p. 187).

The next part of Harris’ plan, however, was not further devolution. Instead of transferring social housing responsibilities to the municipal level, Harris’ government intended to sell the province’s social housing portfolio to private investors. This objective to truly ‘get out’ of the social housing business is plainly documented in Harris’ _Common Sense Revolution_ platform (Progressive Conservative Party of Ontario 1995):

> We will also direct the Ontario Realty Corporation to develop a plan to sell the more than 84 thousand units owned by the Ontario Housing Corporation. Our preferred approach would be to follow the British "council house" model and offer the current tenants the chance to own their own homes (p.13).
Nevertheless, this privatization attempt failed. One interview participant's experience further explains the issue:

I was on the Ontario Housing Corporation (OHC) board in the mid-90s. I was appointed by the NDP government, it is a cabinet appointment, and I carried over into the Mike Harris government. My three-year term was sort of half-and-half. When Mike Harris came in, he had promised to sell off OHC housing to the residents, like Margaret Thatcher did – that is in the Common Sense Revolution document. And they went to New York, to the financiers that brought down the economy, to find fancy ways of leveraging the building, doing anything, but nobody in the private sector could find any way of making money from the Ontario Housing public housing stock, other than kicking everybody out. The land is valuable... (Academia).

As this participant continues to explain, OHC had demonstrated a number of efficiencies and there were few real incentives for the private sector:

OHC, as big as it was ... they were relatively efficient. They have been in this business forever and so they were pretty good at what they were doing, because their cost-per-unit on management and on maintenance equaled or beat what the private sector would charge – but the private sector needed to make money. And the private sector is not necessary efficient, sometimes they are, sometimes they are not - just like government, sometimes... But on any measure, OHC looked pretty good, especially when you have to tack on profits. Those companies only do something if they can really make some money, but they could not make any money. So nothing was done - except devolution (ibid).

Another interviewee further supports the notion that the private sector had no interest in or opportunity to make the management and administration of social housing profitable.

Instead, the private sector was only interested in the actual land:

The original view of the Harris government in 1995 was getting out of the housing business, and that the government wanted to sell off all of its social housing. And by selling off they... literally they went to City Bank and said would you like to buy a whole bunch of crappy, rundown public housing? ... We’ve seen with Regent Park that most public housing in Ontario is in valuable areas of the city. So the underlying real estate is quite valuable and the current use is not that attractive to a big financial institution, but the chance of being a major landowner was very, very attractive. The advocates were able to name and shame the provincial government and stop them from selling off the housing (Policy, research and advocacy).

Therefore, since the sell-off of social housing was unsuccessful, the provincial government legislated the devolution of its portfolio to municipalities.
The transfer process in Ontario began with the Local Services Realignment (LSR) Program. Introduced in January 1998, the program was “enormous in scope,” and designed to produce “fundamental changes to provincial and municipal roles and responsibilities” (Auditor General of Ontario 2009; MMAH 1999, preamble and p. 1.14; Rypstra 1998). 15 Years of consultation and recommendations from both levels of government resulted in a series of changes implemented to satisfy the following objectives: greater accountability to taxpayers; streamlining service delivery; reducing duplication and waste; capitalizing on local expertise and innovation; better rationalized funding responsibilities; greater autonomy for local government; and protecting priority services and maintaining critical standards (MMAH 1999, p. 1.4). Furthermore, these changes involved various shifts in responsibility and transfers between municipalities and the province. This included the swapping of a number of social services, including social housing. More specifically, the province transferred its funding responsibility for social housing down to the municipalities, and in exchange acquired half of the responsibility for education, which was historically a local responsibility (Auditor General of Ontario 2009; MMAH 1999, p. 4.58).

The next major reform was the province’s completion of the Canada-Ontario Social Housing Agreement. Signed in November 1999, the agreement transferred administration of the federal portfolio to the provincial level, as previously described (Auditor General of Ontario 1998; Auditor General of Ontario 2009). This was soon followed by legislation that transferred all social housing in Ontario – both the unilateral

15 This was preceded by Bill 152, the Services Improvement Act, passed by the province of Ontario on December 2, 1997 (Rypstra 1998).
provincial programs and the newly downloaded federal units – to municipalities. The Social Housing Reform Act (SHRA) was enacted in December 2000, transforming Ontario’s role from administrator to steward of social housing (Auditor General of Ontario 2009; MMAH 2012).

The introduction of the SHRA meant the province no longer administered social housing. The provincial government’s ongoing role included the maintenance and development of policy and legislation, whereas portfolio administration became the jurisdiction of Consolidated Municipal Service Managers (CMSM). This team is responsible for program delivery and works directly with municipalities and housing providers to ensure that specified service level standards are upheld (MMAH 2012). A total of 47 service managers are assigned province-wide, with boundaries that range from a single municipality to an entire region or county. For example, the City of Toronto acts as an exclusive service manager, whereas one CMSM is responsible for the 18 cities, towns and townships that comprise the County of Simcoe (MMAH 2015). In addition to social housing, services managers also oversee related programs, including childcare and welfare (Auditor General of Ontario 2009). Like the social housing agreements completed between provinces and CMHC, municipalities in Ontario would receive a flow of funds annually from the federal government for ongoing subsidies. Furthermore, like the other provinces, local governments in Ontario became responsible for any other funding shortages, capital repair, and mortgage liabilities (Social Housing Services

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16 Exceptions include First Nations housing and select federal co-operatives. The details surrounding federal co-operatives are explained in the next section of this chapter.
17 CMSMs are referred to as District Social Service Administration Boards (DSSABs) in Northern Ontario.
18 This shift towards a ‘single window’ service delivery model is an example of the LSR’s aim to improve service while reducing duplication and waste.
Corporation 2007, p. iii-iv; KPMG 2000). Additionally, the SHRA dissolved all existing operating agreements, and replaced them with a series of ‘service levels’ that dictate the number of rent-gaered-to-income units each service manager is required to maintain. These service levels must be upheld for an indefinite period of time, rather than the end date of the original operating agreement (Connelly Consulting 2006; SHSC 2010; Pomeroy 2012). Furthermore, whereas the signing of social housing agreements between CMHC and provinces was optional, Ontario imposed devolution upon its municipalities. Consequently, this generated significant criticism.

There was great concern regarding the capital liabilities that Ontario would face if a social housing agreement with the federal government were reached. However, if such liabilities were significant for the nation’s largest province, they would be even more challenging to municipalities. Prior to the Canada–Ontario agreement, it was estimated that the province’s portfolio of non-profit housing required additional annual investments of $67 million for necessary capital replacements (CHF Canada 1998). Similarly, the federal public housing portfolio was also deteriorating and in need of “substantial modernization and improvement” (ibid). A figure of $500 million was proposed as a “conservative calculation” of the investment required to help the public housing portfolio satisfy minimum safety and energy efficiency levels. The costs of capital replacement are only compounded by the possibility of mortgage default. This posed a real risk, especially in Ontario. Such risk is demonstrated by a ‘disproportionate’ reliance on the

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19 The province claims liability for mortgage default. However, municipalities and CMSM’s argue they are responsible for any defaults (Auditor General of Ontario 2009, p. 285).
20 This is discussed in further detail in a subsequent chapter.
21 84,000 units in Ontario (CHF Canada 1998).
Co-operative Housing Stabilization Fund by co-operatives in Ontario. Created as a means of providing financial aid for instances of ‘unexpected difficulties’ and funded by member fees, the fund was utilized disproportionately in the province of Ontario (CHF Canada 1998). For example, the amount of early relief provided more than doubled the total contribution fees collected (ibid). In the past, the federal and provincial governments were ultimately responsible for the types of expenses and liabilities described above. However, devolution to the local level dictates that municipalities become the recipients of future costs.

Ontario’s devolution of social housing was met with immediate disapproval. Many argued that municipalities could not afford the additional costs associated with these new responsibilities. Although there was a belief that municipalities were likely better attuned to provide social housing, they could not take on the additional financial duties (Maloney 1997). For example, Pomeroy (1999) suggested that municipalities were, “not equipped to take on a substantial role,” (p. 7) while Redway (1999) described the download as an “impossible burden” (p. 30). Bill Morris, (then) a manager at the Co-operative Housing Federation of Canada, expressed even more explicit concern. He depicted devolution to Ontario municipalities as, “a ‘ticking time bomb’ that could bankrupt cities and towns” (Morris 1997, p. 17). Morris’ (1997) scathing review also included further detailed analyses, citing immense capital repair costs as motive for devolving the portfolio:

A hard look at the numbers involved in the social housing transfer reveals the truth carefully hidden beneath the government’s disentanglement rhetoric: the province is trying to walk away from the $1 billion repair bill it ran up during decades of neglect, mismanagement and budget cuts. It expects municipalities to pick up that tab. So far, the province has not provided the data to accurately pinpoint local costs. Their own records show, however, that the real cost to municipalities and property taxpayers is at least 25 per cent higher than the $886 million admitted thus far. The
province’s figures leave out the cost of repairing and maintaining Ontario’s 84,000 units of public housing and the amounts needed to restore adequate replacement reserves and operating budgets for non-profits and co-ops. … Understanding the true costs could leave municipalities in a no-win situation. Many will find themselves having to choose between increasing property taxes sharply or reducing services and letting social housing deteriorate into slums (p. 17-18).

Accordingly, the province’s devolution project was characterized as, “driven strictly by fiscal objectives and not by any real concern for the longer-term implications” (CHRA Research and Policy Committee 1997, p. 29). Furthermore, a long-time employee of the province’s own housing ministry referred to the transfer in the following way: “Think of your worst possible nightmare” (Morris 1997, p. 17).22

In addition to the funding-related apprehensions outlined above, the legislation was criticized as overly complex in some areas, yet exceedingly vague in others (Legislative Assembly of Ontario). Moreover, the province retained a substantial amount of decision-making power, and it was noted that the term “as may be prescribed” appeared an average of four times on each page of the document (ibid). This ultimately undermined much of the supposed purpose of the legislation, as one critic suggests:

This means there are more than 400 references to rules that will underpin this legislation…. I know you need rules and regulations but there is a limit to how much/how little lack of detail there should be in legislation of this sort (Legislative Assembly of Ontario).

Alan Redway, former federal housing minister, was among the many opponents of Ontario’s devolution. In fact, Redway and John Sweeney, former provincial housing minister, co-chaired Putting Housing Back on the Public Agenda, a non-partisan organization that campaigned against provincial devolution. A small collection of excerpts drawn from Redway’s speech to the Legislative Assembly of Ontario’s Standing Committee on Justice and Social Policy are included below:

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22 Statement given anonymously.
There are very serious questions to ask about the wisdom of downsizing or downloading the financing of social housing to the local level. We … feel this will weaken rather than strengthen the supply of existing affordable housing, and the loss of affordable housing is not in the best interests of any sector of our society. We do not support the downloading of these costs.

We believe management is best done at the local level, with funding for income transfers required coming from the provincial and federal governments. This legislation reflects neither of these principles.

… the local authorities can do nothing with the properties without the approval of the minister. We believe a court may very well find that the province has at least some ownership in this housing. It should be noted that the provincial government is requiring the local authorities to take over buildings that are widely known to be in need of significant repair—some estimates run to over $1 billion—but not one cent is provided to cover these costs that are being downloaded. When tenants sue for non-repair, a court, in our view, would be hard pressed not to agree that the provincial government be joined as the party primarily responsible for these costs.

Management policy and responsibility for money should be in the same hands. If the province thinks it needs to exert as much control as this bill gives it over the management of social housing, then in our view it should manage this housing and cover the costs itself. It's unworkable to require local structures to pay for social housing while being forced to wear a straitjacket of provincial management rules (Legislative Assembly of Ontario 2000).

Finally, Redway's concluding remark is a clear indicator of the opposition towards the province's plan for devolution:

Bill 128 is a step backward and is in no one's interest. It will not achieve the purpose … namely, effective and efficient administration. It is flawed and in our view it should be abandoned (ibid).

The remarks listed above demonstrate the wide variety of opposition to Ontario's downloading of social housing, and help explain how such criticisms resulted in calls to reverse this transfer.

Although the LSR was designed to be revenue neutral, a 2001 review conducted by the Auditor General of Ontario determined that, even with the creation of a Community Reinvestment Fund (CRF) to help offset new municipal funding responsibilities, revenue neutrality was not achieved (MMAH 2008). The province, however, acknowledged this burden on municipalities:

From a municipal perspective, the LSR exercise was felt to be more about arbitrary fiscal savings targets than about improving service delivery and accountability.
Owing to the unilateral nature of the exercise, this process caused significant strain in the provincial-municipal relationship. Since that time, municipalities have faced challenges meeting the increasing demands of infrastructure and program delivery (MMAH 2008, p. 7).

In response, Ontario launched an extensive assessment analyzing impacts of the realignment process. The Provincial-Municipal Fiscal and Service Delivery Review did lead to the uploading of certain services, including Ontario Disability Support Program (ODSP), Ontario Drug Program (ODP), Ontario Works, and select court services (MMAH 2008). However, social housing would remain a municipal responsibility (Auditor General of Ontario 2009). Moreover, new legislation would further change the municipal role.

The Social Housing Reform Act (2000) was replaced by the Housing Services Act, 2011 (HSA) in January 2012 (Auditor General of Ontario 2009; MMAH 2009). This new legislation was developed to respond to and improve upon the SHRA after more than a decade of enactment. Thus, the HSA is not complete transformation, but rather an updated version of its predecessor. Although the province maintained its role as steward and provided general policy direction, the new act offered increased flexibility and autonomy to local services managers and social housing providers (MMAH 2012). An interviewee from the Ontario’s Ministry of Municipal Affairs and Housing further explains these changes:

The Housing Services Act has introduced new areas of flexibility recognizing that service managers and municipal governments are a mature order of government. They’ve been in the business of social housing for ten years, they know what’s happening on the ground in a way that the province doesn’t anymore, because we’re not actively administering social housing anymore. So we’ve said in these areas you can have flexibility to create local rules. In other areas we’ve said no, we have our provincial interest in this and our provincial interest suggests that the rules should be this way for certain types of things…. There was momentum from poverty groups, there was momentum from providers and service managers who were saying your

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23 Ontario Works is an income and employment assistance program.
rules are too constricting and we need more flexibility in order to do things that makes sense for our local citizens. And so the province heard all of those different things and I think that drove them to commit to a new housing strategy, which resulted in long-term affordable housing strategy, and which led to the Housing Services Act. It is creating a new world of flexibility for which I think service managers are just starting to dip their toes into (Government agency or crown corporation).

Another interesting characteristic of the HSA is enhanced clarity regarding responsibility for the administration and funding of housing programs. Under the SHRA, such duties were, “not explicitly set out in the legislation,” but well defined in the new act (MMAH 2012, 17). The increased flexibility and autonomy can likely improve the way service managers and providers are able to respond to local needs, and thus enhance the delivery of social housing. However, this same transfer can also be perceived as a further retreat in the role of provincial government.

Ultimately, social housing remains a municipal responsibility in Ontario. This means that local governments and service managers administer, manage and help fund a portfolio of more than 260,000 social housing units, which have a combined asset value estimated to be worth $40 billion (Auditor General of Ontario 2009). The landscape of devolution, however, is even more intricate. The complexity of the social housing devolution was increased by successful lobbying efforts by the co-operative housing sector, which prevented the download of federal co-ops in four provinces (Cole 1998; CMHC 2011).

4.7 The Struggle to Maintain Federal Co-operatives
The co-operative sector grew concerned about the future role of the federal government in housing years before the announcement of devolution. Federal funding commitments to co-op housing reached peak levels in 1982 and remained strong until 1986 (Cole 2008). As outlined in the previous chapter, policy and program changes introduced in
1986 served as early signals of federal disinvestment and the increased role of provinces in social housing (CMHC 2011; Fallis 1995; Wolfe 1998). Both the levels of funding and the number of new federal units completed experienced sharp decline by the late 1980s, reaching the zero level by 1992.\footnote{There is typically a gap between the announcement of funding and units, and the receipt of funds and completion of units. This explains why the number of units and funding amount appears high in 1987 and 1988.} This trend is illustrated below in Table 4.2.

<table>
<thead>
<tr>
<th>Year</th>
<th>Units Completed</th>
<th>Funding</th>
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<tbody>
<tr>
<td>1986</td>
<td>2,899</td>
<td>$5 million</td>
</tr>
<tr>
<td>1987</td>
<td>3,552</td>
<td>$6.9 million</td>
</tr>
<tr>
<td>1988</td>
<td>3,031</td>
<td>$7.2 million</td>
</tr>
<tr>
<td>1989</td>
<td>2,040</td>
<td>$5.5 million</td>
</tr>
<tr>
<td>1990</td>
<td>1,640</td>
<td>$5.7 million</td>
</tr>
<tr>
<td>1991</td>
<td>1,794</td>
<td>5.9 million</td>
</tr>
<tr>
<td>1992</td>
<td>0</td>
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In addition to severe reductions in funding, concerns about the uncertain future of federal co-ops were exacerbated by the threat of federal-provincial constitutional changes to the provision of social services. In particular, the Meech Lake (1990) and Charlottetown (1992) Accords debated the shifting of ‘exclusive jurisdiction’ for housing down to the provinces. This was especially alarming because provincial interest and involvement in housing was relatively elastic historically, “go[ing] up and down with changes of government” (Cole 2008, p. 181). Therefore, it was feared that provincial jurisdiction would eliminate any ‘national standard’ for housing across Canada (ibid).
The co-op sector expressed concern regarding the transfer of federal co-ops to provincial governments. This trepidation, however, was not attributed to a belief that the federal government was best suited to administer co-ops. In fact, groups such as CHF Canada were critical of the government’s role:

CMHC has a poor track record in managing its risk, letting co-ops fall into financial difficulty… And we weren’t happy with how they administered their operating agreements either (Cole 2008, p. 213).

It was feared that the outcome of provincial jurisdiction would be no better. Although most provinces had already established and administered their own co-op programs, critics suggested that the federal programs were distinct, and thus required specialized expertise that was different from what provinces offered. In addition to unique funding mechanisms and operating agreements, there was also a broader concern that existing government agencies – federal and provincial – did not fully understand the co-op model. An interviewee highlights this notion:

I think co-ops were a unique model, and I believe that the sector itself did not feel like government understood the model very well (Sector organization).

Similarly, another interviewee expresses a sentiment:

It was not so much that [co-ops] needed to be kept at a federal level, but what the rationale was that they wanted a body to govern them, or to administer the agreements, that actually understood them and could help them be in compliance and get them to the end of their operating agreement by providing good service to them (Sector organization).

Therefore, since it was clear that the federal government had no continued interest in the management and administration of federal co-ops and a transfer to the provinces was not considered a practical option, some other type of arrangement was necessary.

The solution was the creation of a new organization to manage and administer the federal co-op portfolio on behalf of CMHC. CHF Canada deeply opposed the devolution, and played an integral role in both the lobbying against the download and the
brainstorming of a practical resolution. In order take control of the federal co-ops, CHF Canada had to clearly demonstrate how such a transfer could be facilitated. The proposed arrangement entailed the establishment of a new ‘agency’ that would manage and administer federal housing co-ops. The creation of a new organization would require basic start-up expenses and annual funding. However, it was expected that ongoing savings would offset these costs, and that the long-run expenditures would actually be less than the price of devolution (CHF Canada 2003). For example, the proposal claimed that this new agency could offer “more cost-effective use of program subsidy dollars,” as well as “lower costs associated with project failures” (CHF Canada 2003, p. 2). After nearly ten years of lobbying efforts and negotiations, CHF Canada was successful, resulting in the formation of the Agency for Co-operative Housing.25

After its incorporation as a co-operative in 2004, the Agency for Co-operative Housing signed an agreement with CMHC in 2005 (Cole 2008). In fact, the federal government seemed pleased with the arrangement, as Joe Fontana, (then) housing minister described:

Housing co-operatives are a Canadian and international success story. Our government is committed to working with the ... Agency to ensure low and moderate income Canadians continue to have access to affordable housing options (in Cole 2008, p. 214).

Alfonso Gagliano, (then) minister responsible for CMHC shed further light on the decision, citing the unique ownership and management model as justification to exempt the federal co-ops from devolution:

25 The Ontario Non-Profit Housing Association (ONPHA) also lobbied for a similar exemption of federal non-profits from devolution. However, only federal co-ops would be exempted (CHRA A 1999; CHRA B 1999).
The situation of this portfolio warrants special consideration… [as it is] different from other social housing programs in that it is collectively owned by the members and is managed by them, and serves a different clientele (in CHRA B 1999).

The agency now operates as a non-profit and non-governmental organization contracted to administer federal co-ops. Alexandra Wilson, (then) director of the Co-operative Housing Federation of Canada (CHF Canada), describes the reason behind the creation of the Agency for Co-operative Housing: “The agency proposal was conceived as an alternative to devolution of the co-op programs to provincial control,” and further explained that, “What began as a pre-emptive strike became an idée fixe” (in Cole 2008, p. 186; emphasis in original). Furthermore, the agency was intended to be more than simply an administrator – it would also serve as a voice for federal co-ops:

The theoretical advantage of the Agency for Co-op Housing is that it’s an entity that has some control and some voice of the co-op housing sector itself. So in theory it’s not just an administrator; it’s also an advocate… Part of the vision in setting up the Agency for Co-op Housing was that, by ensuring that there was a strong voice for co-ops on the Board of the Agency, that would ensure that it also had the best interests of co-ops as one of its guiding principles, and not just simply carrying out whatever the government tells them to do. So they’re not just administrating a government programme and, you know, shut up and do whatever the politicians tell you what to do, but they’re actually working hand-in-hand with the frontline co-ops. And so they, in theory have that strong voice (Research, policy and advocacy).

This new agency is now responsible for the administration of federal co-ops in Ontario, British Columbia, Alberta and Prince Edward Island, whereas the social housing agreements of all other provinces included the transfer of co-ops as well. Alberta and Prince Edward Island are interesting cases since they refused to sign a social housing agreement, but did agree to transfer co-ops to the Agency. Additionally, Quebec chose

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26 So far, according to the same interviewee, the outcome of the agency’s role as an advocate is unclear: “I have yet to see it actually exercise that voice; it still seems to be mostly an administrator as opposed to administrator/advocate” (Research, policy and advocacy).
not to devolve or transfer any of its federal housing stock, and thus co-ops remain under direct federal administration.

Recent performance reviews suggest the Agency is effectively producing positive outcomes and fulfilling many of its proposed goals. Successes include reductions in the number of ‘at-risk’ co-ops, improved compliance with operating agreements, more effective portfolio management at similar or even lower costs, enhanced asset management and increased client satisfaction (Agency for Co-operative Housing 2011; Agency for Co-operative Housing 2013). One noteworthy stipulation was provinces that signed social housing agreements prior to the creation of the agency were granted the option to transfer co-ops back to the federal government, and thus ultimately administered by the agency. Manitoba is the only province that gave this option serious consideration, but in the end kept the stock under provincial administration (Cole 2008). In the end, federal co-ops are now administered in one of three ways: 1) by the Agency, which is the case in Ontario, British Columbia, Alberta and Prince Edward Island; 2) federally, in Quebec; and 3) provincially, in the remaining provinces and all territories: Manitoba, Newfoundland, New Brunswick, Nova Scotia, Saskatchewan, Northwest Territories, Nunavut and Yukon.

4.8 Analysis of Social Housing Agreements
Up until this point in the chapter, the discussion of devolution has been mostly descriptive. However, certain aspects of the download process require theoretical reflection. Specifically, it is important to revisit the question of whether or not this particular instance of devolution represents a form of neoliberalization. If indeed it does,

27 ‘At risk’ of falling into financial difficulty, such as mortgage default.
the partial and fragmented participation serves as a practical example that further illuminates the notion of ‘actually occurring’ neoliberalism.

The concept of devolution was introduced as an ideologically neutral process. The decentralization of authority is a ‘means’ of achieving a particular objective, rather than an ‘end’ itself (Wolman 1988). Therefore, devolution becomes a form of neoliberalization only if the underlying motivation and structure reflects that particular political-economic agenda. CMHC framed the transfer as a means of promoting enhanced program design and flexibility of services (CMHC 2011). However, this must be weighed against the desires of a ‘budget obsessed’ government to cut spending (Hackworth 2009).

Expenditure reduction appears to be the primary factor behind the devolution of social housing in Canada. Numerous critics made support this conclusion. When the download was first proposed, a panel of housing experts claimed the scheme was “driven strictly by fiscal objectives” (CHRA 1997, p. 29). Similarly, Goulet (1997) argued the process was merely a “smokescreen for governments to shirk their responsibilities (p. 13). By capping annual funding transfers at 1998 rates, CMHC was able to protect the federal government against rising long-term costs. Likewise, provinces (and municipalities in Ontario) were more or less incentivized to reduce their own spending as long as certain federally imposed guidelines were satisfied. It is possible that decentralized administration can produce positive housing outcomes, but would occur as a secondary benefit. However, improving the social housing system is challenging during a period of disinvestment by senior levels of government.
The timing of efforts to devolve social housing also coincided with a general shift towards neoliberal policy measures in Canada. In particular, deep cuts to federal transfer payments signaled an erosion of the welfare state (Cole 2008). Similarly, prior to this, provinces were dissuaded from “experimenting with the full repertoire of neoliberal policy prescriptions” (McBride and McNutt 2007, p. 195). As restrictions attached to federal transfers were greatly relaxed, provinces became free “to experiment as they see fit” (ibid). Accordingly, it is reasonable to conclude that this case of devolution exemplifies a form of neoliberalism. Taken together, the cancellation of new funding and the devolution of existing stock represent a ‘roll-back’ of the social housing system.

The federal government’s inability to fully devolve its social housing stock to the provinces is a practical example of ‘actually existing’ neoliberalism. Despite ideological assumptions, Brenner and Theodore (2002) suggest neoliberal policies cannot be simply ‘imposed in a pure form’ (p. 361). The roll-back stage often fails to completely destroy the previous system of institutions and practices. Instead, new initiatives are forced to interact or even combine with these ‘inherited regulatory landscapes,’ which ultimately constrain the scope and trajectory of reform” (Brenner and Theodore 2002, p. 351, 361). Furthermore, results tend to be spatially uneven, as evident in this example.

The fragmented mix of devolution – both between and within provinces – is the result of varying provincial histories, involvement and attitudes towards subsidized housing in particular, as well as the broader role of the federal government in social policy. Resistance from within the housing sector, such as the creation of the Agency for Co-operative Housing, also played an important role in thwarting a full federal withdrawal. As a result, CMHC continues to directly administer and fund portfolios in
three provinces, is indirectly responsibility for federal co-ops in four provinces, and still
remains engaged through the auditing and reporting from the provinces. Furthermore,
this tale takes yet another interesting turn, as the federal government begins to invest in
housing once again, as discussed in Chapter 5.
Chapter 5: Government Reengagement and the Discourse of ‘Affordable’ Housing

Planned cuts outlined in the 1996 federal budget eliminated all funding for new social housing. While Quebec and British Columbia continued to invest in their own provincial programs (Irwin 2004; Pomeory and Falvo 2013), new federal commitments to housing in Canada were otherwise at a standstill. However, years later new federal funding began to flow once again. Beginning in 2001, a series of federal and provincial/territorial cost-shared programs injected new funding into Canada’s housing system. Soon after, Steven Mahoney (then) Secretary of State for Crown Corporations declared, “CMHC is back in the housing game” (CHRA 2003). Similarly, in 2008, after another pledge of funding, Monte Solberg, (then) minister responsible for CMHC, submitted a press release with the following headline: “Minister Solberg Says Federal Involvement in Housing Has Never Been Stronger” (CMHC 2008; also in Pomeroy and Falvo 2013, p. 184). In response, Pomeroy and Falvo (2013) offered this comment: “And perhaps surprisingly to some, the statement is true… But does this unprecedented level of nominal spending represent a strong interest in a federal role in housing and a purposeful policy agenda?” (p. 184).

Previous chapters describe the creation and devolution of social housing in Canada. However, the new programs proclaimed by Ministers Mahoney and Solberg are not new investments in social housing, but rather in affordable housing.

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1 All existing funding commitments were maintained, mostly through social housing agreements.
The remaining discussion explains and evaluates recent federal investment programs, deciphering if they differ from previous funding efforts, and why such variations are significant. Furthermore, this chapter has six specific goals. First, it describes the ways in which affordable housing is defined and characterized. Next, it outlines the history and development of affordable housing programs in Canada. Third, the chapter presents an evaluation of these programs in practice, and considers if and how they differ from previous models of social housing. Fourth, it revisits and more critically examines the term ‘affordable,’ and traces how its meaning has evolved over time. It might seem most appropriate to further scrutinize the meaning of ‘affordable’ prior to summarizing and assessing relevant policy forms, but this is actually better accomplished after additional context is presented. The fifth section addresses the political motivations of government reengagement in housing after a period of disinvestment and devolution. Last, the chapter considers the ideological aspects of affordable housing, such as whether or not these initiatives represent the serious reentry of government into housing, and how they might be explained by neoliberal theory.

The findings of this chapter suggest the introduction of ‘affordable’ housing programs fits within a broader neoliberal agenda. Compared social housing, affordable housing offers relatively shallow subsidies over a shorter duration. Similarly, rents are not calculated in accordance with tenant incomes, but are set just below prevailing market rates. Therefore, rather than a rebranding of social housing, the programs introduced since 2001 as stimulus measures are distinct and serve a different segment of the housing continuum. If the termination of new funding and devolution symbolized the ‘roll-back’
of social housing, then affordable housing represents the ‘roll-out’ of neoliberal housing policy.

5.1 What is ‘Affordable’ Housing?

The term affordability is clear. This concept, along with adequacy and suitability, has been a longstanding determinant of core housing need. Under this premise, housing is considered to be affordable if its cost does not exceed 30 percent of a household’s income (CMHC 2014 A). As a category of housing, however, its meaning is less clear and can take a variety of forms. The Ontario Non-Profit Housing Association (ONPHA) acknowledges the uncertainty surrounding the term, and offers a simplified explanation:

Affordable housing has many forms and even more definitions, and trying to land on one could fill this page. With that in mind, we’re comfortable if you think about it as safe, secure and adequate housing whose cost allows a lower or middle-income household to meet basic needs like food and clothing (ONPHA 2013).

The above description does not specify what type of housing is included or identify the way it is provided. Furthermore, one important question concerns how affordable housing might be different than social housing? Svedova et al. (2009) characterize affordable housing simply as ‘low cost market rental’ and social housing as ‘subsidized rental’ (p. 2). Nevertheless, this distinction is still not sufficient for a comprehensive definition. The diverse nature of affordable housing is evident in the way Canada Mortgage and Housing Corporation (CMHC) defines the term:

The term “affordable housing” is often used interchangeably with “social housing”; however, social housing is just one category of affordable housing and usually refers to rental housing subsidized by the government. Affordable housing is a much broader term includes housing provided by the private, public and not-for-profit sectors as well as all forms of housing tenure (ie. rental, ownership and cooperative ownership). It also includes temporary as well as permanent housing. In other words, the term “affordable housing” can refer to any part of the housing continuum from temporary emergency shelters through transition housing, supportive housing, subsidized housing, market rental housing or market homeownership (CMHC A).
This definition is broad, and might actually create more ambiguity. Therefore, in order to develop a thorough understanding of affordable housing and the role it plays in Canada, it is imperative to outline and analyze its history and development. Only after that point is it possible to critically discuss and evaluate its significance, as well as how it relates to social housing.

5.2 Affordable Housing History and Policy Development

After a period void of federal housing investments, the first pledge of new funding targeted Canada’s growing homeless population. Introduced in 1999, the National Homeless Initiative included $753 million to support emergency and transitional housing over a five-year period (Pomeroy and Falvo 2013). However, it was not until 2001 that the federal government introduced new programs that would serve as a replacement for the 1996 cancellation of social housing programs. The result was the introduction of an affordable housing program.

Early examples of affordable housing actually preceded the launch of formal program initiatives. The elimination of funding for new social housing did not occur in response to any reduction or eradication of actual need. Therefore, although British Columbia and Quebec continued to fund provincial initiatives, the lack of affordable, suitable and adequate housing grew in most places across the rest of Canada. In response, some municipalities were forced to begin experimenting with new and innovative ways of dealing with housing shortages in what Pomeroy (2000) refers to as a ‘post-program environment (p. 9).

Experimentation in affordable housing is exemplified in an early project in Toronto. One interviewee explains the development of the city’s first affordable housing
project, created between 1997-1998. Capital subsidies and in-kind cost reductions were cobbled together out of necessity in attempts to create housing at a reduced cost in a ‘post-program’ environment:

[Social housing funding] immediately came to a halt. It was like the tap’s been shut off. What do we do? This program doesn’t look like it’s coming back, so in the city of Toronto we spent quite a bit of time sort of figuring out how can we do things in a more cost effective way, and initially, what can the city of Toronto do without any funding from federal and provincial partners to try to figure out how to develop some affordable housing? We were basically experimenting. In the first project in Toronto, we had a small endowment fund called the Capital Leverage Fund, there were some city sites, and we developed a very small contribution program where we could offer up the city site. We had a small amount of money that we could provide as a capital subsidy. We had no operating money, no operating subsidies, but could you partner with a non-profit organization? And maybe they could do some fundraising. Maybe they could get another partner in like the United Way, or something like that. Maybe you could put all those pieces together, like a bag of components or incentives. For example, could you waive permit fees? Could you waive development charges? Could you give them a property tax exception? What things could you do to bring the cost of developing and operating that housing down so it was affordable for people? (Government agency or crown corporation).

Consequently, the federal government would soon unveil a series of new programs that would make similar approaches commonplace across the country.

Housing and homelessness began generating political pressure, and became increasingly important issues in the 2000 federal election (Shapcott 2004; Cole 2008). As the number of Canadians ‘deeply concerned’ about housing grew, so did the need for political action (Shapcott 2004, p. 206). Consequently, an announcement in November 2001 marked the federal government’s return to housing programs targeting low and moderate income Canadians (CMHC 2009; CMHC 2011; Pomeroy and Falvo 2013). This re-engagement came in the form of the Affordable Housing Initiative (AHI), a jointly funded program between the federal and provincial governments designed to
increase the supply of reasonably priced homes.\(^2\) This goal was to be achieved through the provision of up-front capital inputs, and did not involve ongoing operating subsidies found in previous programs (ibid). Social housing utilized both capital investments and long-term operating subsidies, and it was this ‘layering approach’ that caused future expenditure commitments to ‘expand exponentially’ (Pomeroy and Falvo 2013, p. 185). Therefore, affordable housing was to be a short-term program limited to one-time capital contributions.

The new initiative was designed to be flexible and respond to divergent local and provincial housing needs. Accordingly, CMHC outlined a series of broad principles, but provinces were given full control regarding how and where funds would be distributed. Although provinces autonomously determined priorities and were responsible for program selection and delivery, the federal government required regular reporting and auditing (CMHC 2009; CMHC 2011). The federal government was to provide a total of $680 million in funding over the entire course of the program, and this contribution had to be matched equally by provincial commitments. Additionally, funding could be either cash or in-kind investments, and supplementary inputs from municipalities and both the non-profit and private sectors were also encouraged (CMHC 2009; CMHC 2011). All program parameters were outlined in *The Framework for Bilateral Agreements Aimed at Affordable Housing*, signed and agreed to by each of the provinces.

The goal of the AHI was clear: to increase the supply of affordable housing. Accordingly, monthly rents had to be set at rates less than or equal to the median cost of a comparable unit within the same local housing market (CMHC 2009). However, new

\(^2\) Pomeroy and Falvo (2013) note that this has also been referred to as the Affordable Housing Framework Program (AHP).
units did not need to be targeted to specific income groups.\textsuperscript{3} Furthermore, the aim of local flexibility meant that provinces could direct funding to a range of housing options. These included the creation of new rental units, the renovation or conversion of existing stock, or homeownership for first-time buyers. In order to keep housing costs at or below market rates, the program provided capital subsidies up to a maximum of $25,000 per unit, and this new stock was required to remain affordable for a period of no less than 10 years.\textsuperscript{4} Another important stipulation was that funding could not be added to or ‘stacked’ on existing social housing units, further clarifying the distinct and separate nature of affordable housing (CMHC 2009).\textsuperscript{5}

A second phase of the AHI was introduced in 2003, along with another multi-year financial commitment of $320 million from the federal government (CMHC 2009; CMHC 2011). The funding requirements of the second phase were more specific, dictating that a household must either be on or qualify for social housing wait lists in order to be eligible for AHI program funding. The targeting of low-income households meant that these units were more costly, and therefore housing created under phase two was eligible to receive a maximum federal investment of $75,000.\textsuperscript{6} In addition to income targeting, provinces were also encouraged to include Aboriginal, disabled and recent immigrants populations as housing priorities (CMHC \textit{B}). Rent supplements also became

\begin{itemize}
  \item [3] Despite no requirement, many provinces did in fact choose to target low to moderate-income households.
  \item [4] However, provinces could choose to extend the minimum period beyond 10 years. For example, Ontario and British Columbia later increased the minimum term to 20 and 60 years, respectively (Auditor General of Ontario 2009; CMHC 2009).
  \item [5] This is significant because it has ultimately resulted in the ‘real neglect’ of the social housing portfolio (Zon et al. 2014, p. 22).
  \item [6] Alternatively, the housing might also receive 50 percent of the capital cost of the unit – whichever value was less (CMHC 2009).
\end{itemize}
eligible for AHI funding in 2005, increasing program flexibility even further (CMHC B).

This mechanism helps low income individuals find housing in the private rental market by providing a subsidy that covers a portion of the market rent. However, unlike the rent-g geared-to-income rent supplements sometimes used by social housing programs, rent supplements under the AHI were more restrictive. More specifically, they were intended to be short term and used only as an ‘extraordinary temporary measure’:

In 2005, rent supplement programs became eligible for AHI funding as an extraordinary temporary measure and could be applied only to vacant units. Commitments could be made during three years following 2005 and subsidies could only be provided for up to five years. Jurisdictions were required to implement an exit strategy to avoid long term dependency by program clients (CMHC 2009, p. 13).

Nevertheless, this was a significant development because all previous funding was limited to up-front capital investments. The short-term nature of program and funding commitments meant that the future of affordable housing remained uncertain, however.

An announcement by CMHC’s (then) Minister Monte Solberg in the fall of 2008 (as referred to at the start of the chapter) provided another boost for affordable housing in the upcoming fiscal budget. The AHI was extended for an additional two years, and the federal government pledged $1.9 billion in funding commitments over the following five years (CMHC 2011; Pomeroy and Falvo 2013). These investments were followed almost immediately by the introduction of Canada’s Economic Action Plan (CEAP). Implemented at the beginning of 2009 in response to the global financial crisis, this investment was designed as a stimulus measure to generate employment and growth in Canada’s housing industry (CMHC 2011). Separate from the AHI renewal, the CEAP included more than $2 billion in spending over a two-year period, some of which would

7 Since the AHI renewal lasted only two of the five-year commitment, use of the remaining three years of funds was unclear at that time.
be matched by provinces. Approximately half of these funds were devoted to capital repair and energy efficiency upgrades in existing social housing, while the remainder was allocated to a series of other initiatives, such as the creation of new homes for seniors, the disabled and Aboriginal housing (ibid). Together, the combination of both major investments resulted in fairly substantial government spending in Canada’s housing system for this period.

The AHI ultimately ran from 2001 until 2011, totaling $1.2 billion in federal investments which, when cost-matched by provinces, funded more than 52,000 affordable units (CMHC C). The remainder of the multi-year funding pledge made in 2008 was applied to a new program: the Investment in Affordable Housing (IAH). Introduced in 2011, the program is described as both a ‘rebranding’ (Pomeroy and Falvi 2013, p. 193) and an ‘evolution’ of the AHI (CMHC E). The structure was substantively the same as its predecessor, given that funding was cost-matched and provinces were responsible for both program design and delivery. However, the new legislation expanded the range of eligible housing options and further enhanced provincial flexibilities in terms of how investments were targeted (CMHC E). New rental unit construction, rehabilitation and conversion, rent supplements and homeownership categories were maintained, while shelter allowances (also referred to as housing allowances), energy efficiency upgrades, repairs to existing affordable housing, and housing for victims of domestic violence were added as new initiatives (CMHC 2011). In addition to these options, provinces could also propose and develop alternative programs catering to local need. All details regarding this initiative were outlined under the Investment in Affordable Housing Framework 2011-2014.
Participation in the updated framework required each province to complete a bilateral agreement with the federal government. All provincial agreements contained the same basic principles and guidelines, but were distinct in terms of funding amounts and program category selections. The goal of flexibility meant that the package of housing options could vary significantly by province. Therefore, in addition to outlining the roles and responsibilities, each agreement included summaries of the specific spending categories that would receive funding. These details were documented as a series of appendices outlining the following information: spending category; objective; proponent and activity type; nature of assistance; and intended outcomes and indicators. A template of this form is included as Appendix 5.1.

The meaning of ‘affordable’ was the same as it was under the AHI: “priced at or below average market housing rents or prices for comparable housing in a community or area.” However, its meaning remained vague, letting provinces determine how affordability would be applied in practice. Some provinces developed more specific rent levels. For example, Ontario defined affordable rental housing as 80 percent of the market rates (Auditor General of Ontario 1998; MMAH 2011; Zon et al. 2014). Similarly, the province imposed specific income thresholds (could not exceed the 60th percentile income level of that same area) to delineate eligibility for the home repair and homeownership programs (MMAH 2011). Nevertheless, the imprecise nature of the term meant programs often developed differently across the country.

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8 Yukon Territory was the only exception, opting instead to continue the AHI agreement.
9 This definition is included in the federal-provincial agreements. For example, see CMHC – Ontario Agreement for Investment in Affordable Housing 2011-2014, p. 2.
The AHI is able to provide both supply and demand-side relief. Mechanisms that decrease the cost of building new units help expand the supply of housing, whereas boosting a household’s ability to pay for housing (effectively an income supplement) helps to stimulate the demand for housing (Pomeroy 2004). For example, the use of up-front capital grants or other incentives to create new affordable rental units or affordable homeownership are supply measures. In contrast, the introduction of rent supplements, and later shelter allowances, enable the IAH to also offer operating subsidies that provide demand-side relief. Both rental assistance tools provide a subsidy to reduce monthly rents, but are differentiated in an important way. Rent supplements are paid to private landlords, who in turn agree to offer units at a lower cost (Pomeroy 2004; Drummond et al. 2004). In contrast, shelter allowances are paid directly to the individual or household (ibid). Widely used in the United States, shelter allowances are flexible and portable, and often popular during times of fiscal restraint since they tend to be less expensive than the cost of creating new housing (Drummond et al. 2004). Given that demand-side approaches are often applied to existing housing stock, they can provide affordability relief much more quickly than supply measures. Thus, a combination of both policy options is now used to respond to housing need.

The diverse housing categories funded under the IAH are intended to make programs more responsive to local needs. The primary housing concern in one municipality might be demand-based, while another might struggle with supply issues. These diverse needs of municipalities are explained by an interviewee:

We’ve been working on program consolidation and ensuring that the programs we’re creating are much more flexible. So for example, under the Investment and Affordable Housing Program, there are seven pots or seven different ways in which you can spend the money. So instead of saying ‘this is a program for rent supplements’ or ‘this is a program where you can only build new rental
accommodations,’ a service manager like Windsor who doesn’t need more buildings, but needs a way to help people with their rent so they can afford to stay in their homes, can do rent supplements or housing allowances. Whereas in Toronto, where there may be a need for more units, that’s their problem, they would choose to spend their money towards building additional units. … What we’ve learned over the course of doing the affordable housing programs and social housing is that not [every municipality] is the same… So I think [the IAH] recognizes that the one size fits all doesn’t work in a province that has as many diverse service managers as we do (Government agency or crown corporation).

Furthermore, in addition to divergent local needs, an individual’s or household’s housing needs can also change over time. Accordingly, affordable programs aim to provide a range of options that correspond to evolving housing needs:

If we think about the housing continuum or a housing system a little more holistically, I think what the government wants is that you have an affordable choice at the right time and place for where you are in your life. So if you’re a young person who’s just starting out with a family, affordable new homes is important and affordable rental market is important. If you’re someone who is in the working poor or what have you, having affordable rental is important. And when you’re a senior you may be downsizing from a home to something like a retirement rental accommodation or a long-term care home or what have you. So if we think about it a little more holistically, it’s not an A to B, it’s more like a spider’s web, where at each possible point in someone’s life – in a perfect world – there would always be affordable choices that are appropriate for them (Government agency or crown corporation).

Ultimately, programs of this type appear to be preferred by government as a means of intervention in housing, at least for the next few years. As the IAH agreement reached the end of its initial period, CMHC and the provinces negotiated its renewal, thus extending investment in affordable housing until 2019 (CMHC E).

5.3 Affordable Housing: Theory and Practice

The Affordable Housing Initiative (AHI) and its successor programs were developed in response to a lack of low-cost housing in Canada. These collaborations between the federal and provincial governments aimed to increase the supply of affordable housing for both low and moderate-income groups. Now, more than a decade since implementation, there are concerns surrounding the outcome of these programs (Auditor
General of Ontario 2009; Zon et al. 2014). In particular, critics argue that housing units created under the various components of these programs are not actually ‘affordable’ to low income Canadians in greatest need.

Affordable housing programs are designed to help meet the needs of a broader segment of the housing continuum, as outlined earlier in the chapter. The affordable homeownership component, for example, primarily serves households within moderate-income groups. To a large extent, these types of initiatives have successfully provided some relief for moderate and low-to-moderate households. However, affordable housing programs have largely failed to produce units with very low rents. Thus, there is a real lack of deeply subsidized rent-geared-to-income units, the type that were more predominant under past social housing programs. Furthermore, this is particularly alarming given that the low-income group is at greatest risk of homelessness.

A useful place to begin evaluating the effectiveness of affordable housing programs is to assess their impact on ‘core need.’ Housing is considered acceptable only if it satisfies the following criteria: adequacy, suitability and affordability (CMHC 2013; Pomeroy 2004; Drummond et al. 2004). Adequate housing is in good physical condition and does not require any major capital or structural repairs, such as plumbing or electrical systems. Suitable housing is sufficient in terms of square footage and number of bedrooms relative to the make-up and needs of a household.¹⁰ Last, housing is considered affordable only if it consumes less than 30 percent of a household’s before-tax income. This includes the cost of utilities for renters, plus any mortgage payments and property taxes in the case of homeowners. If a unit fails to satisfy any one of these

¹⁰ This measures overcrowding.
criteria, and the cost of finding alternative housing that does meet all three exceeds the 30 percent income threshold, then a household is considered to be in core need. Therefore, the question is whether or not affordable housing programs are successfully increasing the supply of adequate, suitable and affordable housing?

The most comprehensive program evaluation was conducted by CMHC. Released in 2009, the report assesses a variety of aspects of the Affordable Housing Initiative (AHI), from its inception in 2001 until December 31, 2007. The goal was to determine how program funding impacted the overall supply of low and moderate rent housing, reviewing the quality or physical condition of new units, and measuring tenant satisfaction. Cost effectiveness of investment and affordability were also examined.

The first and second phases of the AHI funded nearly 27,000 units of affordable housing (CMHC 2009).11 Approximately 80 percent of this total was applied to rentals, while the remainder helped fund repairs, home ownership and supportive housing initiatives. Furthermore, not only did government investment lower the costs associated with these units, but most projects would simply not have been created at all without program funding. This was particularly important for the development of new rental units:

Some 8 percent of AHI rental landlords stated that their projects would have been developed in the absence of AHU funding. If housing supply is calculated in terms of units funded, rather than entire projects, the percentage of housing that would have been provided in the absence of AHI funding is lower at 1.6 percent. The survey also showed that, out of the few projects that would have been developed in the absence of the AHI, half would have been offered at the same or lower price than AHI housing (CMHC 2009, p. 25).

Likewise, nearly three-quarters of affordable homeownership funding recipients indicated that home buying would not have been possible without AHI contributions.

11 The second phase was not fully complete at the time of the study.
Although 76 percent of repair projects would have been completed without program funding, these investments primarily targeted units in severe disrepair and at risk of demolition (CMHC 2009). Thus, program funding successfully helped expand the housing supply.

The report indicated generally positive results regarding the adequacy and suitability of units. Tenants were typically satisfied with the physical condition of affordable rentals, and projects tended to provide amenities that were either comparable or superior to private market units (CMHC 2009). In fact, many AHI units had higher security standards and were more likely to include fitness or recreational spaces. Furthermore, according to National Occupancy Standards (NOS), which assesses square footage and number of bedrooms relative to the size and needs of a household, the vast majority of AHI units are considered suitable (CMHC 2009). Thus far, these outcomes of the affordable housing program are encouraging.

Cost effectiveness is also an important element in the evaluation of government programs. More specifically, determining the impact of funding dollars is crucial in evaluating the efficacy of program investments. CMHC examined available data submitted by provinces and territories and calculated a series of measures that highlight the impact generated from funding dollars (CMHC 2009). Although the collected data represents only a sample of units created under AHI funding, it does provide a glimpse of the cost effectiveness of affordable housing programs. Federal contributions during the first phase were capped at an average of $25,000 per unit (ibid). The introduction of an affordability requirement and targeting of low-income households introduced during the second phase meant that these units were more costly to produce. This cost increase
could be attributed either to greater initial capital costs or some level of supplementary subsidy. Therefore, phase two units were eligible to receive a maximum federal investment of $75,000.\textsuperscript{12} Finally, while every $1 million invested during the first phase produced a national average of 107 units, the higher costs meant that the same amount of funding resulted in 74 units under the second phase of the program (CMHC 2009).\textsuperscript{13} These results are shown in Appendix 5.2. The sample data illustrates that raising the average investment contribution level successfully increased the proportion of new units offered at lower monthly rents. Nevertheless, despite the income targeting and intensified investments, affordability concerns persisted for households in core need.

Perhaps the most significant finding of CMHC’s (2009) evaluation is the program’s apparent inability to produce housing that residents can actually afford. In fact, the majority of households living in the so-called affordable rental units remain in core housing need:

A significant number of AHI residents have affordability problems whereby they are paying more than 30 percent of income on shelter costs. Sixty-one percent of residents in Phase One rental units and 76 percent in Phase Two units reported spending more than 30 percent of their household income on shelter (CMHC 2009, p. 4).

This increase in the proportion of AHI residents living in core housing need status between the two phases is explained by the fact that the second phase targeted low-income households. However, the boost in per-unit funding (from $25,000 to $75,000) was expected to help offset the depth of need resulting from this targeting requirement. Nevertheless, increased investment could not reduce the incidence of core need.

\textsuperscript{12} Or 50 percent of the capital cost of the unit – whichever value was less (CMHC 2009).
\textsuperscript{13} This ratio of dollars invested to units produced represents average values over the duration of the phase. Additionally, the results are based on unit totals for all provinces except Quebec.
Concerns of affordability are not new. In fact, they occurred frequently under previous social housing programs (CMHC 1999; CMHC 2009). Consider, for example, the last federal non-profit housing program introduced by the government in 1986. Despite the use of rent-geared-to-income subsidy mechanisms that set rent levels at 30 percent of income, many households reported spending beyond this threshold. This is attributed to a variety of factors, including inaccurate income reporting or rising utility costs (CMHC 1999). Therefore, some incidence of affordability problems under the AHI might be expected. However, a more critical examination of housing expenditure is troubling.

It is useful to consider multiple gradations of affordability, rather than a simple binary classification defined exclusively by a 30 percent of income threshold. (i.e. spending more than 30 percent or not). This is important, given that a household spending 30 percent of total income on rent does not share the same depth of need as one forced to spend 50 percent:

While there has been some debate as to whether the 30-percent cut-off is a reasonable threshold – given, say differences in geographical locations, family structures, and stages in the life cycle – there is no doubt that at 50 percent, a household would be extremely squeezed financially. Households paying 50 percent or more of their income are almost certainly living paycheck to paycheck or from transfer payment to transfer payment and are unlikely to have a pool of savings built up. Any interruption in their income flow would put them at high risk of becoming homeless (Drummond et al. 2004, p. 17-18).

Although Canada lacks an official term, spending more than 50 percent of income housing can be described as ‘severe affordability’ (Pomeroy 2004 A, p. 274). Shelter-to-income-ratios (STIRs), which can be divided into smaller classes, provide a clearer sense of the range of affordability concerns. Table 5.1 includes a series of STIRs classes that
better illustrate affordability under the AHI. These classifications draw comparisons to other forms of rental housing.

### Table 5.1: Affordability Comparison of AHI and Non-AHI Rentals

<table>
<thead>
<tr>
<th>Shelter-to-income Category (STIR)</th>
<th>AHI Rentals</th>
<th>Comparison Rentals (Non-AHI)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Phase 1</td>
<td>Phase 2</td>
</tr>
<tr>
<td>≥ 0.5</td>
<td>21.3%</td>
<td>36.6%</td>
</tr>
<tr>
<td>0.4 – 0.5</td>
<td>15.2%</td>
<td>14.0%</td>
</tr>
<tr>
<td>0.3 – 0.4</td>
<td>25.1%</td>
<td>25.4%</td>
</tr>
<tr>
<td>0.2 – 0.3</td>
<td>24.4%</td>
<td>19.0%</td>
</tr>
<tr>
<td>0.2 – 0.3</td>
<td>14.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Total Proportion in Core Housing Need (STIR &gt; 0.3)(^{14})</td>
<td>61.6%</td>
<td>76.0%</td>
</tr>
</tbody>
</table>

Source: CMHC 2009, p. 34

The total percentage of households paying more than 30 percent of income towards housing is comparable across all groups, except AHI Phase 2, which is markedly higher. A notable difference, however, is that both AHI phases have substantial proportions spending above the 40 percent threshold, and even more concerning, high proportions paying more than 50 percent. Phase 2 of the AHI is especially alarming, with more than one-third of households experiencing ‘severe affordability’. In contrast, fewer non-profit units are included in the two highest STIR classes (0.4 – 0.5; ≥ 0.5). Additionally, the unsubsidized private rental group shows results that are either similar to or better than

\(^{14}\) Cumulative total of the following STIR classes: 0.3 – 0.4, 0.4 – 0.5 and ≥ 0.5.
units funded under the AHI. The report fully acknowledges the lack of rent-g geared-to-income subsidy in current programs as an underlying factor that influences the affordability problems:

The Post-85 Section 95 Non-Profit Program is a fully targeted program under which households spend no more than 30 percent of their incomes on shelter and the subsidy is adjusted to cover the shortfall between costs and rent-g geared-to-income rent. The much lower incidence of households with STIRs greater than 50 percent under the Post-85 Section 95 Non-Profit Program is therefore reflective of the program parameters and operations (CMHC 2009, p. 33).

However, the report does not conclude by recommending that affordable housing ‘program parameters and operations’ should be modified, such as through the addition of deeper subsidies, in order to reduce the proportion of households that remain in core need. Similar concerns of affordability under the AHI are noted in other independent studies.

Ontario’s Auditor General (2009) released a report evaluating the state of government-subsidized housing. The review notes some increase in supply, yet cites the inability of affordable housing programs to provide rental units that are priced appropriately for low-income individuals. Thus, the overall effectiveness of federal and provincial investment programs is questioned:

In partnership with the federal government, Ontario has in recent years provided Service Managers with some additional funding for new housing programs. Although the Ministry monitors whether Service Managers comply with program requirements, there was a general lack of reporting on the success of these programs. We determined, for example, that although one such program did increase the supply of housing, the stipulated rent to be charged meant that more than half of the units would not be considered affordable for households on waiting lists, or those eligible to be on the lists (Auditor General of Ontario 2009, p. 279).

However, it is possible that the private rental units benefitted from some type of incentive program in the past.

Section 95 is a federal-provincial cost-shared non-profit housing program.
Criticisms point directly to a gap between the 80 percent of market rent level and the actual budget of low-income households the program is supposed to serve. Furthermore, the review suggests that actual rent reductions primarily meet the needs of moderate-income groups, while remaining unaffordable for low-income households:

We noted that the Program objective of achieving 80% of the CMHC’s market rent for new units would be met, and that the overall supply of affordable housing did increase. However, many people on the waiting list could not afford the rent. The CMHC definition of affordable housing stipulates that households should not have to pay more than 30% of their pre-tax income on rent. We determined that more than half of the units in this Program would still be unaffordable for households on waiting lists, or eligible to be on the lists. For example, the average income of households on the waiting list in 2008 was $15,000, putting their maximum affordable rent at $375 a month. Our analysis showed that the average rent for the new units was $715 per month, meaning that households would need incomes of at least $29,000 annually (on average) to consider these units affordable. The program may therefore assist moderate-income households but will do little for low-income households (Auditor General of Ontario 2009, p. 290).

The report also notes the underutilization of rent supplements. In fact, not all funds allocated to the operating subsidies were even activated:

All funding for the program was provided by the federal government, which originally committed $80 million for 5,000 units to be paid out in five-year agreements spanning the years 2005 to 2013. However, by March 2008, the deadline for committing to new agreements, the take-up had been just $57 million and 3,721 units (Auditor General of Ontario 2009, p. 290).

Additionally, program design flaws are cited, especially the five-year time limitation on operating subsidies, which fails to provide recipients with long-term security. In a follow-up review released two years later, the use of rent supplements was purportedly ‘being revised’ (Ontario Auditor General 2011, p. 398), but the province failed to provide specific details of how this operating subsidy mechanism could be better utilized and positively impact overall affordability for low-income Ontarians. The term of rent supplements was eventually increased to ten years, but the lack of subsidy depth remained fairly consistent (MMAH 2011; City of Toronto 2014).
Affordable housing programs developed differently across Canada. Provinces had the freedom to pick and choose which initiatives to jointly fund so as to better respond to local needs. As a result, the type of program components, depth of subsidy, and demographic served varied significantly. For example, CMHC’s (2009) initial evaluation of the AHI revealed that all provinces opted to include affordable homeownership financing, renovation and conversion grants, and funding to improve or expand housing in remote regions. At the same time, most invested in new rental units. However, a relatively small proportion offered rent supplements, and only British Columbia provided targeted supports for seniors’ housing. This diversity of program activity across Canada is exhibited in Table 5.2.
In addition to program diversity, the level of cost-matching investment made by each province was also inconsistent. Some degree of difference is expected, given that the required funding for each program is different, and factors such as the cost of acquiring land vary by market. Nevertheless, a simple comparison of total investment to number of units that received funding highlights the broad range of provincial spending under the

<table>
<thead>
<tr>
<th>Province/Territory</th>
<th>New Rental</th>
<th>Senior Supportive</th>
<th>Home Ownership</th>
<th>Renovation/Acquisition/Conversion</th>
<th>Rent Supplement</th>
<th>Remote Programs</th>
<th>Other Cost-Matched</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newfoundland &amp; Labrador</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Prince Edward Island</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Nova Scotia</td>
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<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Quebec</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Ontario</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Manitoba</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Alberta</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>British Columbia</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Northwest Territories</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Nunavut</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Yukon</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

Source: CMHC 2009, p. 15.
AHI. The national mean of average investment per unit was $23,000, as shown in Tables 5.3 and 5.4 (CMHC E).

