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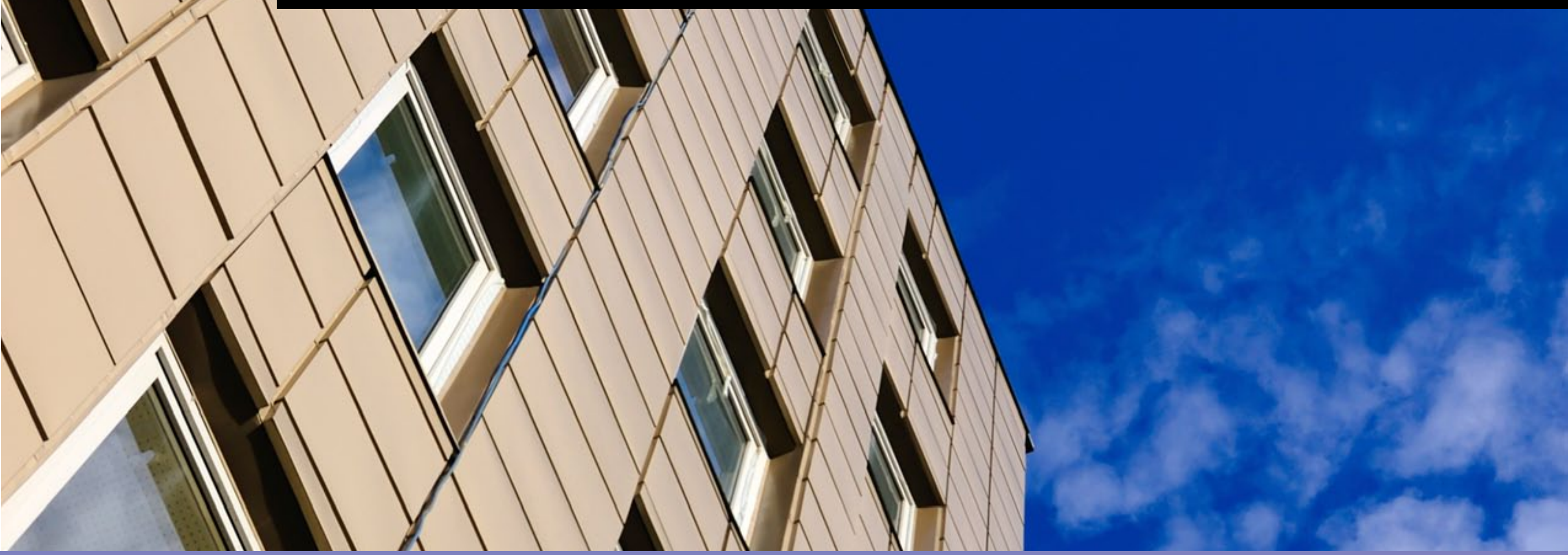

Building From the Ground Up
Enhancing Affordable Housing in Canada

HEALTH, HEALTH CARE AND WELLNESS

The Conference Board of Canada
Insights You Can Count On

Building From the Ground Up: Enhancing Affordable Housing in Canada
by *The Conference Board of Canada*

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Preface

Building From the Ground Up: Enhancing Affordable Housing in Canada explores the current state of affordable housing in Canada and makes the case for developers, governments, and civil society organizations to expand the supply of good-quality, affordable housing. To assist stakeholders, the report also highlights effective building, operating, and financing models, and provides a collection of practical tools for use at levels from local to national.

The report is part of the research agenda of The Conference Board of Canada's Roundtable on the Socio-Economic Determinants of Health.

CONTENTS

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Any errors or omissions in fact or interpretation remain the responsibility of The Conference Board of Canada.

For more information on the Roundtable:
www.conferenceboard.ca/networks/rsedh

To access the tools contained in this report:
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EXECUTIVE SUMMARY

Building From the Ground Up
Enhancing Affordable Housing in Canada

At a Glance

- Housing unaffordability negatively affects Canadians' health, which reduces their productivity, limits national competitiveness, and indirectly drives up the cost of health care and welfare.
- All stakeholders must act to improve housing affordability. First, however, Canada needs a reconfigured approach to housing development and allocation, which will require stakeholders to refocus on their core competencies.
- Exemplary building, operating, and financing models, and the diagnostic and planning tools provided in this report, can help stakeholders act.

The quality, location, and cost of housing are major factors in the health of Canadians. Quality housing protects residents against injury, disease, and external dangers. The location of housing determines how well residents are connected to communities that offer access to jobs, education, social services, and other support systems. Finally, the cost of housing determines the quality and location of housing that residents can secure, as well as the amount of residual capital they have for other essentials.

Currently, there is an appreciable shortage of quality affordable housing in Canada, as development costs have led developers to build predominantly for households in the middle- or upper-income quintiles. Consequently, approximately 25 per cent of Canadians rely on housing subsidies or experience periods where they spend over 30 per cent of their before-tax household income on housing. This negatively affects Canadians' health, which, in turn, reduces their productivity, limits our national competitiveness, and indirectly drives up the cost of our health-care and welfare systems.

Canadian census data reveal that affordability has actually worsened over the last 15 years.

WHAT TO DO ABOUT IT

On one level, the solutions to unaffordability are simple: raise incomes or reduce shelter costs. These solutions, however, can produce unintended consequences. They have also, in recent decades, failed to improve overall affordability. Canadian census data reveal that affordability has actually worsened over the last 15 years.

To develop more effective solutions, Canada needs a reconfigured approach to affordability. We need to break the affordable housing challenge into its constituent parts—design/build, operation, and financing—and consider which public, private, or non-profit actors can most efficiently, effectively, and equitably act on each component, given their core competencies and cost structures.

The Conference Board of Canada has found that private companies are the most efficient at innovating to drive down shelter costs when markets are competitive. They have the best economies of scale and the core competency to deliver housing to the marketplace. Government and civil society organizations, by contrast, are more efficient as client advocates, which establish building parameters but do not interfere in the execution of development projects. Governments can also engineer deals—such as land grants, higher-density incentives, and lower development charges—to encourage the development of more affordable units. Finally, civil society organizations are efficient operators. Not only are their core operating costs low, but they can also engage a small army of volunteers and are connected to their communities in ways commercial enterprises are not.

By reducing homelessness and housing unaffordability among the lowest quintile of renters, Canada can make real progress in encouraging transitions and alleviating poverty.

Canada must also engage in more precise targeting and establish more achievable objectives. The Conference Board suggests that the following objectives be achieved by 2015:

- reduce the incidence of homelessness from approximately 150,000 in 2009 to under 100,000; and
- reduce the incidence of unaffordability among the lowest quintile of renters (approximately 2 million Canadians) by 50 per cent.

These populations are likely to experience prolonged periods of unaffordability due to a structural gap between prevailing rents and their household income. If Canada focuses on this smaller target, it can make real progress in encouraging transitions and alleviating poverty.

EFFECTIVE MODELS

Varied government, non-profit, and private sector initiatives are addressing the affordability challenge. This report highlights 11 model initiatives.

Government initiatives frequently involve the use of taxation and spending power to create more units. As the models reveal, however, governments can also leverage their planning and building permission powers—for example, density bonusing or inclusionary zoning initiatives—to encourage the private sector to incorporate affordable units into market development projects.

The private sector models are noteworthy not for creating units but for finding ways to reduce their cost. These include construction innovations such as modular housing and sub-assemblies; design innovations such as narrow and unfinished units; and financing innovations to reduce the annual carrying cost of homes.

Finally, the non-profit models address factors leading to persistently low income, a root cause of housing unaffordability. These models combine housing with the supports needed to put individuals on the path to employment and independent living. They are also more affordable than institutional options such as prisons and hospitals, thus reducing the cost to society.

MOVING FROM CONCEPTS TO ACTION: A COLLECTION OF TOOLS

Many Canadians would like to improve housing affordability; however, they often lack the necessary tools. Hence, we provide a collection of practical, scalable tools for planners, private sector developers, and non-profit organizations. The tools include data sources, calculators and pro formas, decision-making matrices, and planning and process tools. Readers can use them to systematically evaluate the underlying problem, develop a strategy for addressing the problem, and take effective action.[1]

1 See www.conferenceboard.ca/affordablehousing.

RÉSUMÉ

Partir de la base : Pour améliorer le logement abordable au Canada

Aperçu

- Le caractère inabordable du logement a des conséquences négatives sur la santé des Canadiens, lesquelles réduisent leur productivité, limitent la compétitivité nationale et font grimper indirectement les coûts des soins de santé et du bien-être social.
- Tous les intervenants doivent faire ce qu'il faut pour rendre les logements plus abordables. Mais d'abord, le Canada doit restructurer son approche de la construction domiciliaire et de la distribution des logements, ce qui va forcer les intervenants à se concentrer sur leurs compétences fondamentales.
- Les modèles de construction, d'administration et de financement proposés dans ce rapport, en plus des outils de diagnostic et de planification, aideront les intervenants à choisir leur voie.

La qualité, l'emplacement et le coût des logements sont des facteurs importants pour la santé des Canadiens. La qualité des logements protège les résidants contre les blessures, les maladies et les dangers extérieurs. L'emplacement détermine la capacité des résidants à accéder aux collectivités qui offrent des emplois, des services d'éducation, des services sociaux et d'autres systèmes de soutien. Enfin, du coût dépendent la qualité et l'emplacement du logement que les résidants peuvent s'offrir, mais aussi ce qu'il leur reste pour subvenir à leurs autres besoins fondamentaux.

À l'heure actuelle, le nombre de logements abordables de qualité est grandement insuffisant au Canada. Cela tient au fait que les constructeurs immobiliers, aiguillonnés par les coûts de construction, se sont surtout intéressés aux logements destinés aux quintiles de revenu moyen ou supérieur. Par conséquent, 25 p. 100 environ des Canadiens dépendent des subventions au logement ou passent des périodes où ils consacrent plus de 30 p. 100 de leurs revenus bruts au logement. Cette situation a sur la santé des Canadiens des conséquences négatives qui se traduisent par une productivité moindre, une plus faible compétitivité nationale et une augmentation indirecte des coûts des soins de santé et du bien-être social.

QUE FAUT-IL FAIRE?

À prime abord, les solutions sont simples : augmenter les revenus ou réduire les coûts du logement. Mais ces solutions peuvent avoir des effets indésirables, sans parler du fait qu'au cours des dernières décennies, elles n'ont pas non plus réussi à régler le problème du logement. Les données du Recensement révèlent que, depuis les 15 dernières années, les logements sont devenus de moins en moins abordables.

Pour arriver à de meilleures solutions, le Canada doit repenser son approche du logement abordable. Il doit isoler les différentes parties constitutives du problème — la conception/construction, l'administration et le financement — et établir ce que les intervenants publics, privés et sans but lucratif peuvent faire le plus efficacement, équitablement et avantageusement possible dans chacune des parties, compte tenu de leurs compétences fondamentales et de leurs structures de coûts.

Les données du Recensement révèlent que, depuis les 15 dernières années, les logements sont devenus de moins en moins abordables.

Le Conference Board du Canada a trouvé que les entreprises privées sont celles qui savent le mieux innover pour faire baisser les coûts des logements quand les marchés sont compétitifs. Elles sont capables des meilleures économies d'échelle et les plus compétentes pour livrer des logements au marché. Les organisations publiques et les associations de citoyens, en revanche, sont mieux placées pour défendre les intérêts des clients et définir les paramètres de construction à condition de ne pas s'ingérer dans la construction elle-même. Les gouvernements peuvent aussi contribuer aux ententes — p. ex. en concédant des terres, en offrant des primes de densité ou en réduisant les droits d'aménagement — qui encourageront la construction de logements plus abordables. Pour finir, les associations de citoyens sont de bonnes administratrices. Non seulement leurs coûts de fonctionnement de base sont faibles, mais elles peuvent aussi compter sur une petite armée de bénévoles en plus d'entretenir avec la collectivité des liens que jamais des entreprises commerciales ne pourraient avoir.