Table 5.3: Affordable Housing Initiative (AHI) Funding, 2001-2011

<table>
<thead>
<tr>
<th>Province/Territory</th>
<th>CMHC Funding Claimed ($M)</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newfoundland and Labrador</td>
<td>$25.87</td>
<td>1,492</td>
</tr>
<tr>
<td>Prince Edward Island</td>
<td>$5.16</td>
<td>1,534</td>
</tr>
<tr>
<td>Nova Scotia</td>
<td>$34.74</td>
<td>1,627</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>$27.89</td>
<td>1,271</td>
</tr>
<tr>
<td>Quebec</td>
<td>$294.22</td>
<td>10,188</td>
</tr>
<tr>
<td>Ontario</td>
<td>$452.83</td>
<td>21,941</td>
</tr>
<tr>
<td>Manitoba</td>
<td>$45.99</td>
<td>2,701</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>$41.20</td>
<td>1,577</td>
</tr>
<tr>
<td>Alberta</td>
<td>$122.58</td>
<td>4,308</td>
</tr>
<tr>
<td>British Columbia</td>
<td>$162.04</td>
<td>4,802</td>
</tr>
<tr>
<td>Northwest Territories</td>
<td>$10.65</td>
<td>339</td>
</tr>
<tr>
<td>Yukon</td>
<td>$7.77</td>
<td>376</td>
</tr>
<tr>
<td>Nunavut</td>
<td>$7.02</td>
<td>241</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$1,237.96</strong></td>
<td><strong>52,397</strong></td>
</tr>
</tbody>
</table>

Source: CMHC, “National AHI Funding Table”
Comparing British Columbia’s average contribution ($34,000) with Prince Edward Island ($3,000) indicates the range of need, interest, and spending ability across Canada.

The federal government and CMHC implemented a new affordable housing program since the two evaluations discussed above were released. However, while the switch from the Affordable Housing Investment (AHI) to the Investment in Affordable Housing (IAH) included some modifications, both programs are substantively similar and affordability problems continue to persist. In addition to the federal and provincial-based reviews already discussed, an example of affordable housing at the local level should also be considered. Therefore, a brief case study of the current IAH program in Toronto demonstrates some of the opportunities and challenges that emerge.

<table>
<thead>
<tr>
<th>Province/Territory</th>
<th>CMHC Funding Per Unit Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newfoundland and Labrador</td>
<td>$17,000</td>
</tr>
<tr>
<td>Prince Edward Island</td>
<td>$3,000</td>
</tr>
<tr>
<td>Nova Scotia</td>
<td>$21,000</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>$22,000</td>
</tr>
<tr>
<td>Quebec</td>
<td>$29,000</td>
</tr>
<tr>
<td>Ontario</td>
<td>$21,000</td>
</tr>
<tr>
<td>Manitoba</td>
<td>$17,000</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>$26,000</td>
</tr>
<tr>
<td>Alberta</td>
<td>$28,000</td>
</tr>
<tr>
<td>British Columbia</td>
<td>$34,000</td>
</tr>
<tr>
<td>Northwest Territories</td>
<td>$31,000</td>
</tr>
<tr>
<td>Yukon</td>
<td>$21,000</td>
</tr>
<tr>
<td>Nunavut</td>
<td>$29,000</td>
</tr>
<tr>
<td>Mean Funding Per Unit</td>
<td>$23,000</td>
</tr>
</tbody>
</table>

Source: derived from CMHC, “National AHI Funding Table”
Joint federal and provincial investments provided Ontario with $480 million in IAH funding over the initial program period (2011-2014). The City of Toronto received $108 million, or just less than one-quarter of the total provincial allotment (City of Toronto 2012 A; City of Toronto 2014). These contributions provide the municipality with an annual average of $27 million over four years to provide affordable housing initiatives. Of this total, 52 percent was applied to operating subsidies, while the remainder was spent on capital investments (ibid; refer to Table 5.2). Furthermore, devolution means that, like social housing in Ontario, Toronto is responsible for the delivery of all affordable housing initiatives.

Although Ontario’s local service managers play an integral role in the delivery of affordable housing, the province remained very much involved in the establishment and regulation of program objectives. The province retained significant authority, as expressed through various approval and auditing requirements. This distribution of roles and responsibilities were defined through administrative agreements with service managers. Ontario also exhibited two unique features: administration fee allowances and time sensitive funding. In order to offset the cost of program delivery, service managers could apply 5 percent of funding contributions to administration fees (MMAH 2011; City of Toronto). Additionally, as a means of encouraging expediency, construction and repair projects were required to commence within 120 days of approval (MMAH 2011).

Toronto’s funding allocation was used to provide a blend of both operating and capital components. Rent supplements and shelter allowances helped reduce the cost of existing rental units, while three capital investment initiatives increased and maintained
the supply of affordable housing\textsuperscript{17}. The first initiative, \textit{Ontario/Toronto Renovates}, finances essential repairs and modifications of existing rentals for seniors and disabled populations. A primary goal is to enable seniors to ‘age in place’ and facilitate independent living for disabled persons, thus providing protection against displacement (City of Toronto 2014). The second component increases the rental housing supply through the construction of new units, as well as the acquisition or conversion of existing stock. The final capital initiative creates affordable home ownership opportunities through mortgage down-payment support. Furthermore, each new homeowner is expected to result in a vacancy in the social housing or private rental portfolio (ibid). A combination of these programs resulted in the assistance to more than 7,000 households across Toronto between 2011 and 2014 (ibid). A summary breakdown of funding amounts by category is included below in Table 5.5.

\textsuperscript{17} These tend to be referred to as ‘housing allowances’ in Ontario, while CMHC and much of the literature label them ‘shelter allowances’.
An assessment of the above funding distribution reveals a few important points. The creation of new units in a major urban centre such as Toronto is very costly, and these new affordable rentals represent less than 5 percent of the total households served by the program. Similarly, new homeowners compose an even smaller proportion, making up less than one percent of total units (City of Toronto 2014). In contrast, rent supplement and shelter allowances are by far the largest component, both in terms of dollars invested and households served. This is significant since the earliest affordable housing programs were based strictly on capital investments, and did not include any ongoing assistance.\(^{18}\)

\(^{18}\) The Affordable Housing Initiative (AHI) is the earliest federal/provincial affordable housing program.

<table>
<thead>
<tr>
<th>Type</th>
<th>Households Served</th>
<th>Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Components</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent supplements and Shelter allowances</td>
<td>4,000+ households</td>
<td>$53 million</td>
</tr>
<tr>
<td><strong>Capital Components</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toronto Renovates</td>
<td>• 18 apartment buildings (2,156 units)</td>
<td>$16 million</td>
</tr>
<tr>
<td></td>
<td>• 17 rooming houses (210 beds)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 460 homeowners</td>
<td></td>
</tr>
<tr>
<td>New Affordable Rental</td>
<td>291 units (across 4 developments)</td>
<td>$33 million</td>
</tr>
<tr>
<td>Affordable Homeownership</td>
<td>13 households</td>
<td>$414,000</td>
</tr>
<tr>
<td>Administration</td>
<td>n/a</td>
<td>$5 million</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>7,130 households</td>
<td>$108 million</td>
</tr>
</tbody>
</table>

Source: City of Toronto 2014, p. 9.
Therefore, recent programs reflect that in practice operating subsidies play a fundamental role in the provision of low-cost rental housing.

Rent supplements and shelter allowances were utilized in more than half of Toronto’s IAH-funded units. However, the structure of these subsidies differs greatly compared to social housing programs. As noted, rent supplements formerly provided subsidies based on a rent-geared-to-income funding formula, setting housing costs at 30 percent of total household earnings. Now, under affordable housing programs, operating subsidies are usually fixed at predetermined levels. The city developed the Toronto Transitional Housing Allowance Program (TTHAP) to provide assistance to three target groups, as outlined in Table 5.6. Monthly subsidy amounts ranged from $250-400, depending on the program, and could be issued either directly to landlords or tenants (City of Toronto 2014). A brief summary of each target option is included below.

---

19 The flexibility means that an RGI approach could be used, but examples of this have not been observed.
Table 5.6: Toronto Transitional Housing Allowance Program (TTHAP)

<table>
<thead>
<tr>
<th>Program</th>
<th>Subsidy</th>
<th>Target Group</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Transition to Employment</em></td>
<td>$250/month; approx. 1,100 households</td>
<td>Households participating in employment programs to better enable the transition from social assistance to employment.</td>
</tr>
<tr>
<td><em>Next Steps to Housing</em></td>
<td>$400/month; 250 individuals</td>
<td>Homeless, those living outdoors and those staying in shelters for long periods. Helps homeless move into housing, reduce their use of the shelter system, and improve employment outcomes where appropriate.</td>
</tr>
<tr>
<td><em>Homelessness Prevention</em></td>
<td>$250/month; approx. 2,000 households</td>
<td>Households participating in housing allowance programs which expired in 2012 and 2013 to transition to housing stability.</td>
</tr>
</tbody>
</table>

TOTAL HOUSEHOLDS ASSISTED, 2011-2014: 4,000+\(^{20}\)

Source: City of Toronto 2014, p. 6

These forms of demand measures undoubtedly provide much needed support to many households. However, the flat subsidies mean that funding levels are not elastic or responsive to individual needs. Consequently, for households with very low income, assistance contributions of $250 or $400 are insufficient within expensive housing markets such as Toronto.

Despite the investments and funded units noted, housing needs in Toronto are not sufficiently addressed by the mix of current affordable housing programs. Such concerns were noted less than one year after the IAH’s implementation:

\(^{20}\) The value cited in the report (4000+) exceeds the sum of three programs subtotals shown. However it is assumed that certain programs, such as *Next Steps to Housing*, provide funding for 250 households at any one time, and thus the total number of households that received assistance over a three-year period would be greater.
While welcome, the $108 million in funding available through the IAH is not sufficient to meet the significant need for affordable housing in Toronto. Council has, on many occasions, requested that the federal and provincial governments provide long-term sustainable funding programs. Housing Opportunities Toronto identified that, over the next ten years, investments of $483.7 million per year would be needed to meet the targets set out in the plan and assist the more than 250,000 households with unmet housing needs in Toronto (City of Toronto 2012 A, p. 6).

This excerpt highlights the gap between the required and available funding to serve housing needs in Toronto. In fact, the funding required meet the city’s actual housing needs for just one year exceeds the entire four-year investment total by a factor of four. Likewise, a similar comment was included at the end the City of Toronto’s (2014) report:

While not sufficient to meet the demand for affordable housing in Toronto, the IAH extension is a very positive development for the City as it will support ongoing efforts to provide affordable housing to residents through housing allowances, new affordable rental, affordable ownership and home repairs targeted to seniors and persons who are disabled (City of Toronto 2014, p. 9).²¹

Although an extension to the IAH is certainly needed, the nature and structure of the current program is not sufficient to address actual demand for low-cost housing.

Toronto’s housing administration recommended that the same programs and funding ratios (52 percent operating and 48 percent capital) be maintained through the 2014-2019 IAH extension (City of Toronto 2014). Furthermore, the city developed a 10-year affordable housing action plan, entitled Housing Opportunities Toronto. Ambitious in nature, it endeavors to achieve the following results over the course of a decade: 70,000 new rent supplements or shelter allowances; capital repairs to 30,000 rental units and 5,000 homes; the creation of 10,000 new affordable rental units; and the provision of mortgage assistance to 2,000 new homeowners (City of Toronto 2014). If successful, these additions would provide relief to many Torontonians in core housing need. However, these targets seem unrealistic given the actual gains made during the IAH’s

²¹ The housing needs of seniors and the disabled are primarily addressed through the Toronto Renovates program. Refer again to Table 5.5.
first phase (2011-2014). The flexibility of affordable housing programs means that Toronto’s experience will likely differ from other municipalities and provinces. Nevertheless, the lack of real affordability is a widespread predicament that is not limited to Toronto.

The shortage of deeply subsidized units created under affordable housing programs was also a common theme noted by interview participants in this study, as well as some housing literature. A small collection of examples is shown below:

Affordable housing in Canada connotes to me something that is not necessarily a long-term subsidy program but is an upfront capital cost grant, which presumably reduces the rental cost to the tenants. The problem with that of course, is that it is not really getting to really low-income people (Research, policy and advocacy).

Another participant contends such programs are helpful ‘only in the margins’:

There’s still a failure in that market place, and these new affordable housing programs are addressing this really narrow slice or market failure, which is moderate income households, no longer able to find affordable stuff in largely urban settings. So it helps on the margins, but it doesn’t deal with that need, deep need at the other end of the spectrum (Former government agency or crown organization).

Additionally, Cole (2009) argues:

The definition of ‘affordable’ was quite broad and this meant rents could be set as high as market rents to encourage private developers. However, market rates were far above what was affordable for the hundreds of thousands of homeless families and people on the social housing waiting lists (p. 202).

This discussion assesses the impact of affordable housing programs on core need. As noted, results suggest that adequacy and suitability criteria are largely satisfied, but affordability is often not achieved. The inability of federal and provincial programs to produce low-cost units is significant because affordability is the primary factor in core need. In fact, according to the most recent national census (2011), affordability was a factor in 89.7 percent of instances of core housing need (CMHC 2014 A). Furthermore, it was the sole reason in 73.3 percent of all cases, as shown in Figure 5.1.
This is especially peculiar given that program names imply affordability. Therefore, the term *affordable* warrants further critical examination.

**5.4 The Discourse and Evolution of ‘Affordable’**

The meaning of ‘affordable’ has fundamentally changed in recent years. When used in past social housing programs, affordable referred to a specified percentage of household income. In current government housing programs however, the term relates to a percentage of average or median market rents. This shift is significant because it demonstrates a movement away from a welfare-based, income redistribution approach of
housing provision, towards a delivery model that revolves around rents determined by prevailing market rates.

The notion of classifying housing as ‘affordable’ only if it consumes 30 percent or less of total household income can be traced back decades in Canada. While the concept of ‘core need’ and its three criteria – adequate, suitable and affordable – was established by at least the early 1980s (CMHC 1983; CMHC 1984), the “25 to 30 percent rule of thumb,” denoting affordability was in place during the 1970s (CMHC 1979, p. 33).

The definition of core need is unchanged and still in use today (CMHC 2014 A). Therefore, it can be confusing that CMHC continues to identify affordability by a specific income threshold, yet this directive seemingly does not apply to affordable housing programs. As demonstrated, both the Affordable Housing Initiative (2001-2011) and Investment in Affordable Housing (2011-2019) outline affordability as, “at or below average market rates.” This means that there are currently two competing conceptions of affordability in Canada. Thus, a housing unit can simultaneously be considered affordable by current federal government program parameters, but unaffordable based on CMHC’s definition of core need.

The development of clear and precise terminology for housing programs is often a protracted process. For example, what is now widely known as public housing in Canada was simply referred to as ‘Federal-Provincial projects’ for nearly two decades (Rose 1980). Similarly, social housing, the collective or umbrella term that includes public, non-profit and co-operative housing, was not utilized until years after its

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22 This is discussed in Chapter 3.
constituent programs were established. Reeves (2014) suggests the term first appeared in
the early 1980s:

Ten years ago, most academics and practitioners would have had no problem with
the term social housing, although 30 years ago the term was virtually unknown. I
have no idea exactly when the term was first used; a quick survey of papers and
books reveals that it was used by Michael Harloe in 1981 in his monograph The
Recommodification of Housing (Harloe, 1981), and the term was certainly in
currency by the 1990s (p. 1).

An interview participant supports the notion that the term is widely known with a
commonly accepted meaning:

Social housing has a clear definition around the English-speaking world – non-
market housing is an equivalent term. There is market housing. You go to the market
and the market charges what it will within a regulated environment, even if there are
no rent regulations, and there usually are some kind of regulations – increases only
once a year, and things like that. You go to the market. But it is non-market housing
that we call social housing or social rented housing, because it is meant to meet a
social need (Academia).

However, an equally transparent definition of ‘affordable’ housing, or at least one
considered universally recognized, is less well established.

The origins of the term affordable housing in Canada likely emerged during the
1980s. More specifically, a shrinking gap between low and middle-income groups,
coupled with a growing disappearance of low-cost housing in the wake of gentrification,
meant that the search for reasonably priced housing became more pervasive. As one
respondent notes:

It was in the 1980's that the term ‘affordable housing’ came into common use. It is
hard to find the term used before, and that is because it is in the 1980’s, we now
know, that the gap between the rich and poor began to grow more rapidly, and up
until that point we were growing a bigger middle-income group. And now we know
the middle-income group is smaller than it has been in the past, and each year it is
smaller…. Today there is a ‘working poor,’ and language like that, jobs that don't

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24 In geography, the term refers to a process of urban renewal and social change, in which
the reinvestment and influx of wealthier residents often results in the displacement of
pay very much, don't have career prospects, don't have benefits – those are very common now – and service sector jobs. So, in that context, in society we started talking about affordable housing. I remember in the 1980's ... saying to [someone else], ‘What is going on here?’ because it is a term that really doesn't make sense, because if you don't have money, you have always had trouble affording housing...

And all of a sudden our problem is affordable housing, and so anyways, that is my explanation, is that there was an increasing mismatch. It was no longer just for the poor. The poor could never afford adequate housing. The poor though, could always afford something, and it was poor housing, but by the ‘80s you started having gentrification, so the poor areas of town were no longer cheap housing areas of town, as gentrifiers bid up prices, and as rooming houses shut down and all that. So both so-called ‘middle class’ people, as well as ‘poor people,’ were having trouble accessing adequate housing suitable to their needs at an affordable price (Academia).

Therefore, it seems that both social and affordable housing were coined at roughly the same time. However, the introduction of the first affordable housing program in 2001 transformed the term into more of a buzzword. Nevertheless, while social housing has a fairly precise connotation, the essence of affordable housing remains blurred in comparison.

Despite the wide assortment of definitions presented at the start of the chapter, the real meaning of affordable housing remains somewhat imprecise. For example, the Ontario Professional Planner’s Institute (OPPI) notes this abstraction: “Affordable housing means many things to many people” (Starr and Pacini 2001, p. 6). Much of this is attributed to the broad range of the continuum that affordable housing can encompass.

Accordingly, one interview participant argues:

If people want to talk about an affordable housing problem, I am saying that is too general or messy a term. I do not like that term. I like to talk about specific housing problems of specific groups, because affordability is defined any way you want, and who can deny that you are wrong? And that is the problem with it. Anything fits. It is a weasel word, sort of, whereas social housing is not (Academia).

Part of the problem is that, at its root, ‘affordable’ is a relative word. As a result, policy makers must establish boundaries that delineate acceptable rent levels. Reeves (2014) refers to this as ‘relativising’ housing costs:
All housing is affordable to someone. If I were a billionaire, I could probably afford to buy and run any sort of house I wanted to or that existed which was potentially or actually available for purchase. So what is the point of appending ‘affordable’ to ‘housing’? We can get somewhere if we consider affordable as a relative term. What may be affordable to x may not be affordable to y, so the question is, when we are talking about affordable housing, to whom are we relativising the housing costs? It may be that the answer is that it is relativised to those who cannot afford to compete in the market place to obtain housing which would reasonably meet their needs. However, that delivers more or less what is meant by social housing, and surely there must be some difference that makes a difference, otherwise why use two terms where one might do? (Reeves 2014, p. 6).

Program parameters included in both the IAH and AHI help resolve some of the issues outlined by Reeves (2014). For example, annual income limits are imposed to exclude billionaires from program eligibility. While almost certainly included as hyperbole, the ‘billionaire’ reference indeed makes an important point. As noted, the first phase of the AHI failed to include any income targeting conditions, and it was not until years later that eligibility was restricted to households that qualified for social housing waiting lists.

Ambiguity surrounding affordable housing is likely further complicated by unclear meanings of the target populations that programs are designed to assist. Program guidelines specify that funding is intended to serve low and moderate-income groups. However, one participant suggested that the classifications of ‘low-income’ and ‘moderate income’ are vague in recent legislation:

In the last bit of legislation, one of our objectives is now to improve the quality of life of low and moderate-income households – but they do not ever define what they mean by ‘low’ and ‘moderate,’ and also it very clearly does not say ‘social housing.’ It just says ‘households.’ So again, affordable rental housing is supposed to be for presumably people who can afford maybe 80 percent of market rent or whatever - so that is more of a moderate income thing. I mean, it is obviously filling a gap. There are people who need that housing and who have a lower income, not just the lowest. So I think it is meeting a need, but it is definitely not getting at the low-income (Research, policy and advocacy).
In addition to elusive definitions, the *exclusion* of certain words can be significant as well. As the previous excerpt notes, the removal of ‘social’ is important in the evolving discourse of housing terminology in Canada.

Pomeroy and Falvo (2013) describe the progression from social to affordable housing as a ‘rebranding.’ Consequently, the term ‘social’ has been selectively removed from housing legislation and organizations. For example, Ontario’s *Social Housing Reform Act* (2000) was renamed the *Housing Services Act* (2011). Similarly, the *Social Housing Services Corporation* dropped ‘social’ to become simply the *Housing Services Corporation.*

Such name changes reflect the fact that current housing interests and policies are increasingly broad, and not ‘social.’ Foremost, this acknowledges a new program structure and funding model, one that focuses on capital investment rather than ongoing subsidies and is short-term in nature. However, phasing out the term ‘social’ also reflects a deeper ideological agenda.

Walker (2008) suggests that the federal government, “avoid[ed] the term ‘social housing’ which might be associated with past programs, social welfare and social citizenship rights” (p. 392). Negative connotations of the word ‘social’ as it pertains to housing are not new. Rose (1958) notes significant opposition to the development of Regent Park, Canada’s first major public housing project. Critics warned that public housing represented a form of socialism, and campaigned against ‘socialized housing’ in

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25 Established soon after the *Social Housing Reform Act* (SHRA), the *Social Housing Services Corporation* (SHSC) was a Toronto-based non-profit organization working with social housing providers and service managers to provide assistance in portfolio and resource management. Since the introduction of the *Housing Services Act* (HSA), the organization currently operates as the *Housing Services Corporation* (HSC).
their city. Further evidence is demonstrated through one of the resulting advertisements challenging Regent Park:

The great ill of the twentieth century is socialism, and public housing such as the enlarged Regent Park scheme is the most obvious symptom of that illness. Regardless of early good intentions, subsidized (socialized) housing eventually invites unfair patronage and the making of political pawns of its occupants (Rose 1958, p. 101; brackets contained in original).

Rose’s (1958) study on slum clearance was written during the Cold War, when socialism was deemed a real and immediate threat to Western society. More recently, however, subsidized housing continues to be condemned by social and fiscal conservatives. Such criticism was particularly strong in the province of Ontario, as outlined below:

[Social housing] was widely recognised in Canada from ’73 to ’93 as being a key part of our national affordable housing plan as it existed back then. Things fell off the rails in ’93 when the federal government decided to stop funding new social housing. And then in ’95 the Harris government, as part of its campaign to get out of the housing business, waged … basically a full-out campaign against social housing. And they called it the social housing boondoggle… And we’re now almost 20 years after the fact, and we’re still living with the legacy of that terrifically effective smear campaign. This kind of notion that social housing is chronically inefficient, that it wastes a lot of money, that tenants are coddled, they’re subsidised, that rich people are living in social housing. Like Jack Layton was frequently smeared during his life as getting some sort of an advantage for living in a housing co-op, even though he didn’t get any advantage, he was living in a market rent unit (Research, policy and advocacy).

As a result, there is an incentive to introduce a term that is more ‘palatable’ to the public, as two interviewees explain:

I find every few years the sector or the government tries to come up with some new phrase that’ll be more palatable to the general public. And so we talk about social housing and then they’ll be talking about affordable housing, then they’ll be talking about assisted housing, and at the end of the day it’s all the same thing… I think the Liberal government came in with an intent of trying to gain more public support for programmes and services related to low and moderate income housing, and so they tried to come up with a phrase that was more accepting to the general public so they kind of started using the jargon affordable as compared to social (Planning and research).26

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26 This interviewee also suggested that both terms are used interchangeably and have very similar meanings: “But in my view everybody I talk to uses it interchangeably, so I don’t think it’s of any significant relevance one way or the other.” However, this reflects
Another participant suggests:

There are very powerful myths that arise. And the myth of the ‘welfare bum’ – that’s a very American phenomenon that’s unfortunately infected Canada too. [It] is also there with housing. And so social housing in most of English Canada took on a very negative phrase, and after 1995 many housing advocates began to use the term affordable housing instead of social housing. Because we just didn’t want to mention that particular list of items. The trouble is they’re not interchangeable (Research, policy and advocacy).

Thus, a switch in terminology was slowly underway.

In order to eschew negative connotations of this type, housing issues are now increasingly framed as a lack of affordable housing, not social housing. For example, consider the following passage:

Since 1995 there has been virtually no new Federal or Provincial funding for affordable housing in Ontario. The opportunity to receive new funding for affordable housing from the Federal government is a welcomed development (City of Toronto 2002, p.3).

As brief as it is, this quotation provides a simple example of the way language is used to address a lack of low-cost housing. Any reference to subsidized housing programs during the 1990s should be labeled as social housing, as it was the exclusive model in Canada at that time. Furthermore, the funding referred to was not additional or subsequent investments in affordable housing, but the first of it kind. Thus, in practice both terms are increasingly treated as interchangeable.

Irwin (2004) claims that the terms social and affordable housing are used interchangeably. This makes some practical sense, as the populace is unaware of any nuances that exist between terminologies. When asked whether or not the general public understands the difference, one interviewee offered the following response:

the interviewee’s definition of affordable housing, which is indeed similar to social housing, since it assumes housing costs will not exceed 30 percent of income, rather than being set at or below market rates.
No, I think people do not understand that there is a difference. I think that even the term 'social housing' came around probably in the '70s, and before that it was 'public housing'. And so public housing was different and then social housing started to include the concept of non-profits and co-ops owning and running housing. Affordable housing is referring to also the private market being involved and not providing a low subsidy. The average population, I don't think understands there is a difference. I don't think they care. I think the only people who care are people who work in the business, and they sort of understand the gradients. But I think it is part of the problem, actually, the fact that we cannot tell the public what we do very well. We are not very good at it (Research, policy and advocacy).

The practical differences between social and affordable housing have been clearly identified. Nevertheless, the two terms often become confused. Deliberate or not, this confusion likely results in positive political benefit.

5.5 The Politics of Affordability

The discourse of affordability, especially its broad and vague nature, has two important political implications. First, since affordability is experienced by a wider segment of the population, it likely garners public support more easily than social housing. Second, current affordable housing programs can obfuscate both the intentions and outcomes of government policy. In particular, the lack of clarity and extensive flexibility create the opportunity for both provinces and local service managers to deliver housing programs that provide shallow support, yet boast seemingly impressive results in terms of the number of households assisted.

The disinvestment and devolution during the 1990s clearly demonstrated the federal government’s disinterest in housing. However, by the turn of the century, increasing rates of homelessness and mounting pressure from advocacy groups signaled the need for intervention in housing once again (Drummond et al. 2004). This reengagement was partly out of political necessity rather than a desire to reengage in housing, as suggested by an interviewee:
Housing pegs high in any polling research, and so [the federal government] recognized that they were taking political hits by not doing something, so they reengaged, but only in a very token way, relative to the level of engagement that previously existed. And it is through the capital versus the operating (Research, policy and advocacy).

Additionally, the implementation of a new and rebranded form of subsidized housing also presented the opportunity to gain political points.

Access to adequate and suitable housing is linked to improved general health and positive social outcomes (Wellesley Institute 2010; Drummond et al. 2004; Bryant 2004). Individuals and families that lived (or continue to live) in social housing undoubtedly benefitted from access to safe and secure shelter. However, at roughly 5 percent, the social housing portfolio has always composed only a small segment of the Canada’s total housing stock (Hulchanski 2007; Hackworth 2008). As a result, social housing programs only directly impact a small proportion of the national population.27 Additionally, the negative connotations already mentioned, such as the social housing ‘boondoggle’ and the notion of the ‘welfare bum,’ further threaten popular support. This is significant, as social housing has long been a marginalized component of the broader welfare state (Hackworth 2007). In contrast, affordable housing is a concept with the potential to be more appealing to the general public.

Affordable housing programs were designed to provide relief to a broader slice of the housing continuum. Similarly, as one interview participant highlighted earlier in the chapter, rising housing costs and a lack of new rental supply meant that the so-called middle-class also began to experience pressures of affordability. While this trend was

27 However, the indirect impacts would be much greater, but difficult to quantify.
first observed in the late 1980s, affordability pressures continue to creep into the higher income groups. A recent report by TD Economics confirms this development.\textsuperscript{28}

The affordability challenge has traditionally been heavily concentrated among low-income residents within the rental market. And, in many respects this remains the case. Average rents amount to almost half of household income for earners in the bottom 40\% and the share of those in core housing need remains unacceptably high. However, the problem of affordability has spilled over to residents in higher income levels and to those in homeownership (TD Economics 2015, p. 1).

Consequently, more voters could now directly empathize with the need for government investment in housing. Therefore, the introduction of a new program that was more ‘palatable’ in terms of branding and targeted more Canadians meant that, by default, ‘affordable’ housing should be more likely to gather public support than its predecessor.

The desire to receive political benefit from investments in housing is a long-standing practice. Examples of this are found in old public housing buildings, as demonstrated by the presence of plaques and inaugural events:

If you ever go into some of the older housing projects that were built in the 1970's, you will always find a plaque from the federal government in the lobby, and that was part of the theme that they wanted to be recognized for their investment. They had a requirement that there be federal visibility so they could have their ribbon cutting and baby kissing that happened (Research, policy and advocacy).

This trend continues today. However, instead of recognizing a 35 or 50-year funding commitment, the government seeks credit for contributions that are fundamentally different in nature, as an interviewee suggests:

In my opinion, the government was thinking, ‘Let's get out of the long-term business, and let's get into the short-term business, where we can open a building, kiss a bunch of babies, cut some ribbons, and then we will be on our merry way’ (Research, policy and advocacy).

\textsuperscript{28} TD Economics is part of Toronto-Dominion Bank, one of Canada’s largest financial institutions.
Furthermore, frequent re-announcing of investments in affordable housing also helps generate further publicity. According to another interview participant, the maximization of political credit is crucial:

When Ontario, along with all the other provinces, signed the Affordable Housing Framework in November 2001, my recollection about it – I could be wrong – was that they re-announced that 13 times before they finally actually committed a single penny. And at no point did they ever say we’re announcing something that’s already been announced before. And the media dutifully reported this great new investment (Research, policy and advocacy).

The same interviewee continues to argue:

There’s a political imperative around the short-term stuff to spend it as quickly as possible, to make it as public as possible, and to get as much political credit to the government as they possibly can, because the next election cycle is just around the corner and governments want to be able to point to these kinds of things. Inevitably, doing stuff quickly doesn’t necessarily mean you’re doing the best thing; it means you’re taking projects that are on the shelf and those may not necessarily be the best projects (Research, policy and advocacy).

Furthermore, the flexible nature of recent programs can result in hazy reporting and results.

Announcements regarding affordable housing commitments often appear impressive. The total amount invested is often substantial, but spread out over a number of years. For example, the $1.9 billion in funding for affordable housing pledged by the Conservative federal government in 2008 was met with significant praise. However, that figure represented a combined total over a five-year period, which translates into an average annual investment of $380 million (CMHC 2011). That total becomes even less remarkable relative to the ongoing commitments to social housing, which equal $1.7 billion each year (CMHC 2011).29 Similarly, announcements tend to focus strictly on the

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29 This amount slowly declines as individual federal operating agreements expire.
total units created over the entire program, rather than how many are added each year.

This issue is demonstrated in the following interview excerpt:

The budget ‘09 commitment was capital over three years, so it sounds like a big number until you divide it by three, and then look at it. And they figured that it would generate 1000 new units. This amount of funding would generate 1000 new units, but divide that by three, so you only have about 300 new units each year (Research, policy and advocacy).

Similarly, the depth of subsidy investment in each unit is also typically omitted.

Critical examination of existing data (CMHC 2009; City of Toronto 2014) reveals that much of the funding for affordable housing provides relatively small subsidies to a large number of units. Since most reports list only the total units served, such figures may overestimate actual results. More specifically, the number of households that receive sufficient support to move out of a state of core housing need is not documented.

The decision of how to best distribute finite funding is a challenging dilemma. Options include providing deep subsidy to a smaller number of households or shallow subsidies to a larger group. On the one hand, not enough households will receive funding. On the other hand, many will receive a level of support that is likely insufficient to resolve affordability pressures. Policy makers are indeed aware of this trade-off, and become forced to develop policies that balance housing need, political agendas and fiscal realities:

Well, they are all trade-offs. There is a lower upfront cost of giving someone a $300 a month rent supplement or a housing allowance – but do you have to give them $300 from now until the end of time? And can you maintain that versus a system where you build a building, but you fill it with a combination, like a lot of our non–profits and co-ops, you fill it with a combination of people who are paying market rent at prevailing rates or near prevailing rates and other folks who need subsidies … The challenge is there are folks who live in social housing who have subsidized rents, they’re living in townhouses in Toronto, and are receiving household subsidies of $1,500 or more. That is really expensive for a government, especially if they’re on the hook to maintain that home and they have to subsidize the people who are in there. When you’re in a period of fiscal restraint, that starts to look very expensive
An alternative approach could be to give five families $300 (Government agency or crown corporation).

Furthermore, the high cost of creating new affordable stock further limits the total number of households that can be assisted:

The governments are limited by their finances and by the will of the people and so if you have $30,000 today to help, are you better to buy one affordable unit or build one affordable unit and subsidise it, or you could take that same amount of money and give $300 to help a whole bunch of different families for a year, or for one month, or what have you? (Government agency or crown corporation).

The sheer volume of households in core need only further complicates the decision-making process. Therefore, it might seem unfair to fully assist only a small number of households, while leaving the remaining majority (perhaps literally) ‘out in the cold.’ Nevertheless, providing shallow subsidy to more households allows for some degree of political grandstanding. Without quantifying the subsidy amount or depth, shallow levels of assistance result in a more remarkable total number of households served by a program. This may be desirable in terms of reporting basic outcomes of a funding initiative:

Part of the program design was to get the housing out there as quickly as possible. You could also subsidise more housing if your per unit subsidy is smaller. I don’t know what the current construction costs are for a single-bedroom apartment, but let’s say a few years ago it was around $150,000 per unit to acquire the land, build the unit and all that sort of stuff. If you provide a full $150,000 subsidy to a housing provider then they can charge a very low rent for that particular unit because they in effect have no carrying costs for the unit; they only have to cover operating costs and building up the capital reserve. If you only cover, say, $20,000 worth of $150,000 then it means that the housing provider has to figure out where to get the other $130,000 from. A lot of it will be privately financed, and it means they’re going to have to charge a fairly high rent in order to recover the costs, fairly close to what the actual market rent is. So they’ll be maybe coming in, in Toronto, with rents of $800, $900 or $1,000 a month in order to cover their costs... So if you take a small amount of subsidy you can spread it out over a lot more units and then you can stand up and say we funded 10,000 new homes (Research, policy and advocacy).
It is difficult to accurately ascertain what motivations influence a government’s decision on how to distribute a finite amount of funding across a growing number of households in need of assistance. Nevertheless, these choices can have important political impacts.

Some of the discussion regarding the political dimensions of affordable housing programs already outlined can be further explained by the concept of ‘blue rinsing.’ This notion refers to the application of a conservative or ‘blue’ tint upon a political issue or policy, with the intention of reframing it so as to evade criticism, while at the same time generating political recognition.\(^\text{30}\) Prince (2013) applies this idea to Canadian Prime Minister Stephen Harper’s reform of seniors’ benefits systems, and explains it in the following way:

Blue rinse policy making is about introducing new programs and, more likely, in a developed welfare state, formulating changes to existing programs for seniors. In the case of OAS and GIS, recent changes implemented by the Harper government were done to make elderly benefit programs appear more fiscally robust and, at the same time, the changes tend to favour those current and future seniors who are better-off with middle and upper-incomes at the expense of lower-income groups.\(^\text{31}\) In such kinds of social policy reforms, regressive effects are significant with Canadians of lower incomes bearing a proportionately larger share of the costs of reforming the OAS and GIS than well-to-do Canadians (Prince 2013, p. 66).

Nevertheless, this notion can also be employed to help elucidate a better understanding of the shaping of current affordable housing programs. For example, both the AHI and IAH appear to be ‘more robust’ in terms of affordability relief than they actually are in practice. Similarly, indexing rents to market rates, as well homeownership initiatives, has proved to be more helpful to moderate-income groups, as opposed to low-income households. Furthermore, these types of initiatives can greatly benefit private developers,

\(^{30}\) In Canadian politics, the colour blue is associated with the Conservative Party, whereas red represents the Liberal Party, orange denotes the New Democratic Party (NDP) and green signifies the Green Party.

\(^{31}\) (OAS) stands for Old Age Security and (GIS) refers to Guaranteed Income Supplement.
as public funds are used to help subsidize privately owned assets, which in turn are only required to offer reduced rents for a relatively short period of time. Overall, affordable housing programs represent a dramatically different approach to the provision of subsidized housing. However, they tend to be framed, with the addition of this ‘blue tint,’ in ways that help to obscure potential program limitations, especially the inability to address core housing need.

5.6 Ideological Interpretations

The starting point of this chapter was a reference to Minister Monte Solberg’s announcement, which in response to a $1.9 billion investment, claimed that the federal government’s involvement in housing had ‘never been stronger.’ In addition to these continued contributions in affordable housing, the federal reengagement also included investments in social housing (CMHC 2011; Pomeroy and Falvo 2013). Accordingly, this reengagement might cause some to ponder the following question: Does this re-entry symbolize some kind reversal of neoliberal doctrine? Moreover, does this mark the reintroduction of Keynesian or welfare-based ideology? A handful of similar instances in which recent government initiatives that appear (at least superficially) to buck the neoliberal trend only add further intrigue to these questions.

After a period of extensive disinvestment and downloading, there is increasing evidence of new federal investing and uploading. Many examples are found in the province of Ontario alone. The Federal Gas Tax Fund (GTF) announced in the 2005 federal budget provides $1.9 billion to Ontario municipalities for environmentally sustainable infrastructure over a five-year period (AMO 2009). Additionally, instead of a one-off transfer period, the program is renewed and will remain in effect until 2024
Similarly, the *Provincial-Municipal Fiscal and Service Delivery Review* determined that Ontario should upload various social assistance costs. The report states that a number of costs should not be funded by municipal property taxes, resulting in a net reduction of $1.5 billion in required spending by local governments. The uploading of services back to the provincial level included Ontario Works (OW), Ontario Drug Benefits (ODB), Ontario Disability Support Program (ODSP), as well as costs of providing security for the provincial court system (MMAH 2008). Furthermore, provincial support transfers to municipalities are projected to increase to 3.8 billion by 2018. This is illustrated in Figure 5.2.

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**Figure 5.2: Ongoing Support to Ontario Municipalities**

*2.7 Billion or 250% Increase Over 2003 by 2018*

Source: MMAH 2008, p.15

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32 Ontario works is a program that provides income support and employment assistance.
Such policy developments are interesting given that neoliberalism is often associated with spending cutbacks and government withdrawal. Therefore, do federal reengagement in housing and the additional examples listed above signal that neoliberalism, once described as “the most successful ideology in the world” (Anderson 2000; in Hackworth 2008), is becoming reversed or supplanted?

The analysis presented in this chapter suggests that when it comes to housing, neoliberal doctrine has not been abandoned in favour of readopting some form of Keynesian ideology. In fact, federal minister Diane Finley was blunt when interviewed regarding new federal funding commitments: “By no means are we getting back into the housing business” (Galloway 2009). In fact, there are recent examples in which devolution actually appears to be increasing, such as the Ontario government’s introduction of the Housing Services Act (2011) or the complete transfer of British Columbia’s Aboriginal social housing portfolio from BC Housing to the non-profit Aboriginal Housing Management Association (AMHA) (Province of British Columbia 2013). Instead, recent housing initiatives are primarily economic stimulus measures deployed as a means to help manage the global financial crisis of 2008. Under Canada’s Economic Action Plan (EAP), broader growth and job creation served as the main priority, whereas investment in housing happened to be a means to that end, as Finley explains:

> Stimulating the economy and creating jobs is a priority for our government under Canada’s Economic Action Plan. Housing investments are a key element to this plan and all orders of government have been working very hard to get investments on the ground quickly. Together with our provincial and territorial partners, our efforts have resulted in housing-related economic stimulus measures (Canadian News Wire 2009).

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33 As discussed in Chapter 4, the new act increased municipal powers and responsibilities across Ontario.
The characterization of these initiatives as ‘housing-related economic stimulus measures’ suggests that these programs are stimulus first, and housing second, which supports Marcuse’s (1998) notion that historically housing programs have often ‘been the tail of some other dog’ (p. 23).

Pomeroy and Falvo (2013) also view renewed federal funding commitments as a function of economic stimulus. Housing was considered an ‘effective mechanism’ for generating growth in the construction industry, and this meant that, “It was an easy lever to pull” (p. 190). Moreover, the initiatives represented ‘political pragmatism and opportunism,’ rather than a genuine interest in housing need (p. 189). As a result, any housing gains were merely ‘ancillary benefits’ (p. 188). Pomeroy and Falvo (2013) further elaborate on this idea:

The policy imperative was founded mainly on creating jobs and responding to weak economic conditions, rather than responding to unmet housing need and issues of disrepair in the existing social housing stock. But again, as a case of political pragmatism, the government was able to do both (p. 191).

Moreover, these investments are even described as ‘accidental’:

Arguably, the recent peak level of federal expenditure is an accidental happenstance. Much of this spending was inherited, and was then abetted by economic conditions that emphasized opportunistic stimulus benefits of housing investment. As such this is not an outcome of a purposeful policy agenda, shaped by careful analysis of how to strengthen Canada’s housing system. …The approach of the Harper government has been to manage the housing file, without making significant waves. When handed a pragmatic opportunity to pull the easy levers around stimulus, it did so, not because of any ideological commitment to housing issues, but because it made sense – it would, and did, have a significant impact on economic matters (Pomeroy and Falvo 2013, p. 194).

Given the lack of a ‘purposeful policy agenda,’ Pomeroy and Falvo (2013) also express concern that future commitments might disappear after economic conditions improve. Furthermore, the economic stimulus objective also played a significant role in shaping the structure of affordable housing programs.
A key objective of Canada’s Economic Action Plan was to stimulate growth as quickly as possible. The financial crisis negatively impacted a wide array of economic sectors, including the construction industry. For example, one interviewee notes a short period of sharp decline in Toronto’s active condominium market in response to the recession. In order to avoid widespread unemployment, the goal was to divert idle labour from condominiums to affordable housing initiatives as seamlessly as possible until federal initiatives to spur construction could take hold. Accordingly, program guidelines encouraged expediency through rapid timeline requirements. In the province of Ontario, new construction or repairs projects must commence within 120 days of the agreement, otherwise funding could be withdrawn (MMAH 2011). Therefore, while the call for proposals was open, this parameter tended to limit participation to the private sector:

The intent was job creation. In 2008 the economic crisis hit all sectors of the economy, it temporarily slowed down the Toronto condo market. At the time it was thought that that was permanent, so there were all of these cranes, all this construction happening, and all those construction workers – they thought it was going to stop, and so they wanted them to move on to this economic stimulus program, to substitute jobs that would have been in the private market for this program. Keep people working so the economy didn’t collapse, and to a certain extent across Canada that worked pretty well… [The economic stimulus] was a lot of money. It was different types of infrastructure – but the housing piece you had to start pretty well immediately. We had to put a proposal call out. We had to select proponents. They had to be ready to go in 90 days. So this meant what we had was private sector organizations that were going to build a condo, that owned a site, that had gone through the planning process, they had all their planning approvals, either had a building permit or could get a building permit in a very short period of time and could start construction like that. And that meant pretty well the only group that is able to buy a site and hold it are private sector corporations. Non-profits, they don’t have the money for that, they don’t have the infrastructure. So we had a lot of private sector partners (Government agency or crown corporation).

Another interviewee offered a similar explanation, emphasizing that the high number of private developers, rather than non-profits, meant that resulting units would need to be rented at increased rates:
There were all these political imperatives to announce early, to spread it out as far as possible, to take stuff off the shelf. Most non-profit housing providers don’t have projects that are sitting around waiting to be funded because it actually costs a lot of money to acquire sites, to go through the zoning and all that kind of stuff, and get the architects and do the environmental remediation, and do all the other pre-development work… And as a result, the people who are more likely to have a project sitting around that they want to offload are private developers, who maybe have a condo project that fell by the wayside or something like that. So they say let’s repurpose this as affordable housing. And that’s partly what the Auditor-General in 2009 was getting at when he critiqued the provincial program, saying that in their haste to move the dollars out and to take up units, that they ended up subsidising projects that were not truly affordable (Research, policy and advocacy).

In addition to the failure of providing rents that are geared to income, the reliance on private developers, and the market in general, introduces broader ideological questions about how rents of government-funded housing should be set, as well as how units should be created and delivered.

The way in which rents are determined within a housing program is a reflection of broader economic and political ideologies. The rent-geared-to-income (or RGI) mechanism used in social housing was created during a period when social programs benefitted from extensive government investment. Now, instead of total income, affordable housing programs consider only prevailing market prices. This approach assumes that the general theory of market efficiencies should be applied to housing policy. Furthermore, it demonstrates a transition from what an individual can afford to pay to what a nation (and province or municipality) can afford (Reeves 2014).

Social housing ‘relativises’ rents based on income or ability to pay, whereas affordable housing ‘relativises’ according to the market (Reeves 2014). Put another way, social housing programs respond to the needs of the households, whereas affordable housing programs reflect private rental markets. This idea was also further reinforced by an interviewee:
Social housing is non-market housing. And what’s significant is that social housing responds to a different set of criteria. It responds to the needs of individuals, the housing needs of individuals, as opposed to market imperatives of either private rental or private ownership housing... And social housing plays a key role in terms of having that kind of mediating role that market housing doesn’t play and isn’t able to play because markets are always responding to market imperatives as opposed to human needs (Research, policy and advocacy).

Nevertheless, this gap between real household incomes and market rates and the failure to satisfy core need was addressed in CMHC’s (2009) first extensive program evaluation, but funding models remain virtually unchanged.

What level of investment in housing can a nation afford? This might seem difficult to quantify, but in the case of affordable housing many jurisdictions have arrived at a specific number. In the United Kingdom, this level is set at 80 percent of market rents.

Affordable housing is, therefore, housing which receives some form of state subsidy which it is deemed that the nation can afford. And what the nation can afford is rents which are set at up to 80 percent of market values (Reeves 2014, p. 8).

The same value also applies to the province of Ontario. Furthermore, 80 percent is not an arbitrary target. Instead, this threshold is likely linked to a minimum level of capital subsidy or incentives at which private developments are viable (Gladki and Pomeroy 2007; Côté and Tam 2013). The inclusion of incentives or the waiving of fees alone cannot compensate for the lack of ongoing subsidization:

Deep targeting is problematic in an inclusionary program without some form of subsidy incentive. The reduced land value and additional market profit margins generated by density bonusing will seldom, if ever, facilitate affordability at the very low income levels (Gladki and Pomeroy 2007, p. 12).

Determining affordability in this fashion is logical under political-economic regimes that give credence to the notion of market efficiencies and wish to limit expenditures. In

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34 The rest of Canada mostly uses the less specific ‘at or below market rates’ description.
practice, however, indexing housing charges based on market rates is not effective because it has ‘no bearing’ on actual household incomes:

[Affordable] housing, because of the way they defined affordability, was actually too expensive for people on wait lists; they couldn’t afford to move into the housing. The affordability metric that they used was the private market rents; they had to be 80% of private market rents, and private market rents of course have no bearing on what tenants can actually afford to pay or just what the landlords are interested in charging. And so we had this mini-boom in new housing that came after 2001 and then again after 2005 and again after 2009. But it wasn’t necessarily housing that was targeted to the people who needed it the most, i.e. the poorest people (Research, policy and advocacy).

Furthermore, targeting households in greatest need has no real impact on the level of support provided if subsidies are not determined by household income. Therefore, programs offer *income targeting* without *income tailoring*. Nevertheless, in addition to setting rents, policies must consider how to direct program funding.

The next question is whether government funds should be used to construct new housing or simply provide subsidies to reduce the cost of existing stock. Pomeroy (2004) provides a simple synopsis of this multi-faceted debate:

The housing industry has always argued, “We just need shelter allowances because people have housing, they just pay too much, so let’s do that.” The non-profit sector comes back and says, “That’s just going to line the landlords’ pockets, so that’s a dumb idea. Let’s build more non-profit housing.” The industry comes back and says, “That’s really inefficient, let’s not do that.” Government stands on the sidelines and watches (p. 237).

This is essentially a question of building new units, as in the case of social housing, or applying rent supplements or shelter allowances to private stock. The key advantages and disadvantages of each are simple. Building public, non-profit or co-operative units creates a long-term public asset, but the associated upfront, ongoing subsidy and capital repair costs are expensive. In contrast, providing monthly subsidies to existing private market units does not involve an initial capital investment, but these ongoing payments
do not result in a non-market good, nor any new units, necessarily. Advocates for each type argue their case of superior cost effectiveness.

The way in which social housing is financed makes simple cost comparisons challenging. Putting aside any administrative expenditure, the annual cost of rent supplements or housing allowances is easily calculated. However, the presence of a mortgage is a complicating factor in determining the required investment for a social housing unit over the course of a single year. The social housing model is more expensive initially, but annual costs gradually decline over time as the mortgage is amortized. Furthermore, once a project becomes debt-free, monthly collected rents are expected to offset operating expenses, and thus ongoing subsidy is (theoretically) not required. Conversely, supplements and allowances are required in perpetuity. Therefore, proponents argue that social housing is a more cost effective mechanism in the long run.

Advocates of rent supplements and housing allowances claim this model makes the most fiscal sense. Savings are largely attributed to the lack of interest charges, which is significant over a 35-year mortgage term (Clayton Research Associates 1993). Furthermore, critics claim that social housing supporters often fail to fully consider the depreciation of physical buildings and the real costs associated with inevitable major capital repairs or upgrades. Additionally, rent supplements or allowances can achieve some level of income mix while targeting subsidies only to specific units (CFAA 2008). This is significant because non-profit and co-operative programs are criticized for effectively subsidizing both market and RGI units (CMHC 1983; CMHC 1984; Fallis 1995).

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35 i.e. value of monthly subsidy prorated over the course of a full year.
A report by CMHC (1999) presents the findings from a series of studies comparing the long-term costs of both models. Despite some variation, most suggest that social housing is more expensive in the long-term. Nevertheless, CMHC (1999) ultimately determines the assessment to be inconclusive:

In summary, studies that report the results of the cost comparison in net present value terms are more likely to favour rent supplement assistance, since in the typical case, total costs exceed market rents for the equivalent unit in the early years, then market rents increase more quickly than total costs. As a result, rent supplement assistance is relatively more expensive later on, with this excess being relatively heavily discounted in the net present value approach. When calculations are done in nominal terms, non-profit assistance is found to be less costly than rent supplement assistance as long as market rents grow faster than the total costs of non-profit projects. This result is obtained even when first-year costs of non-profit projects are significantly higher than first-year market rents (p. 59).

Another observation that emerges from CMHC’s (1999) report is the diverse range of methodological approaches used in the individual studies that were surveyed:

There is obviously no consensus among the studies reviewed in this evaluation, owing in large part to disagreement as to which is the most appropriate methodology to use. Therefore the evaluation conclusions can only be, given the current state of knowledge, that neither form of assistance can be said to be more cost-effective than the other (p. 59).

Longitudinal comparison modeling is also complicated by the inclusion of numerous predictions regarding future interest and inflation rates. Making accurate forecasts in the short-run might be possible, but is far more challenging over a period of up to 35 years. Nevertheless, in addition to cost effectiveness, there are other factors that should also be considered.

Monthly subsidies offer more flexibility to tenants than social housing projects that are fixed in location. Rent supplements involve agreements between the landlord and
a government or housing agency, but these are relatively short term in nature. While not immediate, this allows the geographic distribution of these units to shift in response to regional changes in housing need. Shelter allowances, which are paid directly to households rather than the landlord of a particular unit, are portable and therefore most responsive to household choice and needs (CFAA 2008). However, this flexibility is sometimes offset by poor participation rates by private landlords and concerns regarding the quality control and tenant satisfaction.

As Drummond et al. (2004, p. 47) argues, rent supplements have a “less-than-stellar track record in Canada” (see also Pomeroy 2001). Tedious administrative requirements deter participation by private landlords, and the rate of renewal on completed agreements is often low, thus threatening the tenure security of residents. Furthermore, a comprehensive review by CMHC (1999) compared rent supplements to social housing across a number of variables. Overall, social housing residents reported higher tenant satisfaction and better improvements to quality of life and social well-being. Moreover, the physical condition of rent supplement units showed greater variability and generally required more capital repairs (ibid).

Shelter allowances do not involve formal agreements with landlords, which means that this mechanism does not face the same deterrents and renewal rate challenges as rent supplements. Accordingly, they are less regulated, and this poses potential concerns. This can result in housing that is affordable, but poor in physical condition:

There were some programs where there were some housing allowances... They were giving a couple hundred dollars a month for people to help them keep living where they currently were. The concern has always been that if you are going down that

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36 This can also have a negative effect, as it can limit security of tenure. Landlords tend to be most interested in rent supplements when overall rental demand is low (Fallis 1995; Peters 2004).
route that you cannot guarantee the quality of the unit... (Research, policy and advocacy).

Additionally, less regulation also creates opportunity for program abuse:

Simply providing households in need with income support is no guarantee that they will use that support to obtain adequate housing. Some segments of the population – people suffering from mental illness, people coping with drug or alcohol addiction, or adolescents living on the street – may be unable to make responsible decisions about income (Drummond et al. 2004, p. 49).

Many of the above issues, such as tenant satisfaction, social well-being, and varying abilities of tenants to manage their housing options point to another important consideration: how to manage subsidized units?

Public housing is directly delivered and managed by government housing corporations. Non-profit and co-operative housing relies on municipalities, community groups or resident boards to manage its stock. In contrast, the affordable housing portfolio draws on the private market to fulfill this function. While each exhibit individual nuances, public, non-profit and co-operative housing are categorized together here as representing a ‘social landlord,’ whereas affordable housing employs a ‘private landlord.’ Some residents living in subsidized housing need only rent relief, and for this group the distinction is less important. However, others require and benefit greatly from the diverse range of supports or services that can be provided by social landlords. This becomes even more significant as current affordable housing programs encourage funding to target specific populations, including seniors, the disabled, recent immigrants, and victims of domestic violence (CMHC 2009; MMAH 2011). Although private landlords have the expertise to operate and maintain housing, providing supplementary social supports can be challenging, as one interviewee suggests:

If a you think your role is just to keep the building clean, keep the rent collected, keep it in reasonable shape – anybody can do that. If you think you might have a role as a landlord which goes a bit beyond that because you’re in a social
environment, that the communities have particular sets of needs, you have particular sensitivities you want addressed, you have a broader range of services you are delivering in that community, then it becomes very difficult for private models to work in those environments, and you do get some tension there (Former government agency or crown corporation).

Therefore, it is important to consider the overall role of a property manager when determining the most appropriate approach to deliver and manage units. Over time, there has been a gradual trend towards less direct government involvement.

A review of the various government programs in Canada reveals rather clear changes in the way subsidized housing is delivered. The first period, where public housing was predominant, entailed intense and direct government delivery. The second period introduced a ‘third sector’, through non-profits and co-operatives, to assist in the delivery of government funded housing programs. And now, more recently, the private sector is increasingly called upon for the delivery of the latest government housing programs. Although each shift involves more complex reasoning and justification, an escalating degree of state retrenchment is evident.

Neoliberal doctrine generally emphasizes the reduction of government, as a means of helping liberate the market. In fact, the role of the private sector in affordable housing tends to be expressed clearly:

The market is key to increasing supply of housing and the City will continue to find ways in which it can incent the market to deliver a higher level of affordability as well as incremental units (City of Vancouver 2014, p. 3).

However, the federal and provincial governments remain actively involved, in roles that include funding, policy development and delivery, plus auditing and reporting. Municipalities are now increasingly encouraged, or even required, to become more actively involved in the provision of affordable housing. In fact, local governments are arguably more engaged now than they were under social housing programs. While
federal and provincial governments provide the majority of cash investments, municipalities typically provide land, tax and development fee exemptions, or other in-kind contributions. The value of these, however, are often underestimated, and not reflected in the actual costs associated with affordable housing:

In the face of declining federal and provincial funding, many municipalities have taken on the challenge of building new affordable housing. This includes using municipal revenues to fund new affordable development. It also includes foregoing municipal revenues by reducing property tax rates for affordable rental development and waiving a range of municipal fees and development charges intended to cover the associated cost of municipal infrastructure, such as roads, fire halls, police stations and community centres. As reducing fees is a hidden cost, distinct from direct expenditures, it is not reflected in national financial accounts. As such, estimates of aggregate local government spending on housing under-represent the true cost (FCM 2006, p. 46).

In many instances, new government infrastructure is required to help facilitate this growing level of involvement.

New municipal offices – separate from social housing agencies – are often created to help administer new affordable housing initiatives. For example, the City of Toronto has both a Social Housing Unit and an Affordable Housing Office, and these operate independently rather than as divisions of the same department. Similarly, Vancouver recently established a distinct affordable housing agency, rather than managing and administering new units through the same office that deals with the social housing stock (City of Vancouver 2014). Furthermore, this signifies that the separate and distinct nature of social and affordable housing has become institutionalized.

The remainder of this section will consider how the ideological themes of housing provision discussed in this section can be further explained within the context of the broader neoliberal literature. In particular, the concepts of ‘roll-back’ and ‘roll-out’ neoliberalism (Peck and Tickell 2002; Brenner and Theodore 2002), the changing role
of government from leader to facilitator of partnerships and networks, and the elusive nature of neoliberalism and its ability to guard itself from legitimate opposition, will be applied to help make sense of affordable housing.

The neoliberalization of housing is demonstrated through a series of policy and program changes to social housing. In Canada, this began in the 1990s through a series of substantial spending reductions, followed by the termination of new funding commitments, and then finally by devolving responsibility to provincial or municipal levels. Together, these represent the ‘roll-back’ of social housing and the dismantling or destruction of Keynesian-style housing approaches. This was soon accompanied by the introduction of affordable housing programs, which symbolize the ‘roll out’ of neoliberal policies. Affordable housing helped mitigate the ‘immanent contradictions and crisis tendencies’ (Brenner and Theodore 2002, p. 374) that occur in the absence any federal and provincial investments in housing. Similarly, implementing a new model created the necessary conditions for increased private development and economic stimulus initiatives. Furthermore, the presence of ‘affordable’ housing also likely prevents reinvestment in social housing in any serious way.