Le Canada doit aussi cibler davantage son action et se doter d'objectifs plus réalistes. Le Conference Board suggère de viser les objectifs suivants pour 2015 :

- Réduire le nombre de sans-abris d'environ 150 000 en 2009 à moins de 100 000;
- Réduire de moitié le nombre de locataires du quintile inférieur (environ 2 millions de Canadiens) aux prises avec des problèmes de logements inabordables.

Ces populations sont les plus susceptibles de connaître de longues périodes sans logements abordables en raison de l'écart structurel qui sépare le prix des loyers sur le marché et leur niveau de revenu. En se concentrant sur cette plus petite cible, le Canada peut faire des progrès véritables qui encourageront les transitions et réduiront la pauvreté.

DES MODÈLES EFFICACES

Diverses initiatives des secteurs public, privé et sans but lucratif s'attaquent au problème du logement abordable. Les auteurs de ce rapport en ont choisi 11 qu'ils présentent en modèles.

En réduisant le sans-abrisme et en atténuant le problème des logements inabordables pour le quintile inférieur de locataires, le Canada peut faire beaucoup pour encourager les transitions et réduire la pauvreté.

Les initiatives publiques incluent souvent des mesures fiscales ou l'augmentation du pouvoir d'achat pour créer plus d'unités d'habitation. Cependant, comme le montrent les modèles présentés, les gouvernements peuvent aussi mettre à profit leurs pouvoirs en matière de planification et d'octroi de permis de construction — p. ex. en accordant des primes de densité ou en créant un zonage d'inclusion — pour encourager le secteur privé à inclure davantage de logements abordables dans leurs projets de développement des marchés.

Les modèles du secteur privé se démarquent par leur capacité non pas de créer des unités de logement, mais de trouver des manières de réduire les coûts. Par exemple, les innovations peuvent relever de la construction — comme les logements modulaires ou les logements en sous-ensembles —, de la conception — comme les unités étroites et non finies — et du financement — afin de réduire les charges annuelles d'un logement.

Pour finir, les modèles du secteur sans but lucratif s'attaquent aux facteurs qui mènent aux manques chroniques de revenus, cause fondamentale des problèmes d'accessibilité au logement. Ces modèles combinent le logement et les soutiens nécessaires pour mettre les résidants sur la voie de l'emploi et de l'autonomie. Ils coûtent aussi moins chers que les solutions institutionnelles comme les pénitenciers et les hôpitaux, donc sont moins onéreux pour la société en général.

PASSER À L'ACTE : UNE COLLECTION D'OUTILS

Nombreux sont les Canadiens qui aimeraient rendre le logement plus abordable, mais bien souvent, ils n'ont pas les outils pour le faire. Dans ce rapport, le Conference Board propose une collection d'outils pratiques et échelonnables aux planificateurs, aux promoteurs privés et aux organisations sans but lucratif. Parmi ces outils figurent des sources de données, des calculatrices et des modèles ou formulaires types, des matrices de décision et des outils de planification et de traitement. Les lecteurs peuvent s'en servir pour évaluer systématiquement les problèmes sous-jacents, élaborer une stratégie pour les résoudre et agir avec efficacité[1].

1 Voir www.conferenceboard.ca/affordablehousing.

CHAPTER 1

Introduction

Chapter Summary

- The quality and cost of housing are major factors in the health of Canadians. However, there is an appreciable shortage of quality affordable housing in Canada.
- Housing is "unaffordable" when it consumes over 30 per cent of before-tax income. High costs have led developers to focus on building homes that only households in the middle- or upper-income quintiles can afford.
- Almost 25 per cent of Canadian households rely on housing subsidies or experience periods of housing unaffordability, a figure expected to increase in the long term. This problem should concern all Canadians, as housing unaffordability adversely affects our health, productivity, competitiveness, and health-care and welfare costs.

Housing is an essential of life for all Canadians. Their health and well-being depend on the quality, location, and cost of their housing. Currently, there is an appreciable shortage of good-quality, advantageously located, and affordable housing in Canada. This shortage is having a detrimental effect on Canadians' health, which, in turn, reduces their productivity, limits our national competitiveness, and indirectly drives up the cost of health care and welfare.

This report sets out the case for action on housing affordability. It is designed to raise awareness, deepen understanding, and provide the evidence to mobilize developers, governments, civil society organizations, and communities to act on their own and in collaboration with one another to expand the supply of good-quality, affordable housing.

The most common measure of housing affordability is the shelter-cost-to-income ratio (STIR).

In housing, "affordability" is usually a measure of the cost of housing relative to the income of the household. (See box "Definitions.") As such, it affects people at all income levels to varying degrees. In fact, the most common measure of housing affordability is the shelter-cost-to-income ratio (STIR). By this measure, unaffordability occurs when the cost of shelter is over 30 per cent of a household's before-tax income. In this relative sense, affordable housing is about housing for all, *not* only housing for the poor. However, low-income people have the greatest immediate need for housing assistance and stand to benefit the most from receiving it.

"Good-quality housing," defined as housing that meets the National Occupancy Standards and requires no major repairs,[1] is a fundamental driver of health—both

1 The Conference Board's definition draws on the CMHC definition of core housing need, which includes affordability and quality criteria.

Definitions

AFFORDABLE HOUSING
Usually defined as a measure of the cost of housing relative to the income of the household, expressed as the shelter-cost-to-income ratio (STIR). The threshold of affordability most commonly used is housing that costs less than 30 per cent of a household's total before-tax income.

GOOD-QUALITY HOUSING
Housing that is both adequate in condition and suitable in size, as defined by the National Occupancy Standards. This measure does not integrate standards for affordability.

ACCEPTABLE HOUSING
Housing that, according to Canada Mortgage and Housing Corporation (CMHC), meets the following criteria:

- is in adequate condition (residents report that it does not require any major repairs);
- is of suitable size (according to the National Occupancy Standard); and
- is affordable (costing less than 30 per cent of residents' before-tax household income).

CORE HOUSING NEED
A measure of the condition of a Canadian household that marries standards for housing adequacy, suitability, and affordability. A household whose current housing fails to meet any of the three standards—and that is unable to find alternative local market housing that can—is said to be in core housing need.

TRANSITIONAL HOUSING
Housing intended to provide a temporary living environment for certain individuals—such as people experiencing brief periods of unemployment or low income—until they can secure long-term independent living situations.

SUPPORTIVE HOUSING
Housing that includes the services necessary to support special-need individuals—such as mentally disabled people, drug addicts, and elderly people—and, when possible, to promote their transition to employment, higher income, and independent living situations. Services might include life-skills training, employment training, drug abuse programs, and case management.

Sources: The Conference Board of Canada; Canada Mortgage and Housing Corporation, "Housing in Canada."

as a structure of shelter and as a place of living. As a structure of shelter, well-designed housing protects dwellers against personal injury, disease, and external dangers. As a place of living, its location determines how well households are connected to neighbourhoods and communities that offer access to jobs, education, nutritious food, safe environments, health and social services, and other support systems, including friends and family.

Everyone—including governments, private developers, and communities—has an interest in ensuring that there is enough good-quality, affordable housing for people at every income level. In fact, a majority of Canadian households—about 75 per cent—already reside in market-built affordable housing without any public subsidy, while an additional 5 per cent live in affordable housing with a public subsidy.[2] However, due to the high costs of development—which include the costs of land, materials, and labour, as well as taxes and other government-imposed costs—private developers tend to focus on providing "affordable" housing for people whose incomes are in the middle- or upper-income quintiles.

The keys to solving housing unaffordability are easy to identify: either raise incomes or reduce shelter costs. But actual solutions are complex.

That still leaves a significant number of Canadians who either rely on public subsidies to access affordable housing or who experience periods where their housing costs consume too large a portion of their household income. This reality is worrying from a health perspective because many low-income Canadians are forced to choose between good-quality housing and other expenditures that could sustain or enhance their health. Low-income households facing high housing costs sometimes have to settle for poor-quality housing or, alternatively, reduce their spending on other health essentials such as nutritious food.

The keys to solving housing unaffordability are easy to identify: either raise incomes or reduce shelter costs. But actual solutions are complex and can entail unintended consequences. For example, while social housing occupants benefit from significantly lower shelter costs as a result of the subsidies they receive, their subsidies are paid largely through taxes on non-

2 According to e-mail correspondence with CMHC, about 4 per cent of Canadian households in 2006 lived in public or social housing. As 78 per cent of total households spent less than 30 per cent on shelter costs, that means about 74 per cent of households are in affordable market housing.

occupants. If such taxes become too high, they may undermine economic growth that would raise incomes. Moreover, the social housing model may not be the best way to encourage some occupants to raise their own incomes, especially if they would lose their shelter subsidy by doing so. While the social housing model itself is not the problem, the associated level of income support may create a "welfare wall" that discourages some individuals from transitioning toward market housing, as well as prompting tax increases that inhibit economic growth and income increases.

How can we get beyond these problems?

One way would be to develop new government programs that improve access to affordable housing without undermining personal income growth or lessening incentives for individuals to increase their income and transition into market housing.

Good-quality housing has several beneficial impacts on the overall health of working Canadians. Put simply, people who are housed well work well.

Private sector-led solutions can also improve access and affordability. As an alternative to shelter and income subsidies from government, the private sector could reduce housing costs through innovations in housing design, procurement, construction, and financing.

Finally, governments, companies, and non-profit civil society organizations could collaborate through public-private partnerships to create new affordable housing.

All three options will play a part in expanding the stock of affordable housing, especially for the low-income quintile. This report sets out the economic case for action, presents insights into how innovations and government programs can help resolve affordable housing shortages that affect more than 2 million Canadian households, and offers diagnostic and planning tools to assist stakeholders in developing affordable housing projects.

THE ECONOMIC CASE FOR ACTION

QUALITY CONSIDERATIONS

Good-quality housing has several beneficial impacts on the overall health of working Canadians, which, in turn, improve their participation, productivity, and performance in the workplace, and their contribution to competitiveness. Put simply, people who are housed well, work well.

Good-quality housing can also help reduce health-care costs. When people live in good-quality, affordable housing, they experience a lower incidence of maladies triggered by poor housing—such as stress, asthma, and diabetes—resulting in fewer demands on the health-care system.

Over the long term, quality, affordable housing can also affect residents' access to good education, nutrition, recreation, and employment opportunities, which tend to lead to positive health outcomes and less use of health-care services. Safe shelter in the form of a well-designed and well-constructed dwelling also reduces costs associated with injury and promotes a healthy social environment. For these reasons, both business and government should take an active interest in ensuring that Canadians are well housed.

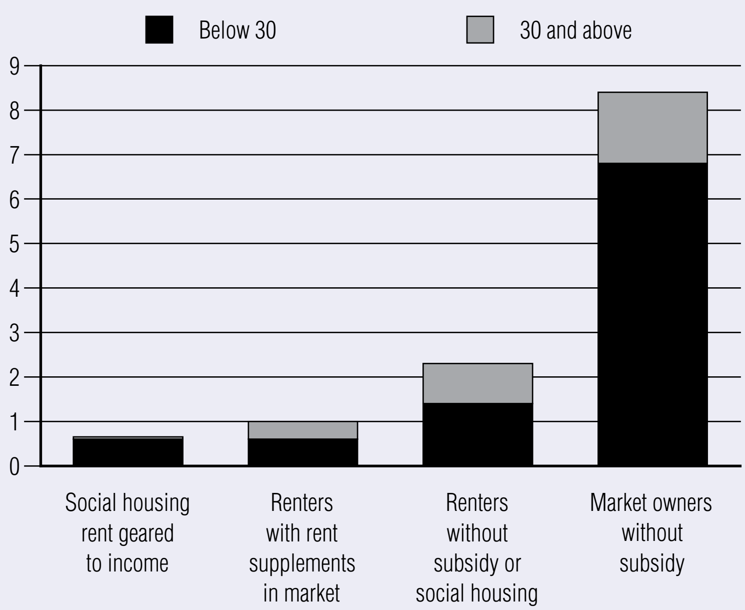
COST CONSIDERATIONS

Among the essentials of food, clothing, and shelter, shelter costs are the highest. A typical Canadian household spends 50 per cent more on shelter than on food and over five times more than on clothing. In fact, the high cost of good-quality shelter may constrain non-shelter expenditures in ways that negatively affect health. If shelter costs are exceedingly high, a household may not have enough disposable income left to afford good food, quality daycare, educational opportunities, and the social and physical activities required to sustain personal health.