Affordable housing also demonstrates noticeable changes to the role of government as a monolith in social programs. Drawing on Jessop (2000; 2001), Walker (2008) suggests that the government-dominated large-scale initiatives like social housing no longer reflect the realities of current political-economic systems. Now, the state is ‘one actor among many,’ working with the private and third sectors. As a result, networks and partnerships now play a fundamental role in social programs. Therefore, as

37 Some cuts began in the 1980s, but the most severe reductions did not occur until the 1990s.
evident in affordable housing, governments must create the conditions that enable these partnerships to operate.38

Peck (2013) describes neoliberalism’s ‘apparent facility for shape-shifting survival’ as a key factor in its ‘contradictory existence’ (p. 153). The fact that neoliberal policies cannot be defined using some ‘all-purpose, omnibus explanation’ makes identification increasingly difficult (Peck 2013, p. 152). This is evident in the broad and vague nature of affordable housing programs. Some even bear slight resemblance to former Keynesian policies, which helps mask underlying political and economic motivations, and thus shields considerable opposition. Furthermore, Hackworth (2007) claims that neoliberalism has established a strong history of naturalizing policies. In addition, the range of ‘politically legitimate’ policy alternatives is constantly shrinking (Peck 2010). This seems to ring true in Canada, as stigmatization and smear campaigns against social housing successfully challenge the likelihood of a comprehensive return of social housing programs in the future.

5.7 Conclusion

Canada’s first explicit ‘affordable’ housing program was introduced in 2001. After a void in federal funding lasting a number of years, the new legislation came as a welcome relief to both housing advocates and households in need. The shift from ‘social’ to ‘affordable’ housing went well beyond a simple change in name. Unlike the combination of capital and operating subsidies used in social housing, the affordable model relied primarily on upfront capital investments. Additionally, affordable housing was broader

38 Governments partnered with the third sector as far back as the 1973 to deliver non-profit and co-operative housing. However, affordable housing marked an increasing role of the private sector.
in scope and designed to address ‘any part of the housing continuum’ (CMHC A). According to CMHC, this included emergency shelters and private homeownership, plus everything in between. In addition to the public and third sectors, the private sector was also called upon to play a significant role in development and delivery of the various housing options. However, in practice affordable housing did not adequately provide housing to all levels of need. It was fairly successful for providing units affordable to moderate-income households, but largely failed to create supply for low-income groups.

Although social and affordable housing – at least in practice – target different segments of the continuum, the terms are frequently used interchangeably. Some of this confusion is attributed to the fact that ‘affordable’ has multiple meanings. Within the context of core housing need, ‘affordable’ rents are indexed to household income, whereas current programs define affordable as ‘at or below market rents.’ Furthermore, the housing continuum model employed by CMHC does not adequately delineate between past and present programs. In fact, both ‘social housing’ and ‘affordable housing’ are noticeably absent, as demonstrated below (CMHC A), which preserves this ambiguity:

However, other housing corporations across Canada have constructed more descriptive models, such as Nanaimo, BC (Regional District of Nanaimo 2013):
As a result of this ambiguity, the general public does not fully understand how the affordable model differs from social housing in both its approach and results. Additionally, these recent investments motivated by the need for economic stimulus are often perceived as genuine interests in the housing needs of Canada, which almost certainly earns political points.

This discussion of the ability of affordable housing programs to address housing need in Canada has taken a fairly critical stance. However, it is important to stress that this debate is not intended to discredit the concept affordable housing and its associated programs. In fact, there is a real need for the range of housing options that such programs strive to create. Instead, the purpose of the critique is to emphasize that current initiatives leave substantial segments of the housing continuum uncovered. Clearly identifying the distinctions between social and affordable housing, and explaining why the differences are important, is an important first step towards future progress. Furthermore, while Canada’s affordable housing programs currently contain structural challenges, they also exhibit real opportunities for improvement.

In its current form, affordable housing should be perceived as a complement to social housing, rather than a substitute. CMHC never actually claimed it to be a replacement, but given that the social housing supply is relatively stagnant while the need for low-cost housing increases, affordable housing has been called upon to fill that role.
Accordingly, program reform can be achieved in one of two ways. The federal and provincial governments could either reinstate funding for new social housing as a means of addressing the needs of low-income households, or modify existing affordable housing programs to include much deeper subsidies. Either way, the legislative and delivery infrastructure is (for the most part) already in place. This is significant because it means that any program changes could be implemented quickly and easily. The obvious missing piece to this puzzle is simply greater and sustained investments from senior levels of government. However, given the efforts by CMHC and the federal government in the 1990s to get out of social housing, serious reengagement seems unlikely.
Chapter 6: Neoliberal Restructuring Under Devolved Governance – The Role of Path Dependency

Preceding chapters chronicle the creation and erosion of Canada’s social housing system. Initially established through federal initiatives, recent endeavors encouraging decentralization transform the roles and responsibilities of each level of government. However, despite efforts to devolve, the result is an incomplete and fragmented mix of governance for social housing. Depending on the province or territory, responsibility for program administration and funding rests at either the federal, provincial or municipal level.¹ A principal interest of this research is to determine whether or not identifiable variations emerge from different governance models. More specifically, this goal is achieved through the critical comparison of social housing portfolios in two major Canadian cities: Toronto, Ontario (ON) and Vancouver, British Columbia (BC).

The comparative analysis of neoliberal restructuring and devolution in Toronto and Vancouver is organized into three chapters. This first chapter launches an examination of ‘entrepreneurial’ mechanisms deployed by providers and government in both locales. The specific focus here is the use of strategies to generate new revenues and tactics to reduce operating costs. In the second chapter, urban entrepreneurialism is further explored through the study of public-private partnerships (PPPs). The final part

¹ For the remainder of the chapter, ‘province’ will refer to both ‘province or territory’.
combines and reflects upon these findings and presents conclusions regarding the level of governance – either municipal or provincial – and the neoliberalization of social housing.

The findings of this chapter highlight the important role of historical path dependency in shaping the restructuring possibilities that emerge in response to the devolution of social housing. In particular, the intense development of public and municipal non-profit housing in Toronto resulted in massive providers and created unique potential for asset leveraging and large-scale contracting. In contrast, the predominance of comparatively small private non-profits and co-operatives in Vancouver produced a number of community-based initiatives around social housing provision.

6.1 Theorizing Path Dependency

The concept of path dependency assumes the trajectory of a system or process develops in response to a series of historical circumstances and decisions (Martin and Sunley 2006; MacKinnon 2008; Wolfe 2010). This type of ‘evolutionary thinking’ is frequently applied to the study of how a broad set of economic, cultural and social factors impact the growth, direction and organization of economies (ibid). According to Martin and Sunley (2006), path dependency is premised on a belief of ‘non-ergodicity,’ which implies that a process cannot ‘shake free’ of its own past (p. 399). Even seemingly minor ‘accidents’ or ‘chance events’ can have significant long-term impacts and shape the future course of economies (Martin and Sunley 2006, p. 400). Put simply, *history matters.*

Despite this emphasis on historical legacies, it is important not to perceive path dependence as a form of determinism, or what Martin and Sunley (2006) refer to as ‘past dependence’ (p. 402). Instead, previous events and circumstances foster conditions that
make certain future outcomes more likely (MacKinnon 2008). Martin and Sunley (2006) elaborate on this notion:

Path dependence is a probabilistic and contingent process: at each moment in historical time the suite of possible future evolutionary trajectories (paths) of a technology, institution, firm or industry is conditioned by (contingent on) both the past and the current states of the system in question, and some of these paths are more likely to probable than others. The path thus sets the possibilities, while the present controls what possibility is to be explored (p. 402-403; brackets in original).

Ultimately, path dependency offers an interesting method of understanding and interpreting the evolution of certain systems or processes. In this study, the concept is employed specifically as a means of understanding how social housing sectors respond to various forms of neoliberal restructuring.

The origins of path dependency can be traced back to nineteenth century economists, such as Menger and Veblen (Martin and Sunley 2006). In particular, the study of evolutionary economics, which draws upon and applies select biological principles to the analysis of social systems, was important because it recognized the importance of historical processes in the study of economies (MacKinnon 2008). However, Hodgson (2001) argues mainstream economics ‘forgot history’ during the twentieth century (also in MacKinnon 2008). In the pursuit of universally applicable theories, many economists had become ‘insufficiently sensitive’ to the importance and impact of historical and geographical factors (Hodgson 2001, p. xiii). Nevertheless, the more recent and direct theoretical foundations of path dependency tend to be linked to the works of David (1985) and Arthur (1988) exploring the economic history of technology and non-linear economic processes, respectively (Martin and Simmie 2008). Together, their research has been influential in the study of growth and decline in cities or regions, especially in relation to changes in technology, industry life cycles, and the
role of institutions (Martin and Simmie 2008). Moreover, this style of analysis has since ‘spawned a variety of uses,’ and the notion of path dependency is now utilized widely across the social sciences, including the field of economic geography (Martin and Sunley 2006, p. 397).

Martin and Sunley (2006) argue path dependency is ‘inextricably bound up with geography,’ as space both shapes and is shaped by economic processes (p. 410). Geographers ‘spatialised’ the concept, and apply it to the study of patterns of regional growth and decline (MacKinnon 2008, p. 1449). Often deployed in the examination of growth and change in ‘high tech’ regions, economic geographers have discovered path dependency to be ‘locally contingent and locally emergent’ and ‘place dependent’ (Martin and Sunley 2006, p. 409). In response to the ‘growing corpus’ of research produced within the discipline (Martin and Sunley 2006, p. 409), MacKinnon (2008) suggests the concept of path dependency has become ‘widely adopted’ in economic geography (p. 1458).

Despite the increasing popularity of path dependency as a means of analyzing economic processes, there exists substantial ‘uncertainties and ambiguities’ about how the concept should be incorporated in geographical research (MacKinnon 2008, p. 1458). Likewise, Martin and Sunley (2006) express concern regarding ‘several unresolved issues’ on the topic (p. 404). These include the need for a better understanding of the causes, types and extents of path dependency; path destruction and the switch to new or alternative paths; and the role of human agency. Nevertheless, unanswered questions of how paths are created and the influence of multiple spatial scales are perhaps most pertinent to this study.
The creation of path dependency is often attributed to a random event or series of events assumed to be ‘serendipitous’ (Martin and Sunley 2006, p. 424; Martin and Simmie 2008, p. 188). However, Martin and Simmie (2008) suggest this, ‘reliance on random chance is not a good enough explanation (p. 188). In particular, the hypothesis that trajectories develop completely randomly fails to consider how ‘past history’ contributes to the formation of supposed ‘historical accidents’ (Martin and Sunley 2006, p. 424). Additionally, Martin and Simmie (2008) suggest an assumption of randomness reduces subsequent events and decision making to ‘merely descriptive history’ (p. 188). Furthermore, in most cases there is some combination of ‘merely happenstance’ events and ‘strategic purpose and deliberate action’ (Martin and Sunley 2006, p. 426). In particular, the agency and choices made by government or key stakeholders must be included in a more comprehensive understanding of path dependence.

Path dependence is also typically considered to be place dependent. However, Martin and Sunley (2006) caution that path dependency should not be perceived exclusively as a ‘locally emergent phenomena’ (p. 414). Despite a focus on ‘context specific, locally contingent’, Martin and Sunley (2006) suggest the process involves a ‘whole variety of spatial scales’ (p. 398; p. 414). Most importantly, the notion of path dependence as a ‘multiscaled process’ and the dynamics between different scales is an ‘almost wholly unexplored topic’ (p. 414).

The empirical findings presented in this chapter engage and explore a variety of factors that have and will continue to shape the way in which social housing in Toronto and Vancouver respond to forms of neoliberal restructuring. A critical understanding of
path dependency as an evolving and multi-faceted process serves as the theoretical framework though which this portion of the case-study comparison is conducted.

6.2 Case Study Context

At first glance, a basic distinction is readily apparent. Vancouver’s social housing stock continues to expand while Toronto’s supply remains stagnant. When the federal government terminated funding for new social housing, British Columbia was one of only two provinces to continue to launch new provincial programs (Irwin 2004; Pomeory and Falvo 2013). Similarly, the City of Vancouver provides at least partial financial assistance towards the development of even more new units within the city (City of Vancouver 2015). In contrast, the province of Ontario contributes only to cost-sharing components of recent federal initiatives. These programs tend to target affordable housing and stimulus-based repairs to existing social stock, but generally do not generate units offered at rent-g geared-to-income rates. Furthermore, the funding responsibilities for existing portfolios now imposed upon municipalities through the ‘double-devolution’ tend to pose a financial challenge. In most cases, local governments, such as Toronto, have little or no remaining fiscal capacity to create additional social housing. Nevertheless, a simple comparison of portfolio growth is not a litmus test for the ‘neoliberalization’ of subsidized housing. Moreover, continued investment in social housing does not mean British Columbia in general, and Vancouver in particular, is exempt from neoliberal processes.

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2 The other province was Quebec.
3 The city’s Housing and Homelessness Strategy 2012-2021 aims to create 5,000 new social housing units over a ten-year period.
4 The fundamental differences between social and affordable housing are explained in detail in Chapter 5.
The ‘Common Sense Revolution’ that swept through the province of Ontario in the mid-1990s is well documented (Keil 2002). Instigated by (then) premier Mike Harris, the movement launched a series of tax cuts, spending reductions and forms of government deregulation intended to decrease the public deficit and stimulate economic growth. While perhaps less renowned than the Harris regime, a similar set of policy measures were unleashed in British Columbia a short time later. Gordon Campbell was elected premier in 2001 under the promise of delivering ‘A New Era’ to the province (McBride and McNutt 2007). Like Harris, Campbell aspired to create the conditions he believed would attract investment and create jobs. This ‘new era’ in British Columbia also involved a series of ‘draconian cutbacks’ to social programs (Albo 2002, p. 47). Nevertheless, despite comparable circumstances, the tendency of neoliberalism to manifest itself in a variety of ways may well produce very different results across space (Brenner and Theodore 2002).

The need for long-term rent-geared-to-housing is on the rise (ONPHA 2015; Shapcott 2013; Klein and Copas 2010; BC Housing 2010). However, these demand increases occur in the midst of reduced funding. As a result, providers have no option but to experiment with new approaches to the delivery of housing. The Ontario Non-Profit Housing Association (ONPHA 2010) suggests providers are now ‘forced’ to embrace this new reality:

As the Provincial and Federal governments are compelled to reduce program dollars to non-profit and community-based programs and services, the organizations that operate those programs and services are increasingly forced to do as much, or more, with less funding. At the same time, the persistent need for existing and expanded programs and services is forcing many non-profits organizations to re-think how they do business and provide service. The historic model of on-going program funding from government is nearing extinction and non-profit organizations are being forced to evolve. To survive and grow they are, increasingly, becoming entrepreneurial (p. 3).
Accordingly, the following discussion has two primary objectives. The first goal is to compare and contrast the ‘entrepreneurial’ activities occurring within the social housing sectors of Toronto and Vancouver. The second is to consider if any observable variations are explained by differences in the extent to which social housing was devolved. More specifically, the chapter explores whether Toronto’s municipal responsibility for social housing produces results distinct from Vancouver’s provincial governance model.

6.3 Current Provincial Governance Models

The devolution of social housing in Canada was fragmented and incomplete. Chapter 4 outlined this process, especially questions of what, where and why downloading occurred. As a result, social housing in Ontario was transferred to the local level. Now, housing is administered and funded through a network of 47 Consolidated Municipal Service Managers (CMSM), which work directly with municipalities. However, in large municipalities, such as Toronto, the city is the service manager. In contrast, accountability for social housing in British Columbia, like most other parts of the country, was devolved only to the provincial level. Nevertheless, delivery and administration in British Columbia is achieved through a unique model not found elsewhere in Canada.

A ministry in charge of housing was established in the province of Ontario in 1973 (Rose 1980). Initially entitled the Ministry of Housing, the current Ministry of Municipal Affairs and Housing (MMAH) continues to provide policy direction, but devolution transformed its role from administrator to steward of social housing (Auditor General of Ontario; MMAH 2012; MMAH 2013). In contrast, social housing policy and administration in British Columbia remain at the provincial level, but occur through two
separate entities. In addition to a ministry responsible for housing, a crown corporation has an integral role.  

Although the precise title of Ontario’s agency responsible for housing has undergone small changes since its inception, the ministerial history of housing policy in British Columbia is far more peculiar. Over time, housing has been attached to a series of different and seemingly unrelated ministries. Furthermore, this idiosyncrasy is most apparent in recent years. For example, housing policy is currently developed through the *Ministry for Natural Gas Development and Responsible for Housing*. This seems strange, as natural gas and housing are unlikely pairings. However, the *minister* brings both elements together. Minister Rich Coleman has a background in and passion for housing, and as his provincial appointments change, the housing portfolio follows him. An interviewee explains this connection:

[Housing policy has] been through several different ministries, three at least, but the commonality is that we've retained Minister Coleman as our housing Minister. He has a background in housing. He was involved with some non-profit housing providers and as a developer prior to entering politics, so I think he has a good understanding of the sector, and a keen interest in housing issues (Government agency or crown corporation).

Furthermore, housing was previously appended to the Ministry of Energy and Mines, which is another example of an outwardly strange coupling:

You might find it odd that we're attached to the Ministry of Energy and Mines... If you actually look at the history over the past few years, we've been attached to the Ministry of Housing and Social Development. We were in the Solicitor General's Office for a while. We were in the Ministry of Forests for a while, and now we're in the Ministry of Energy – but the common denominator is the minister, who has a passion for housing. And so the crown corporation and the policy function has continued to report to that same minister over the last 6 years. So really it's just a function of Rich Coleman, the Housing Minister, and the premier, allowing him and continuing to give him the housing portfolio because he has a passion for it and has done some pretty amazing things over the last 6 years that he's had that portfolio (Government agency or crown corporation).

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5 A crown corporation distinct from CMHC.
Regardless of interesting nomenclature, perhaps the most significant characteristic of housing at the provincial level in British Columbia is the existence of a separate crown corporation.

B.C. Housing Management Commission was launched in 1967 as a crown corporation (Rose 1980). Now known simply as BC Housing, the corporation has a fundamental role in the provision of all types of housing across the province. The ministry determines housing priorities, develops strategic policy direction, and provides funding, while BC Housing is responsible for implementation and delivery. For example, within social housing this includes direct ownership and management of public housing, administration of agreements with non-profits, co-operatives, and rent supplements, as well as new development and redevelopment options. This is revealed in the interview excerpt below:

BC Housing manages government programs and services in social and affordable housing… It covers the whole spectrum of housing assistance in the province. [BC Housing] also owns and manages 8,000 units of public housing. So unlike the Ontario model, housing was not devolved down to the municipal level, so BC Housing manages all of the historical public housing. There were about 7,800 units built in that post-war period up until the mid 70s, and then since the mid 70s, the non-profit model, so developing new housing in partnership with non-profits, and we manage all of the rent supplement and shelter allowance programs as well. So it's a bit of a unique organization that exists. There's not one that exists like it across the country that is responsible for that entire range of programs and services (Government agency or crown corporation).

In total, BC Housing directly manages 7,200 public housing units, and works in concert with more than 800 non-profit and co-operative providers for an additional 59,100 units (BC Housing 2010 B; BC Housing A). Across the entire continuum of subsidized

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6 Other provinces also created crown corporations in the housing field, but BC Housing was unique in terms of its role and authority.

7 An interviewee described the rational behind this separation in the following way: The way it works, in a certain way, they would say it is a good practice to separate steering and rowing (Research and policy).
housing, the corporation assisted more than 102,500 households during 2014/15 (BC Housing 2015 A). Furthermore, this uniqueness extends beyond the range of housing services offered. In most provinces, such duties are performed through the ministry. However, BC Housing operates at ‘arms length’:

If you look across the provinces, British Columbia is unique in that BC Housing is a separate entity. No other provinces have a completely arms-length organization that manages government's housing programs (Government agency or crown corporation).

This is significant, since operating as a crown corporation enables BC Housing to reduce the need for ministerial approval and reporting:

The way crown corporations are set up is they report through a board of directors to the minister, so there isn't a reporting relationship into the ministry bureaucracy itself. [BC Housing] works quite closely with the ministry bureaucracy around policy and program development, but the reporting relationship is through the board, to the minister (Government or crown corporation).

In theory, increased independence facilitates more rapid decision-making and responsiveness. Additionally, proponents of this model argue it increases the potential to make ‘direct impact’ in housing needs, as explained by an interviewee:

I believe this is a far superior model because you're a separate crown corporation. You report to a board of directors. You are somewhat distant from the shackles of government, and you're able to act and make decisions a lot more independently of government. Now, my colleagues might not agree with that, but I think in general they would, when they look at this particular model. It is self-contained, has the entire range of responsibilities, so you can have a more direct impact (Government or crown corporation).

Whether or not a separate crown corporation is the ‘ideal’ model, BC Housing is a certainly a unique and integral part of the way in which social housing is delivered in British Columbia. Moreover, clear delineations of current provincial frameworks serve as a good starting point to further understand the key themes of this chapter.
6.4 Historical Trajectories: Creating Local Social Housing Portfolios

6.4.1 Overview of Current Portfolios

A substantial supply of affordable housing is critical for large urban centers, and Toronto and Vancouver are no exceptions. Recent tallies assess the size of social housing portfolios in the City of Toronto and the City of Vancouver at 93,404 and 23,507 units, respectively (City of Toronto 2015; Metro Vancouver 2015, p. 4.5). At nearly four times the size, Toronto’s stock of social housing is significantly larger than Vancouver’s. This is not surprising given that the City of Toronto’s population greatly exceeds the City of Vancouver. Similarly, Ontario has far more total social housing than British Columbia, as shown in Table 6.1. However, each city’s portfolio varies more than by sheer size.

<table>
<thead>
<tr>
<th>Province</th>
<th>Number of Units</th>
<th>Percentage of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ontario</td>
<td>224,173</td>
<td>37.8%</td>
</tr>
<tr>
<td>Quebec</td>
<td>126,037</td>
<td>21.2%</td>
</tr>
<tr>
<td>British Columbia</td>
<td>71,708</td>
<td>12.1%</td>
</tr>
<tr>
<td>Alberta</td>
<td>38,793</td>
<td>6.5%</td>
</tr>
<tr>
<td>Manitoba</td>
<td>37,483</td>
<td>6.3%</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>33,868</td>
<td>5.7%</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>21,739</td>
<td>3.7%</td>
</tr>
<tr>
<td>Nova Scotia</td>
<td>16,118</td>
<td>2.7%</td>
</tr>
<tr>
<td>Newfoundland</td>
<td>13,285</td>
<td>2.2%</td>
</tr>
<tr>
<td>NWT and NVT</td>
<td>5,955</td>
<td>1.0%</td>
</tr>
<tr>
<td>Prince Edward Island</td>
<td>3,373</td>
<td>0.5%</td>
</tr>
<tr>
<td>Yukon</td>
<td>804</td>
<td>0.1%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>593,338</strong></td>
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</tbody>
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Table 6.1: Total Social Housing Units by Province, 1995


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8 The City of Toronto’s figure is valid as of April 1, 2015 and the City of Vancouver total was derived in December 2014.

9 As of July 2015, an estimated 2,808,503 people lived in the City of Toronto, while the census metropolitan area contained 6,055,724 inhabitants respectively (City of Toronto 2015 A). At the same time, the populations of the City of Vancouver and the Greater Vancouver CMA population were assessed at 648,608 and 2,513,869 (BC Stats 2016).
The composition of social housing portfolios in Toronto and Vancouver are dramatically dissimilar. The legacy of large public housing and municipal non-profit corporations dominate Toronto, whereas Vancouver’s stock is comprised primarily of smaller private non-profits and co-operatives. This is reflected in disparate organizational structures in each province. Ontario now exhibits a decentralized system of local housing authorities and municipal housing companies, many of which are large and sophisticated. British Columbia utilizes a more centralized approach, built around a crown corporation that is directly engaged in many aspects of provision, thus reducing the need for the same degree of municipal involvement as in Ontario. Such differences are explained by unique sets of historical circumstances and regional preferences. Decades later, factors such as the size or scale of housing providers and ownership structure now shape current and future options for entrepreneurial action. For example, large government-owned social housing corporations have greater potential to leverage major assets, while small privately owned non-profits are more likely to develop local grassroots initiatives. To further demonstrate these ideas, it is essential to trace the history and development of social housing in both case study sites.

6.4.2 Public Housing
Public housing programs were the first to produce large volumes of rent-geared-to-income units. Although various public housing programs existed under a series of sections within the National Housing Act (NHA) from 1949 until the 1980s, the most intense period of construction occurred between 1964 and 1973. These cost-sharing initiatives between the senior levels of government were dependent on provincial interest, which varied significantly across Canada. Despite Ontario’s ostensible disengagement in recent years, the province was an early leader in the creation of social
housing, especially public housing. In fact, Ontario produced public housing at a rate more voracious than anywhere else in the country. Furthermore, Bacher (1993) claims that in some years the province, “consum[ed] all of the federal government’s social-housing allocation” (p. 11). By 1970, 64 percent of all public housing stock was built in Ontario (Dennis and Fish 1972). The second largest supply was found in Quebec, representing only 14 percent. Similarly, the Maritime and Prairie provinces had a combined 9 and 7 percent, respectively, while British Columbia contained only 6 percent of the national total (ibid). Since that time, similar trends continued. Nearly half of all current public housing stock is in Ontario, whereas British Columbia has less than 4 percent. A full breakdown Canada-wide is shown in Table 6.2.

<table>
<thead>
<tr>
<th>Province</th>
<th>Number of Units</th>
<th>Percentage of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ontario</td>
<td>96,861</td>
<td>47.4%</td>
</tr>
<tr>
<td>Quebec</td>
<td>35,219</td>
<td>17.2%</td>
</tr>
<tr>
<td>Alberta</td>
<td>16,849</td>
<td>8.2%</td>
</tr>
<tr>
<td>Manitoba</td>
<td>12,554</td>
<td>6.1%</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>12,049</td>
<td>5.9%</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>10,024</td>
<td>4.9%</td>
</tr>
<tr>
<td>British Columbia</td>
<td>7,835</td>
<td>3.8%</td>
</tr>
<tr>
<td>Newfoundland</td>
<td>4,652</td>
<td>2.3%</td>
</tr>
<tr>
<td>Nova Scotia</td>
<td>3,894</td>
<td>1.9%</td>
</tr>
<tr>
<td>NWT and NVT</td>
<td>3,331</td>
<td>1.6%</td>
</tr>
<tr>
<td>Prince Edward Island</td>
<td>954</td>
<td>0.005%</td>
</tr>
<tr>
<td>Yukon</td>
<td>230</td>
<td>0.001%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>204,452</strong></td>
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In addition to total counts, there is significant variation in terms of public housing as a proportion of a province’s entire social housing portfolio. For example, public housing
comprises more than half of all social units in Northwest Territories and Nunavut. Similarly, the fifty percent demarcation is nearly reached in Ontario, New Brunswick and Alberta. In contrast, only one-tenth of British Columbia’s social stock is public housing, a figure significantly lower than any other province. This is demonstrated below in Table 6.3. Furthermore, the distribution of public housing also tends to be unevenly distributed within provinces.

<table>
<thead>
<tr>
<th>Province</th>
<th>Percentage of Total Social Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>NWT and NVT</td>
<td>55.9%</td>
</tr>
<tr>
<td>New Brunswick</td>
<td>46.1%</td>
</tr>
<tr>
<td>Alberta</td>
<td>43.4%</td>
</tr>
<tr>
<td>Ontario</td>
<td>43.2%</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>36.4%</td>
</tr>
<tr>
<td>Newfoundland</td>
<td>35.0%</td>
</tr>
<tr>
<td>Manitoba</td>
<td>33.5%</td>
</tr>
<tr>
<td>Quebec</td>
<td>30.9%</td>
</tr>
<tr>
<td>Yukon</td>
<td>28.6%</td>
</tr>
<tr>
<td>Prince Edward Island</td>
<td>28.2%</td>
</tr>
<tr>
<td>Nova Scotia</td>
<td>24.2%</td>
</tr>
<tr>
<td>British Columbia</td>
<td>10.9%</td>
</tr>
</tbody>
</table>

**Provincial Mean: 34.7% Public Housing**


The majority of public housing was constructed in large urban centres. At the time of Dennis and Fish’s (1972) study, more than three-quarters of the supply was built in municipalities with populations exceeding 100,000. In particular, a disproportionate amount was developed in Toronto. Out of a total 70,000 units Canada-wide, 25,000 units
were located in Toronto. Frisken (2007) also emphasizes the high proportion of public housing in Ontario’s largest city:

Public housing enjoyed greater success in Metropolitan Toronto than in other parts of Canada. In 1964 Metro accounted for only 9 per cent of Canada’s population but 30 per cent of Canada’s total supply of family public housing. Similarly, with just over a quarter of Ontario’s population, it had half of all family public housing built in the province by 1964 (p. 96).

Montreal had the next largest public housing portfolio, but at only 6,000 units it represented a mere fraction of Toronto’s total (Dennis and Fish 1972). Ottawa had the third most with 5,000 units, while Vancouver and Hamilton both had 3,500 (ibid). Other municipalities such as Halifax, Windsor, London and Kitchener each contained between 1,500 and 2,000 units (ibid). Although public housing projects can be typically categorized as large in size, the exact number of units varied.

The Hellyer Report (1969) determined the average size of a public housing project in Canada was 77 units. This number tended to be greater in metropolitan areas, including Toronto and Vancouver. However, in response to the concerns of size and density noted in the study, the scale of subsequent projects was reduced in most jurisdictions. Nevertheless, Dennis and Fish (1972) identify the reverse of this trend in Ontario, especially Toronto:

Throughout the West and B.C. there has been a significant shift away from large scale public housing projects since the Hellyer Report. … In Ontario, the situation is reversed. In such large cities as Hamilton, Ottawa and Windsor, average project size runs about 100 units. In Metropolitan Toronto, however, constant pressure of rising costs has led the provincial corporation to build large-scale and frequently high-rise, low bedroom count projects. Average project size in Metropolitan Toronto since 1964 has been 231 units and in the City of Toronto 340 units. It should be noted, however, that these are averages and there is a considerable number of projects in excess of 231 and even 340 units in the Metropolitan Toronto area (p. 182).

Given the concerns of social problems identified by Hellyer, which were generally reinforced in studies by Lithwick (1970) and Dennis and Fish (1972), the public housing
model was largely abandoned after 1973 in favour of smaller, community-based non-profit and co-operative housing. Nevertheless, before proceeding further, it is prudent to explain in more detail why the outcomes of public housing development in Ontario and British Columbia are so divergent.

The volume of public housing is primarily dependent on provincial initiative. While Ontario was described as a ‘voracious’ builder in the early housing programs, British Columbia was, “cautious in its expansion of the public housing stock and clearly was opposed to the concepts underlying public intervention in the housing market” (Rose 1980, p. 81-82). This attitude of disinterest remained constant until a change of political leadership occurring in 1972 (Rose 1980). However, discrepancies are also explained by the balance of power in housing matters between a province and its municipalities. More specifically, the ability of local governments to either approve or reject development proposals is a contributing factor.

The lead role in public housing development differed significantly between British Columbia and Ontario. In British Columbia, this process was considered a municipal initiative, as Dennis and Fish (1972) explain:

> British Columbia has no stated public housing program or goal. It relies entirely on municipal initiative, and views its major role as controlling cost and design standards. … The municipality “plans” for public housing as the need is felt on a year to year basis (p. 186).

As a result, developments required municipal approval. Although some public housing projects were built in less desirable and valuable neighbourhoods of Vancouver, proposals in surrounding areas were often rejected.¹⁰

> Public housing projects in Vancouver are clustered heavily around the core of the City, mainly on the east side or in the south end. The only public housing projects

¹⁰ Or at least neighbourhoods that were deemed less desirable and valuable at that time.
that have been located outside the City have been for senior citizen housing. There is considerable suburban opposition to any form of low-income housing and to public housing in particular. The suburban municipalities have taken the position that low-income housing will serve only the central city poor – presumably on the assumption that no low-income people reside in the suburbs or that such people would not be housed in low-income projects developed in their municipalities – and housing the central city poor is not a suburban obligation… In any case, the outlying areas have decided against providing public housing (Dennis and Fish 1972, p. 187; italics in original).

The ability of municipalities to serve as gatekeeper ultimately limited the overall production of public housing across the province. However, the reverse arrangement existed in Ontario.

Instead of relying on municipal initiative, the province of Ontario was primarily responsible for determining the location of public housing projects.\textsuperscript{11} Local governments had little involvement in the approval or rejection of development proposals.\textsuperscript{12} Dennis and Fish (1972) describe this in stark contrast to the approval process in Vancouver:

Unlike Vancouver, as long as the proposed project meets the local zoning requirements the individual municipalities have no further say in whether or not public housing will be located within their borders (p. 191).

Consequently, in many cases public housing was developed, “over the opposition of individual municipalities” (Dennis and Fish 1972, p. 189). This ability to impose projects reflects CMHC’s desire to keep provinces content and engaged. As responsibility to drive public housing development increasingly shifted to the provinces, federal interference was often minimized:

No attempt was made by CMHC to establish policies to govern section 43 approvals until the (never implemented) guidelines were suggested following the

\textsuperscript{11} A similar approach was also used in Quebec, Manitoba, New Brunswick and Nova Scotia (Dennis and Fish 1972).
\textsuperscript{12} In the case of Metropolitan Toronto, the metropolitan government negotiated with the Ontario Housing Corporation (Dennis and Fish 1972).
Hellyer Report. To a certain extent, this might be explained as giving the provinces in general, and Ontario in particular, a chance to feel their way. The federal government had invested a considerable period of time in trying to persuade the provinces to take over responsibility for low-income housing; clearly the government did not wish to jeopardize its success in convincing the provinces to do so by laying down new rules for the provinces to follow (Dennis and Fish 1972, p. 189).

This enabled Ontario to assemble a substantial stock of public housing, often regardless of municipal preference. This flurry of activity was coordinated through a provincial housing corporation.

As provincial autonomy in the field of public housing grew, it was important to create a dedicated agency to execute these increasing responsibilities (OHC 1998). The Ontario Housing Corporation (OHC) was established in 1964 as an agency for the Ministry of Housing (MTHA 1993). The newly formed corporation assumed responsibility for 39 local housing authorities (LHAs) province wide, most of which existed since the 1950s (OHC 1998). Initial priorities focused heavily on new development, but as future programs funded non-profits and co-operatives instead of public housing, efforts shifted to the management and maintenance of this stock (OHC 1998). Additionally, while provincial housing corporations were borne out of the federal government’s efforts to decentralize, the OHC attempted to centralize public housing in Ontario:

13 Section 43 of the National Housing Act was specific to the development of public housing.
14 Similar provincial housing corporations were established across Canada. A chronological list is shown below:
Nova Scotia Department of Housing (1932); Ontario Housing Corporation (1964); Alberta Housing Corporation (1967); British Columbia Housing Management Commission (1967); Manitoba Housing and Renewal Corporation (1967); New Brunswick Housing Corporation (1967); Newfoundland and Labrador Housing Corporation (1967); Société d’habitation du Québec; Prince Edward Island Housing Corporation; Yukon Housing Corporation; Northwest Territories Housing Corporation (1972); Saskatchewan Housing Corporation (1973) (in Miron 1993, p. 404-405).
The years 1964 through 1978, constituted a period of substantial decentralization, on the one hand, from the government of Canada through its agency, the Central (now Canada) Mortgage and Housing Corporation, to the agencies of the province, specifically in this case, the Ontario Housing Corporation. At the same time, within the province of Ontario there was a trend towards centralization of policy formulation and decision making by the Ontario Housing Corporation, created in August 1965. This was the process, although there were more than 20 so-called federal/provincial local housing authorities in both large and small urban centres in Ontario (MTHA 1981, p. 1-2).

In some cases, local housing authorities were even dissolved in attempts to consolidate public housing across the province (MTHA 1981). Nevertheless, this imperative changed again in the mid 1970s, and the OHC now wished to *de*-centralize.

The decentralization of public housing management in Ontario revolved around a series of local housing authorities. Therefore, numerous functions were returned to the local level:

From about 1974-75, the government of Ontario determined to decentralize the administration, operation and maintenance of its large and still growing stock of public housing accommodation, to local housing authorities already in existence, and where these did not exist, it was determined to create new public agencies to manage the publically assisted housing accommodation. ... All of the accommodation directly managed by the Ontario Housing Corporation itself within the province, with very slight exception, had been turned over to the administration of relatively new authorities. Since the creation of a housing authority recently in the regional municipality of York, the number is now 61 and the process is complete (MTHA 1981, p. 2-3).

The corporation justified these changes as a ‘grassroots’ approach to social housing, one that brings operations closer to the communities and residents:

The thrust of the reorganization was aimed at putting social housing in every community in the province in the hands of local citizens who live and work in the community, and thus are sensitive to particular needs in the area (OHC 1984, p. 42).

However, according to Sewell (1994), decentralization was instead deployed as a tactic to enable the province to ‘distance itself’ from the mounting criticisms against large public housing projects:

In the mid-1970s, as criticism of projects grew, the provincial government wanted to distance itself from day-to-day management in order to avoid criticism. It was then
decided to establish housing authorities in municipalities where there were housing projects. These local authorities would provide day-to-day management. The local housing authority would consist of representatives of the province, the federal government and the regional or county government (p. 144).

Nevertheless, up until devolution, the Ontario Housing Corporation amassed 84,000 units of public housing spread across a network of more than 60 local housing authorities (OHC 1984). The Metropolitan Toronto Housing Authority is a prime example of one such LHA.

The Metropolitan Toronto Housing Authority (MTHA) was formed to administer federal and provincially subsidized public housing within the former Metropolitan Toronto area.\(^\text{15}\) Some sources cite 1980 as the organization’s year of establishment (MTHA 2000A; MTHA 1993). However, a local housing authority of the same name was launched in 1955 in order to manage Toronto’s first public projects, including Regent Park South and Lawrence Heights. Nevertheless, this earliest form of the Metropolitan Toronto Housing Authority was dissolved in 1964 and absorbed by the newly founded Ontario Housing Corporation, only to be reinstated again in 1980 (MTHA 1981). Thus, the history of MTHA clearly reflects the province’s flip-flopping preferences towards centralization and decentralization. By the time of devolution in Ontario, Metro Toronto Housing Authority managed 29,404 rent-geared-to-income units across the city (MTHA 2000A). A portfolio of this size housed 121,000 residents, the majority of which were families (ibid). Accordingly, MTHA was referred to as ‘Canada’s largest landlord’ (MTHA 1993). This decentralized model of local housing authorities is contrasted with the approach used in British Columbia.

\(^{15}\) The transformation from Metropolitan Toronto to the current City of Toronto is addressed later in the chapter.
Instead of a system of local authorities, the development and management of public housing in British Columbia continues to be accomplished centrally through BC Housing. The province had two local housing authorities, but like Ontario, they were dissolved when the crown corporation was established (Rose 1980). However, although public housing in British Columbia experienced a similar process of centralization, it never underwent subsequent decentralization. Rather than creating a vast network to operate at the local level, British Columbia’s comparatively small volume meant a centralized approach was sufficient. In the end, this earliest variant of social housing developed differently in each province, as well as in Toronto and Vancouver. Nevertheless, as noted earlier, non-profit and co-operative models soon replaced public housing. Once again, however, Ontario and British Columbia developed these newer forms of social housing in different ways.

6.4.3 Non-Profit Housing

Beginning in 1973, non-profit and co-operatives were the preferred method of providing subsidized housing. Although the structure of these programs evolved over time, both models prevailed until the federal government terminated new funding decades later. Since public housing comprised roughly one-tenth of British Columbia’s social portfolio, the overwhelming balance is composed of non-profits and co-operatives. An interviewee emphasizes the province’s preference towards non-profit housing:

[British Columbia’s] overwhelming preference has been to fund non-profit housing. I think what it does do is leverage capacity within the non-profit sector... Well-meaning organizations across the province who have demonstrated a big capacity for bringing resources into the housing sector. [British Columbia’s] emphasis remains, and has always been, on a partnership model with non-profits and I think it's been very successful in the province (Government agency or crown corporation).

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16 Vancouver Housing Authority and Prince Rupert Housing Authority.
Ontario’s large stock of public housing means these mixed-income forms represent a smaller proportion of total units, but still exceed British Columbia in overall numbers. Perhaps the most notable distinction between the two provinces is the assortment of non-profit housing that exists.

There are two distinct types of non-profit housing in Canada: private and municipal. Private non-profits (PNP) are owned and operated by charitable, community or religious groups (Sousa and Quarter; ONPHA D). Municipal non-profits (MNP) are owned and managed by local governments. A simple comparison of features that distinguish non-profits, co-operative and public housing is presented in Table 6.4.

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<thead>
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<th>Table 6.4: Comparison of Social Housing Models</th>
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<td>Feature</td>
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<tr>
<td>Number of Units</td>
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<tr>
<td>Stakeholder in decision making</td>
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<td>Governance structure</td>
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<td>Level of Resident Involvement</td>
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Source: Sousa and Quarter 2003, p. 599.

The differences most relevant to this discussion are governance structure and number of units. While both types of non-profits must operate within the parameters defined in their operating agreements, private non-profits are able to function more independently from government. Municipal non-profits ‘operate at arm’s length,’ but local governments are directly engaged in funding and leadership appointment (Sousa and Quarter 2003, p.
As a result, municipal non-profits are more likely to be influenced by local political and economic priorities. There is also often a considerable size difference between the two. Private non-profits are typically composed of fewer than 100 units, which is comparable to many co-operatives (Sousa and Quarter 2003). However, most municipal non-profits are larger, often containing between 100 and 1000 units (ibid). In fact, the biggest feature more than 10,000 units (Pomeroy 2009). Therefore, one variety is a small, privately and independently owned housing provider, whereas the other is a large, government-owned asset. While a mixture of both types exists in Ontario, most of British Columbia’s non-profit portfolio is private.

Many local governments in Ontario own a municipal non-profit housing provider. In fact, more than 100 exist across the province (ONPHA). In contrast, there are only three municipal non-profit housing corporations in British Columbia. One of these is found in Vancouver, as noted in the following interview excerpt:

The City of Vancouver has a housing company as well. But unlike Ontario, where you have Ottawa, Toronto… A lot of the regional municipalities have their housing companies… Barrie has a housing company, and even some of the smaller municipalities, only three in BC have [municipal non-profits]. Where we’ve partnered with local governments is around facilitating the development of new housing (Government agency or crown corporation).

As a larger province with a bigger total social housing portfolio, perhaps it is not surprising that Ontario has more municipal non-profits. However, the degree of difference is astounding. Part of this variation is explained by divergent provincial priorities in the targeting of social housing at the time.
A (then) new section of the National Housing Act responsible for the creation of non-profit and co-operative housing was a unilaterally federal program. However, if provinces opted to contribute matching funding, they could decide how the housing was targeted. British Columbia chose to focus on seniors and supportive housing, whereas Ontario created municipal non-profits, which included low-income families. An interviewee explains these decisions:

While section 56.1 was unilateral federal, provinces/territories had the option to be the active party and increase targeting if they matched subsidy. They could elect to deliver a subset of the program. BC elected to deliver only for seniors and special needs, but via private non-profit ownership. In Ontario, the province elected to deliver the municipal non-profit part and so actively promoted and supported the creation of municipal MNP subsidiaries across the province. They were far more proactive than in most other provinces/territories (Former government agency or crown corporation).

Given these priorities, the type of non-profits emphasized in each province is logical. For example, seniors and special needs housing is better achieved through relatively small, specialized providers, as the same interview participant clarifies:

[Private non-profits] were just a better program fit with their responsibility for seniors and health (Former government agency or crown corporation).

As noted, Ontario was more proactive in the creation of municipal non-profits than most provinces. In fact, municipal non-profits were more common in Ontario than Quebec, which was historically the second most active province in the field of social housing. While provinces typically delivered public housing, municipalities in Quebec had an important role. As a result, funding for non-profits was applied to these existing providers, rather than creating new and separate municipal corporations, as explained through the interview excerpt below:

In Quebec, unlike Ontario, public housing included a direct municipal role and financial contribution (12.5%) so they already had a form of MNP prior to 1973.

17 Section 56.1 of the NHA was later renumbered as section 95.
They essentially retained and expanded those municipal providers using the new section 56.1 program. It had been different in Ontario - while the Ontario Housing Corporation owned and managed a provincial portfolio of public housing assets, they created local housing authorities – provincially appointed boards, which were completely separate from the municipal structure. So new MNPs had to be created in Ontario (Former government agency or crown corporation).

Nevertheless, despite the provincial differences highlighted above, municipal non-profits are found in both case study sites.

Metro Vancouver Housing Corporation (MVHC) provides affordable non-profit housing across the metropolitan region, including the City of Vancouver. Established in 1974 as the Greater Vancouver Housing Corporation, the organization owns and operates a portfolio of 49 developments in 11 municipalities (Metro Vancouver A; Metro Vancouver B).18 This amounts to a portfolio of approximately 3,500 units, which houses more than 10,000 residents (GVRD 2006; Metro Vancouver B). It is difficult to isolate precisely how many units are located within the City of Vancouver, but it contains more complexes (13 of 49) than any other municipality in the metropolitan region (Metro Vancouver B). Regardless, the size of MVHC is considerably smaller than the stock of municipal non-profit housing built in Toronto.

Municipal non-profit housing in Toronto developed under two parallel providers. The first owned and operated units in the old City of Toronto, whereas the other took responsibility for the surrounding Municipality of Metropolitan Toronto.19 Each provider’s name clearly identifies its corresponding jurisdiction. The City of Toronto Non-Profit Housing Corporation, better known as Cityhome, was established in 1974 in response to new federal and provincial investments in mixed income housing programs

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18 The name ‘Metro Vancouver Housing Corporation’ was adopted in 2007 (Metro Vancouver A).
19 The current City of Toronto is the result of an amalgamation process that unified the city core with the Metropolitan Toronto. This is addressed in further detail later.
The Metropolitan Toronto Housing Company Limited formed in 1954, first functioning primarily as a developer of seniors housing. Furthermore, the company was considered a ‘private’ company ‘created under the auspices of the Municipality of Metropolitan Toronto’ (McMahon 1990, p. 41). The local government was sole shareholder, but it was created as a private entity in attempts to distance itself from bureaucratic complexity:

It represented a vehicle for gaining access to federal and provincial funds, without all the joint decision-making difficulties that were the downfall of the federal-provincial housing partnership. As such, the Housing Company came to be seen as the prospective core of a new and unified Metropolitan Toronto housing agency (McMahon 1990, p. 41).

Together, Cityhome and the Metro Housing Company produced more than 7,600 and 18,000 units of non-profit housing in Toronto, respectively, a figure that greatly exceeds Vancouver’s municipal provider (Cityhome 1996; McMahon 1990). Ultimately, these types of historical decisions, such as the intensity of participation in public housing programs and preferences to develop small private non-profits or large municipal corporations, have shaped the social housing portfolios that exist currently in Toronto and Vancouver. More recently, however, devolution is a further factor.

Along with responsibility for administration and funding, devolution transferred the ownership of social housing assets from one level of government to another. Since the download process in British Columbia ended at the province, municipal portfolios are virtually unchanged. However, the situation in Ontario is dramatically different. All social housing units included in the ‘double devolution’ are now under the jurisdiction of the service manager. This means past federal and provincial stock, which varied by program, is now lumped together at the local level. Therefore, service managers are tasked with determining how to deal with this assortment of assets and program types.
For example, many local governments now controlled both a local public housing authority and a municipal non-profit. Given this ‘duplication,’ there was a ‘flurry of activity on mergers and amalgamations’ (Pomeroy 2009, p. 15). However, this process did not occur uniformly across Ontario. Some service managers chose to combine both entities, while others maintained two separate agencies (Pomeroy 2009). The situation was even more complex in Toronto.

Toronto became responsible for three local social housing agencies in the wake of provincial devolution. Instead of maintaining each independently, all of them were bundled into one large local provider (Pomeroy 2009). An interview excerpt further elaborates upon this course of action:

> It is better to think of it as joining together municipally owned housing and what was formally provincially owned housing. The legislation came into effect in 2000, but the actual implementation of that legislation didn’t happen until 2001. While municipalities started paying for housing sort of almost immediately from 98 or 99 on, they did not actually get ownership of the provincial housing stock till late 2001 and so there was a debate at City Council in 2001 – what should the outcome be? What should the form be? And there were a couple of options in front of City Council. One was to continue to operate these entities as separate distinct entities and the other one, in different ways to create a single City owned housing entity and ultimately that’s the way council went (Former social housing provider).

This process occurred in two phases. The first involved combining the two municipal non-profit providers, and the second required preparing the provincial public housing portfolio for integration.

The current City of Toronto was created through a process of amalgamation. Six constituent townships composing the Municipality of Metropolitan Toronto, including the old City of Toronto, were consolidated in 1998 to form one large megacity (Redway 2014). Although an independent event of social housing devolution, this amalgamation was encouraged by (then) Premier Mike Harris as a cost-saving mechanism (ibid).
Nevertheless, once a unified local government replaced the metropolitan system, both municipal non-profits were combined. Thus, Cityhome and the Metro Toronto Housing Company Limited joined to form the Toronto Housing Company (TCHC). An interview participant further explains this development:

City Council looked at this issue twice. First, at the time of the amalgamation of the City of Toronto a decision was made to amalgamate Metro Toronto Housing Company Limited, which was primarily seniors housing, with what was then called Cityhome, which was the old City of Toronto’s municipal non-profit, primarily family housing – so fairly different entities and different histories, but the decision was to bring them together into a single entity, which was fine. Council looked at that as part of its amalgamation process and the decision was taken in 1998 to bring those two entities together (Former social housing provider).

Next, the local housing authorities that operated public housing needed to be transformed prior to integration with local service managers.

While responsible for management and administration, local housing authorities did not own any assets. The Ontario Housing Corporation held all assets and was required to transfer them to municipalities in accordance to the Social Housing Reform Act. Therefore, local housing authorities (LHAs) had to be converted into local housing corporations (LHCs) in order to receive control of public housing land and buildings:

The housing authorities in fact did not own assets. They were not really corporate entities. In a sense, they were kind of statutory authorities and under provincial control. The province owned the land... The land may have been in what was called the Ontario Housing Corporation – it was the owner of the lands. It entered into agreements with different funding agencies and it was a statutorily created corporation within the Government of Ontario... It was really an administrative arm of the Ministry of Municipal Affairs and Housing. The way in which they transferred the assets was they created housing corporations, where there had been Housing Authorities. They created housing corporations and then the assets were transferred into those Corporations (Former social housing provider).

For example, the Metro Toronto Housing Association was reconfigured into the Metro Toronto Housing Corporation. Only after both municipal non-profits were unified and

20 The Toronto Housing Company is not to be confused with the future Toronto Community Housing Corporation.
the former provincial public housing assets were ready for transfer to the local
government was it possible to create one large provider encompassing all government
owned units. An interviewee summarizes the overall process:

Those two [municipal non-profits] combined to become Toronto Housing Company
and ultimately with the provincial units it was combined to become Toronto
Community Housing Corporation, so it was kind of a two step, three year process of
gathering all the publicly owned housing corporations into a single corporation… So
they made that decision in the Fall or late Fall of 2001 and the Toronto Community
Housing, the sort of the start-up date was January 1 2002 (Former social housing
provider).

Thus, a single city-owned housing agency was born.

Toronto Community Housing Corporation (TCHC), often referred to simply as
Toronto Community Housing, was established in 2002. With a portfolio of nearly 60,000
units across 2,200 sites, the city-owned provider is by far the largest in Canada, and
second largest in North America (TCHC C). In fact, referring back to Figure 6.1, Toronto
Community Housing is larger than most provincial portfolios. Furthermore, although
private non-profits, co-operatives and urban native housing all play an important role,
TCHC dominates the city’s overall portfolio, constituting an overwhelming 63 percent of
all social stock in Toronto (City of Toronto 2015 B). Therefore, the term mega-provider
seems appropriate. No equivalent agency exists in Vancouver, which is an essential
distinction between the two case study sites. Additionally, although less pronounced than
the disparity between municipal non-profits, the size of co-operatives also differs.

6.4.4 Co-operative Housing

Housing co-operatives in Toronto are typically larger than in Vancouver. For example,
the average co-operative in Toronto contains nearly twice as many units compared to
British Columbia’s provincial mean. This incongruity was noted during an interview:
The average co-op in Toronto is about twice as large as a co-op in BC. A co-op in BC is about 55 units, on average. There is a range, 5 to 240, but 55 is the average. In Toronto, the average is 105 (Sector organization).

Furthermore, the sizeable nature also greatly exceeds the average size in Quebec, the province that developed the second most co-operatives after Ontario. This is explained by the fact that co-operatives sector in Quebec tended to use program funding to rehabilitate and convert existing small-scale rental stock, rather than build new properties. As described in the following except, the ‘new-construction’ model applied elsewhere required greater economies of scale:

In Quebec, housing co-ops are very, very small. The average size there is 25 units, because the sector in Quebec developed quite differently. It was more of a rehab program. The government of Quebec, mostly in the 80s, because that was when the big boom in co-op development was, they realized they could use the federally funded co-op programs to rehabilitate a lot of the rental stock that has been built around the Second World War. So co-ops in Quebec became organizations of tenants using federal funding programs to buy out their landlords, and then take over possession as a member-controlled co-op, whereas elsewhere in the country it was much more typical to do new construction. And then you need more units or more scale to make new construction feasible, so that is why they are bigger (Sector organization).

Nevertheless, this is yet another instance in which social housing in Toronto developed differently – specifically larger in scale – than elsewhere in Canada.

### 6.4.5 Temporal Housing Need

In addition to the various historical provincial preferences described above, dissimilar timelines in terms of population growth and escalating affordability pressure likely contribute to some of the observable differences in Toronto and Vancouver’s social housing portfolios. Toronto’s population has always exceeded that of Vancouver. Similarly, Toronto has constantly suffered from a shortage of low-cost housing since the post-war period. However, severe housing issues did not develop in Vancouver until decades later. According to an interviewee, Vancouver ‘took off’ as a city in the 1980s.
In particular, hosting the 1986 World Exposition is isolated as a key event in the city’s history:

BC and Vancouver took off in a way after Expo, and that is now when we are having the real pressures, and before that it was still an important centre, but it was not the kind of urban centre that Toronto was and it was not feeling the same growth pressures that Toronto was. Now it is definitely feeling the kind of pressures of a larger, in-demand urban centre (Research, policy and advocacy).

In fact, the rate of population growth in both the City of Vancouver and its metropolitan area more than doubled by the 1991 national census. This is demonstrated in Tables 6.5 and 6.6.
Another participant suggests housing affordability problems in Vancouver were triggered by a combination of financial recession in the 1980s and increased population growth resulting from Expo 86:

We had a very serious recession in '82, and house prices dropped 25 or 30 percent, and they stayed down for a while. Then we had Expo. We started to have a coming back of the economy. The demand rose a lot faster than the supply, so suddenly you had zero vacancy rates for two years, and that was the first time that we had that severe of housing prices (Former government agency or crown corporation).

Since British Columbia was less active in the early years of social housing, especially the public housing era, the city did not have the same large base of social housing when its population grew decades later, as suggested in the interview excerpt below:

I think that BC was in a different place in its history as it was developing compared to Ontario and Toronto at the time, and so there was more responsiveness and take-up within Toronto. And in fact, today, now [Vancouver is] feeling some of the pressures of not having that kind of inventory of housing on the ground, in the same way that they have in Toronto (Research, policy and advocacy).
Accordingly, in order to meet growing housing needs, the province continues to be one of the more active investors in a range affordable housing options. However, intensified investment during the later years tended to produce a slightly different form of housing stock.

**6.4.6 Housing Type and the Built Environment**

The divergent social housing portfolios outlined above are also reflected in the built environment. Besides differences in the size and ownership model of providers, the type of physical structure most frequently built also varies. Although examples of high-rise, low-rise, townhouse and single-family social housing exist in both cities, certain trends are evident. The scale of housing projects in Toronto is generally larger than in Vancouver. More specifically, Toronto has disproportionately more high-rise developments, whereas much of Vancouver’s stock are low-rise apartments or townhouses. However, this is not surprising given Toronto’s history of large public housing and municipal non-profits, and the prevalence of smaller private non-profits and co-operatives in Vancouver.

Large high-rise social housing projects are common in Toronto. For example, 62 percent of TCHC’s buildings are at least eight floors (TCHC 2013). This pervasiveness of concrete towers is rather unique to Toronto. The city has an ‘unusually large number of high-rise apartments,’ that provide both social and private market rental housing (City of Toronto 2008). In fact, they make up nearly one-third of all housing units across Toronto (ibid). This frequency is virtually unmatched elsewhere in Canada and the United States, as an interviewee asserts:

No other North American city, outside of New York, has as many rental residential towers as Toronto and nearby southern Ontario – that is a fact from Tower Renewal… There are 1,200 of these 20 plus storey rental buildings built in Toronto,
mainly by the private sector, and they are in clusters of four, five or six. There would be some social housing mixed in there, some of the public housing we were talking about, some of the towers would be public housing with the rental. And all over the City of Toronto you see that (Academia).

Often constructed in the 1960s and 1970s, many towers face growing capital repair needs and require revitalization. Nevertheless, (then) Toronto Mayor David Miller claims they has the potential to become one of the city’s ‘greatest urban assets’ (City of Toronto 2008). Additionally, many tower complexes contain an abundance of underutilized open space. Although high-rises can produce a high ratio of square footage to buildable land area, these developments are often built on large properties. Incentives by CMHC outlined a direct relationship between height allowance and footprint size:

- As a deterrent to urban sprawl, the incentives originally provided by the Canadian Mortgage and Housing Corporation to construct the concrete high-rise buildings linked height of the buildings to surrounding green space; the more open space associated with a building, the greater the height allowance resulting in the ‘tower in a park’ sites as seen across Toronto’ (City of Toronto 2008, p. 4).

Therefore, many sites have significant potential for densification or redevelopment. Nevertheless, given that the tower phenomena is fairly unique to Toronto, the same physical form of social housing does not exist in British Columbia.

Vancouver’s skyline is full of soaring condominiums. The city recently ranked ninth in the world on a list tallying high-rises (Judd 2014). However, the majority of these were erected relatively recently. Furthermore, Vancouver’s social housing portfolio is generally excluded from the city’s list of high-rises:

- It was a very different implementation here than it was in Ontario, we don't have a lot of big buildings (Government agency or crown corporation).