In the worst-case scenario, a lack of affordable housing may result in homelessness.

This is why policy makers take an interest in housing affordability—it has implications for a wide range of factors, from individual health outcomes to the quality of neighbourhoods and communities. The commonly accepted measure of affordability is the shelter-to-income-ratio (STIR), and the standard is 30 per cent of before-tax income. (See charts 1 and 2.) The 2006 Census revealed that almost 25 per cent of Canadian households, and 18 per cent of the population, may have affordability issues. The proportion of households experiencing a lack of affordability by this standard has been roughly 20 per cent for the last 15 years. According to a study by Statistics Canada and Canada Mortgage and Housing Corporation (CMHC), in the three-year period from 2002 to 2004, fully 28 per cent of the population lived in homes they could not afford, if only temporarily.[3]

Chart 1
Number of Households, by Category, Above and Below the 30 Per Cent STIR
(millions)



Source: Statistics Canada, custom tabulation.

Chart 2
Proportion, by Category, of Households Above the 30 Per Cent STIR
(per cent)

Source: Statistics Canada, custom tabulation.

These are huge numbers. They suggest that housing unaffordability is a structural feature of the Canadian economy affecting people at a wide range of income levels. Unfortunately, as we will later show, current trends suggest that in the medium to long term, the percentage of households experiencing affordability challenges could rise even further.

OBJECTIVES

In this report, we seek to do the following:

- understand the reality of housing unaffordability in Canada, including causes, consequences, trends, and challenges;
- identify ways to improve housing affordability by engaging the private sector along with the public sector and other stakeholders; and
- recommend specific approaches and provide tools to help private and public sector decision makers develop plans for affordable housing and make investments.

METHODOLOGY

In our approach, we review the current literature and data sources to establish the theoretical and empirical foundations of affordability. We supplement this information with 65 interviews with interviewees drawn from the private sector (23); government (14); public-private partnerships, also known as P3s (7); non-governmental organizations (14); and other affordable housing experts (7). This approach allows us to knit together a macro understanding of the issue with practical methods for improving Canada's affordability performance.

3 Engeland et al., *The Dynamics of Housing Affordability,* p. 7.

FRAMING THE ISSUE

UNDERSTANDING AFFORDABILITY

The 30 per cent STIR is not the only way to gauge affordability. This benchmark was developed over many years in the United States before being adopted in Canada.[4] In the 1920s, many believed households should spend no more than one week's wages per month, or 25 per cent of before-tax income, on shelter. Many households voluntarily adopted this budgeting rule of thumb when planning their household expenses and deciding what type of shelter was suitable to their financial means. Financial institutions, too, used it to determine mortgage underwriting standards.

Households may choose to crowd or not maintain their housing—or to pay lower rents in poorly maintained buildings—to economize.

Over time, this rule of thumb was incorporated into research frameworks for studies on housing costs and housing need. These studies were given impetus by the introduction of U.S. national housing programs in 1937. The 25 per cent threshold was of limited practical use to policy makers seeking to help people in need because it generated a very high number of American households facing affordability challenges. Existing housing programs served only a fraction of those households over the 25 per cent threshold and therefore were often found to be inequitable. Therefore, by the 1970s, other measures were developed that more carefully targeted those in greatest need. For example, the U.S. began to target housing subsidies at households earning between 50 and 80 per cent of the Area Median Income.[5] By the 1980s, due to budgetary considerations, rental subsidy programs were being targeted at households spending more than 30 per cent of their income on rental accommodation.

4 See Pelletiere, *Getting to the Heart of Housing's Fundamental Question*, pp. 1–4.

5 The midpoint household income for a specified area (i.e., the point at which half the households in an area have lower incomes and half have higher incomes).

National Occupancy Standard

1. There shall be no more than two people or fewer than one person per bedroom.
2. Spouses and couples share a bedroom.
3. Parents do not share a bedroom with children.
4. Dependants aged 18 or more do not share a bedroom.
5. Dependants aged five or more of opposite sexes do not share a bedroom.
6. Single people may occupy bachelor suites.

Source: Canada Mortgage and Housing Corporation website, www.cmhc.ca.

The 30 per cent standard was eventually adopted and expanded in Canada. Notably, CMHC worked with Statistics Canada to develop a measure of "core housing need." According to CMHC, the term "acceptable housing" refers to housing that is "in adequate condition, of suitable size, and affordable."[6] Adequate dwellings are those "reported by their residents as not requiring any major repairs."[7] Suitable dwellings "have enough bedrooms for the size and make-up of resident households, according to the National Occupancy Standard (NOS)."[8] (See box "National Occupancy Standard.") Affordable dwellings "cost less than 30 per cent of before-tax household income."[9] A household is said to be in core housing need if its housing falls below at least one of the adequacy, suitability, or affordability standards and if it "would have to spend 30 per cent or more of its before-tax income to pay the median rent of alternative local housing that is acceptable (meets all three standards)."[10]

Defined this way, core housing need reflects both affordability and housing quality. Households may choose to crowd or not maintain their housing—or to pay lower rents in poorly maintained buildings—to economize. For instance, in 2005, 1.8 million households that were either in inadequate or unsuitable housing were deemed to have

6 CMHC, "Housing in Canada."

7 Ibid.

8 Ibid.

9 Ibid.

10 Ibid.

the income necessary to improve their circumstances *without* exceeding the 30 per cent threshold. These households would thus be excluded from the population in "core housing need." A calculation of core housing need, therefore, produces a somewhat smaller count of households than does a 30 per cent STIR. But the core housing need indicator essentially boils down to affordability of a certain type. It simply identifies those households that have insufficient income to rectify crowded or poorly maintained shelter.