A small number of concrete towers exist, but an interviewee describes them as ‘not our stock and trade’:

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21 Toronto ranked second.
We don't have that. We're quite different from Toronto that way. What we do have is a couple of buildings that are more in the eight or ten story range, made of concrete — probably eight is as high as I can think of. But it's not our stock and trade. We are a wood-frame business, really, when you get right down to it (Social housing provider).

Even in larger providers, the majority of projects are in the form of low-rises and townhouses, constructed of wood-frame, rather than concrete and steel:

The housing complexes tend to be townhouses, but we also have wood-frame apartment buildings, low-rise apartment buildings, and lots of them. Sometimes on certain sites we have the town houses and the wood-frame apartment buildings on the same site (Social housing provider).

As previously noted, such differences in physical structure are explained in part by the relatively small size of most providers operating in Vancouver and across the province. While exceptions may exist, many private non-profits and co-operatives did not require the same building type as large public housing or municipal projects. However, another important factor is historical resistance to the large-scale urban renewal projects common during the time when most purpose-built rental was produced. According to one interviewee, the City of Vancouver strongly resisted this form of development:

There has always been a fairly strong reaction against the neighbourhood renewal programs that came in in the 60s and 70s in Vancouver. One of the proudest moments that retired politicians in Vancouver still talk about is when they stopped the freeway from coming in, which would have blown through a bunch of neighbourhoods and caused all sorts of problems. We have a few examples, just east of here, in a neighbourhood called Strathcona, of urban renewal, where they did blow down the old, what they used to call ‘slum housing,’ which was actually small little houses and shacks, and all of that. So we do have a few examples there of when they have done bigger social housing projects, but they're fairly few and far between (Government agency or crown corporation).

Accordingly, there are currently few vast high-rise social housing complexes found across Vancouver. Based on the findings of Hellyer (1969), this may be the preferred means of subsidized housing provision. However, small community-based projects might have reduced asset leveraging opportunities in the future.
Taken together, composition, scale and ownership model are important factors that define social housing in each city. Furthermore, it is clear that Toronto and Vancouver’s portfolios developed along distinctly different historical trajectories. Now, as housing need continues to grow and available funding shrinks, governments and providers alike must adjust and react to current conditions. The following section presents a series of examples that consider if Toronto and Vancouver respond in ways that reflect their individual circumstances. More specifically, are current initiatives ‘path dependent’ of these unique historical trajectories?

6.5 Entrepreneurialism and the Role of ‘Path Dependency’

Harvey (1989) claims the role of urban governments has shifted from one of ‘managerialism’ to ‘entrepreneurialism.’ During the 1960s, local governments focused primarily on providing services and infrastructure that promote the well being of its residents. However, by the 1970s and 1980s, cities needed become more competitive, efficient and innovative in order to stimulate economic development – they had to be ‘entrepreneurial’:

The charge was to explore the lines of action open to urban governments in the face of the widespread erosion of the economic and fiscal base of many large cities in the advanced capitalist world. The colloquium indicated a strong consensus: that urban governments had to be much more innovative and entrepreneurial, willing to explore all kinds of avenues through which to alleviate their distressed conditions and thereby secure a better future for their populations (Harvey 1989, p. 4).

While designed to explain the evolving nature of urban governance, this shift from managerialism to entrepreneurialism can also be applied to help explain recent changes in the delivery of social housing in Canada.

The early decades of social housing can perhaps be analogized as a period of managerialism. In general, senior levels of government made substantial investments,
and any gap between actual operating costs and collected rents was fully covered. Therefore, the function of providers was to develop and manage projects in accordance with operating agreements. However, after the signing of social housing agreements this role changed. Providers now struggle to continue supplying the same level of service with less funding, as well as attempt to generate stock as housing need continued to grow. Hence, out of necessity, a new era of entrepreneurialism emerged.

The entrepreneurialism Harvey (1989) discusses encompasses a vast range of possibilities. However, its meaning within social housing tends to be more narrow. A report by the former Metro Toronto Housing Authority (2000 B, p. 17) identifies two specific entrepreneurial approaches: alternate revenue sources and cost reductions. Both typically involve increased engagement with private corporations, either through contracting or partnerships. This section presents a series of examples that demonstrate entrepreneurialism in Toronto and Vancouver. Furthermore, careful consideration is focused upon the impact of historical trajectory on such initiatives.

6.5.1 Potential Revenue Streams and the Role of Scale

The scale of social housing providers is an important distinguishing feature between Toronto and Vancouver. The large corporations operating in Toronto are presented with a unique set of possibilities to generate new revenue streams. First, providers of this scale attract prospective businesses interested in widespread access to both space and potential customers. Working with a single organization that owns a sizeable network of sites is simpler than negotiating with a series of individual partners. Examples of this are explained in the following interview excerpt:

The advantage is you have a huge asset that you can leverage in a variety of ways. A really simple example of how that is useful is we can, because we have so many buildings located all over Toronto, we can provide a good solution to cell
companies. So if you want to put up cell towers on our buildings, we are one landlord you can deal with and have a standardized agreement with across the City of Toronto. We have locations everywhere. You know how to operate with us. It is much nicer for cell companies to do that than to deal with individual landlords in a whole variety of places. So that size thing provides those kinds of opportunities. Similarly, if you are dealing with a vendor of some sort, the fact that you are ordering in quantity provides breaks. It also means that people, other organizations of all different types want to work with us because they see access to either customers or clients if they are a service agency. So there are benefits there (Social housing provider).

In addition to potential retail space and a broad customer base, large providers have access to significant land value.

Another advantage associated with large providers is the ability to leverage immense assets. Between land and physical structures, major social housing corporations have significant net worth. For example, Toronto Community Housing’s total value was recently assessed at $9 billion (TCHC 2015). This creates opportunities for redevelopment and fund raising. The issuance of two bonds by TCHC in 2013 is a prime example. Rated favourably by Standard & Poor’s, both debt securities sold out almost immediately and successfully raised substantial finances to help offset the corporation’s sizeable capital backlog:

With all social housing in Toronto under one corporate entity, the original TCH board had enough real estate leverage to seek a Standard & Poor’s credit rating of AA-. With this, TCH issued two bond notes for investors totalling $450 million,

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22 This is not the first time a social provider attempted to raise capital through equity shares. In the 1950s, the Metro Toronto Housing Company Limited had the capacity to sell a maximum of 10,000 shares of $100. However, instead of private equity firms, shares were sold primarily to metropolitan staff:

The subscribers to the memorandum of agreement of the company (i.e., the founding shareholders), however, were more than private individuals. They were first and foremost public employees, officials of the newly formed Municipality of Metropolitan Toronto. Signators to the company’s original letters patent all came from the Legal Department of the Municipality of Metropolitan Toronto. Cyrus Frank Moore (the first metropolitan solicitor) was an original shareholder, as were members of his staff including Edna Rose Cottrell and Agnes Ruth Kerr, stenographers; and Bernard Joseph Shoemaker, clerk. These were people who did not expect investment dividends, and they never got any (McMahon 1990, p. 4-5).
which generated the cash flow required to start the redevelopment of aging social housing stock. As far as I am aware, this is a rare event in any public organization (Social housing provider).

This mechanism was possible for two reasons. The first is the scale of Toronto Community Housing’s portfolio:

The bigger the scale, the more options you have around leveraging... Toronto Community Housing went out and did a public debt offering, well it could do that because it has a big corporation, a lot of cash flow, a sophisticated management system. There is confidence in the market place from bond buyers that this is a safe bond. We are going to buy it. You cannot do that if you are a 5,000 unit operation with not enough money. The market just doesn’t care about you; you are just not giving them a big enough option. So clearly scale does matter in some of those areas (Former social housing provider).

A second interviewee reinforces this notion, also suggesting the private sector would ‘love to invest’ further in social housing, but the insufficient size of most providers is a limiting feature:

Apparently, from my own limited knowledge of the financing world, the financing world would love to invest in social housing. The only thing that is stopping them is, ironically, they have more money to invest... It is very easy for the big investment companies to invest $100 million, but if you only need $5 million it is very difficult. So in other words, we need - if you want to talk about why we need scale - we might need scale that way (Sector organization).

The second factor is the City of Toronto’s ownership role, as well as its obligation to continue funding social housing service levels indefinitely, as mandated by the Social Housing Reform Act.\(^{23}\) The city essentially serves as guarantor, which reduces the perceived investment risk:

I think that part of it is because the backstop was the Housing Services Act, it was a piece of legislation, the service managers guaranteeing that funding will continue, and that is why. It is considered a safe investment because Toronto Community Housing is owned by the City of Toronto. They are going to be there. They are not going away. They still have to fulfill their mandate (Sector organization).

\(^{23}\) And subsequently reinforced by the Housing Services Act.
Standard & Poor’s (2014) assessment recognizes TCHC’s ‘sizable and growing state-of-good-repair backlog’ as a notable weakness. However, its relationship with the City of Toronto is identified as a key strength that contributes to the overall high rating. In fact, publicly owned social projects have long been considered more stable financial investments than private ones. Government ‘backing’ meant mortgage loans were assessed less risk, which resulted in lower interest rates:

Municipal non-profit projects generally had lower average interest rates than those obtained by other program types... To explain differences among program types, a survey of lenders was conducted which indicated that they assess a higher risk to private non-profit or co-operative projects and therefore charge higher interest rates. Public non-profits on the other hand, have the backing, not just of NHA insurance but also of the provincial or municipal government, which reduces the risk and therefore the interest rate charged (CMHC 1983, p. 133-134).

Therefore, public assets were historically less expensive to amortize, and tend to have better access to credit in the future. Nevertheless, the example of bond issuances by TCHC is a unique example not easily repeated elsewhere.

Certain economies of scale can be achieved in Vancouver despite the absence of large providers. For example, non-profit and co-operative sector organizations can coordinate bulk purchasing for members.\(^{24}\) This might include items such as replacement kitchen appliances or renovation materials. Negotiating province-wide contracts for waste disposal services or aggregating bank savings deposits in order to qualify for higher interest rates are further examples of how coordination benefiting a cluster of small providers.\(^{25}\) However, major leveraging opportunities are more limited. Since

\(^{24}\) Similar arrangements exist in Ontario. For example, the Housing Services Corporation operates a group insurance program for social housing providers and tenants, as well as a natural gas bulk purchasing program (HSC 2012 A; HSC).

\(^{25}\) The Co-operative Housing Federation of British Columbia (CHF BC) developed the ‘co-op housing interest pool (CHIP) to aggregate numerous small accounts into a large deposit. The result is a combined CHIP deposit exceeding $70 million across three credit
private non-profits and co-operatives are independently owned, the individual assets are not easily aggregated. The same problem applies to the province or city’s ability to leverage social housing properties. The stock of public housing and municipal non-profits in British Columbia is small in comparison to Ontario. Therefore, while BC Housing is directly engaged with a large portfolio, the province does not own most of the projects. Furthermore, the City of Vancouver has ownership of even fewer assets. In theory, it may be possible to pool assets, but negotiating contracts with individual non-profits and co-operatives would be complex and cumbersome.\textsuperscript{26} Furthermore, devolution of social housing to the local level in British Columbia would have little impact on asset leveraging.

‘Double devolution’ was significant in Toronto because the city took ownership of a vast provincial public housing stock. Despite its name, the Metropolitan Toronto Housing Authority was a provincial entity. McMahon (1990) suggests the term ‘metropolitan’ caused confusion, resulting in assumptions of municipal jurisdiction. However, the local authority was, ‘metropolitan in little more than name and geography’ (McMahon 1990, p. 22). However, the enactment of the Social Housing Reform transferred all provincial assets to the City of Toronto, which contributed to creation of a mega-provider. Further downloading in British Columbia would not impact Vancouver

\textsuperscript{26} Asset pooling in the field of social housing is an interesting concept, and one that may become more prominent in the future. An interviewee suggested this practice could enable smaller cities or providers to issue bonds:

I think there would be way more bond issues if there were some type of amalgamation or pooling (Sector organization).

However, this financing mechanism remains underdeveloped at this time.
in the same way. Although the city would be required to fund and maintain units produced under federal and provincial programs, most of the portfolio would continue to be owned by private non-profits and co-operatives. Taking control of a relatively small collection of public housing would increase Vancouver’s leverage capacity, but not nearly to the same extent as the Toronto experience. Therefore, instead of taking advantage of a large stock of public assets, the most interesting examples of alternate revenue generation emerge from the non-profit sector.

Vancouver’s network of small non-profits and co-operatives has created a variety of innovative organizations that provide services for these housing providers. A few interesting examples emerge from the field of property management. Atira Women’s Resource Society is a private non-profit with a mandate of providing housing for women who are marginalized or victims of violence. The organization began performing property management services for its own units, but later expanded the service into Vancouver’s for-profit strata (condominium) market. As explained in the following interview excerpt, the objective is to generate profits that cross-subsidize its social housing stock:

The Women's Resource Society, which owns the property management company, does all social housing or non-market housing. So the property management company was launched as a wholly owned for-profit subsidiary of Atira Women's Society in 2002, at that time, with the sole purpose of making profits to donate back to the Women's Resource Society, to help the Women's Resource Society deliver its mandate (Social housing provider).

Atira successfully expanded its private portfolio and now 80 percent of the organization’s property management contracts are for-profit and generate revenues that help fund its non-profit housing goals. This is important since the Woman’s Resource Society operates as more than a basic landlord. In addition to safe and affordable housing, various other
services are provided, including legal advocacy, counseling and support for violence or abuse, as well education and community health programs. Moreover, the society also hires staff from the local community, as outlined below:

We hire folks who are living in the single room accommodation hotels we manage, so they've been in the Downtown East Side a long time, many of them struggle with addictions and mental illness, and there's a premium to employing folks who struggle or folks who are marginalized. That costs more money than hiring folks who tend to show up for work everyday and don't relapse, and don't have mental health episodes... We're committed to that hiring practice and there's definitely a premium to that. I think that some of the other things that we do that don't seem to be industry standard (Social housing provider).

Given that the package of enhanced services is more costly to provide, the ability to generate supplementary revenue helps to offset the premium. Furthermore, the organization’s defining principles are also the foundation of its for-profit operations, as described below:

The Women's Resource Society operates under three basic principles: we are feminist identified, we work within an anti-oppression framework, and we work from a harm reduction perspective. So those are the three guiding principles of the Women's Resource Society, and you cannot separate those things out, so those guiding principles also influence how we practice property management... When we hire a new property manager or a new property management assistant, we actually have in our letters of employment, you know, you're expected to honour the guiding principles of the Women's Resource Society in your daily practice, in your daily work. So I think that is different, I doubt there is a property management company out there who is influenced by or operates under a harm reduction, anti-oppression, feminist-identified framework (Social housing provider).

This foundational framework makes Atira’s model unique. However, there are undoubtedly other non-profits in Vancouver or Toronto that operate for-profit subsidies. Toronto Community Housing launched Housing Services Inc. (HSI) in 2004 as a wholly owned subsidiary specializing in property management and construction. The purpose of HSI was twofold: to perform services for the TCHC portfolio, as well as to generate supplementary revenue through external contracts in the private market (City of
Toronto 2012). In fact, external income potential was expected to be significant. However, despite a target of $42 million in earnings by 2008, total revenue was only $11.4 million in 2011 (ibid). Furthermore, the net profit on this sum was only $272,000. Analysis points directly to ‘public sector principles’ and ‘unionized environment’ as limiting factors in the city-owned provider’s ability to generate business from external contracts (ibid). Operating in this way poses potential legal risks:

TCHC has concluded that as a subsidiary of a publicly funded company operating under public sector principles and within a unionized environment, it is unlikely that HSI’s external business can achieve its targets and that continuing the operations of HSI may expose TCHC to risks of financial losses and litigation stemming from operating an external business (City of Toronto 2012 B, p. 2).

There was additional concern that efforts to grow an external business might detract from TCHC’s ability to serve its primary social housing portfolio. Ultimately, HSI was dissolved at the end of 2012.

It is possible that the leveraging potential of non-profits in British Columbia will increase significantly in the near future. BC Housing recently embarked on a process of transferring provincially owned plots of land to the private non-profit providers that currently lease them (BC Housing 2014). A total of 350 pieces of leased land are available for transfer, and non-profits have the option of purchasing the property on which they currently operate at a ‘fair market value’ price (ibid). The rationale behind this initiative is to promote and increase the overall self-sufficiency of the non-profit sector. Part of this includes providing non-profits with an asset that can be leveraged for future financing needs. Accordingly, the BC Non-Profit Housing Association proclaims the transfers as a increase in ‘capacity-building’:

The transfer of these assets could be one of the most capacity-building endeavors that the government ever goes through for the non-profit sector (in Lindsay 2014).
The combined assets have an estimated value of $500 million, although this total is distributed amongst numerous independent non-profits (Lindsay 2014). Although these transfers will not enable any single non-profit to achieve the same leverage capacity as TCHC, the program is helpful nonetheless at increasing the asset value of small providers.\(^{27}\) Thus far, 115 properties will be transferred by March 2015, while the remainder will follow over the next three years. The deal also offers certain benefits to the province. In particular, the move will reduce future liabilities to the province:

The deals will also free the province from properties that could become liabilities in the future. The housing projects are all aging and are poor sources of revenue because of the low rents paid by tenants (Lindsay 2014).

Nevertheless, BC Housing’s approach is generally preferable to how Toronto Community Housing chose to deal with a segment of its deteriorating stock. Instead of finding non-profits or co-operatives to take control of a collection of single-family homes across the city, either through management or ownership, many of these ‘scattered units’ were approved for sale to private buyers as a means of generating income to finance capital repairs in the remaining portfolio (Walks 2012; TCHC 2011). Walks (2012) describes this process as a ‘transfer of wealth’ to the private sector:

Once sold on the private market, these units would no longer serve a social policy objective, nor could any government afford to buy them back (or buy similarly located units). Selling them onto the private market will represent a transfer of wealth and public assets to private individuals or corporations (p. 8).

Nevertheless, additional attempts towards innovation are evident in various forms of spending cutbacks.

\(^{27}\) One of British Columbia’s larger non-profits would take ownership of $30 million in properties (Lindsay 2014).
6.5.2 Cost Reduction Strategies

Cost reduction is the second fundamental aspect of the ‘entrepreneurial approach’ embraced by social housing provision (MTHA 2000). This entails streamlining operations, which sometimes means contracting services to an external party. Furthermore, the concept is largely rooted in the ideology that government provided services, like social housing, are inherently inefficient (Walker 2000; Cole and Furbey 1994). Accordingly, providers are encouraged to become increasingly competitive and adopt a ‘business ethos’ (Walker 2000). Nevertheless, contract tendering is not limited to private corporations. Non-profit groups also play an important role in helping increase the efficiency of social housing provision.

Property management is a useful example to examine cost reduction strategies in Toronto and Vancouver. It serves as an appropriate variable because all social housing requires some form of business and asset stewardship. Additionally, the task can be undertaken in a variety of ways, including volunteers and part-time staff, non-profits organizations, unionized public employees or contracted private sector companies. An inspection of social housing providers in both cities reflects this full range of options. Differences are observed between type of social housing and location. For example, large providers appear more likely to delegate some portion of property management duties to

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28 Unionized labour was described as a potential factor in the determination of property management costs:

… If you get into some public situations that are unionised and their wage levels are determined through collective bargaining and they end up with wages that are often higher than the private sector (Consultant).

As government-owned agencies, public housing and municipal non-profits would typically operate under a unionized environment. This is an important distinction, but detailed discussion on the topic of labour is beyond the scope of this study.
the private sector. Smaller non-profits and co-operatives may partner with the private sector, but these tasks are often performed internally. Furthermore, more grassroots innovation is observed in British Columbia, reflecting its historically strong non-profit sector. However, it is best to begin this analysis by further explaining the role of property management in social housing.

Private corporations have always worked with social housing providers. In most cases, it is not practical to perform every function ‘in house.’ This is especially true in the development phases. Going forward, needs are typically a function of a housing provider’s size. Some non-profits or co-operatives might be responsible for only a handful of units, and thus daily requirements are relatively low. Accordingly, property management might involve a single employee, or even part-time staff, as explained by an interviewee:

In small non-profits usually there is a single property manager that manages the building. And there are even part-time ones, too. Sometimes the overall budget for that non-profit does not allow them to hire a fulltime person. So sometimes the person either works part-time or works contract, you know, among several non-profits in the community (Sector organization).

Nevertheless, the needs of large providers become complex, and may require a team of staff and resources. Simple maintenance may be easily executed directly, but specialized tasks tend to be better suited for contracting. Even as budgets increase, it is neither practical nor efficient to retain certain types of skilled labour and equipment. This is supported in the following interview passage:

We do some of our maintenance, but for things like boilers and plumbing - bigger plumbing stuff, not the plugged sink, but when you've got to repipe a building and what not - we've got numerous business relationships with all sorts of private sector organizations that maintain elevators, and do plumbing and electrical (Social housing provider).
Furthermore, property management can encompass a variety of tasks. Accordingly, an interviewee suggests differentiating maintenance and repair work from other elements involving more direct staff-resident interaction:

Big, more complicated, specialized things are clearly more suited for contracting out. I think things where there is a direct resident-staff relationship are not well-suited for contracting out (Social housing provider).

However, some large providers choose to contract all business and maintenance services to private property managers.

The overall question of private property management in social housing was not widely criticized by participants of this study. However, the need for clear parameters was emphasized:

I don’t have any problem with [the idea of private management], I think, as long as the roles and responsibilities and accountabilities of the private manager are clearly laid out and that they’re good communicators with both the tenants and the management of [the provider]. They can be quite effective and probably bring some cost savings to the system... I’m in favour of any cost savings, because that can go into keeping the rents down (Former government agency or crown corporation).

Well-defined roles and responsibilities are important given that social housing involves more than a simple landlord-tenant relationship. For example, rent-geared-to-income calculations are unique. But more significantly, the needs of resident populations may be more specialized and sensitive:

Well there are different things that we have to do. We have to get peoples' incomes and calculate their rents, so that is not something a private landlord would do. They would say 'this is the rent' - so that is in addition, and that is an annual requirement. And then it is different in scope to what a private landlord would do, but every landlord has to accommodate people with special needs, so the Human Rights Code requires accommodation for people, we just have way more because people are poor, and poor people tend to have more needs and are more vulnerable. But I am sure private landlords have hoarders. We have hoarders. We just might have more. Private landlords have bed bugs. We have bed bugs (Social housing provider).
As a result, reported experiences are mixed. One interview participant recalled an instance in which a manager with a strong reputation in the private sector had difficulty expanding into co-operative housing:

I have seen very capable [private] property managers who do not do as well in a cooperative setting. They have all the hard skills, but this community aspect …It takes a little bit of a different approach and I think an acceptance that that is an important part of the work that you are also trying to create a very healthy community. So it is a challenging job, because you actually have to bring quite a large skill set. I think you need all those hard skills, because you want to maintain those buildings well, but you also need very good people skills, very good community engagement skills, consultation skills. It’s interesting. I have done the job, in fact a lot of people who work for our association and these type of associations, that is how you learn. You learn from the ground up. And understanding that you are there to serve the needs of this community, that is an important component you keep having to bring to bear and if you have some trouble with that, you could have some difficulty in the job (Sector organization).

However, other instances are far more positive:

We’ve worked with a lot of non-profit housing groups that have hired private sector managers who have been very responsible, good with the tenants, charge a fair fee. And I’m quite happy to see them on the job (Former government agency or crown corporation).

Although contracting is evident in co-operatives and private non-profits, one of the most prominent examples arises from public housing. In particular, public housing in Toronto has a long history of private property management.

Toronto Community Housing’s mixture of public and municipal non-profit housing has always contracted a segment of its stock to private property management corporations (TCHC D). Technically, however, TCHC’s history only extends back to 2002. Nonetheless, the government-run providers that existed before the amalgamation process also employed this practice. This is especially applicable to the Metropolitan Toronto Housing Authority.
Toronto’s local housing authority first entered into agreements with private management corporations in 1969 (PHFC 1998). Beginning with a contract for 5,400 units, the volume of privately managed stock gradually increased over time. As government funding began to decline in the early 1990s, providers experienced increasing pressures to reduce operating costs. As a result, enlarging the portion of privately managed stock was ‘gaining popularity’ (PHFC, p. 7). In 1996, 19 percent of city’s public housing was under contract to external agencies (Auditor General of Ontario 1997). By 1999, the early stages of devolution and the reorganization of social housing in Toronto, this figure had increased to 34 percent (MTHA 2000 B). Furthermore, this expansion was expected to produce $1.9 million in savings that year, and $3 million the next. Nevertheless, despite any growth in external contracting, MTHA always directly managed the majority of the portfolio. However, the concept of private management garners significant criticism (PHFC 1998).

Property management is considered a ‘core service’ of large-scale government subsidized housing (PHFC 1998). As such, integrating the private sector is often met with suspicion and disapproval. For example, in 1997 MTHA declared its intention to transfer an additional 7,200 units to private management in order to reduce operating costs. This announcement was met with negative reception and the Public Housing Fightback Campaign (PHFC) formed as an attempt to prevent the initiative. This crusade to thwart further private management identified a series of concerns. Cost-cutting measures were alleged to jeopardize the well-being of residents and the long-term condition of physical assets. Therefore, both the ‘business case’ and ‘social service case’
must be taken into consideration. Additionally, critics feared private contracts limit the ability to explore other alternatives in the short-term:

Increased privatization in public housing property management services would further fragment the delivery of social housing, and would “lock” the municipality and the tenants into contracts that would be binding for the next 4-5 years. This would be an untimely way of restricting the exploration of alternative options for management reforms in public housing (PHFC 1998, p. 8).

Furthermore, the campaign also highlights a lack of definitive evidence that supports the effectiveness of private property management.

The true effectiveness and results of private contracts in public housing are difficult to measure. The Public Housing Fightback Campaign declares there exists, ‘no rigorous and objective evidence to determine that private property management firms provide good value for money’ (1998, p. 12). MTHA is only local housing authority across Ontario that contracts out a portion of its portfolio, and thus there are no cases elsewhere in the province available for comparison (PHFC 1998). Similarly, since all other LHAs rely on internal labour, neither the OHC nor the provincial housing ministry are actively engaged in the issue. Furthermore, critics tend to dismiss the few existing external studies. For example, a 1990 review conducted by Coldwell Banker is branded by the PHFC as limited in scope and self-serving.29

The scope, breadth and data sources to complete the Coldwell Banker Study were not without biases, since the review was controlled and managed by the Private Management Section of MTHA, which served to be expanded if the Study produced positive results in favour of this model (PHFC 1998, p. 13).

Furthermore, a report by Ontario’s Auditor General (1997) examines a series of issues relating to public housing in Ontario, including differences between internal and external

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29 Realty Consulting Group, Coldwell Banker (1990), “The review of the private management program.”
property management within MTHA. The PHFC provides a succinct summary of the auditor general’s review:

There was not one recommendation to expand private management of property management services in MTHA (PHFC 1998, p. 10; bold and underline in original).

However, additional assessment of the audit suggests the issue is much more complex.

Ontario’s Auditor General did not recommend augmenting the use of private contracts at the Metropolitan Toronto Housing Authority. However, the absence of this suggestion to expand must not be interpreted as a form of condemnation. Moreover, the report did not advise any reduction in private contracting. In fact, the segments of the review focusing on the performance of private contractors highlight efficiency gains. The management and maintenance costs ‘per rentable room’ were markedly lower under private contracts than MTHA staff, although critics such as the Public Housing Fightback Campaign attribute these discrepancies to assorted ‘hidden costs’ (PHFC 1998, p. 18).30

The audit also deemed MTHA’s staff was comparatively less productive, which was particularly evident in a ‘high rate of absenteeism’ (Auditor General of Ontario 1997, p. 200). Furthermore, the local authority’s own evaluations failed to find any decline in quality of service:

MTHA management believes that the privately managed properties are well managed as determined from the monitoring and reporting arrangements established in contracts with private companies (Auditor General of Ontario 1997, p. 200).

Similarly, private property management firms are more carefully scrutinized than MTHA’s internal staff. External contracts contained detailed and specific criteria relating

30 While not discussed in detail, PHFC (1998) suggests that ‘hidden costs’ can include management and administrative expenses incurred by MTHA in the expansion and monitoring or private management contracting.
to expectations, reporting and evaluation, but these same control measures were absent for internal staff:

    Our review of agreements and procedures for private management companies revealed that controls over the delivery of maintenance services were stronger for the privately managed companies than for the services delivered by MTHA (Auditor General of Ontario 1997, p. 201).

Therefore, the need to apply similar performance and evaluation measures to MTHA staff was a major recommendation of the audit. Nevertheless, the provincial audit is not the first time that prejudice against private management has been questioned.

    The following statement captures the essence of the debate that exists between private contractors and direct management: private corporations deliver housing at a lower cost, but the pressure to reduce fees negatively impacts residents and assets. In contrast, direct management is more expensive, but provides a superior quality service. An internal report produced by MTHA (1998) summarizes a series of ‘problems, initiatives and opportunities.’ Some of case studies presented cast a shadow of doubt on a number of such assumptions. For example, MTHA’s privately managed stock was distributed amongst multiple corporations. Some contracts resulted in higher rates of rents arrears than the MTHA portfolio, whereas others were significantly lower than the authority. Given the fact that contracts contained equivalent buildings and residents, the differences were puzzling:

    Overall, for the year, rent arrears stood at 7.2% for the 24,000 units MTHA manages itself. ... Greenwin, which manages 3,000 units for MTHA, has a rent arrears level of 2.5%. Given that Greenwin and MTHA are both managing the same kind of low income tenants; given that the projects Greenwin manages for MTHA are no different than those managed directly by MTHA: why is MTHA’s own rent arrears record so abysmally high? What prevents MTHA staff from performing at levels comparable to Greenwin’s staff when it comes to rent collection? (MTHA 1988, p. 9).
Explanations for this variation include vacant employee positions, broken computer systems, or frequent changes to policies and procedures. However, the report also identifies numerous staffing issues. For instance, senior staff performance was not evaluated in more than six years:

For the previous six or seven years, no performance reviews of senior staff had been carried out within MTHA. This meant that there was never any regular system of assessing how senior managers were performing. There was no system of goal-setting and there was no opportunity for senior managers to discuss what kinds of problems they were having within the organization and what kinds of human resource solutions might be available (MTHA 1988, p. 54).

Similarly, training resources for non-senior staff were deemed unacceptable. No ‘in-house’ training was provided, and instruction offered by the province was ‘irrelevant.’ As a result, human resources at MTHA were described as ‘a most unsatisfactory situation’:

MTHA has no in-house training resources. Thus new employees literally learn on the job: they have no one to give them a general introduction to the organization and they get no sense of how MTHA functions overall. With staff turnover of 10% per year, this obviously creates a most unsatisfactory system… Most training is done by the Ministry at all-day seminars. In some cases the training is irrelevant, but often it is geared more toward staff who work in smaller authorities which do not experience the kinds of problems seen in Toronto (MTHA 1988, p. 54-55).

Ultimately, conditions of this type limit the ability of staff to properly perform expected duties. Thus, it is important not to make sweeping, categorical assumptions regarding the overall effectiveness of private or in-house housing management. Just as it is unfair to pigeon-hole public organizations as inherently inefficient, it is equally wrong to assume private firms cannot deliver a suitable level of service in social housing. Instead, there is a range of results and capabilities, as noted in the following interview excerpt:

You know, it can vary the individual [property management company]… As well, the private property management sector also bids on co-ops and some have done a very good job (Sector organization).

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The assumption that public organizations are inefficient is a primary tenet of the theory that shapes neoliberalism.
In any case, a combination of private and direct-management continues to be employed in MTHA’s successor organization.

In early 2012, private management was responsible for 9,307 units within Toronto Community Housing. Later in the year, that figure increased to 12,017, which represents approximately 20 percent of the total TCH portfolio (TCHC 2012 A). Retaining a portion under private management is expected to generate significant savings, without any compromises in quality:

Contract management is a cost-effective way to provide the same high level of service to tenants. The money we save will be reinvested into repairs to our buildings (TCHC D).

Nevertheless, besides fee-for-service totals, long-term ‘value-for-money’ measurements remain elusive. While metrics might exist elsewhere, there is little implementation in Canada:

There are value-for-money measurements that you could do. I do not think we have done any of those effectively yet, but we are planning on doing that. For example, we have a 24/7 call centre, if we wanted to contract that out we would want to have some way of measuring whether that really did save the money that we thought it would, or generate the revenue we thought it would, or whatever it might be (Social housing provider).

Therefore, operating a hybrid of direct-provision and private contracts is a reasonable solution. Furthermore, an interviewee suggests that practical experimentation is the ‘only way’ to determine real outcomes:

[A former TCHC executive] did a lot of that kind of stuff, to test how efficient his staff were. He said, 'Look, we have 60,000 units for Christ's sake, let's throw 5,000 over here and have these guys manage them and see how they do, and we'll keep 5,000 over here...’ It was a degree of experimentation and competition to see what would happen. There is the rhetoric and ideology of private management versus non-profit or public management, but at the end of the day, how do we know? The only way to do it is to try, and that's what they're trying to do, trying test it out a little bit (Former government agency or crown corporation).
In fact, examples of similar hybrid systems exist outside of social housing. A recent review of the City of Toronto’s current waste collection services recommended upholding a mix of in-house and private sector contracts:

There have been productivity improvements for in-house collection following the decision to contract out Division 2. Provided that these gains are sustained and improved, the best value and lowest risk to the City of Toronto at this time is to continue with the current model. A blend of in-house and private sector service provision also manages operational and financial risk and provides flexibility for the curbside waste collection system to adapt to changes (City of Toronto 2015 C, p. 1).

Nevertheless, Toronto Community Housing’s model of management options is rather unique among housing providers. For example, all public housing in Vancouver is directly managed by BC Housing (HSC 2014). However, in-house or private contracts are not the only possible options: there are an increasing number of non-profit organizations providing specialized management services at affordable costs.

Private non-profits and co-operatives appear less eager than public housing and MNPs to seek assistance from the private sector for property management needs. Instead, the ‘third sector’ is more focused on developing solutions from within the broader non-profit and co-operative sectors. Furthermore, there are strong convictions that the third sector is capable of offering services that are comparable in quality and cost to the private sector. This sentiment is expressed clearly in following interview passage:

I do not think that the private sector necessarily can affect cost savings. I think here in BC we have a prime example where a tender was put out to the private sector to run the downtown SROs, and none of them could afford to do it at the level that the government was prepared to pay, but the non-profits stepped up and did it. So I think nobody matches the non-profits in terms of an ability to deliver services with very finite resources (Sector organization).

As funding becomes scarce, another informant argues the objective is to find ‘better ways’ of providing services, rather than ‘somebody different’:

Yes, so I really do not think privatization is going to be a successful way to go. I think what you are really looking for is better ways of delivering the services, not
somebody different to deliver the services. I think the non-profits are highly competent, and I think they have delivered amazing services for the last 60 or 70 years, and for me the issue is how can we help them to be the best that they can be, because nobody has been doing that for them, nobody has been helping develop their capacity (Sector organization).

Examples of ‘better ways’ include increased collaboration between small social housing providers or the creation of non-profit services.

Although private property management companies can range in size, the large kind that partner with Toronto Community Housing benefit from significant economies of scale. This is important since it helps drive down the cost of service. An interviewee suggests this provides large providers with a competitive advantage:

It is very interesting because I am not convinced that that [private property management] is the solution. I think that the property management companies do not necessarily possess greater skills, I think they have more scalability. To me that would be the issue (Sector organization).

However, small non-profits and co-operatives are increasingly joining forces in order to achieve greater scalability. Thus, an interview participant noted the emergence of networks of ‘likeminded folks’ within the co-operative sector:

We certainly try to be part of coalitions, networks, likeminded folks either working on housing or in the cooperative movement (Sector organization).

Similar events are also evident among non-profits. Moreover, an interviewee contends that this type of collaboration is occurring between various types of non-profits, not just within the social housing field:

A lot of the non-profits are partnering together to do shared services. So it is really not about necessarily partnering with the private sector, as much as finding economies of scale by coming together and figuring out that you can share maintenance services. You can share janitorial services. You can share property management services. I would say that the non-profit sector is moving in that direction, generally, not just in the non-profit housing context (Sector organization).

An excellent example of housing and non-housing groups working together is apparent in new and unique financing opportunities. British Columbia’s housing co-operative sector
has negotiated secondary mortgages through local credit unions. In addition to preferred
rates of interest, co-operatives banks are more willing than national banks to provide
additional financing before original CMHC mortgages are fully amortized:

VanCity in particular, is a partner who is bringing hundreds of millions of dollars to
the table in accessible financing… The most recent example is in secondary
financing. We have had to set up for some co-ops who cannot wait until the end of
their operating agreement to upgrade their buildings, they are just wearing out on
them. So we have gone out to the market for second mortgages that would sit behind
the CMHC mortgage, and the response of the banks has been, 'we do not want to be
in second place to a CMHC-insured asset' (Sector organization).

Like any financial institution, credit unions cannot assume excessive levels of risk, but a
shared ‘social mission’ makes them a more agreeable partner. Furthermore, the expertise
of non-profits and co-operatives is even sought after by large municipal non-profits or
public housing corporations.

In certain cases, the third sector is better able to respond to acute housing needs
than large government-run providers. Historically, the primary objective of public and
municipal non-profits was to provide safe housing at an affordable cost. As such,
providers were not expected to function as specialized ‘social service agencies’:

The Metropolitan Toronto Housing Authority does not have the mandate to create a
social service agency as part of its structure, either for the purpose of providing
therapeutic counselling to individuals or families who are emotionally or otherwise
disturbed in their relationships with each other or with their neighbours…Neither the
government of Canada nor the government of Ontario has ever accepted the concept
that local housing authorities from Newfoundland to British Columbia shall do more
than we are offering within the Metropolitan Toronto Housing Authority (MTHA
1981, p. 9; underline in original)

Instead of offering a ‘parallel set of social, health and recreational facilities,’ housing
staff was expected to refer residents to existing resources in the broader community
(MTHA 1981, p. 11). However, the reality is that many residents living in such projects
do have specific needs. As a result, strategic partnerships with non-profits can help large
providers target and accommodate certain requirements. For example, an MNP in
Vancouver draws on the expertise of a small non-profit to deliver a subset of its housing in a demanding urban environment:

We still do the capital replacement stuff in the building. We pay the taxes. We do all that stuff, but we went out for a call for proposals and we selected another non-profit organization that is skilled for Downtown East Side. They run that building. In fact they run two of our buildings down there. We're in partnership with another non-profit organization that runs another building for the harder to house. So there's a partnership with a health authority, with other non-profits. We run all the rest of our stock, but for those Downtown East Side buildings, I came to the conclusion that we were not suitable for a number of reasons to run those buildings (Social housing provider).

In this particular case, it was determined that the ‘hard to house’ population was better suited to a smaller non-profit organization with specific a skill-set and experience in the local area:

We've got a huge issue with homelessness and the hard to house. It's not just housing, you're now into a complex support system where you need essentially in those buildings 24/7 supports (Social housing provider).

Other types of initiatives include introducing co-operative management into government-run public housing. Built in Toronto during the 1960s as a federal-provincial rent-geared-to-income townhouse complex, Alexandra Park in Toronto was converted into the Atkinson Housing Co-operative during the 1990s.32 Now, Toronto Community Housing retains ownership of the property, but an elected co-operative board manages daily operations and work with community residents:

TCHC is responsible for paying for taxes, utilities, mortgage payments and the capital work on the building… And the co-op is responsible for day-to-day operations, maintenance, that kind of stuff. And they manage the relationships with the residents, most of whom are members, but not all (Social housing provider).

In both cases, there is likely no financial efficiency resulting from these types of partnerships, but engaging with non-profits and co-operatives is better suited to

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32 Souza (2013) offers a detailed description of this process.
community needs. Nevertheless, in addition to these types of joint efforts, the third sector also develops not-for-profit contracting alternatives.

The establishment of services from within the social housing sector is important for two reasons. In theory, these companies have requisite knowledge of the specialized needs of housing projects. Similarly, operating on a break-even basis means they can offer rates that compete with the private sector without comprising the quality of service. For instance, the Co-operative Housing Federation of British Columbia (CHF BC) founded two non-profit service agencies that demonstrate this type of initiative. COHO Management Services Society was created in 1984 to provide expert administrative and consulting solutions for housing co-operatives across the province. Subsequently, CRS-COHO Repair Services (CRS) was formed as an auxiliary company dedicated to solving maintenance and assets management needs for community-based housing. An informant asserts that this increased range of options and price points is beneficial for the social housing sector:

[C]o-ops have a choice and they have an opportunity to compare different kinds of services and different kinds of pricing. And that has really boosted the capacity of asset management in the sector (Sector organization).

Although non-profit property management options undoubtedly exist in Toronto, comparable organizations have not been established from within the social housing sectors. Across Ontario, in-house co-coordinators manage most co-operatives, rather than hiring specialized contractors:

The predominant model in Ontario has not been to hire a management firm, like COHO or another, it has been to hire an onsite coordinator, an independent

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33 Although these kinds of arrangements may not produce any financial savings, interviewees did not note any negative financial implications interviewees either.
34 However, detailed examples of such options were not noted during interviews.
employee… They have created a job description called 'co-op coordinator', and they hire that one person to do that job (Sector organization).

Additionally, a property management organization catering to co-operatives does operate in Ontario and Nova Scotia, but developed to fulfill a different purpose. The Community Housing Management Network was created by the Co-operative Housing Federation of Canada primarily to assist projects ‘in difficulty,’ but also to provide to geographical areas void of management options. This purpose is further clarified below:

[The Co-operative Federation of Canada] set up an arm’s length group called The Co-op Management Network, and its main job is not so much to be in competition, like the BC model… It works with co-op that may not have many options, co-ops that may have went into grave difficulty and need a turnaround… No company perhaps wants to go in there if a place has had a lot of difficulty. It might be very labour intensive and costly (Sector organization).

Therefore, rather than intended to encourage competition and innovation, the organization is essentially an option of ‘last resort.’ Overall, the emergence of housing services from within the non-profit sector seems to be more prevalent in Vancouver than in Toronto.

Historical preference towards private non-profits and co-operatives in British Columbia eventually produced a suite of related housing services and supports. Despite a lack in economies of scale, small providers successfully developed capacity at the local and regional level, as explained in the following interview excerpt:

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The lack of available management solutions is an issue in some locations. Not limited to rural Canada, an interviewee contends that geographical unevenness can also occur in urban areas:

It is uneven… There’s some areas in a given municipal area, or across the country for that matter … where there are not a lot of options in terms of experience for either individual managers or co-op management companies or even a private property management group who knows anything about cooperatives (Sector organization).

However, this was not prominent issue in either Toronto or Vancouver.
[British Columbia’s] overwhelming preference has been to fund non-profit housing. I think what it does do is leverage capacity within the non-profit sector... Well-meaning organizations across the province who have demonstrated a big capacity for bringing resources into the housing sector. [British Columbia’s] emphasis remains, and has always been, on a partnership model with non-profits and I think it's been very successful in the province (Government agency or crown corporation).

Furthermore, another interviewee directly contrasts this arrangement with the system that unfolded in Ontario. The essence of the distinctions between the two provinces is captured in the following quotation:

[In British Columbia], the focus on partnerships with non-profits was something that really struck me more than in Ontario, but Ontario has a large system of non-profits as well. I think it gets muted a bit because of the strong role that municipalities play across the province, where you have big municipal housing companies, like the Toronto Community Housing Corporation, the City Living in Ottawa, Peel Living in Peel Region, and they became strong entities. When new housing got built in Toronto, it got built by the big monolith of Toronto Community Housing, and there wasn't much of an effort to involve non-profits when Ontario got back into the housing business (Government agency or crown corporation).

Additionally, this ethos of collaboration present in British Columbia is not limited to housing. According to some critics, Canada’s western provinces have broad history of cooperation.

The need to band together and develop local capacity is justified as a longstanding tradition in Western Canada.36 Hence, an informant argued that a province such as British Columbia is ‘way ahead’ compared to Ontario in terms of sharing resources and developing joint abilities:

Western Canada is way ahead of Eastern Canada when it comes to combining resources, and it’s an ethic that exists in the community and you see it happening... And the benefit of being in a national job is you can see it happening in different places...I think there’s a historical sense [in Western Canada] of ‘we need to collaborate to survive.’ There is a distrust of Eastern power, or Eastern banks that

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36 In this discussion, Western Canada includes the following provinces: British Columbia, Alberta, Saskatchewan and Manitoba. Ontario, Quebec and the Maritimes constitute Eastern Canada, and the territories make up Northern Canada.
goes on. The faith groups are much more active out there (Government agency or crown organization).  

This hypothesis lends support to another interviewee’s assertion that credit unions have stronger presence in British Columbia, which is an observation that was touched upon earlier in this discussion. Ultimately, the significant role of co-operative banking translates into greater interest and capacity to work in concert with the housing sector:

[British Columbia] has the big advantage over Ontario of having a much more developed credit union sector…So there still are smaller credit unions who have a social mission, but not the capacity to do anything about it. But a credit union like VanCity, a credit union like Coast Capital is very well positioned, and they really do make it a priority…VanCity is an exceptional case in the sense that they are huge, they have $15 billion in assets, so they are much more able (Sector organization).

Nevertheless, the final important characteristic to consider is whether or not the frequency of private contracting in property management is evolving over time. If so, is the cause attributed exclusively – or even partially – to the further adoption of neoliberal ideology?

Sometimes changes in the way a good like social housing is delivered or maintained are difficult to interpret. In certain instances, the need to seek external help for property management – from either the private or non-profit sector – is increasing. However, rather than motivated strictly by questions and efficiency and cost effectiveness, these decisions are often more complex. While the timing may be concurrent with a broader implementation of market-based approaches across a variety of fields, there are other contributing factors. For example, although it may have been

37 This notion is reflected in the nation’s early history. Relying heavily on European trans-Atlantic immigration, Canada’s development began in the east, and eventually expanded in a westward direction. Prior to confederation, the Province of Canada had numerous capitals, all of which were in the east. Similarly, Canada’s ‘Big 5’ national banks were all incorporated and continue to be headquartered in eastern provinces.
simple to maintain a newly constructed building, an aging one requires more complex service and expertise. An interviewee explains that current asset management requirements now often exceed the capacity of a volunteer board or independent property manager:

Volunteerism can still be useful, but when you start to look at the demands on the volunteers to have an understanding of capital replacement costs, your facility condition indices, long-term investment strategies - there are complex issues, so really I think one needs to be careful on how much of an emphasis we put on volunteerism as being the primary source of benefit to the housing sector (Sector organization).

In fact, one sector organization now encourages the use of professional property management services in order to better maintain the asset:

We have published a resource… first it was called 'The End of Participation', now it is called 'Beyond Participation', and it tackles this notion that co-ops used to have, and some still do, that both the governance and the management of the co-op should be handled by volunteers, and we have been trying to promote the notion for a while, that the role for volunteers is in the governance of the co-op, and if you want to call it the property management, should be taken care of by professionals who actually get trained to do the job (Sector organization).

Moreover, this is not limited to the co-operative sector. Similar occurrences are evident in the non-profit sector as well:

And it’s hard to keep communities engaged, co-ops struggle with getting members engaged and getting them involved. And non-profits…kind of think ‘oh you know we hired this general manager and then they hired this, why don’t we just contract the whole thing out’…I mean there’s a lot of reasons why you might get there you know, I just don’t know that one is more effective than the other (Consultant).

Therefore, increased private contracting might be a function of changing asset needs, rather than evolving ideological viewpoints. This is an important consideration when attempting to measure and compare neoliberalism across time and space.

All social housing providers, regardless of governance model, are forced to become increasingly resourceful. In Toronto, large providers such as Toronto Community Housing foster various opportunities from within the private sector. This is
evident from the corporation’s partnerships with external agencies to meet its property management needs. Such predilections are contrasted with the collaborative efforts that emerge from the non-profit and co-operative sector in Vancouver. Given these differences, what conclusions can be drawn? Do greater instances of private contracting mean that social housing in Toronto should be considered more neoliberalized, in either a ‘pure’ or ‘actually existing’ sense? The answer is unclear. Similar to the set of historical variations that shaped local innovation opportunities, existing social housing configurations appear to determine current cost reduction strategies.

The size of Toronto Community Housing is exceptional. With a portfolio of 60,000 units, its management needs are tremendous. As described, much of the privately delivered stock has been handled in this manner since the 1960s. Therefore, when TCHC was created through a multiple-step merger in 2002, it instantly and involuntarily inherited more than 10,000 units under private contract. Maintaining existing delivery mechanisms was likely the simple course of action in a presumably complicated amalgamation process. If desired, converting these units to in-house management would require a significant quantity of new labour. Similarly, the scale of these contracts perhaps exceeds the capacity of most non-profit management agencies. If so, this limits the range of possible contractors. Furthermore, an interviewee cites the size of Toronto Community Housing as definite challenge, regardless of how it is administered:

More so that whether it’s privatised or public, I think the size and scale of the management organisation is the relevant issue. We hear everyday complaints about Toronto Community Housing, TCHC, and how they run into difficulties with maintenance, with human relations, with... just the way they run their operation, security. But I think it’s because of the vastness of their portfolio. They have... I forget the numbers, but it’s tens of thousands of units that they’re responsible for. And when you’re that large of an organisation, it’s just very hard to consistently and effectively operate all those projects from one centralised management team all the way through the decentralised parties (Former social housing provider).
Informants did not report high rates of private outsourcing in the city’s private non-profit and co-operatives. Instead, most small providers relied on a single property manager or co-op coordinator. Thus, while TCHC comprises the majority of Toronto’s social housing, it does not define how the city’s smaller, community-based providers operate. Nevertheless, historical circumstances have created an organizational culture of social housing that is distinct from Vancouver.

Social housing in British Columbia developed very differently than in Ontario. A relative lack of large public and municipal non-profit housing means Vancouver never established large-scale providers. As such, it is reasonable to suggest that establishing and maintaining in-house management of smaller organizations is a much less arduous task. For example, BC Housing manages all 7,200 of the province’s public housing units. However, TCHC alone delivers approximately 48,000 units internally. Therefore, given the magnitude of difference, it is less surprising that certain functions are handled in different ways.\footnote{In fact, one interviewee described Vancouver’s private rental housing market as ‘fractured,’ and suggested the city lacks the same type of large scale private management firms:}

We also have a different rental sector here. We do not have the huge rental companies that would have economies of scale, like they have in Ontario…We have a more fractured rental market (Sector organization).

Therefore, it is unclear if the scale of contracting achieved at TCHC would be feasible in Vancouver.

Similarly, the pervasiveness of small providers contributes to an assortment of robust grassroots housing resources. Despite reduced economies of scale, these organizations tend to provide professional and sophisticated services that are more congruent with the underlying philosophies of non-profits and co-operatives. In the end, the composition of social housing portfolios, namely the type and size of providers, has a central role in determining the both innovation and cost reduction strategies.

\footnote{In fact, one interviewee described Vancouver’s private rental housing market as ‘fractured,’ and suggested the city lacks the same type of large scale private management firms:}

We also have a different rental sector here. We do not have the huge rental companies that would have economies of scale, like they have in Ontario…We have a more fractured rental market (Sector organization).

Therefore, it is unclear if the scale of contracting achieved at TCHC would be feasible in Vancouver.
6.6 Devolution and Entrepreneurialism

The assemblage of examples presented here highlight the ways in which unique path dependencies help create conditions and opportunities for entrepreneurialism in social housing. However, these trajectories can be further influenced by devolution. This is especially pertinent in the case of Toronto. For example, downloading responsibility to the local level only intensified issues of scale, as evident by the amalgamation of large public housing authorities and municipal non-profits. Similarly, expanding the ownership and administrative duties of municipalities also means that a provider’s budget becomes a major component of the city’s budget:

As soon as you move [social housing] to the municipal level, it became the second largest budget expenditure on the municipal budget, after police and fire services. And the municipal councillors were looking over your shoulder every five minutes to make sure that you were not spending too much money on social housing (Former government agency or crown corporation).

Additionally, since local governments cannot run budget deficits, social services face greater risk of spending cuts:

So even if you're sympathetic to social housing and you're a municipal finance manager, you've got to figure out how to balance the municipal budget, because municipalities can't run deficits. So you're stuck in this situation... (Former government agency or crown corporation).

Furthermore, an appointed board of directors runs large city-run providers, such as Toronto Community Housing, but they remain exposed and vulnerable to local politics. As an interviewee argues, the interests of a municipal council may be at odds with the social housing needs:

On the governance structure, I think generally and this is a personal view but I think you can find enough evidence that this is true, is that political governance for direct service delivery is not a good mix as one and Toronto Community Housing has become very much governed by council direction and council interest and frankly council doesn’t spend much time on housing and a politically appointed board is not a board that understands or is engaged or is generative for the business... (Former social housing provider).
In contrast, private non-profits and co-operatives operate rather independently of local politics. Therefore, even in Toronto, these groups can function without public interference and scrutiny. This increased autonomy is perceived positively:

Non profits are well governed very stable structures, good legislation around them are able to do all those things without the political control, political agendas, in fact in the city of Toronto we deliver 30,000 units of housing through 200 organizations all governed by volunteers all with exceptionally good track records, all responding slightly differently in their own creative way to the needs of their communities so why wouldn’t we envisage that you use the same governance approach for all this other housing and get it away from this other politics of the council? (Former social housing provider).

Thus, large government-run social housing providers are likely more prone to embrace certain neoliberal strategies. The structure of private non-profits and co-operatives makes them further insulated from the political-economic ideologies adopted and internalized by all levels of government, at least in comparison to public and municipal non-profit housing.

‘Double devolution’ to the municipal level in British Columbia would not have the same impact in Vancouver. The city’s lack of public and municipal non-profit housing means the majority of the portfolio would remain relatively independent of local political and economic ideologies. Although further downloading would likely require the creation of a municipal housing agency, similar to Ontario’s local service managers, the government would not take ownership of the privately owned non-profits and co-operatives. However, social housing in Vancouver is not unaffected by neoliberalism. In fact, a review of public-private-partnerships in public housing redevelopment initiatives reveals that Toronto and Vancouver employ similar methods.

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39 The introduction of the Social Housing Reform Act (SHRA) did not impact the ownership of private non-profits and co-operatives across Ontario.
6.7 Conclusion

The empirical findings of this chapter generate a variety of conclusions. First, tracing the relationship between the historical development of social housing and examples of entrepreneurialism advances certain theoretical aspects of path dependency. Second, and in accordance with the underlying research problem of this study, the results help to isolate and explain the role of devolution in the neoliberalization of social housing.

The basic premise of path dependency is clearly defined. However, as critics such as MacKinnon (2008) or Martin and Sunley (2006) have identified, certain conceptual elements require further investigation. Critical analysis and case study comparison of Toronto and Vancouver offers additional perspective in three specific aspects of path dependency: contributing factors of path creation; the influence of multiple geographical scales; and the role of place dependency.

The findings of this study support the idea that paths are often created through an intricate combination of chance and deliberate action. However, in some instances clearly delineating between ‘chance’ and ‘deliberate’ is difficult. Factors such as the population size or temporal housing need of a city may be perceived as random or external, yet both variables are at least partially the result of deeper histories of urban growth, migration patterns, and housing markets economics. Furthermore, the establishment of local social housing portfolios was heavily dependent on the intensity of provincial interest and investment. For example, British Columbia’s choice to develop private non-profits was guided by municipal demographic needs at that time, yet concurrently shaped by the available federal-provincial social housing programs at that particular time. Likewise, the ‘double devolution’ in Ontario further highlights the multi-
scaled nature of path dependency. The province’s ‘Common Sense Revolution’ resulted in unprecedented new legislation and altered the trajectory of social housing across Ontario. Nevertheless, municipalities were forced to make various decisions that would determine how some of these changes might unfold. Toronto’s choice to combine the former provincial public housing authority with its municipal non-profits rather than keep them as separate entities exemplifies the significance of place in the path dependency process. These observations are directly applicable to understanding the intricate relationship between devolution and neoliberal restructuring.

Devolution is not the principal factor that explains observable differences in how social housing providers in Toronto and Vancouver currently strive to generate new sources of revenue or reduce operating costs. In fact, some of the mechanisms identified were employed prior to federal and provincial downloading. Instead, unique historical needs and preferences have resulted in distinct portfolios that differ by size and housing type. Devolution can have an augmenting effect, but it is the scale and composition of a social housing sector that ultimately shapes opportunities for entrepreneurialism.

In this particular context, the impact of devolution was more significant in Toronto, since it consolidated provincially and municipally-owned housing. This further amplified the size of (already) large providers and unlocked new potential for asset leveraging or major contracting schemes that benefit from economies of scale. However, the lack of public and municipal non-profit housing means that downloading responsibility for social housing to municipalities in British Columbia would not produce the same results. These findings highlight the nuanced interplay between devolution and path dependency. However, critical analysis of public-private partnerships in the
following chapter will demonstrate a much more pronounced example of how devolution can facilitate increased entrepreneurialism.
Chapter 7: Neoliberal Restructuring Under Devolved Governance – Public-Private Partnerships

Harvey (1989) characterizes public-private-partnerships (PPPs) as the ‘centerpiece’ of urban entrepreneurialism. The objective of this chapter is to critically examine how these partnerships are applied to social housing in Toronto and Vancouver, with specific emphasis on the role of devolution in shaping their design and structure. In particular, analysis will examine if ‘double devolution’ in Ontario results in observable differences in the use of PPPs as a means of redeveloping social housing projects in Toronto and Vancouver. Additionally, given the spectrum of partnership models, this research also considers how practical housing examples fit within the broader PPP theoretical literature. These questions are explored drawing primarily on two case study examples: Toronto’s Regent Park and Vancouver’s Little Mountain.

The course of this discussion yields three conclusions. First, despite any variation in innovation and cost-reduction strategies uncovered in the previous chapter, the structure of major redevelopment projects in Toronto and Vancouver are remarkably similar. Second, devolution was critical in the facilitation of these initiatives. Downloading eliminated the complications of joint ownership and competing interests associated with shared federal and provincial responsibility of public housing. Finally, accurately measuring and comparing the use of public-private partnerships across time and space is dependent on how the concept is defined. If ongoing operation and
maintenance roles are essential components, then cases such as Regent Park and Little Mountain do not qualify as PPPs. In addition to these findings, the chapter concludes by highlighting an important link between this specific form of redevelopment and critical literatures of gentrification.

The underlying motivations behind the use of public-private partnership were outlined in Chapter 2. These included assertions that cities had proved ineffective at addressing the economic challenges associated with increasingly mobile capital and global markets (Cochrane 2000). Critics claimed cities needed to become more entrepreneurial, and that collaborative partnerships with the private sector were necessary for attracting new investment and encouraging local growth (Mayer 1995; Cochrane 2000). However, it is important to begin by discussing theories on the evolving nature and form of PPPs in practice, as this will help contextualize the empirical findings of how partnerships are applied in Toronto and Vancouver. This is followed by a brief synopsis of public-private partnerships in Canada’s social housing system.

7.1 The Evolving Nature of Public-Private Partnerships
Since at least the 1980s governments of all political inclinations have partnered with the private sector to produce major infrastructure projects. While Hodge and Greve (2010) describe PPPs as having ‘iconic status around the world’, evaluations of their effectiveness remain ‘hotly contested’ (p. S8-S9). Similarly, Siemiatycki (2012) argues that despite continued growth in use, PPPs have become ‘lightning rods of controversy’ (p. 6). While recent literature continues to question the capabilities and outcomes of partnerships, there is now a growing debate centered on how to appropriately define and characterize public-private partnerships. Over time there have been multiple changes in the nature and form of public-private partnerships, and many of the earliest examples of
PPPs are distinctly different in structure than more recent specimens. Siemiatycki (2012) provides one of the better overviews of the history of PPPs in practice. Four relevant periods in the history of partnerships are explained below: early partnerships based around heavy private sector involvement; a shift towards government as the primary agent between the 1950s and 1970s; a trend of outright privatization and deregulation in the late 1970s; and the current period which includes continued involvement of the private sector beyond the development stages of a project.

Siemiatycki (2012) argues that the private sector had the primary role in supplying public infrastructure until the beginning of the twentieth century. The government typically played the role of authorizer and scrutinizer, leaving the private sector responsible for the design, construction and operation of these joint projects. While this particular arrangement initially 'flourished', concerns of labour and safety practices, as well as corruption, eventually led to significant criticism. In addition, financial hardship and bankruptcy forced some private corporations to exit the market. Consequently, the 1950s marked a retreat of the private sector and expanded the state’s role in the provision of infrastructure.

This newer arrangement, which included increased government involvement, typically operated using the ‘design-bid-build’ model (Siemiatycki 2012). The tasks included in this moniker denoted the specific roles of the private sector. Private development corporations would execute the state’s visions in the design and construction process. After the development phase was complete, the project was then

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1 Ghobadian et al. (2004) trace the history back to ancient times, where the private sector was involved in the provision of public services such as markets, harbours and public baths.
effectively turned over to the public sector, which would operate and maintain it going forward:

In this model, government agencies determine investment priorities based on their own criteria and develop the specific design of the project in-house, often in consultation with advisors from a private engineering or planning firm. Once the project design is completed, a competitive bidding process is initiated to select a builder to construct the project as specified. The construction is financed either through general government debt or bonds, which are typically repaid through general government revenues rather than directly from user fees. Upon completion of construction, the facility is publicly owned and operated either by public employees, or in some instances, a privately contracted operator (Siemiatycki 2012, p. 7).

This was the predominant PPP model between the 1950s and 1970s. Projects completed using this model were plagued with costs and delays well beyond initial estimates. In addition to wild cost overruns, revenues were often far lower than forecasted levels, and project viability and environmental impacts frequently exceeded estimates. Flyvbjerg et al. (2003) refer to this phenomenon as the ‘megaproject paradox’, and largely attribute it to the uneven distribution of risk and accountability:

We have identified the main cause of the megaprojects paradox – namely the fact that more and bigger megaprojects are built despite their poor performance record – as one of risk-negligence and lack of accountability. We have shown that project promoters, unsurprisingly, are happy to go ahead with highly risky projects as long as they themselves do not carry the risks involved and will not be held accountable for lack of performance. We have also shown that with the conventional approach to megaproject development, all too often promoters have actually been able to dodge risk and accountability (p. 137).

This was problematic because liabilities and risks were typically not shared equally. In this model the public sector would typically ‘assume the risk’ and the private sector would ‘take the benefits’ (Harvey 1989, p. 7). Eventually ‘cash-strapped’ governments became less inclined to increase public debt and be responsible for costs of this paradox.

In response, the structure of partnerships shifted yet again, returning to increased participation from the private sector. Not only did this model rely more heavily on
private sector involvement, there was a real trend towards ‘outright privatization’, as Siemiatycki (2012) explains:

Amidst a prevailing rhetoric that government was generally inefficient and lacked the necessary competition to spur innovation and efficiency, beginning in the late 1970s, governments began around the world began selling off their state-owned enterprises in key infrastructure sectors such as energy; telecommunications, public housing; and air, bus, rail and freight transportation. This was accompanied by extensive deregulation to encourage competition between new markets entrants (p. 7).

The results of this approach have been described as ‘decidedly mixed and hotly debated’, and the ‘bruising ideological debates’ surrounding outright privatization and government withdrawal necessitated the search for yet another model.

The most recent wave of PPPs attempts to build upon experiences gained from previous partnership and delivery models. It became evident that governments needed to retain a certain level of authority and responsibility, yet avoid the risks and costs associated with overruns, delays or unexpected expenditures that might be incurred through long-term operation. The proposed solution involved integrating the private sector into more aspects of the partnership. Instead of limiting the private sector to the design and building process, the newest approach aimed to include the long-term duties of operation and maintenance.

Unlike the rather standardized ‘design-bid-build’ model widely used from the 1950s until the 1970s, there now exists a wide range of partnership arrangements and a variety of terms that try to describe them. For example, Hodge and Greve (2010) note the ‘build-own-transfer’ (BOT), the ‘build-own-operate-transfer’ (BOOT) and the ‘long term infrastructure contract-type PPP’ (LTIC-PPP) and Roberts and Siemiatycki (2014) discuss the ‘design-build-finance-operate-maintain’ (DBFOM) model. Despite any differences in name or structure, these newer models share a critical common element:
the partnership is *ongoing*. Instead of handing over a project after the design and build phase, the private sector remains involved through operation or maintenance.

At the start of this section the characterization of partnerships was rather broad. The evolving nature of PPPs means their definition is also continually changing. Bovaird (2004) warns that conceptions of PPPs vary significantly:

> We have to be aware of the diversity of meanings behind the general term ‘PPP’. The interpretation of the nature and role of PPPs differs greatly even within a single country, never mind between countries and between ‘public management systems’ and ‘business management systems’ (p. 213).

Siemiatycki (2012) asserts contemporary PPPs should include three key components: mutual benefit; engaging the private sector in the development, financing and operation processes; and a sharing of risk. These criteria are significant, as they help clearly differentiate a partnership from contracting or privatization:

> This definition is intended to exclude the traditional model of government contracting for infrastructure provision at the one end of the spectrum, since such arrangements rarely include private financing upon which meaningful risk transfer is predicated. At the other end of the spectrum, the PPP definition also excludes outright privatization. Privatization projects are free enterprises governed through regulation and controlled by the private sector in perpetuity, rather than partnerships arranged around concession contracts and contract law where the public sector is significantly involved in ensuring that the project delivers public benefit (p. 7-8).

The inclusion of shared risk and long-term involvement through operation and maintenance, for example, has forced theorists to reconsider how the term is applied. In fact, there is growing concern that term is incorrectly applied, especially in cases that are essentially contracting or selling-off schemes, rather than actual partnerships (Wettenhall 2007; Hodge and Greve 2010; Teisman and Klijn 2002; Siemiatycki 2012). It seems reasonable to suggest that some misuse is unintentional, but other instances are believed to be deliberate.

The term ‘partnership’ has been described as a ‘language game’ (Hodge and Greve 2010) and ‘governmental rhetoric’ (Teisman and Klijn 2002). Hodge and Greve
(2010) argue that governments avoid the terms ‘privatization’ or ‘contracting out’, and prefer the ‘partnership’ label instead. They attribute this to the notion that ‘partnership’ represents a “warmer and more friendly proposition,” that it provides government with the chance to use “a new buzz word or re-label existing policies under a more catchy name”, all of which is used for political gain (p. S10). Furthermore, Teisman and Klijn (2002) question the state’s desire to relinquish, or at least share, authority and decision-making responsibilities:

Public actors want to retain their primacy within the process. As long as this is the case, private partners will not bring in their knowledge and their efforts. This is a serious obstacle to achieving synergy and finding new solutions (p. 204).

This reluctance to ‘abandon its formal superior position’ has limited the government’s ability to develop true partnerships (Teisman and Klijn 2002, p. 198).

Ultimately, Siemiatycki (2012) argues that PPPs are “neither inherently positive nor inherently negative” (p. 10). The outcome of a project cannot be determined by whether or not a PPP is employed. Instead, success or failure is more dependent on the planning, structuring, and ability to manage risk. Additionally, ongoing research highlights successful examples, which demonstrate that carefully planned collaborative projects can produce real benefits. Thus, PPPs continue to evolve and the learning process of how to best use partnerships is also ongoing.

An analysis of PPPs over time, especially since the 1970s, highlights the incentives for governments to include the private sector in public endeavors. However, PPPs must not be considered simply as mechanisms by which governments can avoid additional debt or risk, as these private partners also tend to benefit from these arrangements. In addition to uncovering previously unexplored business opportunities, partnerships can allow private interests to infiltrate public decision-making. Harvey
(2005) describes this process as “integrat[ing] state decision making into the dynamics of capital accumulation and networks of class power” (p. 76). These partnerships provide private corporations with the chance to influence and steer policies and regulations in ways that either further or protect their own interests:

Businesses and corporations not only collaborate intimately with state actors but even acquire a strong role in writing legislation, determining public policies, and setting regulatory frameworks (which are mainly advantageous to themselves). Patterns of negotiation arise that incorporate business and sometimes professional interests into governance through close and sometimes secretive consultation (Harvey 2005, p. 76-77).

Eventually, the symbolic line that separates the public and private sectors “become[s] more and more porous” (Harvey 2005, p. 77-78). This is significant, as it creates opportunities to gradually and rather discreetly wear down and dismantle institutions or regulations that hinder advancement of the ‘neoliberal project’.

This debate suggests that partnerships can take many different forms. Not all joint projects labeled as PPPs are based on the same conceptual understanding of the term. Instead, there is a range of possibilities through which the public and private sectors are able to work together in the provision of public infrastructure. Furthermore, this makes quantitative analysis comparing the prevalence and frequency of PPPs across space or over time more difficult. It is important to consider and acknowledge other possible arrangements, such as privatization or contracting-out. This range is observable in the arena of social housing, and it will be important to consider these ideas when investigating and evaluating the role of the private sector in housing provision.
7.2 The History of Partnerships in Canada’s Social Housing Sector

The emergence of public-private partnerships in housing is a direct consequence of the federal government’s decision to abolish new funding for social projects. In the absence of these subsidies, the focus turned increasingly to alternative opportunities to ‘attract and funnel a combination of public and private funds’ in order to continue tackling the nation’s housing needs (CMHC 1998, p. 1). Until the early 1990s, the success of the relatively well-funded non-profit and co-operative housing sectors meant that partnerships were essentially deemed unnecessary in Canada.\(^2\) In fact, the housing sector is described as exhibiting a sense of ‘complacency’ regarding the need for alternative modes of housing provision:

In contrast to the United States, the non-profit sector was not propelled to seek out or develop alternatives. In short, a certain level of complacency characterized the Canadian environment over this period. Although many advocates felt funding levels should be increased, few contemplated the possibility that these programs would be eliminated in their entirety (CMHC 1998, p. 30).

In order to promote the use the partnerships, CMHC established the Canadian Centre for Public-Private Partnerships in Housing (CCPPPH). Created in 1991, the centre was intended to serve as a, “catalyst, initiator and source of best advice for how to advance and encourage partnerships” (CMHC 1998). Now, decades later, without additional subsidies the PPP model is recognized as an increasingly vital mechanism for governments and providers faced with growing core housing need and deteriorating projects. In fact, an interviewee explains that partnerships are now the only option:

Given that there are no new programs from ’95 on, anything would have to be done either with internal cash or with some developer partner. And typically there were was not internal cash, so if there was anything built in that period it would have with partners (Social housing provider).

\(^2\) Widespread use of public-private partnerships in the United States began in the early 1980s (CMHC 1998).
The redevelopment of Toronto’s Regent Park and Vancouver’s Little Mountain are helpful examples in the examination of links between public-private partnerships and the devolution of social housing. Each case is reviewed in turn.

### 7.3 Case Studies in Toronto and Vancouver

#### 7.3.1 Regent Park

Regent Park is Canada’s earliest, largest, and perhaps most iconic public housing development. Beginning in 1949, the creation of Regent Park was an early example of slum clearance in Toronto (Rose 1958). Roughly half a century later, the project’s capital repair and replacement needs were immense. Similarly, it had become vilified as a ‘new slum’ and ‘poster child for poverty’ (Silver 2011, p. 36-37). Thus, the objective was to revitalize the project, “at the lowest possible cost to taxpayers” (TCHC 2015). However, owned and operated by Toronto Community Housing, the municipal provider lacked the financial capacity to finance the initiative independently. Therefore, in addition to various forms of government support, the venture required major involvement from a private sector partner. Although Regent Park is not the first major redevelopment project of its kind in Toronto, or even within TCHC, it is generally regarded as the most renowned. According to an interviewee, the magnitude makes it a fascinating example:

> It's probably one of the biggest, too. So that would make it more interesting to people, I guess, just because of the size and possibilities... (Social housing provider).

A review of the project’s details reveals the true size and scope.

An important feature of Regent Park is its sheer size. With a land area of 69 acres, it supplied housing to 7,500 residents across 2,083 rent-g geared-to-income social housing units up until the redevelopment process began (TCHC 2015; TCHC 2012). Another critical characteristic is its location. Positioned adjacent to Toronto’s city core, high land
values generated external interest. Accordingly, an informant referred to Regent Park’s redevelopment potential as ‘market driven’:

There is an opportunity to do redevelopment, that is market driven as opposed to our choice. So, if we wanted to redevelop in north-east Scarborough, we could not, because there is no market to redevelop for. But if we wanted to redevelop in downtown Toronto, there is a market, so Regent Park, there is interest... Developers would like to build there (Social housing provider).

After approval by Toronto’s city council in 2003 and a request for proposals (RFP) process, a private developer was selected in 2006 (TCHC 2015).

The Daniels Corporation was chosen as development partner in the revitalization of Regent Park. Together with Toronto Community Housing, and with various forms of government assistance, the project will be fully demolished and rebuilt over the course of six phases. Furthermore, given the magnitude, the process has an anticipated timeline of between 15 and 20 years. The first objective was to replace all rent-geared-to-income units, plus add a small supplement of affordable rental units. The second goal was to convert the complex composed exclusively of public housing into a mixed-income community. However, unlike the non-profit or co-operative housing model, the majority of the new housing options are in the form of market-rate condominiums and townhomes. The inclusion of market units is required to offset the cost of replacing the social housing stock. Thus, Toronto Community Housing supplies the land, the Daniels Corporation is responsible for development and construction, and both partners receive an equal share of profits generated by selling market units. An interviewee provides a synopsis of this arrangement:

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3 Cresford Developments was initially selected as the private development partner. However, Cresford exited the project at the due diligence stage, and another request for proposals was conducted (Lesage 2012).

4 Daniels was chosen as partner for the first phase, and had to compete through additional RFP for subsequent phases.
We manage the redevelopment by giving a development partner an opportunity to build condos, typically, there, and what they pay us covers the cost of our replacing our existing units. In some places we might do seven new condo units for every one of our existing residential, and those seven new condo units pay for our new residential plus maybe we get some revenue out of it as well (Social housing provider).

Any profits generated by TCHC will be reinvested across the remainder the portfolio. Nevertheless, despite the revenue potential from the various phases, all parties are required to make significant upfront financial contributions.

Replacing more than 2,000 units of social housing is expensive. Therefore, the number of condominiums that must to be built and sold on the site far exceeds the supply of social housing units. Furthermore, despite revenue from initial sales, the partnership still requires a $1 billion investment. Daniels will contribute half of this total, while Toronto Community Housing will spend $450 million.\(^5\) The remainder comes from a series of government investments, as shown in Table 7.1.

\(^5\) Much of TCHC’s contribution is funded by the bond issuance explained earlier in the chapter.
Table 7.1: Sources of Government Funding in Regent Park

<table>
<thead>
<tr>
<th>Amount (M)</th>
<th>Source</th>
<th>Program or Description</th>
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<tbody>
<tr>
<td>$19.5</td>
<td>Provincial and federal</td>
<td>Affordable Housing Program</td>
</tr>
<tr>
<td>$3.3</td>
<td>Provincial</td>
<td>Infrastructure Stimulus Funding, Children and Youth Hub</td>
</tr>
<tr>
<td>$24</td>
<td>Provincial and federal</td>
<td>Infrastructure Stimulus Funding, Regent Park Arts and Cultural Centre</td>
</tr>
<tr>
<td>$11.7</td>
<td>Provincial</td>
<td>Provincial Affordability Payments for the construction of new affordable rental units (over 20 years)</td>
</tr>
<tr>
<td>$62.6</td>
<td>Municipal</td>
<td>Community facilities and municipal infrastructure</td>
</tr>
<tr>
<td>$5.1</td>
<td>Provincial and federal</td>
<td>Affordable Home Ownership Program</td>
</tr>
</tbody>
</table>

Source: TCHC 2012.

This cost, among other factors, ultimately makes the redevelopment of Regent Park a contentious issue.

An informant describes Regent Park as ‘stunningly successful,’ and attributes much of this to the private partner. Furthermore, given that Toronto Community Housing underwent a period of major internal reorganization during the venture, the presence of a partner, ‘who actually gets the idea of community building’ was significant:

It’s actually been stunningly successful and it’s been stunningly successful in spite of the fact that the public partner, Toronto Community Housing, has basically fallen by the wayside and it’s partly because the Daniels Corporation. And I sound like a salesman, but the head of the Daniels Corporation is an incredible visionary… So we are terribly lucky in Toronto that that public-private partnership included a private sector guy who actually gets the idea of community building. Not all public-private partnerships work that way (Research, policy and advocacy).

The Daniels Corporation had previous experience working in social housing communities, and was the only bidder, “willing to share the risk equally with TCHC, for
“a lesser share of the profits” (Lesage 2012, p. 4). Thus, Daniels is arguably an ideal private sector partner. Nevertheless, the overall endeavour is met with a great deal of concern.

Given its iconic history, the revitalization of Regent Park is the source of significant scrutiny. For example, Silver (2011) argues the return on investment is insufficient:

The fact that $1 billion will be invested in RP without producing a net increase in low-income rental units at a time when 67,000 people in Toronto are on wait lists is a condemnation of neoliberalism and its effects, as is the fact that valuable public lands have had to be privatized to raise the necessary capital. The redevelopment of RP bears the stamp of neoliberalism in these and other ways (Silver 2011, p. 87).

In fact, the finished product is technically not even *net neutral* in terms of rent-g geared-to-income units. Although social housing is replaced at a one-to-one ratio, some will be rebuilt in nearby communities rather than on the actual Regent Park site. A more detailed estimate of the allotment of total housing type is given in Table 7.2.

<table>
<thead>
<tr>
<th>Table 7.2: Regent Park Housing Units by Type</th>
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<tbody>
<tr>
<td><strong>Housing Types</strong></td>
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<tr>
<td>Social Housing (RGI)</td>
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<td></td>
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<tr>
<td>Affordable Rental</td>
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<td></td>
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<tr>
<td></td>
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<tr>
<td>Market</td>
</tr>
</tbody>
</table>

Source: TCHC E.
Therefore, as the number of rent/geared-to-income units shrinks, and is eclipsed by market condominiums, original residents fear it represents ‘a takeover by middle-class residents’ (Silver 2011, p. 87). Additionally, August (2014) questions, among other issues, whether or not the introduction of social mix can resolve any of the problems that plagued the complex in the first place. Instead, redevelopment may operate as a guise to enable further gentrification in Toronto’s city core. Similarly, Kipfer and Petrunia (2009) describe the process as ‘state-managed gentrification,’ claiming that it represents a “racialized strategy to recolonize a segregated and long-pathologized, but potentially valuable central city space in the name of diversity and social mixity” (p. 111). Furthermore, Kipfer and Petrunia (2009) contend the redevelopment is a ‘product of state rescaling,’ that emerges as a direct outcome of downloading housing to the local level (p. 111). However, as the case of Little Mountain reveals below, devolution to the provincial level can produce partnerships that appear similar in structure.

7.3.2 Little Mountain

Like Regent Park, Little Mountain is Vancouver’s oldest and largest public housing project. The first of its kind within the province, the complex was built in the city’s centre in 1954 and housed roughly 800 residents in 224 units (City of Vancouver 2013; Silver 2011). Prior to its use in housing, the property was owned by the Canadian military, which is a much different history than most public housing sites. Rather than the product of slum clearance and urban renewal, Little Mountain always existed, “in the midst of an attractive and stable working class/middle-class neighbourhood” (Silver 2011, p. 50). While occupying a much smaller piece of land than Regent Park, it also had
proportionately fewer residents. As a result, the site was described as ‘physically attractive’ and located on a ‘spacious park-like’ backdrop (Silver 2011, p. 50). Needless to say, decades later the public asset oozed substantial potential for redevelopment.

British Columbia signed a Social Housing Agreement with the federal government in 2006, and as a result the province obtained ownership of Little Mountain. Within months of acquiring the asset, BC Housing launched the redevelopment process (City of Vancouver 2013). This venture was justified for three primary reasons. The first was that Little Mountain was an ageing asset and the second was that it held the potential for increased densification. This is apparent in the Memorandum of Understanding (MOU) between the province and the City of Vancouver:

Little Mountain’s buildings and infrastructure are obsolete, and the Site is underdeveloped. The City and BC Housing believe that a substantial increase in density and number of units can be accommodated, and that redevelopment of the Site should be considered. A comprehensive redevelopment may allow densities to be achieved that are greater than those allowed under the current zoning (City of Vancouver 2009).

An interviewee reinforces this premise, claiming Little Mountain’s density was so low that it was described as ‘sheep pasture’:

The city said, to the province, “We will consider a redevelopment to the site, because it is 50 years old and it is very low density, like 0.2 FSR.” It is farmland with grey boxes, basically, or sheep pasture with grey boxes, is what it was (Former government agency or crown corporation). The third and perhaps most motivating factor was the opportunity to unlock tremendous land value:

The province, I imagine, looked at it and saw it as a very valuable piece of land, and saw the redevelopment of it as a potential to generate capital. In 2007, an agreement between the city and the province was reached where the proceeds of the land sale would be reinvested in other social housing projects in Vancouver and in the rest of

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6 In terms of the number of residents per acre.
7 Floor Space Ratio (FSR) is the ratio between the gross floor area of a building and lot size, and serves as a measure of density.
the province. So there is a direct linkage between the value generated in this land and other social housing projects around the city, particularly the supportive housing projects (Government agency or crown corporation).

The MOU also outlined a series of redevelopment principles. For example, BC Housing was responsible for arranging the replacement all 224 units of social housing on-site. The province would offset this cost through the sale of land to a private developer, and remaining net profits are to be reinvested in other social housing projects across British Columbia. However, since the city would lose a considerable amount of prime government-owned land, it was negotiated that half of this reinvestment must occur within the City of Vancouver. Furthermore, the private development partner was to be chosen through a Request for Proposals (RFP) process. With these details clarified, the project could proceed.

Holborn Properties was selected as private sector partner in the Little Mountain project. As a key player, Holborn agreed to purchase the property from BC Housing and to act as developer in the site. The plan involves the replacement of social housing units, the construction of new market condominiums, as well as any other retail and community facilities that might be included in the final plans for the revitalized site. In order to generate profit from this arrangement, Holborn must be able to build and sell a large number of market units. Although the exact number of market units is unknown, there is an underlying assumption of densification:

What we do know of the relationship between Holborn and the province is that Holborn is expected to actually construct the social housing - that is unprecedented. Usually they are required to provide the land. So that creates an interesting nuance in this program, and has certain considerations around what Holborn is hoping to achieve in terms of density, because it is very expensive to create that social housing. Holborn has expressed quite explicitly that they need a certain level of density before they can break even, because of that requirement to build social replacement housing... I think we estimated at around $70 or $80 million, is what it would take to build that social housing, 234 units of LEED Gold social housing does not come cheap (Government agency or crown corporation).
In addition to increased density, market units are likely to be built in the most valuable parts of the property in order for the developer to ‘get the ‘biggest bang for their buck.’ According to an informant, this means that replacement social housing will be situated in less desirable locations:

[The social housing units] are not going to be the most high value sites, because generally when people develop large sites they want to get the biggest bang for their buck and get the most valuable condominiums in the highest value areas, for example along the park or with the best mountain views (Government agency or crown corporation).

Consequently, the impending venture quickly generated a considerable level of public interest and concern.

The issue of density produces widespread apprehension in the City of Vancouver. In the case of Little Mountain, this fear is amplified by the fact that the site falls within a residential neighbourhood composed primarily of single-family homes. An interviewee explains allowable density and height restrictions became ‘contentious elements’ as the project unfolded:

Now they are starting to work into the massing of the site, which is probably the most contentious element on the whole, height and density being something that many people are very sensitive about... In general in Vancouver people are sensitive about density, but particularly in single-family neighbourhoods. As you can see in the photographs, it is surrounded by single-family houses (Government agency or crown corporation).

In attempts to mitigate public concern, the city engaged in extensive community consultation. These types of initiatives, such as the formation of community advisory groups, were popular among residents across the city:

Usually those advisory groups are about 15 people, and in this case it was about 40 to 50, which is indicative of the community interest in this project (Government agency or crown corporation).
Likewise, Holborn endeavored to develop local support by hiring a well-known public figure to serve as a community relations consultant. Jim Green, former Vancouver councilor, was a renowned advocate active in a variety of social issues, including social and affordable housing in Vancouver’s Downtown Eastside (City of Vancouver 2015). It was expected that his involvement would lend some credibility to the project. Nevertheless, Green’s affiliation with Holborn concluded abruptly in 2011, citing “a difference in philosophy, a difference in strategy on how we move forward.” (MacKin 2011). This outcome is indicative of future progress at Little Mountain.

The redevelopment of Little Mountain progressed slowly. One contractual agreement between BC Housing and Holborn was to provide a ‘clean and vacant site’ (Silver 2011, p. 59). This meant that all existing buildings needed to be demolished before the sale could be completed. As a result, the majority of tenants were swiftly displaced in 2008, but the site lay vacant for years. In fact, the first phase of new units were not completed until the spring of 2015 (Bula 2015; Branham 2015). Minister Rich Coleman proclaimed this first phase of the project as ‘a milestone’ and ‘a rebirth of a community’ (Bramham 2015). However, given that only 53 units of social housing were replaced, and delivered more than five years later than promised, not all commentators shared Minister Coleman’s upbeat perspective. For example, Bula (2015) offers a more critical view:

A better description of the long-stalled redevelopment of Vancouver’s largest social housing site might be a disgrace or, at very least, an embarrassment to the province and the city.

Similarly, Branham (2015) argues that thus far the project has hindered rather than helped Vancouver’s shortage of social housing:
Far from addressing the enormous problem of housing affordability in Canada’s most expensive city, the province’s sale of the Little Mountain site may have exacerbated it.

The greater concern however, is that the next phase of social housing and the construction of market condominiums is uncertain at this time.

Although a fraction of social housing has been replaced, no market units have been constructed on Little Mountain. In fact, the rezoning process is not even finalized. Much of this delay is attributed to a lack of agreement between the city and developer regarding height and density allowances. In April 2015, these aspects of the proposal were approved, but expectations around community amenities remained under negotiation (Bramham 2015). Furthermore, until the final rezoning is complete, the transaction between BC Housing and Holborn is unfinished. The decided sale price of the property is purportedly $300 million, but the developer has only provided a deposit at this time, and thus the province continues to possess the title for the property (Bula 2015). Thus, the future of Little Mountain truly is indeterminate.

Assuming final approval is reached and the site is redeveloped, Silver (2011) is skeptical of the province’s long-term promise to invest net profits into social housing elsewhere in Vancouver and British Columbia. In particular, this pledge risks invalidation by the election of a new government or a change in fiscal priorities. Additionally, Silver (2011) argues a lack of public support for subsidized housing means such an occurrence could occur with little repercussion:

But the promise to invest profits in social housing some time in the future may not be fulfilled: governments change, and a new government may not feel bound by the promises of its predecessor; governments break promises that they have made, justifying it on the grounds of difficult fiscal circumstances. Because there is little public support for social housing for poor people, governments may not worry that such a broken promise will hurt their election prospects (p. 63).
Furthermore, like in the case of Regent Park, critics suggest the process exhibits a lost opportunity to create more new social housing, rather than simply replacing previous stock. Sources within the City of Vancouver concede that the number of social housing units could have been doubled or even tripled, rather than replaced at a one-to-one ratio (Silver 2011). Given the extent of the city’s housing needs, Silver (2011) contends that profit was ultimately prioritized ahead of need:

Little Mountain, in neoliberal terms, is too valuable to be left to poor people. Large profits can be made by selling the property and erecting housing for higher income people. The disposition of the site and the people who lived there has been decided by what is most profitable, rather than what is most needed (Silver 2011, p. 64).

Nevertheless, final conclusions regarding the process and outcomes of Little Mountain redevelop cannot be drawn until redevelopment is closer to completion.

Although certain details of the Little Mountain redevelopment remain unknown at this time, there is significant overlap in the way both cases were initially structured. First, a large piece of a long-time publicly funded asset is sold in exchange for the replacement of social housing units. Second, despite this loss, there is little or no gain in the number of social housing units to be built. Last, to achieve this replacement, the required amount of new market stock greatly exceeds the social housing units. Ultimately, both exclusively public housing complexes are radically transformed, and despite any of the noted criticisms, these types of approaches will prevail in future revitalization attempts. Nevertheless, municipal responsibility in Ontario meant that TCHC could orchestrate redevelopment in a comparatively simple manner. In contrast, negotiations between the province, developer and city in the case of Little Mountain are far more protracted. This highlights the impact and role of devolution in partnership ventures.
7.4 The Role of Devolution in PPPs

The link between devolution and the use of public-private partnerships in housing is multifaceted. For example, the Regent Park and Little Mountain redevelopment projects were initiated soon after each province signed a Social Housing Agreement with the federal government. However, the ideological preferences that provinces, municipalities or social housing providers held towards PPPs did not change in response to downloading. Nevertheless, the shift in responsibility did facilitate the ease of partnerships. In particular, the reduction of joint ownership and decision-making powers made PPPs much simpler to execute.

Partnerships involving multiple levels of government are challenging. In general, the greater the number of stakeholders, the more complicated the collaboration. As a result, an interviewee claimed public-private partnerships involving two senior levels of government are ‘rare’:

In terms of the joint governance approach, those hybrids are rare. We found that decision making and communication is far more important than we ever imagined it was. We got into one deal, I won’t say what it is because it failed miserably, but it failed because all the partners didn’t trust each other, so they spent their whole time trying to protect themselves from each other... But that is the history of intergovernmental relations throughout the world (Government agency or crown corporation).

Additionally, in the field of housing, municipal governments become a stakeholder by default, given that zoning and planning approvals are local responsibilities:

In housing development, there are municipal approvals for planning purposes, so you are always going to have a relationship with the municipality, no matter where in Canada you are (Government agency or crown corporation).

As a result, municipal governments risk becoming caught in the middle of two competing sets of priorities:

The complexity there is somebody has one set of rules and timing and you have to prove to us this and then somebody else has another set of rules, so there is a real
potential there for the municipality to get caught running back and forth between the two (Government agency or crown corporation).

This is especially relevant in social housing projects jointly funded and owned by the federal and provincial governments. For instance, prior to devolution the use of a partnership to redevelop a public housing project would involve three levels of administration. However, devolution streamlined this process. The federal government’s stake was transferred to the province through the signing of a Social Housing Agreement, and then subsequently to municipalities in Ontario. In the absence of the federal government, the province (or municipality in Ontario) had increased flexibility to seek partnership opportunities. This is clearly demonstrated through the cases of Regent Park and Little Mountain.

The redevelopment of Toronto’s Regent Park transpired as a direct result of structural changes in the ownership and responsibility of social housing. Consolidating social housing at the local level increased TCHC’s autonomy and flexibility. An interviewee specifically references the importance of greater flexibility:

Certainly Regent Park could not have happened without that flexibility (Government agency or crown corporation).

Another informant cites structural changes in administration as critical features:

Just to reiterate, I do not think it is driven by devolution, except for the change in structure, and all of that portfolio being at a municipal level rather than scattered through provincial and municipal levels. The concentration provided some [motivation] (Social housing provider).

Furthermore, the choice of housing providers to embrace neoliberal ideology in the wake of devolution was not mentioned as a motivating factor:

I would not suggest that the act, or change, or devolution triggered development – it was opportunity that triggered development. And, I think people have looked at Regent Park for a long time, and said ‘what do we do?’, but there was sufficient leadership and willingness to try something out-of-the-box at that point in time. So it was leadership and opportunity in terms of the market and so on that led to
redevelopment in our case (Social housing provider).

Thus, the interest or desire to redevelop existed prior to downloading, but was never successfully achieved.

The Metropolitan Toronto Housing Authority first contemplated a series of redevelopment initiatives in 1987, including Regent Park. However, the provincial ministry dismissed such proposals. For example, a report produced by MTHA (1988) demonstrates the level of frustration between the local housing authority and the province:

I am very disillusioned about prospects of the Ministry agreeing to redevelopment opportunities. Ministry staff have a lethargy about them which tries to delay any possible change. They seem to desire that nothing happen. Redevelopment prospects are dim… The problem isn’t money; the improvements proposed are all funded by the land rents from the new units. The problem is not local objections; expected objections have been muted as neighbours recognize just how much the projects can change for the better… The problem seems to be the Ministry and the Minister. They have dug in their heels and seem prepared to do anything they can to sabotage these opportunities. It’s a real pity, given the housing crisis and the sad state of existing projects (MTHA 1988, p. 45-46).

As a result, an interviewee claimed this ‘bureaucratic approach’ served as an obstacle that curtailed any real action at the local level:

I think the province and Metro Toronto Housing Authority realized they needed to do something different, but they did not have the will or the leadership to make it happen. I think people would go, ‘Oh, should we try this?’ There was never a strong push to... It was a more bureaucratic approach, I guess, and cautious… You would have to convince the province, you would have to convince the housing authority... How do we get the City of Toronto to help us with this? There was no real push to do anything (Social housing provider).

Nevertheless, the limits of intergovernmental cooperation are not limited to redevelopment. When shared federal-provincial assets faced growing capital repair and replacement needs, housing authorities often struggle to receive funding:

As funding for the maintenance of the public housing stock is a shared responsibility between the federal and provincial government, a decision was made that the Province will not initiate a regeneration program with the participation of Canada Mortgage and Housing Corporation (CMHC). CMHC has indicated that funding for
regeneration will not be available until an evaluation of public housing stock across Canada has been completed and analyzed. The immediate term prospects for further regeneration does not look promising (MTHA 1991, p. 32).

Given that repair and capital upgrade projects are not contentious, especially compared to redevelopment projects such as Regent Park, it is clear that the downloading of social housing in Ontario removed a sufficient amount of the bureaucratic complexity that existed under shared ownership. However, a ‘double download’ is not required. Simply removing the federal government’s role was sufficient, as evident in British Columbia.

Prior to devolution, the redevelopment of Little Mountain was not a practical endeavor. Like most other public housing projects, the federal government funded and owned 75 percent of the asset. Accordingly, the province held a minority share, and would receive only 25 percent of any profits accrued through its sale. Thus, this limited the incentive of the province to either redevelop or invest in any cost-shared projects. An interviewee cites the ‘complications’ of this arrangement:

> When the provinces signed those agreements, as the debentures that were put in place to pay for that housing were expired, then the ownership of the land all reverted to the province. In BC’s case, with some significant public housing sites in urban areas, that was a significant benefit. To give you one example, Little Mountain is our 15-acre site at 33rd and Main Street, and that was a 75:25 deal. So as long as the debenture was in place, and there was not a social housing agreement, 75 percent of that high value site was owned by the feds, and 25 percent was owned by us. The buildings were almost 60 years old, and it needed to be redeveloped. So you could appreciate the complications of redevelopment if 75 percent of the site was owned by the feds – why would we do it? The debenture was paid off a few years ago, that site is now 100 percent provincial ownership, so it made redevelopment a much more attractive option (Government agency or crown corporation).

Therefore, the venture became a viable option only after devolution. In fact, these types of initiatives remain unattainable in jurisdictions that opted against downloading. For example, an informant asserts that the signing of a Social Housing Agreement is required
if the provinces of Alberta, Quebec or Prince Edward Island intended to pursue major public housing development project:

As a condition you would have to sign the agreements, because if you want to tear down an existing stock and reuse the subsidies you cannot do that under the current arrangement – you would have to sign on (Government agency or crown corporation).

This fully reveals the role of devolution in facilitating public-private partnerships of this nature. However, despite significant streamlining in Ontario and British Columbia, the structure of intergovernmental relations is not completely eliminated.

The roles and obligations of each level of government are not as cleanly delineated as the devolution process might imply. In spite of the ‘double download’ in Ontario, the province retains certain authorities. An interviewee emphasizes the province’s ongoing influence:

Oh don’t be fooled … In Ontario you’re still dealing with the province, only through the city (Government agency or crown corporation).

In the context of Regent Park, service managers require ministerial consent for the sale or transfer of any social housing projects (MMAH 2013). In contrast, the City of Vancouver is actively engaged in Little Mountain, despite provincial ownership of public housing. Much of the municipal role is focused on assorted planning issues, as explained in the following interview excerpt:

We are leading the whole public process on this project. We create the zoning, we create all the regulations around transportation, public realm, parks, community amenities. We certainly have a bit of an advocacy role when it comes to the social housing piece (Government agency or crown corporation).

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8 When the Housing Services Act (2011) replaced the Social Housing Reform Act (2001), the authority of local service managers expanded. However, sales and transfers still require provincial consent.
However, the working relationship between the province and municipalities is sometimes challenging. For example, the city is accountable for community engagement initiatives, including gathering input from social housing residents displaced from the original project. This task proved difficult given that the province does not divulge tenant contact information to the city:

The tenants were relocated all over the region, so getting their involvement has been a bit of a challenge, because we do not have any way of physically contacting them directly. The province maintains the contact list, so every time we want to communicate with them we have to go through the province (Government agency or crown corporation).

Nevertheless, these types of logistical issues are minor compared to conflicting priorities in a redevelopment initiative.

The Province of British Columbia and the City of Vancouver are both undoubtedly interested in an abundant good supply of low-cost rental housing. However, specific local and regional priorities are not always congruent. As described by an interviewee, the interests of the city are sometimes in opposition to the province. For example, this is evident through the decision of whether to redevelop Little Mountain in all at once or in phases:

The city has always recommended that the project proceed in phases, over the site, which could lead to some retention of buildings. I do not think that the province wanted to go with that approach, they wanted to have a clean site to deal with, but through some negotiations I think a last building was saved, and anybody remaining on the site was able to move into that last building, and it will be retained as long as feasible (Government agency or crown corporation).

Additionally, height and density were previously outlined as contentious issues in the redevelopment process. Silver (2011) suggests BC Housing and Holborn share a common desire for maximum densification, as this would increase profit levels. Nevertheless, according to a city planner, that level exceeds the municipality’s own preference, as well as community interests:
There’s also some feeling out there that the expectation for density [by the developer and the Province] is beyond what would be tolerated, that could be tolerated by the community [and also the City has] our own urban design expectations for the site in terms of what we believe is compatible with the neighbourhood (in Silver 2011, p. 62; brackets in original).

Additionally, an interviewee explains that the city acknowledges the need to increase the density of Little Mountain, but notes that it must be done in a ‘sustainable’ manner, and is not ‘neutral’ about the issue:

When you talk to our housing policy people, you will hear from them what they are trying to achieve on this site. And we have interests around sustainable development, we have a lot sustainability goals in this city. Goals around densification, city-wide. This is an important site for us to achieve some density. The density of the previous development down on the site was about one-third to one-half the density of the single family housing around it - not exactly a sustainable model for the city as we go forward, in terms of accommodating growth. So we would like to achieve a higher density development which is also sympathetic to the neighbourhood around it. So we certainly do have our own… We are not neutral in this. We are not just simply regulators. We have our own expectations and positions around it (Government agency or crown corporation).

Ultimately, the structure of the agreement is not conducive to the interests of two levels of government.

The Memorandum of Understanding (MOU) between BC Housing and the City is brief. The document acknowledges that redevelopment would likely entail density and height that exceeded current zoning, but lacks specific facts regarding acceptable levels of increase. Much of the language is vague and uses expressions such as ‘substantial increase’ or ‘should be considered,’ instead of defining precise thresholds. Next, the province completed an MOU with the private development partner. The city was not involved in this process, and in fact is not privy to the exact arrangements made between BC Housing and Holborn (Silver 2011, p. 59). However, as evident from the case study, the lack of prior coordination and communication between the developer and municipal government eventually resulted in serious complications during the rezoning application.
process. In fact, Vancouver’s planning director questions whether the Holborn was even aware of the potential zoning issues:

I’m not sure whether the developer who brought the property from the province fully understood the city’s requirements (in Bramham 2015).

Additionally, the director suggests the procedure could have moved more quickly if the city was more actively involved in the early stages of the process (ibid). Thus, the case of Little Mountain demonstrates the potential difficulties of a provincially led initiative that is dependent on a series of ongoing municipal approvals. In contrast, the city required select provincial consents at the onset of the Regent Park redevelopment, but going forward the municipal government, MNP and private partner had considerable flexibility and independence. Overall, partnerships in provincial devolution are likely more challenging than those under a ‘double download.’ Accordingly, the bureaucratic logistics surrounding major partnerships are often puzzling to external critics:

It’s interesting, in the UK you’ve got the provincial level of government that doesn’t exist. There is a very strong dynamic between the national and the councils to look at these new ideas. And they come over here sometimes and they look at our structure with the three levels of governance, and they shake their heads like, ‘I don’t know how you accomplish anything?’ (Government agency or crown corporation).

Nevertheless, public-private partnerships are indeed accomplished across Canada. However, the precise meaning of PPPs in the context of social housing requires further consideration.

7.5 A Comparison of PPPs in Theory and Case Study Examples

The discussion of Regent Park and Little Mountain thus far assumes that both redevelopment projects are in fact true examples of public-private partnerships. This postulation seems valid, and is supported by various sources (for example: August 2014;
Moskalyk 2008; Silver 2011; Laughlin and Johnson 2011; Lehrer and Winkler 2006).

Additionally, these characterizations reflect CMHC’s rather flexible definition of PPPs:

A public-private partnership occurs when a private sector organization works with a government agency or a non-profit association to provide a service or community amenity (CMHC 2010, p. 16).

Given the imprecise nature of the above statement, additional detail of partnerships in housing is later expanded upon:

Public-private partnerships arise when a non-profit or government agency engages a private sector organization to design and build a project, or when a private sector organization commits to providing housing as part of a rezoning, or amenity bonus, and receives assistance from the local government to do that (ibid).

Based on these designations, both projects are unquestionably PPPs. However, the conceptualizations used in the housing field differ from broader academic theories and definitions of public-private partnerships.

In a sense, the private sector acted as a ‘partner’ in the creation of all social housing in Canada. Accordingly, an interviewee referred to the language of partnerships in housing as ‘tricky’:

It’s always tricky around terminology… I’d say every stick of social housing in this province, was built by the private sector. You know it’s part of the fabric, so it’s the building industry, it’s all private architects (Sector organization).

Another informant reiterated a similar sentiment:

We’ve never had a time where the private sector hasn’t been deeply involved in all sorts of ways and I think one of the things that we probably don’t need in Canada is we don’t need two construction industries – a private construction industry and a non-profit construction industry (Research, policy and advocacy).

Furthermore, if the definition of public-private partnerships is broad, then their existence dates back to the earliest instances of public investments in housing:

You find partnerships in the development phase, and then ownership goes to a non-profit and that’s sort of the end of the partnership once the building is built. That is a typical business or construction relationship with a client who hires a builder and they develop some housing… So if you want to use that sort of definition, you
could go back to the beginning of the National Housing Act and the development of wartime housing, for example, where there was always an engagement between public resources and private sector builders, you know it wasn’t government workers going out to build the houses, it was private builders (Government agency or crown corporation).

Each of the above excerpts highlight collaboration in the development or construction phase of social housing. However, contemporary PPP literature often emphasizes an element of shared risk or ongoing involvement. Thus, while the public and private sector historically worked together to create housing, some examples are more appropriately categorized as ‘contracting out.’ It is important to consider how Regent Park and Little Mountain fit within this context.

Toronto Community Housing explicitly classifies the redevelopment of Regent Park as a public-private partnership:

The project is being carried forward as a public-private partnership (“P3”), through a project agreement and joint venture with The Daniels Corporation (TCHC 2012; brackets in original).

Likewise, BC Housing declares that all new publicly funded housing is produced through PPPs:

A public-private partnership model is used to create all new subsidized housing. Developments are designed and built by the private sector, and owned and managed by private, non-profit or co-operative housing providers (BC Housing).

Nevertheless, this view is not universally accepted. For example, multiple informants assert that Regent Park does not fit the criteria of PPP. One opinion acknowledges the complexity, but highlights a lack of shared risk:

There is no enduring partnership. It's not an equal involvement forever. There is no risk sharing. They're in. They're out. It's done. I mean, they could endure for three years, in some cases. But you don't really see those enduring partnerships (Former government agency or crown corporation).

Another interviewee stresses that the private developer’s involvement terminates after the construction phase:
It is not like a P3 model. Although the structure is more complicated it is more like a traditional project with the owner contracting with architects and engineers and then the builder. There is no ongoing role for the private developer in the day to day operations (Social housing provider).

Therefore, in the context of current PPP literature, Regent Park is perhaps best identified as an example of the ‘design-bid-build’ model popular between the 1950s and 1970s.\(^9\) Although the project offers mutual benefit, the lack of shared risk and ongoing involvement in operations or maintenance precludes Regent Park from PPP models such as ‘build-own-operate-transfer’ (BOOT) or ‘design-build-finance-operate-maintain’ (DBFOM) described by Hodge and Greve (2010) or Roberts and Siemiatycki (2014). However, Little Mountain is more challenging to categorize.

The confidential agreement between BC Housing and Holborn means it is difficult to discern exactly how the redevelopment of Little Mountain is explained in the context of public-private partnerships. It is known that Holborn is responsible for building the social and market units. Additionally, BC Housing is not directly managing the social housing units after they are replaced. Instead, a non-profit housing organization will manage the units on behalf of the province (BC Housing 2015; MTR 2014).\(^10\) However, it remains vague which partner will own the land upon which the social housing units are built. More specifically, it is uncertain if Holborn is purchasing the entire parcel of land or if BC Housing will retain the segment or segments dedicated to social housing. At the present time, it is unclear whether this decision is unresolved or if a decision is made, but the details are not released to the public. However, the difference

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\(^9\) Although the private developer has to finance the construction of market units, this does not apply to the social housing units. Therefore, the ‘build-finance’ model is also not valid.

\(^10\) The selected non-profit, More Than A Roof, has approximately thirty years of experience in non-profit and affordable housing across British Columbia (MTR 2014).
is critical. If BC Housing relinquished ownership of the entire asset, this may be categorized as the *privatization* of public housing (Thomson 2010, p. 221). However, the inclusion of non-profit management is an interesting aspect that complicates this claim.

As the redevelopment project continues to unfold, more details will inevitably be divulged. Nevertheless, decisive conclusions regarding how Little Mountain fits within evolving theories of public-private partnerships cannot be made at the present time.

There are a growing number of examples in the fields of transportation, schools and healthcare that continually help redefine what theorists believe constitutes a ‘real’ public-private partnership. However, there are not enough cases in social housing to highlight trends in the way partnerships occur. According to an interviewee, the ‘typical’ model of PPP in housing is still unknown:

> There is not enough experience in housing P3s to say what is typical at this time (Government agency or crown corporation).

For example, the long-term component in some conceptualizations of public-private partnerships, such as DBFOM, may serve as an important method of ensuring performance and durability:

> We believe that the choice of materials, the way you construct it, the way you do it, it’s a huge difference if somebody knows they’re going to be…that their compensation is tied to the performance of that building for 25 years (Government agency or crown corporation).

But at this time, a critic suggests that ‘duration’ is just one aspect to consider:

> There is a continuum of partnership, and the duration of the agreement is one variable (Government agency or crown corporation).

Nevertheless, in addition to duration, there is another important characteristic that is relatively unique to partnerships in social housing.
The partners involved in PPP’s are also an significant consideration. Although the ‘public’ component is simple, the ‘private’ element can be more diverse. A report commissioned by CMHC (1998) claims the term public-private partnership is ‘misleading’:

At first glance, it connotes an image of a private-sector, for-profit business working in parallel, perhaps as an equal partner, with the public sector, to provide some societal benefit – in this case, affordable housing (CMHC 1998, p.1).

In housing, the private partner is often a private non-profit, rather than a private for-profit organization:

The most serious omission is the fact that the central player in most projects and partnerships is not reflected in the title – the community-based non-profit organization that is typically the initiator and most motivated player in the new partnership system. Although most of these organizations, which in Canada are labelled as “the third sector,” and in international development terms are identified as non-governmental organizations (NGOs), are private, mainly not-for-profit organizations. For most people, the term “private” connotes a for-profit organization, and does not encompass NGOs. To eliminate confusion, using one word – partnerships – would better capture the entity being discussed (ibid).

Is it for this reason that an interviewee described collaborative efforts in subsidized housing as ‘a different animal’:

You also see public-private partnerships in [social] housing, but they’re quite a different animal than what is traditionally viewed as public-private partnerships in infrastructure or commercial/residential, because you’ve got different partners and more of an arm’s length relationship with government, different skill levels of the private players, you’re also including private non-profits often, because they’re the ones with a social agenda that initiate projects for the large part (Government agency or crown corporation).

If joint ventures between the public sector and non-profits count as PPPs, then there are likely more examples in the field of housing. In fact, another informant suggested private for-profit organizations are rarely involved, and refers to the role of for-profit participation in Regent Park as a ‘one-off delivery mechanism’:

I think the privatization... and the 'so-called' public-private-partnership is a complete myth, to start off with, because most partnerships that you look at, they're actually
generally non-profit-public partnerships, as opposed to public-private-partnerships. I can't think of too many where they have got true public-private-partnerships, other than a few where you have had private developers have built alongside - the Daniels group working with TCHC, for example, would be one good example. But they both demarcated their areas of responsibility, and they won't be partners forever. It's basically a one-off delivery kind of mechanism (Consultant).

To some degree, non-profit and co-operative housing providers have always worked together with the public sector in ways that meet the criteria of the DBFOM model. The federal and provincial government supplied various types of subsidies and defined a series of guidelines, but community-based housing associations were responsible for all other aspects of the project. They secured mortgage financing, facilitated the development process, and managed the asset until the operating agreement expired.

Regardless of whether or not Regent Park and Little Mountain are characterized as public-private partnerships, there are other suitable examples in social housing. Not limited to mega providers and large development corporations, sometimes collaboration occurs at a grassroots level and involves numerous types of partners. One interviewee depicted an example involving a total of twelve partners, including a non-profit provider, two levels of governments, the private sector and various community groups:

The most successful projects are ones that get contributions widely from across various public sector and private sector sources. And if you can successfully bring enough of them together you can make a difference... We had – I would call it a partner – a non-profit agency that took the lead in the project. But the City of Toronto contributed the property, the Ministry of Housing at the time did give us a bit of funding so that we could do rent supplements for people’s incomes. We got volunteer labour from the local community and from the Native community, who planted all the landscaping and actually did the painting in the building. We had our private contractor that we hired; he ended up donating some of his time in cash and he also was willing to take on some Native apprentices and teach them about construction. And we went to an agency that provide skills training funding for Natives, and they gave us funding so that the contractor could hire these Native apprentices and teach them about construction work. So that was an effective contribution into our project. And then the group itself did a fundraising campaign and we attracted actually hundreds of thousands of dollars in cash from around the city towards the project. I would say we had at least a dozen different partners who all made a contribution towards that project (Consultant).
A critical component of this particular partnership is the provincial funding that allowed for rent supplements. Drawing on the comparative advantages of different players may result in certain efficiencies, but it is very difficult to replace the deep and ongoing subsidies associated with rent-geared-to-income social housing units. Therefore, given that most provinces no longer fund new social housing, DBFOM-style partnerships may be more prevalent in the creation of new affordable housing, the kind linked to market rents rather than geared to household incomes. As explained in Chapter 5, a one-time government subsidy helps a private developer construct and manage a property, based on the condition that a block of units are offered at below-market rents levels for an agreed upon length of time. In fact, developing options that did not involve ongoing funding was a central objective of CMHC’s Canadian Centre for Public-Private Partnerships in Housing (CCPPPH):

Its focus is on promoting the development of affordable housing that does not require ongoing government subsidies to operate (CMHC 1998, p. 31; italics in original).

Furthermore, this type of discussion regarding how to categorize housing initiatives in the context of PPPs is important given its empirical applications.

Consistent conceptualizations of public-private partnerships are important in order to compare and contrast examples, as well as consider if there are observable changes in the use of PPPs across time and space. A narrow definition will likely underestimate prevalence of partnerships, whereas broad the criteria may overestimate their occurrence. These types of distinctions become significant when assessing how changes in governance, such as the devolution of social housing, impact the use the public-private partnerships. Additionally, this discussion does not promote a particular
PPP model as most appropriate. However, the findings presented here highlight the range of possibilities, and reinforce the importance of ongoing theoretical research on the topic.

7.6 Future Partnerships in Social Housing

Regardless of how the redevelopments of Regent Park and Little Mountain are labeled, the frequency of these types of ‘partnerships’ is increasing. For example, Toronto Community Housing is replicating the revitalization of Regent Park in numerous other communities across the portfolio.\textsuperscript{11} Similarly, BC Housing continues to collaborate with private, non-profit and government partners in order to redevelop deteriorating projects, although the structure of each initiative varies.\textsuperscript{12} However, PPPs will likely evolve over time. Both Regent Park and Little Mountain are landmark examples, and these experiences – positive or negative – will likely influence future ventures. In fact, although TCHC was required to invest capital in the first phase of Regent Park, future phases and redevelopments involve little or no contribution and have less associated risk:

In the first instance in Regent Park, there was a lack of interest, to be honest, but we knew we had to do something given the age of the buildings and so on, so we invested some of our own money into it, so we put capital in in order to get a developer partner to come in with us. We were betting on that once we did that and people saw the success of it, developers would not need us to put money in up front again, so any second phase, or third phase, and so on, we would not be putting money in. We needed to build some trust or some belief that this was possible. Once we did that, we would not have to put capital in, and the value that the developer could sell for would be higher, because it was seen as a success, and therefore our share of the revenue would be greater… In every other development that we are undertaking we are not putting capital in. In fact, we are generally generating revenue (Social housing provider).

Nevertheless, the elimination or reduction of capital investments addresses only one of several trepidations associated with public-private partnerships.

\textsuperscript{11} For example: 250 Davenport; Alexandra Park; Allenbury Gardens; Lawrence Heights; and Leslie Nymark.
\textsuperscript{12} For example: Cedar Place; ANAVETS; Camas Gardens; Moresby Townhomes; Pleasantview; and Riverview.
Instances that involve the sale of at least part of a state-owned asset tend to raise the greatest concern. As an informant describes, the sustainability of this model decreases as more assets are liquidated:

They lose the asset in the long-term. In my opinion, it is not a particularly sustainable way to fund new social housing because eventually you run out of assets to sell. But nonetheless, that is the approach they have taken in this (Government agency or crown corporation).

However, without new program funding for social housing, alternate options are limited. This is especially pertinent in Ontario, whereas British Columbia continues to make selective investments. In the absence of government support, an interviewee explains that redevelopment must instead rely on ‘developer input’:

We have no money to do anything else, so, yes. Other organizations may have sufficient capital or reserves to do something, but there is no program and we do not have... Any of our capital goes back into fixing our buildings, so it has to be self-financing through developer input (Social housing provider).

Ultimately, the termination and of new funding commitments, and the downloading of social housing, which ‘locked’ pre-existing annual contributions at fixed levels created the ideal conditions for partnerships to become the mode of last resort. Hackworth describes this as the TINA syndrome – ‘there is no alternative’ – and argues that it enables neoliberalism to become naturalized and thrive as the dominant approach (p. 200). Based on the interview excerpt above, this concept undoubtedly helps to explain the growth and acceptance of public-private partnerships in social housing.

7.7 Redevelopment and Gentrification

Much of the general literature on public-private partnerships emerged around major public infrastructure initiatives, such as highways, mass transit and hospitals. Examining PPPs in the context of social housing redevelopment is relatively unique because it also connects to critical understandings of gentrification. Therefore, in a period of little or no
government funding, PPPs can serve as a means of extracting capital from existing assets. At the same time, however, these models of redevelopment transform neighbourhoods in significant ways and create new opportunities for further capital accumulation. While an extensive discussion of gentrification is beyond the scope of this chapter, a brief synopsis provides some additional theoretical context and further underscores why partnerships and redevelopment are important issues for the social housing sector.

After decades of neglecting capital repair and replacement needs, many social housing projects now require complete redevelopment (Silver 2011). However, the costs associated with these endeavors typically exceed the fiscal capacity of providers. Public-private partnerships have become an increasingly popular method of redeveloping deteriorated housing stock. As interview data demonstrated, the lack of available program funding means partnering with a private sector developer is commonly perceived to be the only viable option. Instead of simply outsourcing certain components of the process, partnerships sometimes involve the sale of government-owned land in exchange for the replacement of social housing units. The addition of market housing increases both the density and socio-economic mix of the site. Therefore, rather than a simple reconstruction of social housing, projects are transformed into mixed income neighbourhoods. These types of changes reflect a much deeper ideological agenda.

Many social housing projects were built in areas of the city that were ‘hollowed out’ by deindustrialization and suburbanization (Silver 2011). Now, the ‘once abandoned’ urban core is targeted for reinvestment (Silver 2011, p. 40; Hackworth 2007). Smith (2002) argues that the gentrification of these parts of the city is now an,
“increasingly unassailable capital accumulation strategy for competing urban economies” (p. 433). However, social housing is considered an impediment to this process. Transforming these complexes into new socially mixed-income communities achieves two goals. First, it creates new opportunities for real estate speculation. Second, the stigma associated with concentrated subsidized housing is removed, enabling these parts of the city to be ‘reimagined’ as spaces for new investment, as Crump (2002) explains:

The demolition of public housing erases from the landscape the highly stigmatized structures of public housing, aiding in the reimagining of the city as a safe zone for commerce, entertainment and culture” (p. 41; also in Silver 2011, p. 41).

Hackworth (2007) further reinforces these twofold outcomes of gentrification:

Gentrification is the knife-edge neighbourhood-based manifestation of neoliberalism. Not only has it created a profit opportunity for real estate capital, but it has also created a high-profile ideological opportunity to replace physically Keynesian managerialist landscapes of old – represented by public housing, public space, and so on – with the entrepreneurial privatized landscapes of the present” (p. 149).