Of course, affordability metrics are, to some extent, arbitrary and relative. By most measures, Canada is one of the wealthiest countries in the world with one of the world's highest standards of living. Most Canadians, well over 90 per cent, are housed and pay for housing with household income. In that sense, the vast majority of people live in housing in Canada that, for them, is "affordable." So, for many observers, the idea that over 6 million Canadians reside in "unaffordable" housing would seem to be at odds with reality. Yet that is the effect of applying an arbitrary percentage of household income that should go to shelter. Statistics Canada acknowledges the difficulties of the 30 per cent threshold in its reporting of affordability numbers.[11]

From a community action perspective, the 30 per cent STIR has several limitations, including the following:

- It is based on static census "snapshots" at one point in time, whereas Canadians' housing circumstances are highly dynamic.[12]
- It treats ownership and rental households the same way.[13] It makes no allowance for the principal component of mortgage payments, which is a key form of household saving. It also doesn't count the cost of maintenance for non-condominium homeowners. However, it does count condominium fees and rental payments, part of which go toward maintenance.
- It is based on before-tax household income, whereas household budgets are based on after-tax income.
- It takes into account only household income, ignoring other assets that are a part of a household's full financial capacity. That is especially true of retirees, who often have pensions and other assets that they can draw on to cover housing costs.
- It mixes the truly disadvantaged with households where money is tight and with those who choose to spend more than the threshold for any number of reasons, such as lifestyle or commuting times.
- It produces large numbers of people who are apparently experiencing a problem in a materially well-off society.
- It leads to poorly targeted programs.

For these reasons, some researchers have attempted to use other measures of affordability. The Area Median Income is one such approach. Another is the ratio of median house prices to median incomes, used by the Demographia International Housing Affordability Survey. (See Table 1.) By that measure, Canada is one of the most affordable countries among the English-speaking industrialized countries covered by the survey with a ratio of 3.5 per cent, only slightly higher than that of the United States. Canada and the U.S. were far more affordable than Australia, Ireland, New Zealand, and the United Kingdom, even though Vancouver was the least affordable major market. Still, given that most Canadians—even those in the bottom income quintile—own their homes, this measure is as reliable as the STIR.

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11 In its online reporting, Statistics Canada states: "It should be noted that not all households spending 30 per cent or more of incomes on shelter costs are necessarily experiencing housing affordability problems. This is particularly true of households with high incomes. There are also other households who choose to spend more on shelter than on other goods. Nevertheless, the allocation of 30 per cent or more of a household's income to housing expenses provides a useful benchmark for assessing trends in housing affordability." See Statistics Canada, "About This Variable."

12 For example, Statistics Canada acknowledges that its most recent income data from the income component of the 2006 Census are based on the previous year's income, whereas the shelter cost estimate is based on the current year. This results in an upward bias in the estimate of the number of households that face affordability issues.

13 The specific question is in the "long" census survey (20 per cent sample). Both renters and owners are asked about their electricity, fuel, water, and municipal service charges. Then the survey asks renters about their monthly rent payments and asks owners about their total mortgage payments (that is, principal and interest), taxes, and condominium fees. As such, the questions to renters and owners are not conceptually the same. The principal component is effectively an investment in residential capital.

Table 1
Demographia Survey of Housing Affordability
(ratio of median house prices to median income)

	Surveyed markets	Affordable (3 or less)	Moderately unaffordable (3.1 to 4)	Seriously unaffordable (4.1 to 5.0)	Severely unaffordable	Median
Australia	27	0	0	3	24	6.0
Canada	34	10	15	5	4	3.5
Ireland	5	0	0	2	3	5.4
New Zealand	8	0	0	1	7	5.7
United Kingdom	16	0	0	6	10	5.2
United States	175	77	59	23	16	3.2
Total	**265**	**87**	**74**	**40**	**64**	

Source: Performance Urban Planning, *5th Annual Demographia International Housing Affordability Survey*, p. 12.

WHY DO WE CARE?

Although the STIR has its limitations, there are still good reasons to be concerned about levels of unaffordability in Canada, as determined by that metric. The links between housing standards and household and community health are established in both theory and practice. That alone is reason to be concerned when rising shelter costs constrain household budgets.

In a study for the Canadian Institute for Health Information, Brent Moloughney constructed a useful framework for thinking about the relationship between housing and health. In his scheme, a house has three characteristics:[14]

- shelter—a physical structure with characteristics that lead to good physical health of the occupants;
- home—a household social unit with characteristics that lead to the development of good mental and social skills; and
- neighbourhood—the area around the shelter with socio-economic characteristics that encourage good living conditions and social mobility.

Houses in low-income neighbourhoods frequently perform poorly across these parameters. Hence, many studies have found that residents of these neighbourhoods suffer a range of poor health outcomes when compared with residents of richer neighbourhoods. For example, in Canada in 1996, the probability of males living to age 75 was 68.6 per cent in the richest neighbourhoods and only 53.4 per cent in the poorest. For females, the probabilities were 79.7 per cent and 73.0 per cent, respectively.[15] In the U.S., too, there is evidence that good neighbourhoods correlate with good health outcomes.

The preponderance of evidence suggests that good-quality housing indirectly improves health through its impact on direct drivers of socio-economic advancement.

Housing affordability is an important factor in improving the health of children. In the absence of cost pressures due to unaffordable housing, families have more money to spend on other essentials, such as nutritious food, to the benefit of their children.[16] People who move away from low-income areas experience significant improvements in mental health.[17] For female victims of domestic violence, an affordable and stable

14 Moloughney, *Housing and Population Health*.

15 Ibid., p. 5.

16 Harkness and Newman, "Housing Affordability and Children's Well-Being."

17 Kling et al., *Moving to Opportunity and Tranquility*.

home environment is a critical factor in making the transition to a better life.[18]

Many studies show that good-quality housing and neighbourhoods are strongly correlated to health and well-being. However, few studies rigorously demonstrate causal links between health and socio-economic outcomes and housing. Accordingly, it is debated whether good-quality housing *directly* improves health and socio-economic status, or whether housing *indirectly* improves health through its impact on direct drivers of socio-economic advancement. The preponderance of evidence suggests the latter. Education and labour force attachment, for instance, are the main direct drivers of health and socio-economic outcomes, but they, in turn, are strongly affected by the home environment.

High household occupancy density, poor air quality, and inadequate ventilation are clearly associated with the incidence of respiratory and contagious diseases, notably tuberculosis.

As the authors of a CMHC study point out, the strongest scientific evidence of the relationship between housing and health is that linking specific physical ailments to specific shelter conditions. (See Table 2.)[19] High household occupancy density, poor air quality, and inadequate ventilation are clearly associated with the incidence of respiratory and contagious diseases, notably tuberculosis.[20] As one moves from direct links like these to mental health and socio-economic effects due to characteristics of the neighbourhood in which housing is located, it becomes harder to show strong causal connections because of the difficulty in controlling for the many variables that affect life outcomes. Even the "core housing need" approach does not rigorously prove the connections between crowded households or houses needing major repairs and the actual incidence of poor health.

In the absence of strong causal links, there are other reasons to act on housing affordability. For instance, we may wish to alleviate poverty, since fully 80 per cent of the housing affordability and core housing need problem is concentrated in the lowest two income quintiles.[21] These households are more likely to experience health-related problems related to inadequate housing, either because the housing is of poor quality or because it constrains their financial ability to make other healthy choices. In extreme cases, it may lead to homelessness.

One of the most important contributions to understanding the challenge of homelessness was made by the (Toronto) Mayor's Homelessness Action Task Force (the Golden Report).[22] Published in 1999, the report demonstrates that homelessness is related, in part, to unaffordability. The demographic of homeless people, which used to consist largely of alcoholic males on "skid row," had by the late 1990s become far more diverse and grown to include large numbers of families with children. The Golden Report also showed that governments had significantly added to the cost of shelter through a wide variety of direct charges and zoning practices, while governmental action on homelessness was stymied by gridlock among the various layers of government.

Specific estimates of the number of homeless people vary, but interviews with experts and a review of the literature suggest that the homeless population at any one time ranges from 100,000 to 200,000 Canadians. The National Homeless Initiative has estimated that 150,000 Canadians were homeless in 2005 based on "street and shelter counts" and that 0.5 per cent of the population in any given Canadian community may be homeless.[23] Helping these less fortunate members of society is a reasonable motive for attempting to improve the state of affordable housing.

A second rationale for taking action is that there is an internal return, as housing is less costly than other emergency social services that might otherwise be provided

18 Melnick and Browne, "Responding to the Needs of Low-Income and Homeless Women."

19 Hwang et al., *Housing and Population Health*.

20 Canadian Tuberculosis Committee, "Housing Conditions That Serve as Risk Factors for Tuberculosis," p. 1.

21 Engeland et al., *The Dynamics of Housing Affordability*, p. 9.

22 Golden et al., *Taking Responsibility for Homelessness*.

23 National Homelessness Secretariat, *A Snapshot*.

Table 2
Links Between Housing and Health Outcomes

Definitive/strong	Possible	Weak
Definition ◆ Numerous or some well-designed studies show the effect ◆ Most or all causal criteria met ◆ Preponderance of opinion among experts that a health effect exists	**Definition** ◆ A few studies show the effect ◆ Some or few causal criteria met ◆ No consensus among experts that a health effect exists	**Definition** ◆ Conflicting or negative evidence regarding the effect ◆ Few or no causal criteria met ◆ Consensus among experts that health effect is not proven or is unlikely
Examples ◆ Lead ◆ Mercury ◆ Dampness and mould ◆ Radon ◆ Asbestos ◆ Dust mites ◆ Cockroaches ◆ Poor home safety and dangerous stairs ◆ Faulty heating systems ◆ Lack of or faulty smoke detectors ◆ Environmental tobacco smoke ◆ Extreme cold or heat ◆ Absence of affordable food, good schools, social networks, etc. ◆ Unaffordable housing	**Examples** ◆ Urea formaldehyde foam insulation ◆ Lack of carbon monoxide detectors ◆ Building type (i.e., high-rise buildings) ◆ Floor level (i.e., higher floor levels) ◆ High-rise structures ◆ Overcrowding ◆ Volatile organic compounds ◆ Housing tenure (i.e., rented housing) ◆ Lack of housing satisfaction ◆ Flame retardants (PBDEs) ◆ Pesticides and herbicides	**Examples** ◆ Electromagnetic fields and electromagnetic radiation

Source: The Conference Board of Canada; Hwang, et al., *Housing and Population Health*; and The London Health Observatory, *The Determinants of Health—Housing*.

for a person who is homeless. Canada already has a comprehensive system of social supports to help the vulnerable and to keep communities safe. As some members of the subpopulation that faces affordability problems are heavy users of these systems, housing may be a cost-effective way to serve these people when compared with other options, such as hospital beds or incarceration.

The cost of incarceration, for example, ranges from \$200 to \$400 per night. The cost of psychiatric care in a hospital ranges from \$680 to over \$1,000 per day. (See Appendix C.) One provincial government official suggested that a homeless person may cost the social and policing systems as much as \$100,000 per year.[24] Another estimate is that, on average, services for each homeless person cost governments \$30,000 to \$40,000 per year.[25] Based on an estimate of 150,000 homeless people, that would represent a cost to taxpayers of \$4.5 billion to \$6 billion annually, including the costs of health care, criminal justice, social services, and emergency shelter. Supportive housing arrangements targeted at homeless people who are frequent users of these services may substantially reduce these costs. That was a key rationale behind the 2009 decision to change Alberta's approach to homelessness. (See Model 3.)

An associated reason for intervening is that housing is a critical component of strategies to help people transition from lower to higher income. The data show that most Canadians who have an affordability challenge escape it

24 Interview data, public sector segment, November 26, 2008.

25 Laird, *Homelessness in a Growth Economy*, p. 5.

within two years.[26] A minority spends longer periods of time suffering from affordability issues. This conclusion is consistent with research findings about low income in Canada—most people experience low income for relatively brief periods. As a result, it may make sense to maintain a transitional housing stock for people experiencing brief periods of low income. Alternatively, supportive housing may be seen as part and parcel of a strategy to move people from social assistance toward employment and higher income. There is insufficient evidence to demonstrate that housing, on its own, can create higher income. However, if there is a need for a safe and supportive environment that will encourage transitions, then housing may be part of that strategy, even for people who are only temporary users of social supports. Conversely, it is important to ensure that the house does not act as a trap that prevents people from making transitions.