Thus, critics claim the demolition of social housing and the consequential displacement of (at least some) of its residents is designed to ‘prepar[e] the neighbourhood’ for private investment (Goetz 2000, p. 169). Some of the most informative examples of this type of redevelopment are evident in the United States.

Various forms of ‘systematic gentrification’ have occurred in urban American since the 1950s, and government policies and programs have always shaped the direction and scope of these processes at the local level (Hackworth and Smith 2001). However, specific types of state intervention during the 1990s enabled gentrification to expand into ‘economically risky neighbourhoods,’ and facilitated the demolition of public housing

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13 Hackworth and Smith identify three ‘waves’ of gentrification in the United States: ‘sporadic and state led’; ‘expansion and resistance’; and ‘recession pause and subsequent expansion.’
In particular, the federal government simultaneously reduced funding for subsidized housing and devolved certain responsibilities for these programs to the local level (ibid). This placed increasing pressures on municipalities and ultimately promoted ‘non-Keynesian modes of local governance’ (Hackworth and Smith 2001, p. 469; italics in original). Given the limits of tax revenues, Hackworth (2007) suggests local governments turned to real estate in search of new capital growth opportunities:

> It is simply accepted as axiomatic that city governments should become more direct players in real estate... There are now fewer political consequences for consorting directly with real estate capital to facilitate growth. The days of Keynesian urban policy seem to have expired – or at least gone into hibernation – and city governments have adapted to the new conditions (p. 130).

In addition to producing new sources of tax revenue, real estate ventures are expected to fuel employment, tourism, and promote cities as ‘business friendly’ (Hackworth and Smith 2001, p. 470; Smith 2002). Accordingly, Smith (2002) argues, “a new amalgam of corporate and state powers and practices has been forged in a much more ambitious effort to gentrify the city than earlier ones” (p. 443). The restructuring of the federal government’s HOPE VI housing program further demonstrates the way in which the new role of municipalities spurs gentrification.

The U.S. Department of Housing and Urban Development (HUD) established the HOPE VI Program in 1992 in an effort to improve and transform public housing (HUD Act). Drawing on findings and recommendations outlined by the National Commission on Severely Distressed Public Housing, the program identified a series of key priorities: improve physical conditions; foster partnerships between government and the non-profit and private sectors; deconcentrate poverty; encourage mixed-income communities; and empower residents and promote self-sufficiency (HUD Act). By 2010, the initiative
contributed more than $6 billion to revitalization projects (HUD B). Of this total, $395 million was directed to the demolition of more than 57,000 ‘severely distressed’ units of public housing across the country between 1996 and 2003 (HUD C). Nevertheless, all razed stock was required to be fully replaced (Hackworth 2007). The program initially garnered wide political support since public housing had become popularly perceived as a ‘failed model’ (Hackworth 2007, p. 50). Similarly, the promise of new units meant that even public housing residents were generally content (ibid). However, subsequent guideline changes altered the nature of the program significantly.

A number powers previously held the United States Department of Housing and Urban Development (HUD) were devolved in 1995 (Hackworth and Smith 2001). This regulatory restructuring meant certain ‘constraints were dissolved,’ and consequently HUD, which previously prevented the removal of public housing, was ‘disemboweled’ (Hackworth and Smith 2001, p.469). In the following year the obligation to demolish and replace units at a one-to-one ratio was removed (Hackworth 2007). As a result, local government could demolish public housing without the high cost of replacement (Hackworth and Smith 2001). Drawing specifically on the example of HOPE VI, Hackworth (2007) further explains how local governments began to administer federal housing programs in ways that spurred gentrification:

HOPE VI appears to be part of a much broader restructuring of the American state that began in the 1970s but accelerated in the mid-1990s with the rapid and strategic devolution of certain redistributive and regulatory functions at the national level. In the case of HOPE VI, the mid-1990s state devolution was crucial to its impact. This recent bout of state restructuring expanded the capacity of local development authorities to demolish public housing without full replacement – an important and expensive requirement during the 1980s and 1990s. With this and other Keynesianesque forms of regulation removed, national urban policy has become a more effective instrument at facilitating gentrification (Hackworth 2007, p. 130).
Overall, these initiatives tend to benefit private developers more than public housing residents (Silver 2011). However, both the motives and outcomes of redevelopment are often overlooked, as Smith (2002) suggests this gentrification process tends to be carefully ‘camouflaged’ (p. 446).

The outcomes of gentrification are increasingly palpable and have generated criticism and resistance (Smith 2002). Accordingly, Smith (2002) claims the term is now a “dirty word to developers, politicians, and financiers” (p. 445). As a result, ‘gentrification’ is increasingly rebranded as ‘urban regeneration’ (Smith 2002, p. 443). This new idiom ‘sugarcoats gentrification’ in an attempt to hide the ‘class shift’ it produces (Smith 2002, p. 445). Furthermore, the idea of regenerating certain parts of the city can also connect with discourses of ‘deconcentrating poverty’ (Crumb 2002) and ‘failed architecture’ (Hackworth 2007), which are used as justifications to demolish government-owned housing complexes. This type of negative ‘public imagination’ ultimately helps to spawn ‘acquiescence to the bulldozing’ (Silver 2011, p. 138). Moreover, Silver (2011) suggests redevelopment is rationalized as a benefit to social housing residents:

The stigmatization and stereotyping associated with public housing and its residents meant that the destruction of such complexes could be justified as being in the interests of the poor themselves (p. 138).

Nevertheless, the change in language does not alter the impacts of demolishing housing complexes and rebuilding them as socially mixed communities. Glynn (2009 B) argues the idea of ‘regeneration’ is perceived to be positive, but in fact is more of a ‘Trojan horse’:

‘Regeneration’ sounds as though it could only be a good thing, but it is being used as a Trojan horse for state-sponsored ‘accumulation by dispossession on a massive scale’ (p. 72).
Glynn (2009) goes on to suggest that gentrification or ‘urban regeneration’ are deployed as responses to ‘neoliberal failure’ (p. 73). Paradoxically, the remedy seems a ‘heavier dose of yet more neoliberalism’ (ibid).

The work of Hackworth (2007), Hackworth and Smith (2001) and Crump (2002) illustrate American cases, but a similar paradigm is evident in other countries. For example, Glynn (2009) highlights comparable redevelopment strategies in the United Kingdom. The ‘mantra of tenure mix’ is used as justification to create new private investment opportunities in social housing complexes built on prime parcels of land (Glynn 2009, p. 80). This process is perhaps less acute than in the United States, given that the replacement of at least a portion of the previous stock remains a conditional requirement. However, Glynn (2009) suggests private market units take priority in the planning of socially mixed communities: “[The social housing]... tends to be tucked away in less attractive corners, if it cannot be built on an entirely different site” (p. 80). Furthermore, Canada is not exempt from this form of gentrification. Silver (2011) claims Canadian cities are now becoming transformed in ways that embrace the “privatizing thrust of neoliberalism,” and accordingly, “all that is public, including public housing, is at risk” (p. 41). This is indeed demonstrated through the cases of Regent Park and Little Mountain.

7.8 Conclusion
An interviewee describes the way in which social housing fits within the language of public-private partnerships as ‘tricky.’ Regardless of whether or not the redevelopment of Regent Park or Little Maintain satisfies the criteria of the DBFOM model of PPP, for example, both initiatives are significant nonetheless. Along with entrepreneurialism and
private governance, Hackworth (2007) notes ‘self-sufficiency’ as a key element of neoliberalism. Both case studies suggest that housing providers are now increasingly forced to become more self-reliant in their ability to generate capital. Rather than backed by government funding for major revitalization, publicly owned land is sold to private developers in order to help finance these projects. Devolution was critical in the facilitation of this process.

The downloading of funding and administrative responsibilities likely imposes more pressure on social housing providers to embrace public-private partnerships as a means of unlocking value from existing assets. However, the lack of program dollars predates this transfer. The disentanglement of shared ownership is perhaps the most crucial aspect of the devolution process. Prior to the download, joint federal-provincial property rights of public housing proved to be a complicating factor that limited practical opportunities to apply the PPP model of redevelopment. Thus, the consolidation of ownership at one level of government simplified the decision making process.

The comparison of Regent Park and Little Mountain reveals important findings. First, based on the details available, both redevelopment projects were relatively similar in nature. The ‘double devolution’ in Ontario did not appear to result in a visibly more aggressively neoliberal initiative in the case of Regent Park. In fact, the disentanglement resulted in a considerably smoother process. The common goal between the City of Toronto and TCHC was vital in this particular instance. However, it must not be assumed that the interests of city governments and social housing providers will always be shared. Similarly, any disagreement between BC Housing and the City of Vancouver regarding how to redevelop Little Mountain should not be perceived as the norm.
Therefore, while the findings and analyses of these case studies are significant, they cannot necessarily be applied universally. Additionally, the broader implications of redeveloping public housing complexes as socially mixed communities is also important, and the connection between the structure of PPPs and gentrification serves as an interesting area for possible future research.
Chapter 8: Neoliberal Restructuring Under Devolved Governance – Evaluations and Conclusions

The relationship between devolution and various forms of neoliberal restructuring was the focus of the previous two parts in this section of the study. Drawing upon these findings, as well as integrating additional empirical interview data, this chapter of presents a series of evaluations and conclusions of the download process and how it impacts Canada’s social housing system. First, there exists a trade-off between flexibility and fiscal capacity. Municipalities in Ontario are given greater autonomy, yet tend to lack the fiscal resources required for implementation. In contrast, cities can benefit from BC Housing’s more deeply funded programs, but only if targeted provincial initiatives are aligned with local needs. Furthermore, the administrative and funding aspects of devolution must be recognized as distinct matters. Second, despite the way in which roles and responsibilities are defined by the download process, each level of government has some degree of involvement in social housing. The Province of Ontario retained certain gate-keeping approvals, whereas municipalities in British Columbia have a critical role within the provincial housing system. Additionally, the federal government continues to be engaged through the legacy of program parameters and various ongoing or new investment initiatives. Third, the increased fiscal pressure on provinces and municipalities might lead to suggestions of a reversal of the devolution process.
However, rather than attempting to recreate a previous model, the development of new and innovative ideas should be considered as possible alternatives.

### 8.1 The Governance of Social Housing Administration?

The way in which various forms of urban entrepreneurialism are embraced is an important factor in the evaluation of how varying levels of devolution impact social housing at the local level. However, it is also imperative to consider how different forms of governance shape the way in which housing needs are addressed. In particular, municipal and provincial governance are examined. Advocates of Ontario’s ‘double devolution’ argued local responsibility was appropriate since municipalities would be better attuned to the real needs of providers and residents. In contrast, proponents of provincial governance claim regional authority has the advantage of greater financial capacity and produces a response that is more even across all municipalities. Thus, the downloading of social housing includes two major components: administration and funding. Therefore, it is important to consider one separately.

The Social Housing Reform Act (SHRA) transferred Ontario’s newly acquired responsibility for social housing to an assemblage of 47 local service managers. This legislation reduced certain flexibilities around the provision of social housing, but concurrently expanded others. Until that time, as long as providers were in accordance with their operating agreement, most other decisions could be made autonomously. This included functions such as resident selection or the determination of rental rates. Accordingly, providers could ‘basically do what they needed to do,’ but this posed the risk of ‘favouitism’ or other forms of inequality. The SHRA eliminated these flexibilities by introducing a centralized provincial waiting list and a standardized rent calculation
system. However, block transfers of funding would flow down to service managers, who had to meet the province’s service level standards, but could then define local housing priorities. An interviewee elaborates on this transformation:

There are things that were good about the old system that allowed providers a little bit more independence, allowed communities to be a little bit more independent, and then there were some not so good things… One example of that is there were certain rules in terms of how rent was to be calculated and determined. Picking people for vacant units was basically up to the provider to do that. In some cases, one may argue that, well, that’s not exactly fair because you’re going to have favouritism in that… And so in order to be able to deal with those kinds of issues, the Social Housing Reform Act provided for a centralised waiting list. It provided for a special priority policy, so victims of domestic violence had their housing addressed first. It allowed for other local priorities to be created. So some good things came out of the Act. As well as some funding, formula-based components so that providers could keep pace with what the cost of their housing was relative to the kinds of costs that were incurred (Sector organization).

Approximately a decade later, the Housing Services Act (HSA) increased the authority of service managers even further. Under the SHRA, the province often required ministerial consents, but many of these were removed through the new legislation. In fact, an informant suggests local service managers might even possess too much decision-making power:

In the old Act at least you had a ministerial consent process that offered a bit of a buffer. And certain language in the Act also made it less discretionary for Municipal Service Managers to take certain actions without actually ensuring that they were doing it in a non-opinion related manner. But now that most of the control has been devolved down to service managers and service managers have essentially been granted that right to be able to exercise greater control over their housing affairs, the question will be to what extent is housing policy established across the province in a unified way, or to what extent is that policy going to be differentiated in various areas. And even when that policy is developed, to what extent is that policy going to be applied in a unified way, versus not? And if there is a problem or a dispute, what is the mechanism by which that dispute gets to be resolved? (Government agency or crown corporation).

Similarly, while service managers are granted more autonomy, increased flexibility is not necessarily extended to providers. For example, an interview participant explains that
certain service managers are imposing more forms of controls and regulation upon social housing providers:

In BC, for example, BC Housing is the administrator. You have a pretty uniform set of relationship between administrator, funder and the non-profit delivery system, so there isn’t a lot of differentiation. In Ontario you are starting to see a bit more differentiation because it’s not a single kind of entity, a provincial level body. It’s 47 municipalities, or service managers, you know service boards of municipalities, and … they’ve been given some latitude under the devolution and particularly the more recent changes to the Housing Services Act, that allows them some flexibility, and you’re starting to see some differences, which are interesting, I think you’re starting to see an erosion of the autonomy of providers’ ability to shape their housing the way they want to, because certain municipalities are imposing a stricter or tighter set of rules, or more controls on them, and I think that’s kind of interesting, and you get some local ability to create regulation right. So you’re starting to see some differentiation happening across the province, and I think that’s going to be the most telling outcome of this devolution (Former social housing provider).

Therefore, it is possible that the increased independence of service managers will produce uneven results across the province. Nevertheless, the relationship with the service manager in Toronto was generally described as positive.

The administrative responsibility for social housing can be a feasible task for municipal governance. In particular, an interviewee highlights the ability to define local priorities for social housing in Toronto as an advantage:

I don’t think that there’s any problem in continuing to have the administration rest at the local level. I think that’s fine. I think communities need the opportunity to be able to design their own housing and homelessness plans (Sector organization).

Another informant, who described working directly with the service manager as a ‘good change,’ reinforced this sentiment:

What has changed with devolution is the relationship is no longer with the province or the feds and the service manager. That is the major change, and that has been a good change, I would say, because it is a much closer relationship. The other things around funding and capital and so on, those were going to be problems no matter what (Social housing provider).

Similarly, relations are overtly described as ‘easier’ with the service manager than with the province:
I think the positive thing is the relationship with the service manager. It’s easier to have a relationship with the City of Toronto than the province of Ontario, so that has worked well, I would say, for us. And as we redevelop that has been great, we have an owner that supports our redevelopments and is interested in what we are doing, so those are good things (Social housing provider).

The redevelopment of Regent Park illustrates this relationship, as the city and TCHC cooperated to complete a major venture with limited interference from senior levels of government. Furthermore, Vancouver’s Little Mountain initiative highlights the kind of complexity than can arise from competing municipal and provincial priorities. However, the overall capacity to achieve locally designed housing plans was narrow.

Local service managers receive annual federal and provincial funding transfers to offset debt and subsidy costs of devolved units, at least until operating agreements expire. However, these payment values are frozen at historical amounts, rather than indexed to inflation or responsive to actual operating costs. Furthermore, as capital repair requirements swell, municipal governments lack the fiscal capacity to effectively fund social housing. Municipalities receive the only 8 cents out of every Canadian tax dollar, and have little revenue potential other than property taxes and user fees (FCM 2012; CUPE 2015). Nevertheless, local governments are responsible for funding and providing more than half of public infrastructure (FCM 2012). Like social housing, municipalities receive federal and provincial transfer payments, but they are typically insufficient. Thus, despite the ability to develop local housing plans, there is generally inadequate funding for execution. Redevelopment initiatives may occur, such as Regent Park, but expanding the supply of social housing becomes almost impossible. Interestingly, municipalities in British Columbia face a different set of circumstances.

Proponents of provincial governance typically argue that enhanced financial capacity and broader perspective contribute to a more complete response to social
housing needs. For example, an interviewee contends that ‘local input’ is important, but that ‘flying at 50,000 feet’ can make housing programs more ‘informed’:

Housing is something that requires a significant capital investment, so you need aggregation, and aggregation is only possible at the provincial level. And I think that you can have input from the local level but sometimes that local level input is also not as well informed as somebody flying at 50,000 feet and looking over the entire province's needs. I am not suggesting that that has been well met in BC, I am merely suggesting that it is an advantage because you have greater access to provincial dollars, to the treasury, you have greater ability to leverage construction for specific demographics without their having to rely solely on the local population to support the programs. And I think that there is a significant advantage to not allowing it to become about territory and geographic advantage alone, because sometimes you have a community that has not looked just into the border of the next community where the kind of housing that they are seeking to build has just been built, whereas at the provincial level you can see that (Sector organization).

Another interview participant substantiates the benefit of provincial oversight, and claims that devolving to municipalities can result in a ‘patchwork response’:

Having worked in [both provinces], I don't believe devolution of those responsibilities to the local government made any sense at all. And I believe what you end up with is a patchwork of responses, where some local governments take on the challenge and work to provide some good housing options and others don't. Look what's happening with the community housing organization right now… You end up with a patchwork response across the province, where some local governments are actively involved, some are in fact working in the opposite direction (Government agency or crown corporation).

This is significant in less populated parts of a province that do not possess the capacity or expertise to develop social housing, but still experience core need. Furthermore, this concern is especially relevant in British Columbia, given that the majority of municipalities lack the scale to deliver their own housing program:

We have a lot of capacity that exists within the housing corporation and to recreate that capacity in a decentralized model, I'm just not sure makes a lot of sense. In BC, we have Vancouver, Victoria and Surrey that are large primary cities, but the vast majority of municipalities across the province have less than 5,000 people living in them. So we have the ability within our current mechanism, which is centralized in BC Housing, with responses all across the province to meet housing need across the province, and I'm not sure that we would be able to recreate that in a decentralized model. For example, we just opened a new development in McBride, which is six units of seniors housing. McBride is never going to have the capacity to deliver their own housing program, so we'll always need that centralized response. And what it
allows us to do by retaining a centralized housing corporation is... it also allows us to make sure that our housing response is consistent with provincial priorities and the provincial housing strategy (Government agency or crown corporation).

Therefore, a centralized system can serve as an effective means of ensuring all parts of a province can participate in social housing programs. Accordingly, a set of province-wide priorities is established. However, it is challenging to develop a centralized system that is adaptive to specific local housing needs.

A major housing priority in British Columbia is homelessness. An interviewee suggested the province is ‘consumed’ by the issue:

Since the initial big build, back around 1980, there wasn't much until you got into the Homes BC program, around the year 2000, that created some more, but not a lot. BC Housing's focus has changed a lot, they've been consumed by, in my opinion, the homelessness issue. There's been an awful lot of political pressure, public pressure, and for good reason, to deal with homelessness (Social housing provider).

Nevertheless, the province does invest in new social housing, but these programs are also highly targeted. However, rather than target low-income thresholds, recent province-wide priorities focus on supportive and seniors housing. These are undoubtedly important initiatives, but they constitute ‘acute needs’ that address a ‘very specific slice of the housing continuum,’ as explained in the following interview. Consequently, the needs of low-income families tend to be overlooked:

In BC, and I do not want to knock them for doing this, but the government is entirely focused on linking housing and health supports. So if you are struggling with an addiction, or a disability, or you are a frail senior, and you need some kind of supportive housing, then the provincial government has housing programs devoted to those needs. But those are very acute needs, and they represent a very specific slice of the continuum of housing need, and the government's view appears to be, other than a small rental assistance program, appears to be that the market in housing will take care of the rest of the people who need affordable housing, and that you can address those needs by deciding to live in a cheaper place... So you do not have to live in downtown Vancouver, you can go live in Pitt Meadows or Maple Ridge, which is a far cry from what we would argue is a more successful housing model, which is mixed income communities, where there is a mix of low to moderate, to upper incomes. But that is not the government's view (Sector organization).
Although any additional supply is valuable, not all municipalities in British Columbia share the same housing needs.

The preceding comparison of municipal and provincial governance suggests a critical trade-off exists between flexibility and funding. Large municipalities in Ontario, like Toronto, are able to identify local housing needs and possess the capacity and expertise, but lack sufficient funding for implementation. In British Columbia, the province allocates substantial funding, but only to specific housing priorities, and this sometimes create mismatches with local housing needs. As argued by an informant, local service managers have the potential to ‘do a really great job,’ but too often they ‘don’t have the money’:

I would like it if the federal government would fund [social housing], I really would, because they are the ones that have the most money. The worst thing to do is to put the funding for social housing at the property tax base, because property taxes don't work as efficiently as incomes tax does. Income tax, if you income goes up, the government's income goes up. Property taxes lag, and I think that is one of the challenges that you have… So in my perfect view of the world, the federal government is involved in funding, and the province's role should be setting principles. I actually have seen the service managers in Ontario do a really great job. Their challenge, though, is that they don't have the money. And I think that is kind of where the unfairness part lies (Sector organization).

In contrast, Vancouver operates within a centralized system that is well funded, but must rely on a match between provincial priorities and local needs. For example, an interviewee describes BC Housing as a ‘well-funded, well-staffed’ partner, but acknowledges that policy directions are not always synchronized:

As much as we can disagree with the province on housing policy and direction sometimes, I would say the city does appreciate the capacity that BC Housing brings to the sector. I mean, we've got a large, well-funded, well-staffed, social housing delivery agent at the province that knows what it's doing, and that's a huge benefit to us (Government agency or crown corporation).

Furthermore, in the event of a mismatch, it may be years until provincial funding priorities change, as evident from a participant’s statement below:
What was more beautiful about Homes BC, and when I do get asked to advocate, I often talk about that it should also be tied to local community needs, because they would best know and understand the needs. So here, the province decides what their priorities are, makes the funding commitment, and then that is what you get. So in the last budget, ‘09, the federal funding that came in created a seniors rental initiative for smaller communities and it had to be wood frame construction, and if you used pine beetle wood it was better. And so what it meant was, OK, that is where that money is going, it is going to serve seniors, outside of the lower mainland, most likely in need there, wood frames, the lowest cost form of construction, so you can see they were trying to be cost effective, but it meant that any large urban centre now would not be eligible for that funding. So then, you sit back and wait for three more years, until the next round of funding comes through. And that is how it works with the lack of predictability in that funding, and then the priorities being dictated. Whereas, you would expect that any local mayor or council could come forward and say, ‘This is the need in my community, I would like to do this to make it work, here is how we make the partnership work’, and you kind of advance it that way (Policy, research and advocacy).

Therefore, the presence of a ‘well-funded’ provincial partner cannot address the range of housing needs without greater flexibility for local application. Accordingly, there are ultimately potential advantages and disadvantages associated with both governance models.

Administration is an important factor in the provision of social housing. However, regardless of how this is achieved through municipal or provincial governance, funding is the far more critical component of devolution. Thus, the primary concern expressed by respondents is the lack of long-term and predictable housing investments, rather than which level of government serves as administrator. A participant explains this through the following statement:

I think it has a lot to do with the full range of programs and services you are able to put in place, and the kind of stability and predictability around the funding is more important than, say, the delivery agent and centralized versus decentralized (Policy and research).

Municipalities simply lack the fiscal capacity, and even provinces require federal assistance in order to develop more comprehensive and flexible social housing programs:

About eight cents out of the tax dollar is all the municipality has on their tax base, and so effectively what you are looking at is how do you address the need with 8 cents? So you need the feds and the province both in there, not necessarily
delivering services, but providing funding that can help to add to that supply (Policy, research and advocacy).

Furthermore, the long-term nature of funding is also vital. Although the federal government currently focuses on affordable housing, even those programs are too short to facilitate long-term planning. An interviewee describes three-year programs do not offer sufficient stability:

I've been involved as a senior official at the federal-provincial-territorial table and every province is engaged in housing programs, understands the importance of it, and so what I think the role of the federal government could be is not to establish a one-size-fits-all thing. It needs to focus on things like policy, overall objectives, and most importantly to partner with the provinces and provide a stable funding source. And this is not to say that the provinces have to shoulder some of the load around the funding, but the one-off programs that the feds have been doing, kind of herky-jerky over of the past few years, have not provided for that long-term planning. And so one of the big issues that we discussed at the P-T table with the federal government in the lead-up to signing this program extension of three years, is what happens after three years? Right now there's funding on the table for only three years, but you have a continuing need for housing. You need some stable, long-term funding in that social program. Maybe like that like that health accord, that had provided a ten year period of funding. I think when people call for a national housing strategy, if you asked a province or territory, that national housing strategy needs to be focused around predictable and sustainable long-term funding. It's not for the federal government to come in and say 'these are the kinds of programs we want to run in every jurisdiction across Canada'. It just doesn't work. They haven't been engaged at that level (Government agency or crown corporation).

Thus, social housing requires inputs from all levels of government. Regardless, of whether such programs are administered municipally or provincially, the federal government must be engaged as a primary funder and stakeholder.

8.2 Devolved Governance and Delineating Roles and Responsibilities

Multiple scales of government permeate social housing regardless of devolution. For example, in the preceding discussion of public-private partnerships, an interviewee explained that Ontario municipalities are ‘still dealing with the province.’ Likewise, traces of federal influence persist in all jurisdictions, through the legacy of regulations embedded in operating agreements:
So even though you don’t necessarily have a direct relationship with the province or the feds, certainly there’s relationships between those levels that play out in the relationship that happens with the municipality. The pieces that fall into the funding agreement that come from the earlier … Like the funding agreement between the feds and the province and the province and the municipality, then you’ll see pieces of that in the funding agreement between the municipality and the housing provider (Government agency or crown corporation).

This residual power is not surprising. However, in the case of British Columbia, the expected role of municipalities in social housing is much greater than a system of provincial governance might imply.

The City of Vancouver is active in growing and sustaining its supply of social housing. Furthermore, the rise in municipal involvement is generally linked to federal withdrawal. An interviewee explains that local governments were far less engaged when programs that ‘you could count on’ were in place:

[The city’s] involvement is far greater than it was in the 80s when there were real federal-provincial housing programs that you could count on (Government agency or crown corporation).

Now, municipalities have an integral role, which extends to both new and existing stock:

New housing is not going to get built, and existing housing is not going to be redeveloped or intensified or rehabbed without the cooperation of municipalities (Sector organization).

In particular, cities must provide land or incentives for new units and help accommodate zoning requests for redevelopment initiatives. Although some level of municipal cooperation always existed, it has grown considerably in recent years. Furthermore, municipalities are now ‘committed’ through memorandums to partner with the province in order to ‘help make a project viable’:

Increasingly, what we're seeing, basically since about 2002 or 2003, is that municipalities are coming to us with a documented housing need, and a willingness to be an active partner. We don't involve municipalities in the delivery of housing programs, but we will bring them in as partners, and what that typically means is they're coming to the table, perhaps with city-owned land or with a willingness to look at development cost charge reductions, or permit reductions, or fast-tracking
zoning – all of those little pieces that help make a project viable. We have negotiated memorandums of understanding with a number of municipalities across the province, which is basically committing both the province and the municipality to work together to fund supportive housing. We're in the midst of developing those projects right now. I think it will result in 2,300 units of new supportive housing that will be built through those memorandums (Government agency or crown corporation).

The engagement of local government also seems to be expected by city residents. Provincial politicians are typically more removed – literally and figuratively – from the outcomes of core housing need, whereas city councilors face mounting pressure. According to an interviewee, local activists arrive at ‘our doorstep,’ rather than ‘looking at the province’:

I think municipalities are on the front line of that need, and we continue to be. The activists are on our doorstep, showing up at council more than they ever are looking at the province. And so there's much more pressure on our politicians and our council to deal with these issues than there are on the provincial politicians, in some ways, that deal with the broader mandate or are a little bit further removed from the citizens (Government agency or crown corporation).

Nevertheless, the City of Vancouver is actively engaged in these new responsibilities. An informant explains that the local government is willing to supply ‘as much land as [the province is] willing to build on’:

Generally speaking, in terms of our relation with the province, the way it works is that the city is always at the table to provide the land. We basically have said to them, we're willing to provide as much land as they're willing to build on. And we will. We just gave them fourteen sites, or leased them fourteen sites, for 60 years for a dollar a year (Government agency or crown corporation).

Therefore, the financial constraints of the province and discrepancies between funding priorities and local needs are probably a greater impediment that limits how much new social housing is actually built within the city. However, not all municipalities are equally capable to participate.

Declaring an ideal level of government to administer social housing is intricate. It would be easy to suggest the best solution is local housing delivery that is fully funded
by the federal and provincial governments. This would provide both flexibility and fiscal capacity, and thus overcome the fundamental limitations associated with the tradeoffs identified in Toronto and Vancouver. However, the diversity between and even within provinces reveals different individual ‘historical trajectories,’ and the capacity and interest of municipalities vary significantly. As critics suggested, increased flexibility and administrative responsibility really is a struggle for some local service managers in Ontario, and would also pose a problem in several municipalities across British Columbia.

Toronto possesses sufficient levels of staffing and expertise required to benefit from enhanced flexibility in housing administration. In fact, the extent of proficiency within the city arguably increased as a result of devolution. Federal withdrawal caused a dramatic reorganization of social housing knowledge as employment opportunities with CMHC disappeared, and many housing professionals disseminated to major urban centers, such as Toronto.¹ Similarly, a subsequent distribution of skill and experience occurred in the wake of Ontario’s ‘double download.’ An interviewee explains that there is a considerable range of expertise and capacity among local service managers:

I think the one thing that happened in Ontario that was really unfortunate is that there is a provider capacity issue to deal with some of the larger building issues that have happened, but there has also been a service manager capacity issue. The province in downloading blew the sector capacity out the water where it came to policy and research. There was an expectation that service managers would do that or had that skill set and that is not the case. So once you get outside the ten large service managers, you have 37, you have northern d-savs or you have smaller municipal areas that just don’t have the capacity, they don’t have the staff to do the policy work or to do the analysis of the portfolio. And that has been where [more senior and experienced organizations] have been having to step in to provide that help (Policy, research and advocacy).

¹ CMHC is headquartered in Ottawa, Ontario, which is the nation’s capital.
Likewise, another informant asserts that small municipalities sometimes struggle with a lack of provincial leadership:

> From time to time we get a call from a small jurisdiction, a city of 50,000 people. They’re not networked anymore. They don’t have a clue. They can’t turn to Municipal Affairs and Housing and get solid advice (Government agency or crown corporation).

However, even some large municipalities are challenged by the increased administrative role created through devolution. The difficulty navigating these responsibilities can make embracing ‘new techniques’ impractical:

> I spoke with [a large social housing provider]. They administer a large portfolio and I described to them things happening like Regent Park and in BC, and they just said ‘We don’t want to hear about it. We have got a huge issue right now with underfunding of our maintenance budgets. Our existing housing is a mess. We’ve got to deal with that before we can even turn our brains to any new techniques’ (Government agency or crown corporation).

Therefore, local administration coupled with federal and provincial funding is not suitable in all parts of Ontario. Similarly, a one-size-fits-all approach to administration also cannot be applied in British Columbia.

Vancouver’s capacity to create and administer social housing is significantly greater than other municipalities in British Columbia. Part of this is attributed to the city’s size, which results in expanded staffing and expertise. As previously explained, besides a small group of ‘primary cities,’ the rest of the province is less densely populated. Therefore, instead of a dedicated department, most municipalities simply have a planner assigned to a ‘housing file’:

> [Vancouver is] the only one that has what I would call a sophisticated housing department. Most municipalities have either a housing specialist, if they're bigger – Richmond would be an example, where they have a full-time person, New Westminster, I think – but most municipalities at least, through their planning directors, have someone that is assigned the housing file (Social housing provider).
Nevertheless, perhaps the greatest distinction between Vancouver and the rest of the province relates to the ability to raise funds that can be spent on housing. The *Vancouver Charter* gives the city an exclusive authority to use development cost charges for the purpose of obtaining land and building social or affordable housing.\(^2\) In contrast, other jurisdictions can only apply these charges to specific types of infrastructure, such as road or sewer systems (British Columbia 2005). As a result, this disparity has become a ‘bone of contention’ since it ‘unlevels the playing field’:

[Vancouver has] the ability to spend development cost levies on land for housing generally, but we spend most of it on land that we then partner with the province. This is a big bone of contention for the City of Vancouver, because as soon as the minister makes it a requirement that land be thrown in for free, every other municipality is instantly hamstrung because they just don't have the financial resources that the City of Vancouver has to do it because we can charge development cost levies. So it kind of unlevels the playing field in a pretty significant way. So we get lots of projects done, and that's great, but at the same time housing is at least a regional issue, to some extent a provincial issue, and certainly a national issue, and we would like to see the other member municipalities in metro Vancouver being able to do more (Government agency or crown corporation).

Ultimately, analysis suggests that no single governance model is best suited to the administration of social housing. Furthermore, the comparative case study of Toronto and Vancouver highlight a number of important conclusions, but not all findings are fully applicable across the rest of Canada. Nevertheless, since funding is considered more critical, there is no real push to further upload or download, in the cases of Ontario and British Columbia, respectively, the administration of social housing.

\(^2\) The City of Toronto can also apply development charges to invest to affordable housing or Toronto Community Housing capital repairs (City of Toronto 2013 *A*; City of Toronto 2013 *B*). New affordable housing units are also exempt from development charges (City of Toronto 2013 *A*).
8.3 Can Devolution Be Reversed?

The combination of ‘roll-back’ and ‘roll-out’ processes are designed to eliminate the institutions, policies and regulations that inhibit the reign of neoliberalism (Peck and Tickell 2002; Brenner and Theodore 2002). Furthermore, this ‘creative destruction’ intends to prevent any likeness of the welfare state from reemerging in the future. Therefore, the notion of whether or not social housing could be uploaded is worth consideration. When asked about the idea, an informant laughed, and promptly paraphrased a response once proclaimed by a well-known former housing figure: “You can't put the toothpaste back in the tube.” (Former government agency or crown corporation). Other research participants generally supported this sentiment, particularly in the case of Ontario, citing factors such as legislative complexity and lack of political interest.

In most provinces the devolution process was relatively simple, at least in comparison to Ontario. Furthermore, the transfer of certain responsibilities away from CMHC began years earlier through the enactment of global agreements. However, the legislation introduced in Ontario reorganized the distribution of roles and responsibilities in a far more radical way. The hollowing out of the provincial housing ministry and the creation of a local service manager network fundamentally changed the capacity of each level of government. Accordingly, in reference to uploading funding and administration to the provincial level, an interviewee suggested ‘we are too far down that path’:

I think we are too far down that path. It is such a complicated process, you have got so much legislation in the way. You have created all of these new roles and responsibilities and ways of doing things at the municipalities, and it would be a massive fiscal upload for the province. The reason it happened in the first place… [was to get rid of these costs] (Former government agency or crown corporation).
Similarly, the time and cost associated with any transfer – upward or down – is costly and involves a period of transition. Thus, another informant describes the process of recreating provincial capacity as ‘extremely disruptive’:

You have stripped most of the capacity out of the existing provincial government, and don’t underestimate the challenge of recreating the capacity to administer these things. You’ve recast a whole set of arrangements on the ground between delivery agents and their municipal agents, so having to take that all back would be extremely disruptive, so you just incur a cost of transition… You would have to really argue strongly there’s a value to that, changing those relationships and incurring that cost. And probably more important in some respects, it means having to back-track politically, and that’s really tough… (Former government agency or crown corporation).

An alternate option is not try to restore the model prior to devolution, but to develop a new and different system. An interview participant argues that there is likely no benefit to recreating the brief period of provincial responsibility. Instead, a better objective would be to devise an ‘augmented’ and ‘improved’ model:

I don’t think you can restore what was there, and I don’t even know that you might want to. You can certainly change the funding arrangement without having to change any of the delivery institutions or structures, so you can go back and change the funding piece pretty easily. I’m not sure why you would want to change the administrative pieces if you have administered arrangements, I think you could change the legislative piece fairly easily, and you could relatively easily create a stronger provincial policy and delivery capacity or intervention capacity, either through a BC Housing-type instrument or some other mechanism, so I think what you can do is you can augment, improve, you know adjust the model. Can you roll everything back, recreate the ministry of housing, taking all the programs back, do all that stuff? I think that would be very difficult to do, and I’m not even sure there’s any benefit in doing that… I think you can visualise it much more easily as being what pieces can we improve on, how can we change some of the funding, do that sort of thing (Consultant).

The above excerpts highlight a political aspect of uploading, yet there are no indications of provincial interest to reengage in social housing in any serious way. Additionally, uploading would not result in extra investments from the federal government, since the termination of new social housing occurred independently of devolution. Furthermore,
CMHC’s current preoccupation with affordable housing makes the prospect of uploading unlikely.

8.4 Conclusion

An examination of social housing in the post-download period reveals governments and providers are becoming more entrepreneurial. However, isolating devolution as a determining factor for observable differences that exist between Toronto and Vancouver is challenging.

Social housing in both cities – and provinces – had distinctive beginnings, and accordingly, evolved uniquely over time. Therefore, some of the different manifestations of urban entrepreneurialism are more appropriately explained by historical-based path dependencies rather than by divergent governance models. For example, revenue generation and cost-reduction strategies tend to be shaped by the composition of a social housing portfolio. The small private non-profits and co-ops typical of Vancouver developed grassroots examples of innovation and efficiency from within the third sector, whereas the amalgamation of large public housing authorities and municipal non-profit providers produced by the double download in Ontario create financial levers that require significant levels of scale. Nevertheless, a more direct impact of devolution is demonstrated through public-private partnerships.

The Social Housing Agreements signed between CMHC and provinces are critical in the rise of major redevelopment partnerships. This is especially applicable to the revitalization of public housing projects created and funded jointly by the federal and provincial government, as devolution consolidated ownership at one level. However, the examples of Toronto’s Regent Park and Vancouver’s Little Mountain demonstrate the important role of municipalities in redevelopment. Local governments play the role of
gatekeeper in terms of rezoning permissions, and thus help shape the ease and expediency of these kinds of initiatives. In Toronto, the city is also owner of Toronto Community Housing, and thus served as a cooperative partner in the redevelopment of Regent Park. In contrast, the province’s and private developer’s expectations of density and height allowances in Little Mountain exceed the city’s acceptable limits, and thus the project remains incomplete. Moreover, this analysis of partnership in social housing further demonstrates some of the conceptual intricacies of PPPs in theory and in practice.

Overall, sufficient and reliable funding is the most critical factor in social housing provision. With an adequate supply of reliable funding, administration could be achieved reasonably well at either the provincial or municipal level. Furthermore, there are trade-offs associated with each scale of governance. In the case of British Columbia, the province is a ‘well funded’ administrator, but spending priorities are centrally determined and sometimes are not congruent with local housing needs. In contrast, local service managers have greater autonomy, but municipalities often lack the capacity to take advantage of this flexibility. Nevertheless, Toronto and Vancouver are each unique in terms of scale and capacity, and therefore the findings generated from both cities are not fully applicable across the rest of Canada.

Perhaps the most interesting aspect of this study is that the full results of devolution remain unseen. Until this point, the federal and provincial governments currently continue funding most existing social housing projects as a requirement of the initial contracts. Although financial transfers may be insufficient to address capital repair needs, they generally satisfy mortgage and subsidy costs. However, as these social housing agreements expire, this legacy funding also disappears. It is at this point that the
outcomes of devolution and the neoliberalization of housing will likely intensify. This forms the thematic essence of the next chapter.
Chapter 9: The End of Federal Operating Agreements – Challenges and Opportunities

The combination of funding reductions and devolved responsibility forced provinces and municipalities to consider new and innovative ways to help social housing continue to serve Canadians in core need. As the previous chapters highlight, there is a range of strategies that lower levels of government can attempt to either reduce expenditures or generate revenues as a means of providing subsidized housing in the wake of stagnant or declining government funding. Despite experimentation with various new approaches, most provinces are unable to provide sufficient subsidized units to meet the growing number of households in need. This is evident from the social housing waiting lists that continue to grow across much of Canada. However, this challenge is only further exacerbated by another critical factor: the expiry of federal operating agreements.

The concept of operating agreements was introduced in earlier chapters. This topic is relatively undeveloped in existing academic literature. A small collection of articles acknowledges the role of agreements in the financing and development of Canada’s social housing stock (for example: Van Dyk 1995; Carter 1997; Wolfe 1998), but few engage them in detail. Furthermore, even fewer discuss their expiration. Wolfe (1998) notes the eventual decline in federal funding contributions, but does not speculate about possible outcomes, stating only that, “the future of social housing after the operating agreements end and the mortgages expire is not clear” (p. 126). However, this is not surprising given that the majority of expirations were still decades away at the
time. Nevertheless, for many social housing projects, the end of agreements is now quickly approaching. Accordingly, the housing sector is increasingly engaged in this issue, especially over the past decade. The following discussion will draw primarily on industry reports and interview data.

CMHC conveys a positive outlook in terms of the future viability of social housing after operating agreements expire and ongoing subsidies end, especially for non-profits and co-operatives (CMHC F). However, a series of studies referenced in this chapter express significantly more apprehension. Similarly, over time, Pomeroy, the most prolific author on the subject, suggests the prospects of future viability are becoming ‘slightly less favourable’ (Pomeroy 2011, p. 7).¹ There is ultimately disagreement between the government and the housing sector regarding this issue.

In addition to important housing policy implications, the withdrawal of government funding helps advance theoretical understandings about how to evaluate impacts of neoliberal policies. Remaining long-term operating subsidies are vestiges of a social housing system that first developed under the welfare state. As long as this funding was in place, the immediate fiscal impact of devolution was relatively limited. However, when this residual funding fully disappears, it may leave provinces, municipalities and social housing providers with no alternative but to embrace market-based strategies in a much more aggressive manner. Thus, until this federal withdrawal is complete, the full range of impacts associated with devolution is unknown. Accordingly, it is imperative to consider both the short and long-term term when assessing the consequences of downloading. The relationship between expiring operating agreements and devolution

¹ For example, Pomeroy is principal author of numerous reports (2006; 2007; 2009; 2011; 2012; 2014) and key contributor to Connelly Consulting (2003).
helps to quantify what ‘long term’ can denote. Although the results of policy change are not always realized immediately, it is rare that outcomes may be delayed for more than three decades.

The issue of the expiry of operating agreements is developed in five main parts. First, it is useful to provide further background and context of these long-term contractual arrangements. Second, the chapter will summarize existing analysis and assess the challenges and opportunities of a post-operating agreement environment. Third, the chapter will examine if and how such limitations and possibilities vary between and within regions of Canada. Fourth, it will consider the role of senior levels of government and the potential for future reengagement in funding. Finally, the chapter will conclude with a reflection on how these themes relate to theories of neoliberalism.

9.1 What are Operating Agreements?
Canada’s social housing stock was established through a series of long-term public investments. Although financing mechanisms varied over time, assistance had two primary functions: to provide long-term mortgages and ongoing operating subsidies. First, mortgages were applied to land and capital expenditures. Second, given that most tenants were low-income, rent revenues were also low, and therefore ongoing subsidies allowed units to be run at a ‘break-even’ level (Pomeroy 2011). The federal government funded some programs exclusively, but many were cost-shared with the provinces. The roles and responsibilities of each party were specified through operating agreements. These contractual arrangements struck between a government agency and the housing provider also outlined funding levels and any conditions that needed to be satisfied in
order to qualify for subsidy (Pomeroy 2011). The length of these agreements was paired with the mortgage term, which usually ranged between 35 and 50 years. Therefore, as long as a housing provider fulfilled all requirements, such as supplying a specified ratio of rent-geared-to-income rental units, guaranteed funding would be granted for the duration of the operating agreement.

Mortgage and subsidy funding were paired to the length of the operating agreement so that providers were afforded some ‘breathing room’ while the debt was serviced (O’Brien 2011). Debt repayment was typically the most significant expenditure, and therefore once the mortgage was amortized, ongoing costs would be greatly reduced. Accordingly, operating agreements were designed on the premise that social housing projects would eventually become self-sufficient and require no further funding. There

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2 A lower level of government could also serve as the housing provider. For example, many municipalities developed non-profit housing associations.

3 Mortgages were 50 years in length until 1978, after which the period was reduced to 35 years (Pomeroy 2011; Pomeroy and Falvo 2013). The term length changed when CMHC’s role switched from direct lender to mortgage insurer. As direct lender, a longer amortization period was less expensive. However, when housing providers secured their own private mortgages, a shorter term resulted in lower total interest charges, which would reduce required government funding. This is explained by an interviewee:

> Basically, the 50-year stuff, that was the original term that we used in all of the public housing developments. And the thinking, I suspect, not having been there at the time, was basic math - the longer the amortization period the lower your monthly payments. You or I, if we want to pay off our house in a hurry and pay less interest over time, would be motivated to have shorter amortization periods. Governments that are in the business of basically trying to provide subsidized housing and make the rents as low as they can, the lower the amount of debt you have to pay, the easier it is to get the rents down, keep them low and/or reduce your annual subsidy expenditures, even though in net present value terms, and the aggregate amount of interest you ultimately pay is going to be higher... I mean they were basically paying themselves. CMHC was basically lending themselves the money, or the province the money, and they were getting back the interest over time. First of all they were indifferent, because they were both the lender and the borrower, and secondly they were trying to achieve the lowest possible debt service they could, and pushing it up to 50 years achieved that (Former government agency or crown corporation).

4 There were also a few instances of 25-year terms. This usually occurred when a project with a limited lifespan was purchased (Pomeroy 2011; O’Brien 2011).
was an ‘implicit assumption’ that a mortgage-free social housing project would generate adequate rental income to offset its operating costs (Pomeroy 2011, p. 3).

Similarly, units would remain at rent-geared-to-income levels and have sufficient reserve funds to address future capital repair and replacement needs (ibid). Nevertheless, despite these expectations, the future viability of social housing is questioned as operating agreements begin to expire.

As operating agreements expire, annual federal investments in housing decline. These reductions are not unexpected ‘cuts,’ but rather represent planned subsidy withdrawals as mortgages mature. This process has also been described as the ‘sunsetting’ of long-term funding obligations (HSC 2012, p. 25). Furthermore, as federal subsidies end, so do any cost-sharing requirements of provinces. Non-profits and co-operatives will also no longer be under contract to operate as social housing providers, and thus have the option of dissolving. Pomeroy (2011) refers to this as ‘mission abortion.’ Furthermore, the loss of subsidy is compounded by growing capital repair needs of an aging housing stock that are often well beyond the fiscal capacity of providers. Together, this seriously jeopardizes the future financial viability of Canada’s social housing sector.

The expiry of operating agreements and the withdrawal of financial assistance occurs independently of the devolution process that was initiated in the 1990s. The

5 Gazzard (2014, p.1) challenges this assumption. He argues that although governments frequently point to this as an ‘explicit intention’ of program design, it was never referred to in any documentation:

There is not a single reference to the post-operating agreement period in any document respecting program conception, design and delivery. Not in related cabinet documents of the time, not in the National Housing Act, not in operating agreements, program guidelines or any policy document from the time the programs were first conceived and delivered. No consideration whatsoever was given to the distant post-operating agreement era when the programs began (p. 1).
federal step-out was planned at the inception of social housing programs, and subsidy commitments continue to be fulfilled even in provinces that accepted social housing agreements, although funding levels became fixed at 1995/1996 levels (Pomeroy 2007).6 The province of Ontario, however, is a unique exception. The subsequent download of responsibility for social housing to municipalities in 1999 comes with distinct technical differences and implications. The implementation of the Social Housing Reform Act (SHRA, 2000), and later the Housing Services Act (HSA, 2012) nullified and replaced all operating agreements. Instead, local Service Managers are required to maintain a certain number of rent-gared-to-income units. These specified ‘service levels’ must be maintained indefinitely, rather than simply for the term of the original subsidy contract (Connelly Consulting 2006; SHSC 2010B). Although this provides a degree of security, at least in theory, it is uncertain whether municipalities possess the fiscal capacity to continually fund Ontario’s social housing portfolio.

The concerns outlined above cast dark shadows over the future of subsidized housing in Canada. However, at the moment the majority of operating agreements remain in place, and block transfer payments continue to flow to provinces (and subsequently funneled to municipalities in the case of Ontario). Nevertheless, more agreements are now reaching their end, and the rate of expiration will soon accelerate at an ‘expeditious pace’ (CHRA 2014, p. 1). Although some provinces have expressed interest in maintaining investments, no firm assurances exist, and the outcome is uncertain. Without renewed commitments, many providers will no longer be capable of providing subsidized

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6 As outlined in Chapter 4, federal devolution occurred in all provinces except Quebec, Alberta and Prince Edward Island.
rents. Accordingly, rent levels are likely to rise and units may be lost as social housing providers are no longer able to operate as they had in the past.

9.2 The Impact of Expiry: Theories and Estimates

Between the termination of new social housing units in 1993 and the introduction of the Affordable Housing Framework in 2001, government continued to provide significant annual outlays for subsidized housing. Although total expenditures over this period decreased from $4.1 to $3.4 billion, this was not a consequence of direct cuts to housing units (Pomeroy 2007). Instead, the cost of subsidizing that same portfolio declined, particularly as a result of falling mortgage rates. Although mortgages ranged between 35 and 50 years, the rate of interest was reestablished every five years. Therefore, this drop in total investment from all levels of government is mostly attributed to the ‘roll over’ of mortgages at ‘historically low rates’ (Pomeroy 2007 p. 6). Although provinces that signed social housing agreements were expected to reinvest any savings accrued after devolution back into housing programs, many simply decreased their own expenditures instead. Pomeroy (2007) suggests that provinces, “simply reduced their direct costs and compensated with federal dollars” (p. 12). Nevertheless, the federal government has upheld its funding commitments. However, future decreases in funding will be dramatically different in nature.

From the introduction of the nation’s first public housing program in 1949 until the last non-profit and co-operative housing projects committed in 1993, the federal government played a key role in the development of more than 600,000 units of social housing across Canada (CMHC 2011; Ward 2011; CHRA 2014). 7 At the peak, when the

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7 Estimates often vary slightly. Differences are often attributed to alternate opinions on which programs/units are categorized under ‘social housing’ and should be counted. For
entire portfolio remained under operating agreements, annual federal subsidy totaled $2 billion. However, as more agreements expire, this yearly investment contracts, and the federal contribution will eventually reach zero. However, until recently, a clear depiction of the withdrawal process was relatively unknown. Part of this uncertainty was due to a lack of complete and detailed information.

Accurate assessment regarding the impact of expiring operating agreements and the withdrawal of federal funding is made difficult by a lack of existing data (Ward 2011). In fact, there is a lack of information about social housing in Canada in general. This is partly explained by the absence of a standardized and coordinated method of record keeping. For example, as the national housing agency, CMHC is primarily responsible for publicly reporting total federal commitments and spending, but is not necessarily privy to the fine details of provincial or municipal initiatives (HSC 2014). Although provinces must share certain information with CMHC, most provinces created individualized record keeping techniques, which makes final amalgamation of statistics difficult. Furthermore, CMHC does not consider the collection and subsequent distribution of provincial data as one of the corporation’s responsibilities (HSC 2014). Accordingly, HSC (2014) claims available figures are often fragmented:

It is therefore difficult for researchers, policy makers, students, government officials and the general public to get a comprehensive perspective on social and affordable housing in Canada. The Canadian Housing Statistics only present part of the picture given the heavy involvement of provinces, territories and municipalities in the management, ownership and funding of social and affordable housing across Canada (p. 3).

Example, some figures include units receiving Residential Rehabilitation Assistance Program (RRAP) funding, but these are capital grants that allow short term rent reductions, and do not result in any permanent or long-term social housing units. Similarly, in some cases rent supplements are ‘stacked’ upon non-profits units as a means of further reducing rents, and this can lead to double counting. Accordingly, one interviewee described social housing figures as ‘elusive’ (Interview).
Additionally, even when information is available, transparent analysis and projections are not always simple.

Developing a clear and accurate set of housing expenditure data can be difficult, especially given the various different funding mechanisms that are often cost-shared by multiple levels of government. The complexity increased further after devolution, and an increased use of transfer payments, as Pomeroy (2007) explains:

For those jurisdictions that have now signed the transfer agreements (all except Alberta, Quebec and PEI) the amount of federal transfer is explicitly reported in the CMHC annual housing statistics and can be readily netted from the gross provincial expenditure. In both cases, the amount of funding provided by CMHC is recorded in the provincial expenses as revenue. However, the provinces’ expenditure data reflect the gross expenditure and therefore are not an accurate amount of the province/territories direct out-of-pocket expenses.

Similarly, at the local level, a number of municipalities receive reimbursements from the provincial and federal governments for subsidy payments. Again, the expenditures reported are gross expenditures and do not net out these transfers. In Ontario, local governments are not responsible for payment of the former provincial share and unilateral provincial subsidy, but they receive additional transfers for the fixed amount of federal share. These transfers pass through the provincial level and are recorded as provincial expenditures, even though they are federal funding (p. 3-4).

Accordingly, Pomeroy (2007) suggests that, “any expenditure analysis is fraught with accounting challenges of extracting the double counting effects of transfer payments” (p. 2). The transfer system has also enabled provinces to essentially ‘conceal’ declining provincial investments in new social housing (Pomeroy 2007, p. 8). Furthermore, projections contain assumptions about future expenditures associated with providing social housing. For example, variables such as interest rates and utility costs must be estimated, as well as future revenues or rents collected from RGI tenants as revenues (Pomeroy 2011). Nevertheless, despite the void of information, numerous studies endeavored to tackle the issue.
The first major study to examine the end of operating agreements was conducted by Connelly Consulting et al. (2003). Commissioned by the Canadian Housing and Renewal Association (CHRA), an organization referred to as the ‘national voice for affordable housing’ (Connelly Consulting et al. 2003, p. 1), the report introduces key issues and potential implications associated with expiring mortgage and subsidy funding. Most importantly, the research develops a ‘big picture’ that illustrates the scope of the problem and quantifies the withdrawal of federal investment. This includes determining the amount of funding to be lost, the number of units affected, and establishing timelines of these events. Additionally, the report identifies a series of trends and recommends actions that can help providers predict and plan how to operate in a post-agreement environment.

The end of operating agreements will cumulatively reduce funding for social housing by nearly $60 billion. Of this total, $32 billion is to be withdrawn by the federal government, and the remaining $28 billion from provinces (Connelly Consulting et al. 2003). At the time of Connelly Consulting et al.’s (2003) study, the federal government spent $1.7 annually, which was then supplemented by provincial contributions totaling $1.5 billion. Already below the peak level of $2 billion, the federal government’s yearly spending will continue to steadily decline. In ten years (2013-2014), federal spending will decrease by an additional $210. Furthermore, another decade later (2023-2034), annual subsidy levels will drop by $1 billion. Additionally, provincial expenditures will also shrink in tandem. Therefore, by the 2039-2040 fiscal year, when the last agreements expire, the federal and provincial governments are no longer obligated to continue making contributions, and annual expenditure requirements reach zero. This reduction in
spending is substantial in terms of both the total dollar value and the quantity of housing units affected.

The total number of social housing units that will eventually lose federal subsidy is assessed at 593,338 (Connelly Consulting et al. 2003). This count is derived from CMHC figures and contains those created through unilateral and provincially cost-shared initiatives up until when the federal government announced the termination of future programs. This includes public housing, non-profits, co-operatives, as well as rent supplements, but excludes on-reserve Native housing and Residential Rehabilitation Assistance Program (RRAP) units. In addition, there are also various unilaterally funded provincial portfolios, which have a combined sum of approximately 70,000 units (ibid). However, given that provincial initiatives never received any federal subsidy, they do not factor into Connelly Consulting et al.’s (2003) estimation. A more detailed breakdown of the distribution of the units by program and province is presented in Table 9.1.

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8 Canada’s Native population and the federal government have a complex relationship, and the portfolio was not included in the various devolution processes. Additionally, RRAP is distinct from other social housing programs in that it does not create long-term social housing units (Connelly Consulting et al. 2003).
<table>
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<th>NF</th>
<th>PE</th>
<th>NB</th>
<th>NS</th>
<th>QC</th>
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<th>MN</th>
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<th>YK</th>
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</tbody>
</table>

The next important element to consider is the timeline of when this cumulative $60 billion in federal and provincial subsidies will be withdrawn.

The relationship between the mortgage and operating agreement means that expiration dates are ‘fixed,’ usually 35 or 50 years after inception.\(^9\) Given that Canada’s initial social housing project was built in 1949 and financed through a 50-year debenture, the first expiry occurred in 1999. However, only a very small proportion of agreements ended at this time. Most will conclude years, or even decades, later. Coinciding with the report’s release, Connelly Consulting et al. (2003) grouped upcoming expirations into ten-year blocks. Between 2004 and 2013, only 6 percent of agreements end, most of which are public housing. Over the next two decades, however, the overwhelming majority – a combined 93 percent – will expire. From 2014 until 2023, 45 percent of the portfolio loses subsidy, including all remaining public housing projects and pre-1986 non-profit and co-operatives. Another 48 percent of commitments end between 2024 and 2033, namely non-profits and co-operatives built after 1985. Therefore, although the final agreement does not terminate until the year 2040, more than 99 percent of the total portfolio is without federal funding by 2033 (Connelly Consulting et al. 2003).\(^{10}\) This distribution of expirations by decade is further illustrated in Figure 9.1.

\(^9\) Debentures were used in early public housing projects instead of mortgages.
\(^{10}\) A fraction of this remaining 1 percent expired prior to 2004.
The ‘big picture’ of expiring operating agreements is further illuminated when individual components – specifically annual federal expenditures and the number of agreements under subsidy – are presented together. There is a direct relationship between the timing of units exiting operating agreements and the loss of subsidy funding, as exhibited graphically in Figure 9.2.
The dotted line depicts annual federal funding levels while the bar graph signifies the units under operating agreements. Furthermore, the graph reveals that as of 2015 both funding and operating agreements are still largely in place, but that both variables are on the verge of substantial declines in the upcoming two decades.\footnote{11} This is consistent with the expenditure reduction discussed above and the schedule expirations depicted in Chart 9.1. Furthermore, in addition to quantifying the withdrawal, Connelly Consulting et al. (2003) also present a collection of initial viability projections.

The withdrawal of subsidy funding is expected to impact the various social housing programs in different ways. Although only a small number of agreements had ended at the time of the study, Connelly Consulting et al. (2003) identify a series of probable viability trends, most of which are based on income mix and date of

\footnote{11} A more precise depiction of this decline is presented in Appendix 9.1.
construction. In general, programs with the highest concentration of low-income units are at greatest risk of remaining financially viable without supplementary funding. Despite the fact that operating costs are reduced once mortgages or debentures are fully amortized, a high proportion of RGI units yield low rent revenues. Public, Native and supportive housing portfolios typically fall into this category. They are also most likely to run deficits in the absence of subsidy, and thus are exposed to significant levels of risk. In contrast, some non-profits and co-operatives have improved prospects of viability, namely because the mixed income model includes moderate and market rents, both of which generate higher revenues. However, given that these types of housing were created through a variety of different build programs, some are expected to fare better than others.

Projects created under the earliest non-profit and co-operative program (1973-1978) are considered to be the most financially sound. Built during a time when capital costs – land, materials and labour – were relatively low, they also tend to be composed of a fairly small proportion of units receiving deep rent-geared-to-income subsidies. Accordingly, these projects are more likely to be viable on rent revenues alone. However, this model evolved over time. Non-profits and co-operatives developed in the ‘post-1985’ period were more expensive to produce due to inflated capital costs and more stringent building standards. Despite requiring greater debt service, these well-built projects also tended to have lower ongoing operating and maintenance costs (Connelly Consulting et al 2003). Nevertheless, the most significant factor of the later programs is that they were heavily targeted to low-income families or individuals. The higher

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12 The proportion receiving RGI subsidy in a given project could be as low as 25 percent.
proportion of RGI units results in low revenues, and therefore the viability of post-1985 projects is questionable without ongoing government funding. Based on the findings above, Connelly Consulting et al. (2003) developed a simple rule of thumb for viability projections:

In general, if the mortgage payment is greater than the subsidy, there is a higher probability of viability. Conversely, when the subsidy is greater than the mortgage payment (and revenues do not cover operating costs), the project will be in difficulty (p. 13).

A lack of detailed information at the individual project or unit level, such as precise RGI mix and rent revenue values, are limiting factors of this approach. Nevertheless, it can be applied to all programs as a means of making general projections of post agreement financial viability, as shown in Table 9.2.
### Table 9.2: Viability Projections by Program Type

<table>
<thead>
<tr>
<th>Program</th>
<th>Targeting</th>
<th>Subsidy : Mortgage Ratio</th>
<th>Post Agreement Viability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Housing</td>
<td>Highly targeted; deep RGI</td>
<td>Subsidy &gt; Mortgage</td>
<td>Negative income</td>
</tr>
<tr>
<td>Pre-1978 Non-Profit</td>
<td>Mixed; shallow subsidy</td>
<td>Subsidy &lt; Mortgage</td>
<td>Positive income</td>
</tr>
<tr>
<td>1978-85 Non-Profit (Regular)</td>
<td>Mixed; shallow subsidy</td>
<td>Subsidy &lt; Mortgage</td>
<td>Positive income</td>
</tr>
<tr>
<td>1978-85 Non-Profit (Supportive)</td>
<td>Highly targeted; most have other subsidy sources**</td>
<td>Subsidy &lt; Mortgage</td>
<td>Probably negative income, given target population</td>
</tr>
<tr>
<td>1978-85 Non-Profit (Urban Native)</td>
<td>Highly targeted; deep RGI</td>
<td>Subsidy &gt; Mortgage</td>
<td>Negative income</td>
</tr>
<tr>
<td>Post 1985 Non-Profit</td>
<td>Layered targeting below Core Need Income Threshold (CNIT)</td>
<td>Depends on RGI mix and revenues</td>
<td>Depends on RGI mix and revenues</td>
</tr>
<tr>
<td>Post 1985 Non-Profit (Supportive)</td>
<td>Highly targeted; most have other subsidy sources</td>
<td>Subsidy &lt; Mortgage</td>
<td>Probably negative income, given target population</td>
</tr>
<tr>
<td>Post 1985 Non-Profit (Urban Native)</td>
<td>Highly targeted; deep RGI</td>
<td>Subsidy &gt; Mortgage</td>
<td>Negative income</td>
</tr>
<tr>
<td>Rent Supplement</td>
<td>Fully targeted</td>
<td>n/a</td>
<td>Negative income</td>
</tr>
</tbody>
</table>

* As the market interest rate fluctuated, so did the amount of federal contribution. At the times these programs were established, market interest rates were significantly higher than 2%.
** Individuals that need support to live independently might receive additional contributions from other non-housing government programs.


Similarly, this information can be presented graphically, with the addition of numerical estimates, in Figure 9.3.
Furthermore, fully accurate estimates are also complicated by the fact that capital deficiencies are unknown.

Many social housing providers expressed concern regarding reserve fund adequacy and the ability to meet current or future capital repair and replacement needs (Connelly Consulting et al. 2003). As 35 or 50-year mortgages expire, many properties are beginning to deteriorate. Even with regular maintenance, capital investment is inevitable. However, the overall physical condition and savings of social housing projects is unknown. This is primarily attributed to the fact that widespread and thorough reserve fund studies have never been performed. Furthermore, regular contributions or forced savings for future capital expenditures was not mandated in early programs,
meaning that many of these projects could experience difficulty addressing repair backlogs (ibid). Thus, even if a project’s rent revenues exceed the subsidy amount, the provider might be unable to maintain the property in the long run. In severe cases, properties will become untenable and ultimately removed from the social housing stock due to concerns of safety and adequacy. Accordingly, the report suggests providers assess the physical condition of properties and conduct reserve fund studies. It is important that these analyses are performed before the end of the agreement so that proactive planning can be implemented. Nevertheless, this is just one of a numerous recommendations outlined in the report.

Connelly Consulting et al. (2003) suggest that the end of operating agreements must be approached through a coordinated response. This entails communication and cooperation between providers, government agencies, and sector organizations alike. For example, providers must conduct reserve fund assessments and develop detailed long-term financial planning strategies. Both federal and provincial governments need to carefully consider the roles they wish to play in the future of social housing in Canada. Furthermore, the end of long-term funding requirements creates opportunities for new or renewed spending. This could include reinvesting a portion of the ‘planned savings’ back into the sector so that service levels are maintained. Additionally, sector organizations also have an important role in the coordination process. Advocating education, promoting interaction and engagement between stakeholders, and the development and sharing of ‘best practices’ are crucial given the vast but fragmented national portfolio. As the earliest major report, these recommendations serve as the starting point for

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13 Prior to 1978.
addressing the end of operating agreements. However, this research was followed by a series of other studies.

Pomeroy (2006) produced the next major study investigating the withdrawal of federal subsidies. As a co-author of Connelly Consulting et al.’s (2003) report, this research builds squarely upon previous findings. The previous publication developed a ‘big picture’ of the issue, making assessments based primarily on design elements of each program, such as RGI mix and subsidy mechanism. Pomeroy (2006) suggests this approach is a ‘good predictor,’ but is ‘not definitive’ (p. 4). Therefore, project-level data was analyzed in hopes of revealing additional characteristics that might impact viability. Relevant data was gathered from social housing providers through financial analysis templates created and distributed by CHRA. Collected information was used to develop project-based profiles, as exemplified below in Figure 9.4.

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14 Steve Pomeroy, principal of Focus Consulting, was a co-author of Connelly Consulting et al.’s (2003) report, and is lead author of numerous other research reports on the topic of end of operating agreements (2007; 2009; 2011; 2012; 2014).
## Figure 9.4: Viability Analysis Profile Template

<table>
<thead>
<tr>
<th>Case #:</th>
<th>Expiry Year:</th>
<th>Program:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current annual mortgage payment:</td>
<td>Current annual subsidy:</td>
<td></td>
</tr>
<tr>
<td>Program/project details</td>
<td>Program; single vs. part of portfolio; building type (was it originally new or a rehab?)</td>
<td></td>
</tr>
<tr>
<td>Client type and RGI mix</td>
<td>Family, senior, single, etc; % of RGI units; % rev from RGI</td>
<td></td>
</tr>
<tr>
<td>Any special circumstances?</td>
<td>e.g., Has a project in difficulty had a work-out?; separate stacked rent supplements, etc?</td>
<td></td>
</tr>
<tr>
<td>Key market characteristics</td>
<td>Inner city vs. suburban; tight vs. soft; recent trend in vacancy rates and rents</td>
<td></td>
</tr>
<tr>
<td>Is project viable at expiry?</td>
<td>Current (base year) NOI; NOI at expiry</td>
<td></td>
</tr>
<tr>
<td>Current capital reserve balance:</td>
<td>Annual reserve allocation:</td>
<td></td>
</tr>
<tr>
<td>Current building condition</td>
<td>Well maintained and updated; poor condition – needs above average level of investment</td>
<td></td>
</tr>
<tr>
<td>Commentary on adequacy of replacement reserve</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall commentary</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Although the participation rate was low, there were sufficient figures to comprise a cross-section of various programs, geographical regions and housing markets. Furthermore, the methodology is not statistically significant, but rather is qualitative and described as, “illustrative and intended to help social housing providers learn from cases similar to their own” (Pomeroy 2006, p. 3). Ultimately, the results confirm most of the general findings reported in Connelly Consulting et al.’s (2003) study, while adding critical new insight on the issue.

Pomeroy (2006) reinforces the importance of weighing the cost of mortgage payments against subsidy transfer amounts as a key indicator of financial viability after
operating agreements end. This comparison is important because it will eventually impact a project’s *net operating income (NOI)*. This variable compares total revenues (e.g. rental income) to expenses (e.g. utilities), and usually excludes mortgage payments and subsidy flows. However, analysis must consider net operating income at the present or ‘base year’ as well as after operating agreements expire, which is when the difference between mortgage and subsidy becomes a factor. Thus, a subsidy that exceeds mortgage payment does not affect net operating income while an operating agreement is in place, but will have a negative effect after expiry. Taken together, a more complete financial assessment becomes possible. Additionally, while Connelly Consulting et al. (2003) notes the importance of capital reserve funds in determining a project’s viability, Pomeroy (2006) advances this idea through the use of a benchmarking model.

An ‘ideal’ social housing project would have contributed $450 per unit to a capital reserve fund each year since its establishment (Pomeroy 2006).\(^{15}\) Over the entire course of an operating agreement, this fund would simultaneously increase through interest accumulation and decrease as capital repairs were incurred. At the time of the study, Pomeroy (2006) estimates a given property would require an investment of $750 per unit each year until the agreement expires.\(^{16}\) Therefore, only if remaining reserve funds and current contributions equal this $750 benchmark is a project likely to satisfy its capital repair and replacement needs. Pomeroy (2006) acknowledges that this model does not consider a project’s current physical condition or record of past repairs, and thus

\(^{15}\) This value takes into account the fact that contributions were often low in the earliest periods and programs.

\(^{16}\) Furthermore, Pomeroy notes that $750 per units is ‘likely a low estimate’ (p. 7).
describes it as, “an admittedly crude methodology” (p. 7). Nevertheless, it does serve as an indicator that is useful in the prediction of future viability.

The results of Pomeroy’s (2006) study are based on analyses from a sample of 20 project profiles drawn from different provinces, programs and housing markets, as noted above. Completed templates (introduced in Figure 9.4) are supplemented by graphical depictions of net operating income levels and available reserve funds. These compare ‘present’ and ‘post-expiry’ NOI levels and measure reserve funds against the annual $750 benchmark. Careful review of each profile enables a broad assessment to be determined: viable; non-viable; or potentially viable with some remedial action. While the first two categories are self-explanatory, remedial action might include increasing rents or decreasing the proportion of rent-geared-to-income units. An example of each type of case is included in Appendices 9.2-9.4. Results can also be expressed through a matrix that categorizes sampled projects into one of four viability outcomes. Developed by Pomeroy (2006) and shown below as Figure 9.5, the matrix offers a simple way of conveying the interplay of a project’s net operating income and capital reserve.
Table 9.5: Project Viability Test

<table>
<thead>
<tr>
<th>Possible Outcomes</th>
<th>Fully Funded Capital Reserve</th>
<th>Under-Funded Capital Reserve</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive NOI</td>
<td>❄️ Project is viable, can maintain current RGI/market mix and is in sound physical condition.</td>
<td>❄️ Project generates a cash flow surplus, but asset is under-maintained. May be possible to use surplus to leverage new financing for capital investment and necessary upgrades.</td>
</tr>
<tr>
<td>Negative NOI</td>
<td>❄️ Project is not viable and cannot sustain the current RGI/market mix. Some adjustment is necessary either to increase market rents or to shift profile and mix of RGI so that RGI revenues are higher. Building is in good condition, which may help in attracting/improving market revenue.</td>
<td>❄️ Project is not viable and is unable to undertake necessary capital replacement. Careful assessment of current revenues, relative to market, may provide some potential to increase viability. Project may have difficulty without some form of assistance and capital infusion. Project is at risk.</td>
</tr>
</tbody>
</table>


Furthermore, a complete summary of results from all profiles, found in Appendix 7.5, drive the study’s ultimate projections of overall viability.

Like Connelly’s (2003) assertions, Pomeroy (2006) contends that social housing projects with a high proportion of RGI units are likely to experience the most significant challenges in the post-subsidy period. Therefore, the future viability of the public and urban native housing stock is most precarious. In fact, every public housing project reviewed by Pomeroy (2006) – except one – was deemed non-viable.

Similarly, the viability of non-profits and co-operatives will probably depend on RGI mix. Early programs were based on relatively high levels of income mixing, whereas design changes implemented in 1986 increased the percentage of RGI units as a method of low-income

17 Public housing represented 4 of the 20 projects sampled.
targeting. Given that each project tends to exhibit a unique set of circumstances, there is no absolute proportion of RGI units within a project that delineates viability from non-viability. However, those with an RGI composition greater than 65 percent are expected to be at risk.

The nature of Pomeroy’s (2006) overall conclusion is hinted at through the report’s title, which analogizes the children’s folk tale *Chicken Little*. Thus, the study suggests that *the sky is not falling*, and in fact much of the social housing portfolio will either be viable or have the opportunity to become viable after the end of operating agreements by ‘implementing remedies.’ However, the real caveat is that this outcome is highly dependent on the use of remedial measures in order to achieve viability.

According to Pomeroy’s (2006) sample, 60 percent of projects *are or have the potential* to be viable after the end of operating agreements. Nevertheless, at the time of the study only 20 percent were actually on track to be viable, whereas the remainder required some degree of restructuring in order to overcome current net operating income or reserve fund deficiencies. For example, an alarming 80 percent were unable to afford current or upcoming capital repair or replacement requirements. Therefore, unless new government funding becomes available, housing providers must find a means of augmenting revenues.

The most obvious method of increasing a project’s revenue is to modify its rent structure. This could be achieved in a number of ways, such as raising market rents, decreasing the proportion of RGI units within a project, or increasing RGI thresholds to a higher percentage of total income (Pomeroy 2006). Additionally, in the most severe cases, non-viable projects might simply need to be ‘disposed of’ (Pomeroy 2006, p. 13),
which entails selling a property and applying profits to new housing options. Although this type of restructuring would increase revenues, it also threatens the nature of social housing. Deep subsidies and low-income targeting are fundamental aspects, and rent increases would transform the model, making it more analogous to recent ‘affordable’ housing programs (as described in Chapter 5). Should this occur, it would erode a critical portion of the broader housing continuum and leave the lowest income groups most vulnerable. Therefore, the potential severity of the issue warrants additional research.

Subsequent research generally supports the main themes outlined by Connelly Consulting et al. (2003) and Pomeroy (2006) regarding the end of federal operating agreements. Nevertheless, new data and insight help to further advance and demystify the issue. For example, the earliest estimate of the number of social housing units unlikely to remain viable without further subsidy was 200,000, which equates to roughly one-third of Canada’s total portfolio (Pomeroy 2011). This figure was widely influential, which is evident by the fact that it is commonly cited throughout the housing sector (CHF Canada – Ontario Region 2013; CHF Canada 2012 B; CHF Canada, “Protecting co-op affordability”). However, a later assessment argues that this approximation is too conservative. A report produced by CHRA (2014) suggests that Pomeroy (2011) assumes some degree of continued provincial contributions in the wake of federal withdrawal, and accordingly the sum significantly underestimates the scope of the problem. While it may occur, sustained provincial funding is not guaranteed at this time. Therefore, CHRA (2014) asserts an estimate of 365,000 units at risk is more appropriate. At nearly two times greater than Pomeroy’s (2011) approximation, it also represents more than half of the entire social housing portfolio. Furthermore, Ward (2011) also notes that given the
lack of complete information, extrapolating results of sample data across the entire population is difficult. Nevertheless, viability concerns are substantial regardless of which number is used.

The future role of provinces at the expiry of operating agreements also emerges as an important factor. In fact, Pomeroy (2011) describes future viability as, “highly contingent on active participation and ongoing funding from the provinces and territories (and in Ontario the municipalities)” (p. 11; brackets in original). More specifically, provinces have the potential to offset subsidy shortfalls. As federal funds are withdrawn, any cost-sharing requirements of provinces also end. However, if provinces choose to maintain pre-expiration investment levels, many providers can continue to offer units at rent-g geared-to-income rates, as the following interview excerpt demonstrates:

Last week, the subsidy might have been $1000 a unit. Of that $1000 a unit, the province was putting in $500, the feds were putting in $500. Well now, all that disappears is the federal $500 disappeared. The province, if it wants to, could continue... It could actually only pay $250 a month - its subsidy would actually probably go down. And the provinces that I have to spoken to, they all agree that, yes, when these agreements end, we can continue to maintain the subsidies at their current level, we can continue to run the rents at an affordable level, we can do this all completely by ourselves without any federal subsidy and we will be fine (Former government agency or crown corporation).

Projects developed under cost-shared programs and devolved through Social Housing Agreements are most likely to receive ongoing provincial support. Although no contractual or legislative assurances exist, Pomeroy (2011) suggests this ‘establishes a greater likelihood’ (p. 11). In contrast, social housing stock not devolved is least likely to receive provincial subsidies. In particular, this includes Urban Native and co-operatives retained under federal responsibility. Therefore, in the absence of support from either of the senior levels of government, these portfolios are at risk of becoming ‘orphaned’ after expiry (Pomeroy 2011, p. 11). Nevertheless, the continuation of operating subsidies is a
separate matter from capital repair needs. Although deep, rent-geared-to-income affordability may be achieved, provinces may be ‘tapped out’ from subsidy provision, as outlined below:

These assets are aging, particularly public housing, which is now 50 years old, or will be 50 years old at the point of expiry. They need major capital upgrading and repairs. The provinces are tapped out. They probably don't have enough funding to be able to do the capital replacement piece… And so they're fine on the subsidy piece alone. On operating viability, they are probably going to be able to manage. In terms of recapitalization of the stock, there is a real exposure there. They are not going to be able to do that (Former government agency or crown corporation).

Therefore, renewed federal support or substantial restructuring will be required in many cases. Nevertheless, there is yet another source of risk in Canada’s social housing system.

Operating viability and capital needs are the two primary risks associated with the end of operating agreements. However, a third factor also threatens the future of Canada’s social housing portfolio. As expirations occur, mortgages are amortized and subsidies are withdrawn. At this time, a provider’s obligation to supply social housing and operate within CMHC’s regulatory framework is also complete. This means a provider may choose to abandon its duty and cease to offer subsidized housing. Pomeroy refers to this as ‘mission abortment’ (p. 12). This process primarily occurs due to either dissatisfaction with the administrative framework associated with social housing or the desire to sell a project for economic gain. Additionally, not all forms of social housing face the same risk of mission abortment.

Government ownership of public housing and municipal non-profits means these portions of the stock could be largely protected from abandonment.\(^\text{18}\) However, private non-profits and co-operatives may choose to discontinue their missions as housing

\[^{18}\text{Nevertheless, government ownership does not necessarily protect these units from }\text{retrenchment.}\]
providers. In some cases, this stems from a gradual decline in interest over time. One interviewee suggests developing and overseeing a non-profit or co-operative is initially exciting, but ‘burn out’ sometimes occurs years later:

Most of the cases, they were created by do-gooder boards that were trying to do their thing in the community. They were community volunteers, it was the Lions Club, it was whatever faith organization they happened to be a part of, did a one-off project for a bunch of folks down the street, built a seniors project. And it's really fun building a new project, you see the thing go up, you see the building, this is really cool, "I did that", you walk by and you point it out to your friends. 20 years on, you're bored silly. There is nothing more boring than asset management and managing an existing asset, making sure people pay their rents and that kind of stuff. The board is disinterested, it is burned out (Former government agency or crown corporation).

Nevertheless, the decision to cease operations often results from frustrations surrounding the administrative duties and costs imposed by government. In most cases, some level of provincial (and hopefully federal) funding is required to enable providers to offer rent-gated-to-income units. Government investments, however, are typically accompanied by certain requirements. Therefore, receiving renewed funding might involve accepting some type of operating agreement. Accordingly, SHSC (2010B) claims, “there is pressure to ‘escape’ just because of the rules” (p. 10). For example, a study in Ontario identifies three primary ‘disincentives’ to remain involved in social housing. In addition to ‘onerous’ administration and reporting, providers are averse to regulations around imposed tenant selection priorities and waiting list management imperatives (ibid). This lack of autonomy is particularly troubling for non-profits established to address specific religious, ethic or community needs. Nevertheless, there is hope that most providers will indeed remain committed and continue serving Canadians with affordability needs (SHSC 2010B). An interviewee also echoed this positive outlook:

I think the groups are committed groups, and when the agreements expire, they would have been in the housing business for 30 or 40 years (Government agency or
However, concerns of mission abortment are further complicated by possible economic incentives linked to dissolving a project.

In many cases, a social housing project’s land value appreciates significantly during the course of its 35 or 50 year operating agreement. Therefore, a lack of legal obligation creates both opportunity and incentive for operators to ‘cash out’ and ‘privately realiz[e] equity gains from project assets’ (SHSC 2010B, p. 7, 10). Government owned projects cannot currently be sold for private gain, but the risk is real for co-operatives and private non-profits. An interview participant helped further explain this predicament:

We have an ongoing concern about the possibility of a group of housing co-op members going rogue, and deciding that they want to break up the co-op and buy the property for themselves cheaply. A lot of work has been done to try to make sure that the Co-op Corporations Act is structured in a way that will make this as difficult as possible - impossible was what we were shooting for, but of course, clever people can always come up with angles. So this is an area where there is constant scrutiny by the sector (Sector organization).

As a result, sector organizations strive to implement legal safeguards against the sale of social housing projects. Additionally, in cases where the liquidation of assets cannot be prevented, advocates argue all proceeds should be applied to other public initiatives, rather than retained as private gains (SHSC 2010B). Similarly, one interviewee notes the inclusion of legal clauses to prevent non-profits and co-operatives from cashing out, but this does not serve as a guarantee:

Right now, most co-ops and non-profits have in their charter, or original documents, that if they sell their stuff, whatever is left over at the end has to go to a charity. Most cannot [sell and profit], but there are probably ways around that legally (Social housing provider).

Another emerging legal issue is the tax status. The end of agreements means that co-ops and non-profits might lose their ‘non-profit’ status. The elimination of property tax
reductions and GST rebates may serve as a deterrent for ongoing engagement (CHF Canada 2001; CHF Canada 2013 NewsBriefs). Together, operating viability, capital repair backlogs and mission abortment pose significant challenges for social housing in Canada as operating agreements expire and federal support subsides. However, there may be new opportunities for providers to explore and innovate.

9.3 Post-Agreement: New ‘ Freedoms’ and Opportunities? 

Funding included in operating agreements was subject to a set of rules and regulations. While this ensured federal objectives were achieved, it also imposed limits upon the way in which providers operate. Therefore, as agreements end, so do restrictions. This means social housing providers will have newfound freedom to experiment and innovate. The preference for and ability to embrace increased flexibility will often depend on the size and sophistication of a provider, as described in an interview:

I think there are some [providers] that will relish the opportunity, the more sophisticated groups, and they'll look forward to not having those shackles on them, and then others have that comfort of the regulatory relationship with province and the federal government around the subsidies and the funding…It’s mostly due to the size, and sophistication too. There are a lot of small groups that are one-offs. 50 percent of the non-profit groups in BC only manage one building (Government agency or crown corporation).

Nevertheless, without renewed government funding, the search for new revenue potential will play an integral role in the mitigation of operating and capital needs for many providers.

A housing project’s revenues can be increased through modifying its rent structure. However, raising rents or changing RGI formulas increasingly blurs the distinction between social market housing and erodes affordability, as previously discussed. Additionally, these types of reforms include no real ‘innovation.’ Instead, new opportunities primarily revolve around leveraging assets as a means of redeveloping or
expanding a project. In most cases, this can only be achieved by taking on a new mortgage, or even a second one. Presumably forbidden under operating agreements for the purpose of limiting risk, refinancing will become a popular option.

Many social housing projects exhibit potential for increased densification or infill. This is significant, as the construction of additional units introduces new revenue streams. However, deeply subsidized, rent-geared-to-income rates typically require long-term operating subsidies. Therefore, in most cases, these bonus units will be priced at market or low-end-of-market rent levels. An example of this is explained in the interview passage below:

I think the one area that is of interest, or a phenomena that we see recently is non-profits looking a little bit more innovatively at the housing programs they deliver. And what I mean is they still have their government-funded rent-geared-to-income developments, but they're identifying opportunities, maybe on their existing land base or elsewhere, to do some affordable rental housing or market rental housing that doesn't require an ongoing subsidy. So maybe they have some equity or they're able to get some grants or they're able to do it purely on the numbers alone. We're starting to see, in the last couple of years, more non-profits going into non-subsidized housing, so non-profit market housing, for lack of a better word (Government agency or crown corporation).

Although market units do not provide relief for deep core housing need, any additional rental stock is helpful. Furthermore, new revenue streams have the potential to cross-subsidize existing RGI units or address reserve capital repair backlogs. Nevertheless, refinancing can be a difficult and expensive endeavor.

Early social housing programs included direct mortgage lending from CMHC. After 1978, projects borrowed from approved private financial institutions, but the inclusion of CMHC-backed lending insurance meant obtaining a mortgage was relatively simple (CMHC 2011). Now, future financing from CMHC is only available to certain programs (MMAH 2012). Some provinces established lending institutions of their own,
but according to one interviewee, other government agencies are the preferred loan recipients. This means public housing corporations and large municipal non-profits are less likely to be considered risky investments due to state ownership. In contrast, it might be more difficult for smaller non-profits and co-operatives to secure subsequent mortgages. This idea is further elucidated in an interview:

Over time, CMHC has come to be seen by the housing sector as obstructive and overly expensive... Their fees are too high, because they charge an underwriting fee and an insurance fee. So people have spent a lot of time thinking 'how can I get around that,' and then Infrastructure Ontario came along to provide lending in the social housing sector, which only happens because municipalities are responsible. Alberta has a lending facility as well, but they can only lend to municipally owned housing. So they will lend to Calgary Housing or they will lend to Fort McMurray, but they are not going to lend to your average non-profit or co-op. And I think it is because in Alberta the province manages housing directly and it is not a municipal level responsibility, whereas in Ontario Infrastructure Ontario will lend to non-profits and co-ops because it is municipally funded and administered (Research, policy and advocacy).

Jackson (2011) also suggests certain projects will have difficulty acquiring new financing. In particular, those in poor physical condition or with depleted reserve funds are less competitive in the private mortgage market. Therefore, projects in greatest need of capital that can be leveraged to improve viability might have the weakest prospects of approval. This is yet another reason why ongoing government presence is so important to the future of social housing.

The expenditure associated with refinancing is also significant. As part of a study evaluating the redevelopment options of social housing providers, Ontario’s Ministry of Municipal Affairs and Housing (MMAH 2012) calculated the average cost of obtaining a new mortgage. Computed in the year 2012, the average total price of refinancing exceeded $300,000. Additionally, this estimate is considered a minimum amount, as certain factors are unknown and not included. A more detailed breakdown of these costs is shown in Table 9.3.
### Table 9.3: Mortgage Refinancing Costs for a Social Housing Provider (2012 dollars)

<table>
<thead>
<tr>
<th>#</th>
<th>Steps</th>
<th>Approximate Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Obtain a survey, if one is not available</td>
<td>$8,000-12,000</td>
</tr>
<tr>
<td>2</td>
<td>Environmental Site Assessment (ESA) Phase 1 or Phase II, if necessary</td>
<td>To be determined</td>
</tr>
<tr>
<td>3</td>
<td>Lender commitment fee</td>
<td>$38,000</td>
</tr>
<tr>
<td>4</td>
<td>Lender mortgage processing fee</td>
<td>$13,500</td>
</tr>
<tr>
<td>5</td>
<td>Lender’s hedge fee to lock in the interest rate</td>
<td>To be determined</td>
</tr>
<tr>
<td>6</td>
<td>Lender’s legal fees</td>
<td>$8,000-10,000</td>
</tr>
<tr>
<td>7</td>
<td>Housing provider legal fees</td>
<td>$5,000-8,000</td>
</tr>
<tr>
<td>8</td>
<td>Appraisal report</td>
<td>To be determined</td>
</tr>
<tr>
<td>9</td>
<td>Building condition report</td>
<td>$8,500</td>
</tr>
<tr>
<td>10</td>
<td>Fire prevention and life safety systems inspection</td>
<td>Varies by municipality</td>
</tr>
<tr>
<td>11</td>
<td>Mortgage prepayment penalties, if refinancing will not occur at the time of renewal</td>
<td>Varies by program and agreement</td>
</tr>
<tr>
<td>12</td>
<td>Mortgage brokerage fees (based on 3.5% of principal)</td>
<td>$135,000</td>
</tr>
<tr>
<td>13</td>
<td>NHA insurance fees, if mortgage will be insured</td>
<td>Assume a premium of 2.5-2.75% of total loan value (e.g., $96,000-106,140 for a $3.86M loan)</td>
</tr>
<tr>
<td>14</td>
<td>Insurance inspection</td>
<td>$1,000 minimum</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>More than $313,500</td>
</tr>
</tbody>
</table>

Source: MMAH 2013, p. 39.

Nevertheless, the high costs and difficulties associated with refinancing appear to be gaining recognition.

There is a set of examples highlighting new opportunities for social housing providers to access necessary capital. For instance, the province of British Columbia is working proactively to help ensure financing can be secured if needed. BC Housing has the authority to lend to social housing providers at ‘reasonable rates,’ thus offering another option beside the private mortgage market, as explained below:

What we're seeing is the construction of new units. And what we've done provincially, is we've given BC Housing the ability to provide interim financing to these societies as they're going out and doing rental housing, and we're able to
negotiate take-out financing for them as well. So as a society comes forward and demonstrates this ability or willingness to do some rental housing projects, we're able to very quickly assemble some project development funding, some construction financing at very favourable rates, and then help them with the take-out financing so that they're able to get really competitive debt financing on their project, and we'll do 100 percent financing. So as a society coming forward, there's a lot of appeal to that (Government agency or crown corporation).

Similarly, significant efforts within the co-operative sector have generated new lending partnership opportunities. After a series of pilot projects, eligible co-operatives can now apply to borrow from Canadian credit unions rather than the public or private (Cole 2012). Also emerging from the co-operative sector, there is a case in the province of Ontario that involves early refinancing through the help of a credit union. An ‘attractive loan’ from Alterna Savings facilitates the ‘buy out’ of co-ops remaining mortgage from CMHC (Jackson 2013). Despite prepayment penalties, refinancing early means critical repairs can be completed now, rather than waiting until the operating agreement expires. However, the opportunity and capacity to redevelop will vary across the country. This theme of regional variation is significant and warrants further examination.

9.4 Variable Outcomes: the Importance of Location and Scale
The end of operating agreements is a national housing issue. However, the outcome will vary, at least to some degree, between and within regions of the country. This means the impact of loss of federal subsidy will be experienced differently depending on specific place-based variables. Similarly, opportunities to react and respond are also linked to local conditions, such as real estate markets. Scale is also anticipated to be a critical factor. The size and capacity of provinces, municipalities and individual providers will be the source of both challenges and opportunities.

Federal withdrawal is expected to be particularly demanding in Canada’s north (Zanasi 2007). Canada’s three territories – the Yukon, Northwest Territories and
Nunavut – rely heavily on social housing. In fact, it constitutes a higher percentage of total rental stock than anywhere else in Canada (ibid). The predominance of social housing is even more pronounced outside of Yellowknife and Whitehorse, the two largest housing markets. This is highlighted below in Table 9.4.

<table>
<thead>
<tr>
<th></th>
<th>Total Rental Units</th>
<th>Social Housing Units</th>
<th>Social Housing as a Percentage of Total Rental</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northwest Territories</td>
<td>5,880</td>
<td>2,321</td>
<td>39.3%</td>
</tr>
<tr>
<td>Excluding Yellowknife</td>
<td>3,215</td>
<td>2,022</td>
<td>62.9%</td>
</tr>
<tr>
<td>Nunavut</td>
<td>5,440</td>
<td>3,955</td>
<td>72.7%</td>
</tr>
<tr>
<td>Yukon</td>
<td>4,210</td>
<td>1,320</td>
<td>31.4%</td>
</tr>
<tr>
<td>Excluding Whitehorse</td>
<td>1,440</td>
<td>767</td>
<td>53.3%</td>
</tr>
<tr>
<td>Canada</td>
<td>3,952,585</td>
<td>605,000</td>
<td>15.3%</td>
</tr>
</tbody>
</table>

Source: Zanasi 2007, p. 3; data derived from 2001 Census and CMHC 2005 “CHS – Public funds and National Housing Act (Social Housing) figures; social housing totals include Native housing.

Most units are deeply subsidized and provided directly by government housing corporations, rather than private non-profits or co-operatives. The high proportion of rent-geared-to-income stock means affordability is often achieved, but territorial governments are forced to spend more than provincial counterparts, both on a per unit basis and as a proportion of total budget. Furthermore, while affordability needs are less severe, capital repair shortfalls and crowding are more prevalent than other parts of the country. Harsh climate conditions and permafrost introduce a unique set of problems, which ultimately cause units to deteriorate more quickly. Additionally, a combination of low density and weak real estate markets lead to high operating costs, low rent revenue
streams and poor redevelopment potential.\textsuperscript{19} Furthermore, given the fact that territorial spending is already high, there is no additional fiscal capacity available to offset the end of federal subsidies. The term ‘crisis’ is used to describe housing in Nunavut, while Northwest Territories and Yukon face a similar fate (Zanasi 2007, p. 27). Nevertheless, this risk extends to the provinces as well.

The composition of social housing portfolios varies by province. This make-up is important since the cost of continuing to fund certain programs is higher than others. For example, public housing units require deep subsidies and tend to have greater capital repair needs. Referring again to Table 7.1 highlights the distribution by province. Ontario contains the most public housing units, but it also has a strong complement of co-operatives and non-profits with higher prospects of remaining viable on net operating income alone. However, other provinces, such as New Brunswick and Prince Edward Island, are composed overwhelmingly of public housing. In contrast, public housing units make up a relatively small proportion of British Columbia’s total portfolio. Another interesting dynamic is that public housing in the Maritime and Prairie provinces developed under a distinct cost-sharing ratio. Unlike the commonly used 50:50 split, the federal contribution was increased to 75 percent, in order to reflect the reduced capacity of these smaller provinces. This means even more funding disappears as agreements end.

\textsuperscript{19} With the exception of Whitehorse and Yellowknife, all areas of in the territories are described as ‘non-market communities’ (Zanasi 2007, p. 14). Housing is either ‘impossible to sell’ or does so at a price ‘considerably lower’ than its cost to build (ibid). Furthermore, high operating costs are attributed to at least three factors: extended periods of winter climate require significant energy inputs; the remote nature of most communities results in expensive material, labour and transportation; and many parts of the territories lack water and wastewater infrastructure systems, and instead rely on delivery or removal by truck (Zanasi 2007).
Furthermore, each province should also expect some degree of internal variation.

Large urban areas are home to the majority of Canada’s social housing stock. This means some of the apparent challenges and opportunities present in a major city, such as Toronto, are unlike those in less densely populated parts of Ontario. The urban-rural divide is evident from differences in housing need, density and revenue potential. Redevelopment opportunities are also uneven. Given refinancing is a primary ‘lever’ in the post-operating environment, land value is critical. Therefore, social housing in high-priced urban markets has greater potential to unlock increased asset value. Conversely, smaller real estate markets cannot harness the same amount of capital. Similarly, the addition of new market rent housing in rural areas will generate less revenue. Nevertheless, even seemingly similar projects – created under the same program and located in similar housing markets – can exhibit different needs. Over the course of an operating agreement, between 35 and 50 years worth of independent decisions (including capital repair history and reserve fund contributions) will create diverse levels of preparedness in a given project. Given this complexity, substantial analysis is crucial as a means of anticipating results and identifying feasible strategies. The best examples of this type of investigation emerge from British Columbia (Wennman 2009; BCNPHA and BC Housing 2012) and Ontario (Connelly Consulting 2006; SHSC 2010 B; HSC 2012 B). Such reports develop provincial analyses similar to the prominent national studies conducted by Connelly Consulting et al. (2003) and Pomeroy (2006). Connelly Consulting’s (2006) review is most extensive, created as an Ontario-specific addendum to Pomeroy’s (2006) report, which samples individual social housing projects.
Furthermore, the end of operating agreements impact Ontario in a somewhat unique way, and thus the province deserves more in depth analysis.

9.5 Operating Agreements and Double Devolution: the Case of Ontario

The province of Ontario, like the rest of Canada, is scheduled to lose federal funding as operating agreements expire. Additionally, along with most provinces, Ontario completed a social housing agreement with CMHC, thus transferring responsibility for social housing to the provincial level.20 The newly received portfolio was almost immediately devolved to municipalities, as facilitated through the implementation of the Social Housing Reform Act (SHRA, 2000). However, the new act also ushered in a series of important changes impacting the role and responsibilities of municipalities regarding long-term funding.

The Social Housing Reform Act dissolved original operating agreements that existed between CMHC and providers through the province (SHSC 2010B). Nevertheless, the same general rules and conditions specifying how to operate and determine subsidies remain in place. Similarly, all previous funding commitments from the federal and provincial governments continue until the original operating agreements are scheduled to end. Now, local service managers (SMs) are responsible for administering and funding the social housing portfolio in Ontario.21 Until agreements expire, annual transfer payments flow through senior levels of government down to the local level, and are sufficient to offset most of the costs associated with these new

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20 As detailed in Chapter 4, on-reserve Native housing and federal co-operatives were excluded from this transfer.
21 The function and rationale of Service Managers is further described in Chapter 4.
duties. However, when agreements are complete, municipalities become fully responsible for funding social housing.

Elsewhere in Canada, ongoing legal obligations to remain engaged in social housing end in tandem with operating agreements. The situation in Ontario is distinctly different. According to the SHRA, “the duty to pay subsidy for a housing project is terminated on the date prescribed by the Minister” (Section 102.2; also in SHSC 2010B, p. 5). However, no end has ever been established (SHSC 2010B). In fact, the determination of such a date is not under discussion. Therefore, at this time, Ontario’s service managers are responsible for funding social housing in perpetuity. More specifically, service managers are required to uphold ‘service-level standards,’ which specify the quantity of rent-g geared-to-income units that must be maintained in each jurisdiction (Connelly Consulting 2006). Therefore, although federal and provincial funding will gradually decline, service level standards remain constant, as shown below in Figure 9.6.

22 Since transfer amounts were ‘locked in,’ there is some risk associated with rising operating costs. However, service managers are generally able to satisfy subsidy requirements. The greatest financial risk is linked to increasing capital repair costs.
These standards are ultimately imposed to ensure the continuation of affordability. In theory, this is encouraging, as permanent subsidy provision ensures social housing providers continue to supply rent-geared-to-income units. Nevertheless, the long-term ability of service managers (municipal governments) to afford this additional expenditure is questionable.

Despite legislative differences, social housing in Ontario faces the same three general risks as the rest of the country. However, Connelly Consulting (2006) describes the outlook in Ontario as ‘less rosy’ (p. 34). The province is home to nearly 40 percent of all social housing in Canada. Accordingly, this quantity of units involves substantial federal and provincial expenditures. The composition of the portfolio is a further challenge for two reasons. First, more than half of the province’s units were built under the RGI-heavy programs most likely to fail: public, urban native and post-1985 non-
profit and co-operative housing. Second, this same stock tends to have the most under-funded capital reserves. Therefore, municipalities inherit these financial difficulties when agreements end. However, Connelly (2006) claims local service managers, “arguably don’t have the financial resources to address these problems on their own” (p. 34). Similar sentiments were commonly expressed during in-depth interviews.

The concept of guaranteeing a quantity of rent-g geared-to-income units is positive, especially given the need for affordable housing options. In general, service managers and municipalities support the initiative in principal, but lack the means to fulfill the funding obligation, as demonstrated by the following interview excerpt:

I think service managers appreciate [guaranteed service levels], but they just do not know how to fund it. I think generally it is good social policy. There is just no financial way of doing it easily. So, the City of Toronto is going to lose $50 or $60 million in subsidy over the next 5 or 6 years, and they are not sure where to cover that from except property taxes - and that is not a popular thing (Social housing provider).

In addition to popularity, property taxes are a questionable funding source for this type of program. One interview participant describes social housing as a form of income transfer, and argues property taxes are not the appropriate funding mechanism:

I think there is no question that housing programs are designed around income transfer… It’s an income support program. There is no way that it should be funded off the Municipal tax base. A property tax is the most difficult instrument to link to income transfer. Number one, there is variability around income support and income transfer that a property tax base can’t absorb. And number two, these are big bills which are connected to health and welfare regimes, so why are you taking, you know, extracting this little piece of it and throwing it down and saying you own the property tax base, pay for this? Property tax bases are much better suited to dealing with hard service and infrastructure pieces that the locality consumes (Former social housing provider).

The financial capacity of municipalities is also limited by their inability to run deficits. It becomes difficult for local governments to satisfy housing requirements while balancing other expenditures, as an interviewee explains:
The municipalities don't want to spend a pile of money forever on the social housing anymore than we want to do it as a province. But we've just foisted this upon them. They have no capacity. So even if you're sympathetic to social housing and you're a municipal finance manager, you've got to figure out how to balance the municipal budget, because municipalities can't run deficits. So you're stuck in this situation... It's a bit of a moral hazard kind of thing, really. You foisted this on the municipalities, and then said, 'OK, we won't let you reduce your expenditures here, we're going to make you keep running these units, so we're going to put in place this legislation, target levels, subsidy levels, complex legislation to make sure that you continue to fulfill your obligation (Former government agency or crown organization).

Without the ability to run a deficit, municipalities will either have to find a way to increase revenue or selectively cut expenditures. Furthermore, although municipalities might manage service level obligations initially, the task becomes increasingly challenging over time as additional agreements end and more funding is withdrawn. Therefore, maintaining a large portfolio requiring tremendous subsidies and capital repairs is a nearly impossible burden for municipalities.

Like the rest of the country, service managers in Ontario will rely on government-owned public housing and municipal non-profits as an ongoing source of affordable units. While technically possible to liquidate this stock and replace it with different units, an interviewee claims maintaining the existing portfolio is the most cost-effective option for satisfying service levels:

If you are a municipality you virtually have to maintain your public housing because that is the only way you can maintain the gear to income units. Now I suppose the municipalities could have decided ‘I don’t want this housing. I am going to sell it all and just do rent supplements or shelter allowances,’ but that would have been a very expensive exercise (Former social housing provider).

Conversely, private non-profits and co-operatives pose the greatest risk of mission abandonment. As agreements end, these providers have no ongoing obligation to continue operating as housing providers. However, service managers will strive to retain
them as part of the local portfolio. In many cases, rent supplements are needed to ensure their financial viability, as evident in the interview quote below:

If a non-profit ends its responsibility, or its responsibilities end under the act, I am pretty sure the city will want them to continue. And they do not have a technique for doing that. There is no legislative way they can make them... You cannot force them, but they could say ‘we would like you to, and we will give you rent supplements for that,’ because they are going to be a lower cost than going out to the private sector, typically (Social housing provider).

Nevertheless, consultation in Ontario suggests that the majority of providers will “remain committed to solid social housing values,” even if abandonment is an option (SHSC 2010B, p. 4). In addition to the devolved stock discussed above, service managers must also consider non-devolved federal units.

The future of federal units is also uncertain. Specified minimum service standard levels apply only to social housing stock under municipal jurisdiction. Therefore, there is no legal obligation for local service managers to provide assistance to federal units not devolved through the Canada-Ontario Social Housing Agreement (SHSC 2010B). However, there will, “unquestionably be huge pressure for municipal aid where ongoing deficits are incurred” (SHSC 2010B, p. 7). This adds further financial strain to local budgets, but given the high level of unmet core housing need, it is likely more cost effective for service managers to absorb and subsidize federal units than to develop new stock. Furthermore, these types of additional pressures are another reason why providers must consider new practices to remain viable.

In theory, the removal of funding is balanced by new opportunities for innovation as federal restrictions disappear. These possibilities are the same or similar as the ones available to other provinces, and typically include leveraging assets for refinancing and redevelopment. When asked about recent innovation prospects, one interviewee suggests
few significant options actually exist, except for some development potential in high
value or gentrifying areas:

Not particularly. There is an opportunity to do redevelopment, but that is market
driven as opposed to our choice. So, if we wanted to redevelop in north-east
Scarborough, we could not, because there is not market to redevelop for. But if we
wanted to redevelop in downtown Toronto, there is a market (Social housing
provider).

Altering the distribution of social housing stock also has the potential to generate
increased revenue. Although service levels must be maintained, the location of rent-
geared-to-income units can change. Therefore, adjusting the income mix within a project
is discussed as a means of ‘integrating public housing’ (SHSC 2010B, p. 9). This
involves introducing market rent units into buildings situated in parts of the city with
high average rent levels (and thus higher revenue potential), and relocating RGI units to
projects with lower market rent potential. While substituting units between desirable
downtown neighbourhoods and low-rent fringe areas can increase a provider’s overall
operating revenue, the approach could have ‘detrimental waiting list impacts’ (SHSC
2010B, p. 9).23 Factors such as market conditions help create potential for innovation, but
local political preference and fiscal capacity and are important as well:

I think the political reality and the fiscal reality of the municipality is probably much
more important than if they’re an innovative administrator of social housing
(Government agency or crown corporation).

However, another interviewee suggested that the eagerness and enthusiasm of providers
will also be a critical factor:

There are folks who are ready to innovate and who are already innovating in the face
of this challenge and uncertainty and then there are others who are still looking for
that someone else is going to fix this (Government agency or crown corporation).

23 Displacement and gentrification are other possible consequences, but are beyond the
scope of this discussion.
Nevertheless, there is some level of ambiguity surrounding the actual opportunities and limitations that actually exist when agreements expire.

Service Managers and housing providers advocated for amendments to the Social Housing Reform Act (2000). In particular, confusion and uncertainty regarding rules and regulations were common complaints, and Service Managers also argued increased autonomy was required for the fulfillment of their responsibilities (SHSC 2010B). The subsequent introduction of the Housing Services Act (2012) did increase clarity and flexibility. However, most amendments tended to primarily impact service managers, but provided few improvements for housing providers. In fact, one interviewee suggests the newfound freedom of service managers may actually serve as a burden to providers:

> I think, on the balance of probabilities, it will likely have a more negative effect than a positive effect. It is possible that some municipality decides housing is really a top priority for us, and this allows the mobility to inject more money into the system to create more flexibilities for the providers, to work with them more creatively – but there’s no evidence of that at this point. The evidence is more… more rules, more restrictions, more control by the administrator, more reporting by housing providers. And so I think what’s tended to happen is the response has been more intrusion, more regulation, sort of more administrative burden into the system (Former social housing provider).

Additionally, the sector remained ‘hopeful’ that senior levels of government would provide some form of funding (SHSC 2010B). Nevertheless, the updated legislation included no provincial funding commitments. Despite widespread concern that municipal governments lack the fiscal capacity, full funding responsibility will rest at the local level. As such, the role of the province is reinforced, as described during an interview:

> I would say that the Housing Services Act reconfirmed the obligation of service managers to fund social housing, but what the province has heard from a variety of different folks is that there’s a lot of uncertainty about the future and it isn’t clear in all cases how all of these projects are going to continue to remain viable (Government agency or crown corporation).
One interview participant suggests the province has little interest in financing social housing, but may decide to lobby the federal government for renewed contributions. Furthermore, an interview participant suggests advocacy efforts may be linked to broader federal-provincial financial relations, as explained below:

I don’t think the province of Ontario has any sort of direct financial desire to deal with this. They will, in my opinion, just simply say this is not our responsibility; this is the responsibility of the municipalities. Now I think that they... certainly the province and the Ministry and Municipal Affairs and Housing here in Ontario and the Minister have said to us they’re going to give it a good fight on behalf of Ontario. Because for Ontario this is more than just about the federal operating agreements; this is also about inter-governmental relations between Ontario and the feds. So it’s wrapped up in a larger political issue for Ontario. We’ve gone from being a ‘have’ province to a ‘have-not’ province, and that has very much to do with the issues around equalization formulas... It’s wrapped up in many other things, especially around resource allocation and how those calculations are all done. Ontario is very much hurting in terms of its resource allocation, in terms of the money that it’s getting out of the federal government. So housing represents just one more thorn in Ontario’s side (Sector organization).

Therefore, social housing operating agreements are entangled in deeper political and economic implications. As more of them expire and implications become evident, issues of government responsibility will become increasingly significant.

Overall, new opportunities unleashed through the end of operating agreements appear less significant than the primary risks associated with the end of federal assistance. The challenges associated with operating viability, addressing capital repair needs and preventing mission abortment seem much greater than what might be achieved through refinancing and redevelopment. Therefore, a coordinated government response is required. However, annual federal expenditures in social housing are on the verge of drastic decline. This creates what Pomeroy (2011) refers to as ‘expenditure room’ for reinvestment (p. 2). What is required is not necessarily new or additional funding, but simply to maintain a portion of past annual expenditure levels. Additionally, the required level of federal assistance would be less than it was under operating agreements. The
expiry of agreements ultimately represents a ‘turning point’ in the history of social housing in Canada (Connelly et al. 2003, p. 21), and the federal government’s response will determine the future of this critical institution.

9.6 Prospects of Post-Expiry Investment?

Legend tells us of how Nero played his violin during the burning of Rome. We must learn from the lessons of Nero and not watch idly while the foundations of Canada’s social housing system are reduced to ashes” (Pomeroy 2011, p. 2).

A report produced by Pomeroy (2011) cleverly entitled, “Is Emperor Nero Fiddling as Rome burns? Assessing risk when federal subsidies end,” references the Great Fire in ancient Rome. According to popular legend, rather than offering assistance, Nero plays the fiddle while fire destroys the city and its inhabitants.\(^\text{24}\) This analogy calls into question the way in which the federal government will respond if hundreds of thousands of social housing units are no longer financially viable. Will withdrawn subsidies be recommitted or will the government simply observe while assets that were publicly funded for decades are (at least figuratively) destroyed?

Thus far, senior levels of government have not addressed the end of operating agreements in a significant way. Despite short-term investments in affordable housing or one-time stimulus-based capital repairs programs (Pomeroy and Falvo 2013), there is no federal plan in place to mitigate social housing projects that become non-viable in the absence of continued funding. In 2012, Minister Diane Finley claimed CMHC was ‘looking at the issue,’ but no results were ever released (Granovsky 2013, p. 7; CHF Canada 2012 B). More recently, the federal government stated it has no intention of

\(^{24}\) Some versions of the story claim Nero was actually responsible for causing the fire, as a means of clearing land for the redevelopment of Rome in his own vision. Furthermore, many details of the legend are debated, as some claim the instrument (fiddle) did not even exist at that point in time (History.com 2012).
upholding existing spending (Curry 2014). Similarly, although many provinces have
developed some form of long-term housing strategy, few include funds are that explicitly
designated for post-agreement deficits.

The federal government appears confident that social housing providers will
remain able to continue operating without ongoing subsidy. In fact, CMHC claims most
non-profits and co-operatives will be unaffected:

The majority of non-profit and co-operative housing projects are expected to be financially viable and mortgage-free at the end of the operating agreements. Housing providers will find themselves with valuable real estate assets and a decrease in operating expenses that can be used to continue to offer affordable housing (CMHC F).

Although the statement notes the viability of non-profits and co-operatives, public and urban native housing are noticeably omitted. Similarly, it specifies that providers will continue to offer affordable housing, but does not mention the term social housing. Although affordable and social are sometimes used interchangeably, they tend to have different implications in practice (as explained in Chapter 5), and therefore the declaration provides no definite assurance that deeply subsidized, rent-g geared-to-income units – the type fundamental to public and urban native housing – will continue to exist after the expiry of operating agreements.

CMHC does acknowledge some projects no longer receiving subsidy will ‘need additional assistance,’ but does not indicate or estimate the number of units potentially impacted (CMHC 2014 B). In such cases, provinces may choose to substitute Investment in Affordable Housing (IAH) funds (ibid). These replacement dollars might be sufficient temporarily while the amount of subsidy expired is still small, but as the

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25 IAH guidelines state that these funds cannot be applied to projects with operating agreements still in place.
withdrawal becomes progressively larger it will quickly exceed current short-term IAH commitments. Like the Affordable Housing Initiative (AHI) before it, the IAH program is renewed three or four years at a time (thus far), which does not offer long-term security. Additionally, this substitution is dependent on the discretion and priorities of each province, and thus such expectations made by CMHC cannot be assured. As a result, CMHC’s apparent confidence in future viability is not widely shared.

There is significant concern surrounding the potential loss of social housing units. This is especially evident at the local level. For example, the following two remarks highlight the sense of apprehension felt within Canada’s urban centers:

There’s work to do to ensure the federal government understands how dire the situation is… Without further investment, we could see hundreds of thousands of people kicked out of social housing across Canada and that’s totally unacceptable (Vancouver Mayor Gregor Robertson; in Curry 2014).

The challenge is these are old buildings and though they may be paid off, they still have considerable operating costs. Many of them need real re-investment and some of them are in jeopardy of not being able to operate (Edmonton Mayor Don Iveson; in Curry 2014).

Similarly, local social housing providers expressed similar distress. The president of a co-operative in British Columbia describes the trepidation experienced by her tenants:

They’re very scared. This is their home and they’re actually in danger of losing their homes (in Curry 2014).

However, others are more optimistic. Pomeroy claims that municipalities might overstate the problem, suggesting that, “they’re just playing politics a bit with that one, to be quite honest,” and are “guilty of hyperbole” (in Curry 2014). Instead of forcing social housing residents into homelessness, it is more likely that the ‘cash-strapped’ provinces will be forced to intervene, making it a ‘stealth’ social policy by the federal government (ibid). Nonetheless, given this uncertainty, the social housing sector, along with providers, seek funding and policy reform.
There have been numerous opportunities to mitigate current and future viability issues. In 2012, the federal government was presented with a chance to dramatically reshape the landscape of housing in Canada. Bill C-400, as its full title denotes, was developed as a means of providing ‘secure, adequate, accessible and affordable housing.’ Introduced as a private members bill, the proposed legislation resembles Bill C-304, a previous housing reform attempt ultimately defeated in Canadian Parliament in 2011 (Shapcott 2012). As a more general housing policy initiative, the bill is not specifically designed to target expiring operating agreements. Nevertheless, its aim of eliminating all affordability gaps would encompass social housing projects that struggle due to subsidy withdrawal. However, the broad nature means that such a program comes with a hefty price tag. According to CMHC, the cost of meeting all of Canada’s affordability needs would require an annual expenditure of $5.5 billion in subsidies alone CMHC B).\(^{26}\) As one interviewee explains, this amount far exceeds a realistic value:

CMHC came out with a press release last week, the day this was being debated in the House, and said if that bill were passed, it would cost the federal government an additional $5.5 billion a year to meet the obligations under the bill. They basically went out and calculated, what is the affordability gap of everybody that is not currently in social housing, if we gave all of them the subsidy, this is how much it would cost. And that is just such a big number, it is untenable – you can't actually ever get there (Former government agency or crown corporation).

This estimate is much greater than annual expenditures during periods of peak government investment. Yet, as the number of household in core need grows, more stock is required:

They were paying $1.7 billion to provide subsidy to about 600,000 units. There are 1.5 million Canadian households in core housing need. So you need two and a half times that stock (Former government agency or crown corporation).

\(^{26}\) This did not include any capital costs.
Furthermore, this figure – $5.5 billion – seems unrealistic given the federal government’s ostensible disinterest in providing long-term subsidies. Accordingly, the bill was defeated 153-129 during its second parliamentary reading after being characterized by the Conservative government as a ‘dangerous and risky NDP spending scheme (Parliament of Canada 2013; Canadian Press 2013). Despite this rejection, sector organizations and social housing advocates continue to lobby for the renewal and reinvestment of funding as operating agreements expire. In fact, Granovsky (2012) expresses hope that the issue is finally ‘starting to resonate’ with all tiers of government (p. 3). However, little progress has been achieved.

The 2015 federal budget fails to commit funding for social housing projects facing expiring operating agreements. At first glance, the budget was perceived to facilitate the reinvestment of spending as agreements end. However, the ‘initial euphoria’ was quickly determined to be little more than ‘smoke and mirrors’ (Pomeroy 2015, p. 2, 4). Federal spending on social housing will indeed increase during the fiscal year, but no funds are allocated to offset the planned withdrawal. Instead, the expenditure boost simply reflects increasing costs of federal portfolios not devolved to the provinces. What is confusing, however, is the fact that this budget increase is “coincidentally (or conveniently)” the same amount that will be lost through planned withdrawal, and thus the sum requested by advocates (Pomeroy 2015, p. 4; brackets in original). Pomeroy (2015) summarizes this issue succinctly:

The statement that over the next four year the federal government “will invest $1.7 billion annually to support 570,000 households that depend on social housing support...” does reflect planned CMHC spending levels. However, it does not relate to more specific issue for which many advocates have been campaigning:

27 This includes stock in Alberta, PEI and Quebec, federal co-operatives administered by the Agency for Co-operative Housing, and all on-reserve housing.
reinvestment of scheduled reduced spending. Once the smoke has cleared it is apparent that, indeed, the Budget was too good to be true (p. 4; italics in original).

Although the federal government did not commit to preserve the nation’s social housing portfolio, provincial budgets show mixed results.

Responsiveness at the provincial level is variable. For example, the latest Ontario budget (2015-16) maintains funding for affordable housing and homelessness initiatives, but fails to renew funding for social housing projects that no longer receive subsidy (CHF Canada 2015 A). Harvey Cooper, on behalf of the province’s co-operative sector, reinforces the real need for continued funding:

While Ontario’s co-ops welcome the commitment to Help End Homelessness and the extended Investment in Affordable Housing (IAH) initiative, we had hoped the Province would recognize the importance of maintaining these co-op homes for our most vulnerable members while a long-term deal with Ottawa is struck (CHF Canada 2015 A).

In contrast, Quebec’s most recent budget is described as ‘especially notable’ (CHF Canada 2015 B). For the next two years (2015-2017), the province commits to fund 75 percent of the total subsidy amount for social housing projects exiting agreements during this time. Although this results in a $6 million investment, the province simultaneously reduced its spending on the development of new social housing by half, which is an annual decrease of $125 million (CHF Canada 2015 B). Furthermore, it is significant that the province’s commitment is short-term and does not cover the full amount required. Nicholas Gazzard, CHF Canada’s director, argues that this reflects the financial inability of provinces to unilaterally fund these programs, and thus emphasizing the importance of federal involvement:

The fact that Quebec’s coverage of expiring federal subsidies is only partial and temporary shows clearly that federal cost sharing is essential for a full and permanent solution to this issue (CHF Canada 2015 B).
Nevertheless, Quebec’s commitment is not particularly surprising, as it was one of only two provinces that continued to build new social housing after the federal government terminated all programs. Elsewhere, provinces have not established funding as budget items, but are providing subsidies on an ad hoc basis.

Some provinces claim to be committed to preserving social housing portfolios. British Columbia demonstrates responsiveness, ‘stepping in’ as necessary when projects experience financial trouble:

A number of buildings have gone out of subsidy already, and we've seen some of the impacts of that. The province has had to step in for a couple of those developments. The first actually to go out of subsidy were some aboriginal projects up north - not viable without provincial money, and so we've begun to subsidize those (Government agency or crown corporation).

Similarly, other provinces also hope to be able to continue funding their portfolios. One interviewee specifically cites Manitoba and Saskatchewan, but emphasizes the ongoing need for federal contributions:

I think other provinces, like Saskatchewan and Manitoba, have a really strong belief in continuing to fund social and affordable housing. But they do not want to lose the federal money that is associated with it. So there is definitely a movement afoot to lobby the federal government to bring that money back into the system (Research, policy and advocacy).

Even in the most promising cases, such as Quebec and British Columbia, current pledges are not far-reaching and long-term. Although any assistance is welcome, housing providers need reliable and predictable funding. The federal government is the most fiscally capable of delivering comprehensive support, but no such commitment has been made. Drawing on various opinions collected from interviewees, there is a diverse range of outlooks regarding what the role, if any, the federal government will play in the future of social housing.
The federal government can respond to negative impacts resulting from the end of operating agreements in a number of ways. At one extreme is total inaction, which means choosing not to renew any funding or program commitments. On the other extreme is full reengagement, thus resuming its former role as primary subsidy provider and facilitator of new social housing. Additionally, the reaction could fall somewhere in between, meaning partial involvement in very specific and limited ways. A survey of interview participants reveals an assortment of viewpoints reflecting the range of possibilities described above.

One interviewee suggested the ‘heyday of social housing’ is over, and neither federal nor provincial governments will reinvest in new and existing portfolios. Additionally, the role of CMHC is described as at risk of becoming reduced to a ‘residual company,’ as explained in the quotation below:

I don't think the heyday of social housing will ever come back. I don't think the province is even coming back. CMHC just announced they are releasing their prepayment penalties on paying out old mortgages. So providers can go refinance to pay for repairs and things like that. That is really good. I guess I look to the Netherlands and I look to the U.K…. I look to scenarios where government stepped back and handed the reins over to the non-profits sector, and instead of it falling into a big heap and failing, it was actually the time of great entrepreneurialism and success. Because what they ended up doing was they found ways to subsidize people themselves, or they found ways to work with social assistance rates. People just got really creative, and we have been so tied to government here it has not happened. But I don't think the government is going to come back. I can't see CMHC being anything but an insurance company in the next budget. I think they are going to end up as a residual company under the minister of finance (Research, policy and advocacy).

In contrast, when questioned about the prospect of a return to long-term and comprehensive social housing programs, another interviewee suggested the return to long-term social housing programs is possible. Furthermore, a return to former welfare-based social housing programs is believed to garner public support:
I could see a return to that. The only reason we have a fiscal crunch right now is because of all the tax cuts… The governments do not want to increase taxes. Well, taxes have to be increased. If we increase certain kinds of taxes here and there, that is billions of dollars, without hurting middle or low-income people at all. And then the people who are being taxed are not going to starve, they are going to keep living nice lives. We are a wealthy country. The last election, with Jack Layton and changing politics, and the fact that Harper could only get 39 percent of the vote but he happened to get a majority of seats, which is a crazy part of our system. But he only got 39 percent of the vote, and in recent polls he is only at 36 or something. There is not support for that ideology, there is a majority support for what the Liberals promise but rarely do, and for what the NDP promises but is not in power to do. The majority do favour doing something rationale, having an annual program, a proper rehab, increasing the supply of social housing to meet social need. So I do see that coming back, but we do not know when – but we are hitting a crisis point, frankly, all around (Academia).

Nevertheless, the same interviewee also suggests such action would likely occur only in response to a deepening ‘crisis’ within Canada’s social housing system:

If there is a crisis, something will be done about it. … If you end up with a crappy building with 100 units, say 300 or 400 people, and if the building's choice is what – to be condemned and everybody kicked out? Well I do not see that happening. I see somebody coming in, all three levels of government will point fingers at each other, 'It's your fault, it's your fault, it's your fault,' and somebody will be embarrassed enough to do something. The municipalities do not have money to do something for that, so which of the other two levels of government? This is where ministers talk on the telephone to each other, 'Hey, what do we do?' And they are likely going to say, 'Well we have a small rehab program, yes, well let's make it bigger', and the feds will say, 'Well you have to kick in some money,' and they work something out (Academia).

Another respondent supports this notion that the federal government might initially avoid action, but become forced to reengage if housing need reaches a critical point. As previously mentioned, the province of British Columbia has ‘stepped in’ to provide subsidy for certain projects on a case-by-case basis. However, as more agreements end and the number of projects in financial need increases, provincial support alone is likely insufficient, and therefore the federal government might need to intervene:

I can only imagine, as more and more of these projects end subsidy and these are organizations that are serving people who will begin to express some real concerns about what's happening. People could lose their houses. And at that point, when there's enough of them, does the federal government step up to the plate and say 'this
is a real issue and we need to engage in a constructive way”? (Government agency or crown corporation).

However, the way in which the federal government might ‘step up to the plate’ is unclear. While advocates favor a return to the ‘heyday’ of social housing, reintroducing programs of that structure and scope may not be congruent with current government priorities.

A combination of capital investments and ongoing subsidies would enable the expansion of Canada’s social housing portfolio, while preserving the affordability of existing stock. However, past programs were terminated for the express purpose of limiting long-term federal spending obligations (Pomeroy and Falvo 2013). Similarly, after years of devolution negotiations, such a severe change in policy direction would be unusual. Instead, senior levels of government might prefer to make selective investments. Therefore, strategy is important when proposing new initiatives. Short-term, finite commitments appear preferable to the long-term, layered and relatively boundless costs associated with deep subsidies. Additionally, the quantity of rent-geared-to-income assistance needed to address Canada’s core housing need is tremendous, as estimated in reference to Bill C-400. Therefore, a ‘blank cheque ask’ may be wishful thinking, but a request for limited capital funding is not out of the question, as one interviewee asserts:

Unlike the 'blank cheque’ ask that others have been pushing for years, which is a waste of time, you're never going to get a blank cheque signed... Going in and asking for is very specific, very finite commitment from the federal government, 'will you please give us a capital retrofit program, up to a certain finite amount of money that will enable us to maintain this stock in good condition and extend its useful life while we're continuing to provide these subsidies.' That will be the ask that the provinces and territories put on the table. And I suspect the feds might go for that (Former government agency or crown corporation).

Furthermore, this approach seems reasonable, especially given the likeness to the recent capital upgrade program made available through Canada’s Economic Action Plan
Public spending on repair and upgrade projects also has more immediate and identifiable fiscal impacts than subsidy pledges. The link between government spending and direct economic impact arose in another interview, suggesting that future federal spending is most likely to occur in cases where investments are expected to trigger other economic benefits:

The only way there is a prospect is if we can demonstrate to the federal government that there is a payoff for them. So if you could demonstrate that putting a billion dollars back in, or the end of operating agreement funds back into housing, generated more taxes through new construction, or whatever, on an ongoing basis... Or reduce costs at prisons, then maybe they you can do that. Making that connection is probably a little tough…. I would assume that if we could show investment of a billion dollars by them would reduce either their expenditures by over a billion or increase their revenues by over a billion, there would be interest in that. (Social housing provider).

This sentiment is consistent with Pomeroy and Falvo’s (2013) analysis of recent public commitments in social and affordable housing, which argues that such initiatives are better explained as economic stimulus schemes than a genuine desire to engage in social housing. Nevertheless, at this point in time the discussion presented here is purely speculative. Most likely, the federal government will defer until more operating agreements expire and the results are more definitive.

9.7 Theoretical Implications

The issue of expiring operating agreements should be analyzed within the context of neoliberal literature. If the assumption that a mortgage-free social housing project should be self-sufficient on rental revenues is accepted, then the concept of operating agreements and the eventual withdrawal of subsidies is not inherently neoliberal in nature. In fact, these programs and funding mechanisms were first developed during a time when government investment was substantial and widespread. For example, the deeply subsidized rent-gared-to-income public housing projects are starkly different
from the short-term and primarily capital-based affordable housing programs in place today. However, regardless of any implicit or explicit assumptions about eventual self-sufficiency, the reality is that many projects are in fact not viable after subsidies are withdrawn. Furthermore, most of the remedies providers are expected to employ in order to deal with the void in funding can be described as neoliberal. Given that ‘solutions’ tend to involve restructuring social housing rents so that they become closer to market levels, O’Brien (2011) argues these strategies have a ‘definite neo-liberal flavour.’

The devolution of responsibility for social housing during the 1990’s creates favourable conditions for the deployment of future neoliberal policies once government funding expires. For instance, consolidating land ownership at one level of government helps to facilitate the redevelopment or sale of a major public asset. Additionally, subsidized housing is a major social program and requires investment from multiple senior levels of government. Removing one funding source – or both in Ontario – leaves struggling providers and municipalities with no choice but to modify the way in which housing is provided. Furthermore, relentless attacks on social housing, combined with increasing affordability needs of the middle class, enable it to become marketized without significant public disapproval. Over time, this gradual trend toward government retrenchment means policy and program changes are slowly normalized.

The expiry of operating agreements will have the effect of yet another roll-back of the welfare state. Hackworth (2005) explains that the neoliberal process is often ‘highly contingent, incremental, uneven, and largely incomplete’ (p. 31). A combination

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28 Chapter 5 explains this process in detail. For example, smear campaigns against the ‘social housing boondoggle’ helped enable the transition from ‘social’ to ‘affordable’ housing.
of no new funding and devolution destroyed key components the social housing system, and ‘affordable’ housing initiatives were soon rolled-out as substitutes. However, devolution could not remove outstanding subsidy obligations. Instead, they remained as what Hackworth (2005) describes as ‘Keynesian artifacts’ (p. 31). By chance, these ‘artifacts’ were in fact beneficial to the neoliberal agenda, since they undoubtedly delayed project failures, and thus helped to shield the process from further criticism. Similarly, if a project viability crisis indeed occurs in the future, the intervening decades of alternate administrative and funding responsibility makes assigning culpability more complex. Nevertheless, the approaching expiry of agreements will roll-back the social housing system even further.

The sunsetting of federal and provincial subsidy commitments also highlights the need to consider both short and long-term implications of neoliberal policies, including the devolution of social housing in Canada. Present research on this topic (for example: Hackworth 2006; Hackworth 2008; Hackworth 2009) highlights a number of important existing outcomes. This is the obvious starting point, but the full impact of devolution and other neoliberal policies is yet to come. While devolution first began in the 1990s, federal withdrawal will not be complete until 2034. Only at this time are comprehensive conclusions and analyses possible. Relevant academic literature acknowledges neoliberalism as a process. This is especially evident in the concept of ‘roll back/roll out’ neoliberalism, which explains how policies undergo stages of deconstruction and creation (Peck and Tickell 2002; Brenner and Theodore 2002). While the progression of these stages is not immediate, such timelines generally do not span a period of more than
thirty years. Therefore, the case study presented here demonstrates the need to more critically consider the long-term implications of neoliberal policies.

Lastly, social housing is a unique example because of the time-sensitive nature of funding and involvement. Other major government funded initiatives, such as health care or education, receive ongoing assistance — they do not *expire*. In contrast, social housing is distinct in the sense that support was designed with a finite end point, based on assumptions of eventual self-sufficiency. Despite such assumptions, all signs point to the fact that ongoing funding is required. Furthermore, the unaffordable nature of the recent capital investment-based ‘affordable’ housing programs only reinforces the need for long-term government commitments.

**9.8 Conclusion**

The main objective of this chapter was to illuminate one of the most critical issues impacting the present and future of social housing in Canada. Despite earning increased amounts of attention within the housing sector over the past decade, the end of federal operating agreements is largely unexplored within academic literature. As these long-term contractual agreements end, so do federal subsidy commitments. Additionally, provincial cost-sharing requirements are complete and social housing providers have no further obligation to continue operating. Taken together, three primary areas of risk emerge: operating viability; mission abortment; and capital repair needs (Pomeroy 2011).

The type and degree of risk varies by program and region. However, one or more of these three risk factors will impact a substantial portion of Canada’s social housing portfolio. Pomeroy (2006) estimates at least one-third of the Canada’s social housing portfolio will no longer be viable without renewed government funding. Furthermore, CHRA (2014) claims more than half of all units could fail. There are possible remedial
actions, but most involve taking on new debt, redevelopment strategies, or increasing rent levels. Thus far, government action is limited to small, short-term stimulus-based initiatives that address capital repair needs. For example, the Canadian Economic Action Plan (CEAP) could be an effective tool to help preserve the social housing stock, but investments to date are insufficient to offset future needs (Pomeroy 2011). Ultimately, the affordability of social housing is in jeopardy without long-term assistance.

A series of policy changes and government retrenchment is slowly eroding a critical component of Canada’s social infrastructure. Any current challenges in affordability and capital repairs, as well as its marketization, will only be exacerbated after operating agreements expire. However, there are real opportunities to prevent and limit project failure. In most cases, the ‘veritable cliff’ of expirations has not yet occurred – but it is quickly approaching (SHSC 2010B). Until all agreements expire and government funding is completely withdrawn, Canada’s social housing system is operating on borrowed time. Therefore, the reinvestment of federal and provincial expenditure reductions in the short or medium term could largely avoid this impending disaster. Moreover, the government’s ultimate response – or lack thereof – will also define Canada’s broader political economic priorities.
Chapter 10: Conclusion

Social housing in Canada has evolved constantly since its establishment. The devolution of responsibility for funding and administration is a critical piece of this progression, and accordingly represents a primary theme for investigation. Through the process of this research, numerous important findings that relate to academic and policy-based understandings of neoliberalism and housing are uncovered. Nevertheless, these results also generate new questions and ideas for further study.

The history of social housing in Canada closely reflects the gradual transition from a Keynesian welfare-based system to an increasingly neoliberal model. This evolution entailed a shift from programs fully funded and delivered directly by government to those guided more and more by principles of market efficiency. Chapters 3, 4 and 5 highlight in detail the creation of Canada’s social housing and how it has been transformed through the successive ‘roll-back’ and ‘roll-out’ of neoliberal policies. Furthermore, this storyline exhibits many key elements of neoliberalism identified by theorists and critics. Examples include: conceptualizations of ‘actually existing’ neoliberalism as opposed to its ‘pure form,’ the role of path dependency on the evolution of neoliberal modes of governance; and neoliberalism’s ability to present itself in ways that help defend it against criticism and opposition.

The concept of devolution is ideologically neutral. However, in this particular instance, all evidence suggests that the transfer was initiated primarily as means of offloading fiscal liability, and thus signifies a form of neoliberalization. This process, along with prior funding reductions, represents ‘roll-back’ phases of the market-based ideological agenda. Despite best efforts, the eventual scope of devolution is fragmented
and incomplete. Downloading has been met with resistance from provinces and the housing sector, ultimately preventing the federal government from fully removing its administrative and direct funding obligations. The outcome is fractional and unfinished, and therefore in some provinces multiple levels of government continue to maintain an ongoing responsibility for social housing. This is particularly evident in Ontario, where federal co-operatives were exempt from the ‘double download’ to the municipalities. Thus, instead of occurring in ‘pure form,’ the outcome of neoliberal processes tend to be imperfect, convoluted and more accurately described as ‘actually existing’ neoliberalism.

A case study comparison finds both Toronto and Vancouver have embraced various types of urban entrepreneurialism. Devolution, however, is only one of many factors that drive these changes. Similarly, any observable differences between the ways in which each city embraces entrepreneurialism are not exclusively linked to downloading and the level of government now responsible for the administration and funding of social housing. Rather, divergent historical circumstances and preferences towards quantity and type of housing can be equally significant in boosting or constraining opportunities for increased private-sector participation. New or alternative methods of revenue generation and cost reduction appear to be more dependent on the size and composition of a social housing portfolio as opposed to the level of governance. In contrast, analysis of the redevelopment of Toronto’s Regent Park and Vancouver’s Little Mountain suggests that the legal and logistical disentanglement stemming from devolution can be integral in the application and straightforwardness of public private partnerships. Furthermore, these factors vary significantly between and within provinces, and thus the findings that emerge from Toronto and Vancouver are place dependent.
The theoretical concepts highlighted above have been presented elsewhere in the academic literature, albeit not necessarily discussed in the context of social housing. For example, the nuanced interplay between the scale and composition of social housing portfolios and neoliberal restructuring helps provide more depth to the understanding of path dependency. This is important, as Martin and Sunley (2006) have identified the need to better understand how the process progresses from start to finish:

We need to know much more about how local economic paths emerge, develop, become rigidified and are eventually destroyed. If path dependence is a contingent and place-specific outcome and event sequence then further research needs to clarify how and why the mechanisms that produce path dependence operate to different degrees in different places (p. 429).

The findings of this study address these questions. For example, the comparison of Toronto and Vancouver offers practical examples of how paths are created and become entrenched over time. In particular, this research contributes to an improved spatial understanding of path dependence.

Case study findings identify space as a fundamental factor in the development of trajectories that shape past, present and future social housing governance and provision. Historical preferences and the scope of engagement produced unique housing portfolios composed of projects that vary by scale, income mix, and ownership model. Such decisions are manifested in the built environment, which now steer opportunities and challenges in the wake of devolution, and will likely remain significant in the post-program period. Given the variation between municipalities, the development of social housing portfolios was contingent on certain local conditions, and therefore highly place-dependent. Nevertheless, provinces were often important agents in this process, as well as the federal government and assorted housing-related institutions. Therefore, the
legacies of multiple scales create a complex blend of influences that contribute to path creation.

Events such as devolution, often messy and incomplete, serve as ‘actually existing’ forms of neoliberalism that play a role in shaping the scope and direction of path dependent trajectories. Furthermore, while place dependence helps explain the concept of path creation, the end of operating agreements represents a unique example of path destruction. The removal of funding and an obligation to supply social housing will end or fundamentally alter the trajectory of some providers. As this occurs, the nature and extent of response, or lack thereof, at the municipal, provincial and federal level of government will further highlight path dependence as a multi-scaled process.

Theories of path dependency and ‘actually existing neoliberalism’ seem to represent a useful means of explaining some of the differences that exist between social housing provision in Toronto and Vancouver, especially in relation to new forms of cost reduction and revenue generation. However, these concepts do not adequately account for the emergence of virtually analogous public-private partnerships models within markedly different environments. On the surface, the social housing system in British Columbia appears less ‘neoliberalized’ compared to Ontario. Nevertheless, despite distinct path dependencies and ‘actually existing’ neoliberalisms, similar responses are utilized in the redevelopment of social housing projects.

The total applicability of path dependency and ‘actually existing’ neoliberalism as a method of understanding is questioned even further by the upcoming expiry of operating agreements. The Province of Ontario, typically considered to have the most neoliberalized social housing system, has, at least in theory, the most promising
prospects of an ongoing supply of social housing in the post-program period. Although local portfolios may be manipulated in certain ways, the Social Housing Reform Act requires the ongoing provision of rent-geared-to-income units. The same ongoing obligation does not exist in other provinces, including those that rejected federal devolution, and therefore these portfolios could be subject to more aggressive reform and restructuring. These particular findings were unexpected, and ultimately suggest some degree of tension exists between theories of path dependency, ‘actually existing’ neoliberalism and practical examples of reform in political-economic space.

The reintroduction of federal spending in 2001 was a welcome relief. However, this reengagement did not represent a reversal of past trends in disinvestment and devolution, and in fact symbolized the ‘roll-out’ of new neoliberal policies. The new programs were rebranded as affordable rather than social housing, which entailed more than a simple change in nomenclature. Additional stock is created through one-time capital grants that enable developers to produce units at ‘affordable’ rates for a predetermined length of time. Rents are typically 80 percent of average market rates, rather than geared to tenant incomes. This poses a challenge, given that such rent levels are often too costly for low-income households. Therefore, affordable housing represents a different part of the housing continuum than social housing. Nevertheless, the distinction is typically misunderstood among the general public. This is significant as it means that the federal and provincial governments are able to continue making short-term, stimulus-based investments that do not address deep core housing need, yet garner public support and political credit. Furthermore, this type of rebranding demonstrates the
difficulty of identifying and demystifying neoliberal initiatives that masquerade as something similar to the programs they displace.

The existence of a prolonged delay or lag between policy change and final results is another interesting idea resulting from this research. A review of the expiry of operating agreements reveals that the complete impact of devolution cannot be identified until decades after the download process began. Although provinces, municipalities and social housing providers may be compelled to become more entrepreneurial in the meantime, the long-term outcomes can only be assessed after all legacy federal and provincial funding is removed. Additionally, the end of operating agreements is one of many housing issues underrepresented in academic literature.

In the pursuit of understanding the relationship between devolution and neoliberal restructuring, detailed accounts of the past, present and future of social housing in Canada are presented. Although the period up until devolution is well documented elsewhere, this research introduces many areas of inquiry not addressed in the existing academic literature on housing. For example, a small number of studies acknowledge the download, but do not fully capture the extent and complexity of the process. Furthermore, the shift from social to affordable housing and the impending issues associated with the end of operating agreements are absent in previous academic research. Therefore, the results of this study help bridge the gap and connect real policy concerns with theoretical understandings.

This study has critically examined a variety of themes as a means of evaluating how devolution has impacted the governance and provision of social housing in Canada. Each empirical chapter focused on a different aspect of this broader research problem.
Now, drawing upon these collective findings, it is important to consider the totality of devolution (and double devolution in Ontario) and its overall impact on the neoliberalization of social housing. However, assessment is complex.

Chapter 4 argues that devolution was largely motivated by the federal government’s desire to limit and offload its fiscal liabilities, and accordingly, these policies can be understood as ‘neoliberal’. The downloading process resulted in a certain degree of deregulation, especially relating to provincial spending obligations. However, the actual extent of deregulation is effectively constrained by the requirements defined within each project’s operating agreement. Furthermore, there are potential advantages for both provincial and municipal governance of social housing. The most obvious disadvantage of greater decentralization is explained by the trade-off between local flexibility and funding capacity. Additionally, providers owned by a local government, such as TCHC, are more vulnerable to political pressures and budget cuts, especially given that municipalities cannot run deficits. In contrast, the smaller private non-profits and co-operatives more predominant in Vancouver are comparatively insulated from such forces.

There is evidence that social housing providers have become more entrepreneurial in recent years. As available funding becomes increasingly scarce, government-owned and third sector operators alike have found innovative ways of reducing spending and generating new streams of revenue. The use of private contracting in Toronto for tasks such as property management is not an inherent signifier of neoliberalization, as long as the quality of service is equivalent. Furthermore, contracts of this sort have been in place since the late 1960s, and thus are independent of neoliberal
restructuring in general, and devolution in particular. The example of TCHC’s bond issuance is perhaps more ‘neoliberal’ in nature as it relies fully on external sources of capital and exposes the City of Toronto, as guarantor, to greater liability in the event of default. Nevertheless, this particular type of endeavor currently appears to have little or no impact on the way that housing is delivered to residents. The lack of analogous initiatives in Vancouver is largely explained by theories of place-based path dependency, as opposed to a deliberate ideological rejection of neoliberalism.

The comparable use of public-private partnerships in Toronto and Vancouver is an interesting finding. The cases of Regent Park and Little Mountain suggest that this redevelopment model is now embraced regardless of the extent of devolution. Although the private sector has almost always played a role in the creation of new social housing stock, the sale of publicly owned land to offset the replacement cost of deteriorated units can be characterized as ‘neoliberal’. Furthermore, Silver (2011) claims the need for revitalization in Regent Park occurred as a result of a ‘neoliberal failure to invest’ (p. 11), and that these types of redevelopment initiatives in high-value urban areas are part of a broader gentrification project. Nevertheless, the private sector has no ongoing role in these projects, and thus the way in which the new social housing units operate is virtually unchanged.

Overall, devolution has caused numerous changes in the way social housing is administered and funded. Despite restructuring, government agencies and the third sector continue to deliver suitable, adequate and affordable housing to residents in a reasonably similar way. It seems, therefore, that Canada’s social housing system has not yet been transformed in a radical way. There are two major caveats, however. The first is that
providers in each city continue to receive substantial subsidies and are legally required to operate in specific ways until their agreements expire. Second, capital repair and replacement needs are often deferred and backlogs grow at alarming rates. Taken together, the future of social housing in Canada is most precarious. Additionally, the task of producing new rent-geared-to-income units has become increasingly difficult, while the need for affordable options increases further.

The findings presented here also highlight directions for future research. The conclusions that emerge from this study draw heavily on circumstances specific to Toronto and Vancouver. This comparison does not fully capture the needs or path dependencies that exist in other locales, and thus the results cannot be totally generalized across Canada. Keeping in line with the theme of devolution, it would be useful to further examine the current and future challenges experienced in provinces that did not complete social housing agreements: Quebec; Prince Edward Island; and Alberta. Since these jurisdictions opted against federal downloading for different reasons, each case might present unique results. Quebec was historically one of the most active provinces in social housing, and therefore developed a large and diverse portfolio. Accordingly, it is worth considering how Montreal – also one of Canada’s largest cities – fits within the Toronto-Vancouver comparison. In contrast, Prince Edward Island and Alberta never developed the expertise and capacity to take responsibility. However, a population boom in Alberta is resulting in severe affordability concerns, and now the province is rumored to be increasingly interested in social housing. It is unclear if and how the federal government is responding to housing need in each province while operating agreements remain valid, and whether or not there will be any sense of ongoing responsibility in the
post-expiry period. Similarly, how will these three provincial governments respond in the absence of federal funding? Another possible opportunity for future research is the examination of tenant satisfaction. This study focused primarily on the changing roles of government, social housing institutions and providers, but it would be interesting to consider how neoliberal restructuring has impacted the experience and daily lives of residents. The results that emerge here help reveal key themes that are significant and appropriate for further inquiry.

Pomeroy (2004 B) argues that a ‘broad network of housing policy research institutes’ never developed in Canada (p. 17). Whatever capacity and expertise did exist is shrinking:

Canada also stands out for its paucity of academic analysis and critique of the housing system, which in other countries has provided a way to both broaden the housing policy debate and employ applied, empirically-based evidence to refine and revise policies and programs. In Canada, this is particularly noticeable in the lack of research on the outcomes of housing programs (Pomeroy 2004 B, p. 17).

This is partly explained by a lack of available funding. CMHC formerly sponsored various academic initiatives, including research centres, scholarships, and graduate training programs (Pomeroy 2004 B). These endeavors were crucial not only for the production of academic research, but also for fostering experience in future housing sector employees. Now, Pomeroy (2004 B) also suggests the cancelation of these activities has created a void in expertise, which will accelerate as a generation of practitioners approach retirement:

The lack of trained and educated housing professionals is evident as municipalities seek to implement the FPT housing program. There is also very limited capacity at the community level to develop and manage new initiatives. In addition, the current generation of housing professionals are nearing retirement with few protégés in place (p. 17).
Ultimately, there is a genuine need for both senior levels of government to reengage in social housing. However, a direct federal role in program planning and administration is less important (Pomeroy 2009B). In fact, Pomeroy (2009B) argues this kind of shared responsibility can result in too much interference: “The problem with this is that there are too many chefs and not enough servers. The kitchen is too cluttered” (p. 4). Adequate and predictable funding is essential, whereas the most appropriate scale for administration does not follow a ‘one-size-fits-all’ formula. Instead, it depends on a variety of local factors. Ideally, investments should be made without delay in order to prevent any further loss of stock, capacity or expertise. Despite some erosion during the past two decades, immediate action can help preserve the remaining legacy of adequate, suitable and affordable housing in Canada.
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1 Address no longer valid. Author has retained printed copy. However, content is also currently (June 27, 2016) available at the following web address: http://www.marketwired.com/press-release/federal-provincial-territorial-ministers-responsible-housing-announce-new-framework-1534193.htm.

2 Address no longer valid. Author has retained printed copy.


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3 TCHC introduced a revamped website May 1, 2016. Not all content has been replaced at this time, and certain web addresses reviewed in the course of conducting this research are no longer valid. The author has retained printed copies of most content, and new web addresses outlining similar information are provided where available.

4 Similar content currently available online: <https://www.torontohousing.ca/regentpark> Accessed June 27.

5 Similar content currently available online: <https://www.torontohousing.ca/about> Accessed June 27.

6 Similar content currently available online:


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Appendix 1.1: Email statement

Dear (insert potential participant’s name),

My name is Paul Grisé, I am a doctoral candidate at the University of Toronto, Department of Geography. I am currently conducting research for a project entitled, “The (d)evolution of the social housing in Canada: a comparative study of municipal and provincial governance in Toronto, ON and Vancouver, BC”. The purpose of this research project is to examine if varying levels of government devolution have produced, and are producing, different outcomes in social housing at the local level. I’m interested in learning more about what your organization does, and would be happy to meet with you at your convenience.

Your participation is greatly appreciated and will help to further my understanding of the various ways in which the increasing need for affordable housing can be satisfied. The research questions of this study explore if and how the role of government in social housing is changing, and the ways in which private corporations and market-based approaches may be used to help provide social housing in Canada. Some of the relevant issues I wish to focus investigate include changes to government funding and responsibility, privatization, partnerships and the contracting of services such as property management and security.

I am conducting interviews with approximately 40 social housing managers, non-profits, co-ops, government officials, housing activists and private developers/property managers, and would like to learn about your experiences and perspectives. The interviews will be informal and conversational style. I have a set of topics and ideas I would like to address, but encourage you to introduce other issues that you feel are important. You may decline to answer any question, and are entitled to end the interview at any time or retract any information that you have provided. At the end of the interview you will be asked if you wish withdraw any or all information you have provided.

The interview will be digitally recorded with your permission. All information you provide will be treated as confidential. Your name and/or organization will not appear in any publications or reports that stemming from this study, unless you provide permission. When the research is complete, a summary of the findings will be provided upon request. The results of the study will be used to complete my doctoral dissertation.

If you agree to participate in the interview, I will provide a Letter of Information and Consent Form outlining the details of the study. These forms will be provided to you in advance so that you have the opportunity to review them, and you may retain them for your records. If you have any further questions, please contact me at 416-458-3888 or grisep@geog.utoronto.ca. Thank you for your time, and I look forward to hearing from you.

Sincerely,

Paul Grisé
Appendix 1.2: Letter of Information

**Title of study:** “The (d)evolution of social housing in Canada: a comparative study of municipal and provincial governance in Toronto, ON and Vancouver, BC.”

**Researcher:** Paul Grisé, Doctoral Candidate, University of Toronto, Department of Geography.

The purpose of this research project is to examine if varying levels of government devolution have produced, and are producing, different outcomes in social housing at the local level.

You are being asked to participate because your knowledge of and involvement in social housing in Canada would provide a very useful perspective. The goal of the research is to gain a better understanding of how the role of government in social housing is changing, and the ways in which private corporations and market-based approaches may be used to help provide social housing in Canada. I will be pleased to provide you with a copy of the resulting paper from this research upon request.

I am asking you to help me by consenting to an interview. These interviews will be designed to minimize the amount of time required by you and will be scheduled to meet your time constraints. The interview is designed to last approximately 60 minutes. The interview will, with your permission, be digitally recorded. There will be no remuneration provided for participating in this project. There are no known physical, psychological, economic or social risks associated with participation in this research project.

Please note that all information gathered from you will be treated as confidential. The confidentiality will be assured by assigning code numbers to each interviewee. Your participation in this study is strictly voluntary and your identity will not be revealed in any publications or reports that result from this research, without your written permission. You are free to withdraw at the end of the interview, and you may decline to answer any question.

If you have any questions regarding the study and your participation in it, please contact me.

Paul Grisé, Doctoral Candidate  
Department of Geography, University of Toronto  
416-458-3888 or grisep@geog.utoronto.ca

You may also contact my supervisors or the Research Ethics Officer  
Dr. Alan Walks, Associate Professor and Supervisor  
Department of Geography, University of Toronto  
905-828-3932 or alan.walks@utoronto.ca

Dr. Deborah Leslie, Associate Professor and Supervisor  
Department of Geography, University of Toronto  
416-978-8467 or leslie@geog.utoronto.ca

Research Ethics Officer of Research Services  
University of Toronto, 416-946-3273
Appendix 1.3: Letter of Consent

Title of Study: “The (d)evolution of social housing in Canada: a comparative study of municipal and provincial governance in Toronto, ON and Vancouver, BC.”

Researcher: Paul Grisé, Doctoral candidate, University of Toronto

Name of Participant: ______________________________ (Please print)

I have been given, read and understand the Letter of Information provided to me by the researcher. My signature below indicates that I consent to participating freely and willingly in the study outlined in the Letter of Information.

By providing your consent, you agree to participate in an interview. The interview is designed to last approximately 60 minutes. The interview will, with your permission, be digitally recorded. There will be no remuneration provided for participating in this project. There are no known physical, psychological, economic or social risks associated with participation in this research project.

Please note that all information gathered from you will be treated as confidential. Your participation in this study is strictly voluntary and name and identifying characteristics will not be revealed in any publications or reports that result from this research, without your written permission. You are free to withdraw at the end of the interview, and you may decline to answer any question.

_______ I agree to have this interview recorded.
(Initial)

_______ I agree to be named in this study. Information I provide will not be treated as confidential.
(Initial)

_______ I would like to receive a summary of the report when the research project is completed.
(Initial)

Signature of Participant: __________________________ Date: ___________________

Concerns about your involvement in the study may also be directed to the Research Ethics Officer of Research Services at 416-946-3273. If you have any questions, please contact me: Paul Grisé, Department of Geography, University of Toronto, 416-458-3888 or grisep@geog.utoronto.ca

I have fully explained the procedures of this study to the participant.

Researcher’s signature: __________________________ Date: ___________________
Appendix 5.1: Template for program summaries under Investment in Affordable Housing (2011-2014)

CMHC – ONTARIO

AGREEMENT FOR INVESTMENT IN AFFORDABLE HOUSING 2011-2014

SCHEDULE B

SUGGESTED FORMAT FOR DISTINGUISHING PROGRAM SUMMARIES
(Agreement Section 5)

<table>
<thead>
<tr>
<th>a) Program Number and Name:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>b) Effective Date of Inclusion or Last Revision:</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>c) Spending Category</td>
</tr>
</tbody>
</table>
| d) Spending Objective | i) Target client group(s) (e.g., seniors);  
|                       | ii) Special need addressed in any (e.g., family violence): in relation to the objective of the Agreement “to improve the living conditions of households in need by improving access to Affordable Housing off-reserve that is sound, suitable and sustainable |
| e) Proponent Type   | Government, non-profit or for-profit landlord; or homeowner; or tenant. |
| f) Activity Type    | Identify the type of activity (e.g., construction, renovation, rent supplements, adaptations to improve accessibility). |
| g) Nature of Assistance | i) Capital or ongoing (how long?)  
|                           | ii) Type (e.g., cash, kind if in-kind, waiver of development fees, tax concessions) |
| h) Intended Outcomes  | Identify the intended outcome(s) of the Program from section 3 of the Agreement. MMAH to specify related indicators from Schedule E. |

NOTE: MMAH is responsible for ensuring that all Program details, whether or not outlined in the Distinguishing Summary, are in accordance with the requirements of the Agreement.
## Cost-effectiveness of Annual AHI Funding Contributions

<table>
<thead>
<tr>
<th></th>
<th>Phase 1</th>
<th>Phase 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of units*</td>
<td>7,636</td>
<td>5,523</td>
</tr>
<tr>
<td>Percentage rented at affordable rates (at or below median)</td>
<td>71.4%</td>
<td>87.1%</td>
</tr>
<tr>
<td>Estimated number of units rented at affordable rates</td>
<td>5,452</td>
<td>4,811</td>
</tr>
<tr>
<td>Average annual AHI funding contribution per affordable unit</td>
<td>$9,307</td>
<td>$13,449</td>
</tr>
<tr>
<td>Number of affordable units created per $1M of annual AHI funding</td>
<td>107</td>
<td>74</td>
</tr>
</tbody>
</table>

Source: CMHC 2009, p. 66.

* Excludes Quebec
## Appendix 9.1: Planned Reductions of Federal Social Housing Spending

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Annual Spending (Millions)</th>
<th>% of 1995/96</th>
<th>Reduction from Previous Year</th>
<th>Reduction from Base Year</th>
<th>Cumulative Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996/97</td>
<td>$1,691.5</td>
<td>100%</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
</tr>
<tr>
<td>1997/98</td>
<td>$1,691.5</td>
<td>100%</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
</tr>
<tr>
<td>1998/99</td>
<td>$1,691.4</td>
<td>100%</td>
<td>$0.1</td>
<td>$0.1</td>
<td>$0.2</td>
</tr>
<tr>
<td>1999/00</td>
<td>$1,691.2</td>
<td>100%</td>
<td>$0.2</td>
<td>$0.3</td>
<td>$0.5</td>
</tr>
<tr>
<td>2000/01</td>
<td>$1,690.3</td>
<td>100%</td>
<td>$0.9</td>
<td>$1.2</td>
<td>$1.7</td>
</tr>
<tr>
<td>2001/02</td>
<td>$1,687.1</td>
<td>100%</td>
<td>$3.2</td>
<td>$4.4</td>
<td>$6.2</td>
</tr>
<tr>
<td>2002/03</td>
<td>$1,682.5</td>
<td>99%</td>
<td>$4.5</td>
<td>$9.0</td>
<td>$15.1</td>
</tr>
<tr>
<td>2003/04</td>
<td>$1,676.8</td>
<td>99%</td>
<td>$5.7</td>
<td>$14.7</td>
<td>$29.8</td>
</tr>
<tr>
<td>2004/05</td>
<td>$1,667.4</td>
<td>99%</td>
<td>$9.4</td>
<td>$24.1</td>
<td>$54.0</td>
</tr>
<tr>
<td>2005/06</td>
<td>$1,656.1</td>
<td>98%</td>
<td>$11.2</td>
<td>$35.4</td>
<td>$89.3</td>
</tr>
<tr>
<td>2006/07</td>
<td>$1,640.6</td>
<td>97%</td>
<td>$15.6</td>
<td>$50.9</td>
<td>$140.3</td>
</tr>
<tr>
<td>2007/08</td>
<td>$1,625.7</td>
<td>96%</td>
<td>$14.8</td>
<td>$65.8</td>
<td>$206.1</td>
</tr>
<tr>
<td>2008/09</td>
<td>$1,605.2</td>
<td>95%</td>
<td>$20.5</td>
<td>$86.3</td>
<td>$292.3</td>
</tr>
<tr>
<td>2009/10</td>
<td>$1,582.9</td>
<td>94%</td>
<td>$22.3</td>
<td>$108.6</td>
<td>$400.9</td>
</tr>
<tr>
<td>2010/11</td>
<td>$1,558.3</td>
<td>92%</td>
<td>$24.6</td>
<td>$133.2</td>
<td>$534.1</td>
</tr>
<tr>
<td>2011/12</td>
<td>$1,529.5</td>
<td>90%</td>
<td>$28.8</td>
<td>$162.0</td>
<td>$696.1</td>
</tr>
<tr>
<td>2012/13</td>
<td>$1,497.5</td>
<td>89%</td>
<td>$32.0</td>
<td>$194.0</td>
<td>$890.1</td>
</tr>
<tr>
<td>2013/14</td>
<td>$1,457.0</td>
<td>86%</td>
<td>$40.4</td>
<td>$234.5</td>
<td>$1,124.6</td>
</tr>
<tr>
<td>2014/15</td>
<td>$1,408.4</td>
<td>83%</td>
<td>$48.6</td>
<td>$283.1</td>
<td>$1,407.7</td>
</tr>
<tr>
<td>2015/16</td>
<td>$1,347.1</td>
<td>80%</td>
<td>$61.3</td>
<td>$344.4</td>
<td>$1,752.1</td>
</tr>
<tr>
<td>2016/17</td>
<td>$1,272.0</td>
<td>75%</td>
<td>$75.1</td>
<td>$419.5</td>
<td>$2,171.5</td>
</tr>
<tr>
<td>2017/18</td>
<td>$1,202.3</td>
<td>71%</td>
<td>$69.7</td>
<td>$489.2</td>
<td>$2,660.7</td>
</tr>
<tr>
<td>2018/19</td>
<td>$1,126.4</td>
<td>67%</td>
<td>$76.0</td>
<td>$565.1</td>
<td>$3,225.8</td>
</tr>
<tr>
<td>2019/20</td>
<td>$1,055.1</td>
<td>62%</td>
<td>$71.2</td>
<td>$636.4</td>
<td>$3,862.2</td>
</tr>
<tr>
<td>2020/21</td>
<td>$979.0</td>
<td>58%</td>
<td>$76.2</td>
<td>$712.5</td>
<td>$4,574.7</td>
</tr>
<tr>
<td>2021/22</td>
<td>$898.2</td>
<td>53%</td>
<td>$80.8</td>
<td>$793.3</td>
<td>$5,368.1</td>
</tr>
<tr>
<td>2022/23</td>
<td>$773.4</td>
<td>46%</td>
<td>$124.8</td>
<td>$918.1</td>
<td>$6,286.2</td>
</tr>
<tr>
<td>2023/24</td>
<td>$645.5</td>
<td>38%</td>
<td>$127.9</td>
<td>$1,046.0</td>
<td>$7,332.1</td>
</tr>
<tr>
<td>2024/25</td>
<td>$530.3</td>
<td>31%</td>
<td>$115.2</td>
<td>$1,161.2</td>
<td>$8,493.3</td>
</tr>
<tr>
<td>2025/26</td>
<td>$423.9</td>
<td>25%</td>
<td>$106.5</td>
<td>$1,267.6</td>
<td>$9,760.9</td>
</tr>
<tr>
<td>2026/27</td>
<td>$329.2</td>
<td>19%</td>
<td>$94.7</td>
<td>$1,362.3</td>
<td>$11,123.2</td>
</tr>
<tr>
<td>2027/28</td>
<td>$238.9</td>
<td>14%</td>
<td>$90.3</td>
<td>$1,452.6</td>
<td>$12,575.8</td>
</tr>
<tr>
<td>2028/29</td>
<td>$162.5</td>
<td>10%</td>
<td>$76.4</td>
<td>$1,529.0</td>
<td>$14,104.7</td>
</tr>
<tr>
<td>2029/30</td>
<td>$112.1</td>
<td>7%</td>
<td>$50.4</td>
<td>$1,579.4</td>
<td>$15,684.1</td>
</tr>
<tr>
<td>2030/31</td>
<td>$81.4</td>
<td>5%</td>
<td>$30.8</td>
<td>$1,610.1</td>
<td>$17,294.2</td>
</tr>
<tr>
<td>2031/32</td>
<td>$63.9</td>
<td>4%</td>
<td>$17.4</td>
<td>$1,627.6</td>
<td>$18,921.8</td>
</tr>
<tr>
<td>2032/33</td>
<td>$50.5</td>
<td>3%</td>
<td>$13.4</td>
<td>$1,641.0</td>
<td>$20,562.8</td>
</tr>
<tr>
<td>2033/34</td>
<td>$37.8</td>
<td>2%</td>
<td>$12.7</td>
<td>$1,653.7</td>
<td>$22,216.5</td>
</tr>
<tr>
<td>2034/35</td>
<td>$21.4</td>
<td>1%</td>
<td>$16.5</td>
<td>$1,670.1</td>
<td>$23,886.6</td>
</tr>
<tr>
<td>2035/36</td>
<td>$7.1</td>
<td>0%</td>
<td>$14.2</td>
<td>$1,684.4</td>
<td>$25,571.0</td>
</tr>
</tbody>
</table>
| 2036/37     | $0.4                      | 0%          | $6.7                        | $1,691.1                 | $27,262.1           

Source: Pomeroy 2014, p. 6-7.
Appendix 9.2: Viable Project

<table>
<thead>
<tr>
<th>Case #:Ont 7</th>
<th>Expiry year: 2023</th>
<th>Program: Section 95 Post-1985 Non-Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Annual Mortgage pm: $54,590</td>
<td>Current annual subsidy: $54,745</td>
<td></td>
</tr>
</tbody>
</table>

**Project details**
Part of portfolio; apartment building, new construction

**Client type and RGI mix**
Seniors: 50% units RGI; 44% revenue from RGI

**Any special circumstances?**
None

**Key market characteristics**
Rural, northern; soft rental market, difficult to raise rents.

**Is project viable at expiry?**
Current NOI is negative and although only 50% RGI, market rents (other 50% of units) are soft and some growth is limited. Meanwhile operating costs, especially utilities, are inflating faster. As a result, NOI at expiry will be marginally negative (and on a continued downward trend).

---

**Net Operating Income Excluding Mortgage and Subsidy (Per Unit)**

- NOI Base Year: $(16)
- NOI at Expiry: $(347)

**Average Available for Annual Capital Replacement *(Per Unit)*

- Minimum = $750
- Target level = $1,147

* amortized current balance plus annual contributions over remainder of agreement.

**Current Capital Reserve Balance:** $7,016/unit  
**Annual Reserve Allocation:** $757/unit

**Current building condition**
Satisfactory

**Commentary on adequacy of replacement reserve**
Current allocation to replacement reserve is $757 on an already relatively healthy reserve balance, so the annual amount available for replacement funding is above the minimum benchmark of $750. The current allocation, however, is somewhat below the $1,200 estimate determined by the SHSC; so some careful monitoring (and ideally a building condition assessment) is warranted.

**Overall commentary**
It is difficult to raise rents in this market so the provider is unlikely to be able to implement an internal remedy. The service manager will likely be required to contribute additional post-expiry assistance to maintain service level standards.

Appendix 9.3: Potentially Viable Project

Case #: Man 3  Expiry year: 2021  Program: Post-1985 Section 95 (Full Assistance)

| Current Annual Mortgage pmt: $222,358 | Current annual subsidy: $237,342 |

**Project details**
A sample case from a larger portfolio of projects. The project is a five-storey wood-frame building with brick veneer construction and an elevator.

**Client type and RGI mix**
Mixed family and singles; 100% of units are RGI and account for 86% of revenues (some other revenue generated from a Telus tower and a daycare).

**Any special circumstances?**
Originally under the 2% program, the property was experiencing high vacancy, so an increasing number of units are being moved from market rent to RGI using a stacked rent supplement. A new agreement was negotiated with the province in 2004 to transfer to a full subsidy and eliminate the added complexity of separate rent supplements.

**Key market characteristics**
Inner-city Winnipeg. Winnipeg has experienced a soft rental market, especially in the downtown core and market tenants have been hard to find. The market has tightened, so there may be some potential in the short term to increase market revenues.

**Is project viable at expiry?**
In 2006 (base year) the NOI is marginally negative (~$225 per unit, before accounting for subsidy and mortgage). Because the project is 100% RGI, and RGI rents lag inflation, operating costs increase at a faster rate. This means at expiry the project will have an annual operating deficit in excess of $840 per unit.

![Net Operating Income Excluding Mortgage and Subsidy (Per Unit)](image)

- NOI Base Year: $225
- NOI at Expiry: $847

![Average Available for Annual Capital Replacement * (Per Unit)](image)

- Minimum = $750
- Target level = $1,020

* amortized current balance plus annual contributions over remainder of agreement.

**Current Capital Reserve Balance:** $8,300/unit  **Annual Reserve Allocation:** $500/unit

**Current building condition**
Well maintained property

**Commentary on adequacy of replacement reserve**
In combination, the current reserve balance and cumulative future contributions will provide an average amount of $1020 annually, well above the benchmark needed to maintain the asset in sound condition. Some of this reserve could potentially be used to cover deficits in other parts of the portfolio, such as in Man 1.

**Overall commentary**
This project is not viable at expiry, mainly due to the high proportion of RGI tenants (100%) and related low rental revenues. However, it is not in a serious deficit position and it should be possible to remedy this situation over the remaining 16 years. This could be done by shifting the RGI count and related revenue, ideally seeking to attract some market rent tenants or selecting shallow subsidy RGI. A gradual decrease of deep subsidy can be gradually phased in if market conditions remain tight in Winnipeg.

Appendix 9.4: Non-viable Project

<table>
<thead>
<tr>
<th>Case #: NB4</th>
<th>Expiry year: 2024</th>
<th>Program: Public Housing (Family)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Annual Mortgage pmt:</strong> $48,220</td>
<td><strong>Current annual subsidy:</strong> $102,978</td>
<td></td>
</tr>
<tr>
<td><strong>Project details</strong></td>
<td>30-unit row housing (mix of two- and three-bedroom). Project includes a community centre. All units and community centre are electrically heated.</td>
<td></td>
</tr>
<tr>
<td><strong>Client type and RGI mix</strong></td>
<td>Family; 100% RGI</td>
<td></td>
</tr>
<tr>
<td><strong>Any special circumstances?</strong></td>
<td>Nil</td>
<td></td>
</tr>
<tr>
<td><strong>Key market characteristics</strong></td>
<td>North Fredericton - market is soft, with vacancy rate of 4%</td>
<td></td>
</tr>
<tr>
<td><strong>Is project viable at expiry?</strong></td>
<td>The project is predicted to have a significant deficit at expiry with a negative NOI of -$3,600/unit. At present, with 18 years remaining in the agreement, the project has a negative NOI ($1,825). With 100% of units RGI and generally deep subsidy required, the revenues do not keep pace with rising costs. Some more selective tenant screening may help to shift tenant profile to a mix of deep and shallow subsidy, but this alone is unlikely to overcome the shortfall in revenues.</td>
<td></td>
</tr>
</tbody>
</table>

| **Current Capital Reserve Balance:** n/a | **Annual Reserve Allocation:** n/a |
| **Current building condition** | Satisfactory conditions, some work required |
| **Commentary on adequacy of replacement reserve** | In public housing, capital reserves are not funded at the project level. The province manages an overall M&I fund and allocates funding on a priority basis. Generally speaking, the M&I funds provided each year by the province fall below the amounts requested. |
| **Overall commentary** | The project is gradually deteriorating. Funding for capital improvements is minimal (competes across the province for limited funds) and at 100% RGI is unsustainable without renewal of subsidy at expiry. At present, the project is a liability, not an asset. |

Source: Pomeroy 2006, p. 35.
Appendix 9.5: Summary of Case Studies

<table>
<thead>
<tr>
<th>Sub-Program</th>
<th>ID</th>
<th>% RGI Units</th>
<th>Test 1: NOI Today (1)</th>
<th>Viable Today</th>
<th>Annual Reserve Allocation per unit</th>
<th>Annual Reserves Available per unit (2)</th>
<th>Test 2: Reserves Adequate (3)</th>
<th>Expiry Year</th>
<th>Test 3: NOI at Expiry</th>
<th>Viable at Expiry (4)</th>
<th>Outcome Category (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NP Post-1985 Sec 95</td>
<td>NB3</td>
<td>100%</td>
<td>($305)</td>
<td>No</td>
<td>188</td>
<td>$311</td>
<td>No</td>
<td>2019</td>
<td>($919)</td>
<td>No</td>
<td>4</td>
</tr>
<tr>
<td>Prov Unilateral –NP</td>
<td>Ont6</td>
<td>71%</td>
<td>$119</td>
<td>Yes</td>
<td>454</td>
<td>$662</td>
<td>No</td>
<td>2030</td>
<td>($800)</td>
<td>No</td>
<td>4</td>
</tr>
<tr>
<td>Public Housing</td>
<td>NB4</td>
<td>100%</td>
<td>($1,825)</td>
<td>No</td>
<td>0</td>
<td>$0</td>
<td>No</td>
<td>2024</td>
<td>($3,619)</td>
<td>No</td>
<td>4</td>
</tr>
<tr>
<td>Public Housing</td>
<td>BC 28</td>
<td>100%</td>
<td>($569)</td>
<td>No</td>
<td>0</td>
<td>$0</td>
<td>No</td>
<td>2013</td>
<td>$0</td>
<td>No</td>
<td>4</td>
</tr>
<tr>
<td>Public Housing</td>
<td>BC 29</td>
<td>100%</td>
<td>$1,311</td>
<td>Yes</td>
<td>0</td>
<td>$0</td>
<td>No</td>
<td>2019</td>
<td>$1,170</td>
<td>Yes</td>
<td>2</td>
</tr>
<tr>
<td>Public Housing</td>
<td>BC 30</td>
<td>100%</td>
<td>($839)</td>
<td>No</td>
<td>0</td>
<td>$0</td>
<td>No</td>
<td>2021</td>
<td>$0</td>
<td>No</td>
<td>4</td>
</tr>
<tr>
<td>Urban Native Post-1985 Sec 95</td>
<td>NB8</td>
<td>100%</td>
<td>($2,316)</td>
<td>No</td>
<td>478</td>
<td>$611</td>
<td>No</td>
<td>2028</td>
<td>($4,998)</td>
<td>No</td>
<td>4</td>
</tr>
<tr>
<td>NP Post-1985 Sec 95</td>
<td>Ont7a</td>
<td>50%</td>
<td>($16)</td>
<td>No</td>
<td>757</td>
<td>$1,147</td>
<td>Yes</td>
<td>2023</td>
<td>($347)</td>
<td>No</td>
<td>3</td>
</tr>
<tr>
<td>NP Pre-1986 Sec 95</td>
<td>Man3</td>
<td>100%</td>
<td>($225)</td>
<td>No</td>
<td>500</td>
<td>$1,020</td>
<td>Yes</td>
<td>2021</td>
<td>($847)</td>
<td>No</td>
<td>3</td>
</tr>
<tr>
<td>Co-op Pre-1986 Sec 95</td>
<td>BC 26</td>
<td>26%</td>
<td>$5,598</td>
<td>Yes</td>
<td>700</td>
<td>$721</td>
<td>No</td>
<td>2020</td>
<td>$721</td>
<td>Yes</td>
<td>2</td>
</tr>
<tr>
<td>Co-op Pre-1986 Sec 95</td>
<td>Que1</td>
<td>24%</td>
<td>$3,327</td>
<td>Yes</td>
<td>120</td>
<td>$246</td>
<td>No</td>
<td>2022</td>
<td>$4,721</td>
<td>Yes</td>
<td>2</td>
</tr>
<tr>
<td>NP Pre-1986 Sec 95</td>
<td>BC 27</td>
<td>11%</td>
<td>$3,192</td>
<td>Yes</td>
<td>257</td>
<td>$257</td>
<td>No</td>
<td>2017</td>
<td>$257</td>
<td>Yes</td>
<td>2</td>
</tr>
<tr>
<td>NP Pre-1986 Sec 95</td>
<td>Ont5</td>
<td>25%</td>
<td>$1,690</td>
<td>Yes</td>
<td>448</td>
<td>$492</td>
<td>No</td>
<td>2016</td>
<td>$1,850</td>
<td>Yes</td>
<td>2</td>
</tr>
<tr>
<td>NP Pre-1986 Sec 95</td>
<td>Man1</td>
<td>65%</td>
<td>$744</td>
<td>Yes</td>
<td>242</td>
<td>$246</td>
<td>No</td>
<td>2018</td>
<td>$783</td>
<td>Yes</td>
<td>2</td>
</tr>
<tr>
<td>NP Sec 27</td>
<td>NB2</td>
<td>0%</td>
<td>$1,524</td>
<td>Yes</td>
<td>200</td>
<td>$278</td>
<td>No</td>
<td>2028</td>
<td>$2,572</td>
<td>Yes</td>
<td>2</td>
</tr>
<tr>
<td>Urban Native Pre-1986 Sec 95</td>
<td>NB7</td>
<td>0%</td>
<td>$1,792</td>
<td>Yes</td>
<td>404</td>
<td>$582</td>
<td>No</td>
<td>2014</td>
<td>$2,327</td>
<td>Yes</td>
<td>2</td>
</tr>
<tr>
<td>Co-op Pre-1986 Sec 95</td>
<td>BC 25</td>
<td>47%</td>
<td>$5,440</td>
<td>Yes</td>
<td>840</td>
<td>$880</td>
<td>Yes</td>
<td>2018</td>
<td>$880</td>
<td>Yes</td>
<td>1</td>
</tr>
<tr>
<td>NP Pre-1986 Sec 95</td>
<td>NB1</td>
<td>37%</td>
<td>$1,505</td>
<td>Yes</td>
<td>241</td>
<td>$866</td>
<td>Yes</td>
<td>2021</td>
<td>$2,140</td>
<td>Yes</td>
<td>1</td>
</tr>
<tr>
<td>NP Sec 27 + RS</td>
<td>BC 31</td>
<td>0%</td>
<td>$4,366</td>
<td>Yes</td>
<td>1120</td>
<td>$1,375</td>
<td>Yes</td>
<td>2026</td>
<td>$1,375</td>
<td>Yes</td>
<td>1</td>
</tr>
<tr>
<td>Urban Native Sec. 27 + RS</td>
<td>Man4</td>
<td>100%</td>
<td>$241</td>
<td>Yes</td>
<td>611</td>
<td>$866</td>
<td>Yes</td>
<td>2007</td>
<td>$160</td>
<td>Yes</td>
<td>1</td>
</tr>
</tbody>
</table>

Notes:
1. This test determines whether total revenues, excluding subsidy, are greater than total expenses excluding mortgage payment.
2. Annual reserve available combines current balance of reserve amortized over remainder of operating agreement plus annual contributions.
3. Adequacy based on comparing amount available (previous column) against the benchmark of $750 that would be available if annual contributions of $450 had been made throughout the operating agreement and had earned three percent interest, compounded annually, with no withdrawals until year 11. It is assumed that withdrawals commence in year 11 at an amount that depletes the reserve at expiry.
4. Are projected revenues greater than projected expenses in the year immediately following expiry of subsidy and maturity of mortgage?
5. The outcome category is based on the four potential outcomes described in Section 2. 1 = viable with adequate capital reserves, 2 = viable with insufficient capital reserves; 3 = not viable but sufficient capital reserves; 4 = not viable, and insufficient capital reserve.

Source: Pomeroy 2006, p. 16.