WHY IS HOUSING UNAFFORDABLE?

The STIR is a measure of affordability constructed from two components: before-tax income, including transfers; and shelter costs, including mortgage payments or rent, utilities, and condominium fees, where applicable. The 30 per cent affordability threshold is the ratio of the first component divided by the second. Statistics Canada then computes an incidence, as determined by the number of households that spend over the threshold. The affordability incidence shows how the distribution of household (as opposed to personal) income relates to the distribution of shelter costs. The incidence increases when shelter costs grow faster than household incomes, especially for lower-income groups that are most at risk. In fact, that appears to be what accounts for the worsening of affordability between the 2001 and 2006 censuses. CMHC reports that the income of urban low-income owners lagged behind the growth of shelter costs in 2002–05. (See Table 3.)

About 1.2 per cent of households spend over 100 per cent of their income on shelter, and 2.4 per cent spend between 70 per cent and 100 per cent.

Chart 3 is based on a custom run of Statistics Canada's Survey of Household Spending for 2007. It shows the distribution of the STIR ratio by the estimated number of households falling into each expenditure category. Note that around 75 per cent of Canadian households spend less than 30 per cent of their before-tax income on shelter.

About 1.2 per cent of households spend over 100 per cent of their income on shelter.[27] According to Statistics Canada, this occurs because many self-employed

Table 3
Median Shelter Costs and Median Household Incomes, Low-Income Renters and Owners, Canada, 2002–05
($; per cent)

	Low-income renters				Low-income owners			
	2002	**2003**	**2004**	**2005**	**2002**	**2003**	**2004**	**2005**
Median shelter cost ($)	6,212	6,246	6,385	6,381	4,672	5,068	5,267	5,652
Change from previous year (%)	*n.a.*	*0.50*	*2.20*	*–0.10*	*n.a.*	*8.50*	*3.90*	*7.30*
Median household income ($)	15,532	16,039	16,557	16,615	18,017	18,913	19,428	19,852
Change from previous year (%)	*n.a.*	*3.30*	*3.20*	*0.40*	*n.a.*	*5.00*	*2.70*	*2.20*
Median STIR (%)	40.50	40.60	40.00	38.60	28.10	28.10	30.70	32.50

Note: The median STIR is not equivalent to the median shelter cost divided by the median household income. All three are separate distributions.
Source: CMHC, "Recent Trends in Housing Affordability and Core Housing Need."

26 Engeland et al., *The Dynamics of Housing Affordability.*

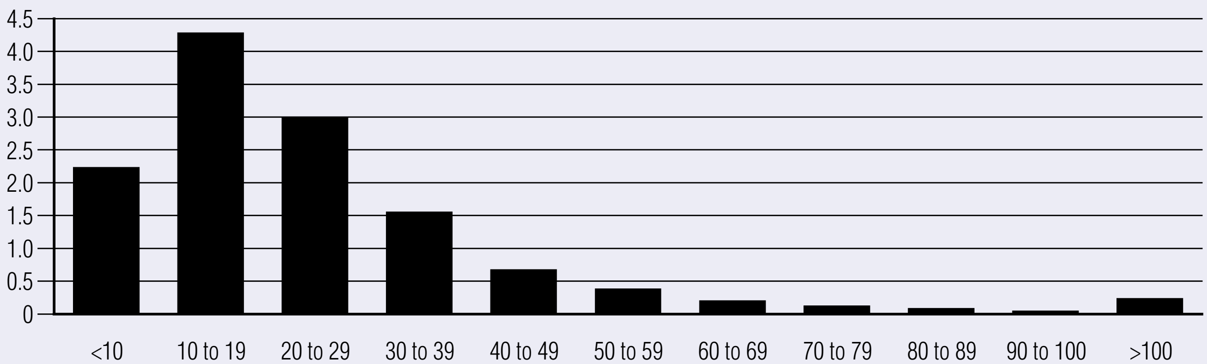
27 Based on a custom run of Statistics Canada household expenditure data for 2008.

people and others with strong asset positions, such as seniors, pay for shelter by depleting their assets. Many self-employed people and seniors are also among the 2.4 per cent of households that spend between 70 per cent and 100 per cent of their income on shelter, for the same reasons. All these people are counted among those in "unaffordable" housing.

Also interesting is how many households have very low shelter costs. One million Canadian households pay $3,700 or less annually for their shelter. This population is likely to consist disproportionately of owners who have retired their mortgages; however, it may also include those who have found ways of lowering their costs. One such group is homeowners who have rented out basement suites or set up rooming houses using their single-family homes (part of the "secondary" rental market). Another group is households that live in low-cost mobile homes.

The interaction between the income continuum and the housing continuum results in an incidence of households that spend over 30 per cent of their income on housing. (See Exhibit 1.) The affordability incidence includes

Chart 3
Shelter Costs as a Percentage of Household Income, Canada, 2007
(number of households, millions)



Source: Statistics Canada, Survey of Household Spending, custom tabulation; The Conference Board of Canada.

Exhibit 1
The Income and Housing Continuums

HOUSING CONTINUUM

Homelessness — Couch surfing — Single room occupancy (SRO), secondary rental market — Manufactured homes — Apartments — Single-family homes — Supported housing and transitional housing — Hospitals — Penitentiaries

Least costly → Most costly

INCOME CONTINUUM

Social assistance with no rent supplement — Social assistance with rent supplement — Senior support (OAS/GIS/CPP) — Low wage — Middle class with full-time job — High income with multiple sources of income and strong asset position

Least income → Most income

OAS = Old Age Security; GIS = Guaranteed Income Supplement; CPP = Canada Pension Plan
Source: The Conference Board of Canada.

people who are housed, usually have some income, and are covered by the census sample. Homeless people, who face the greatest challenges, are not actually captured in the incidence rate.

In terms of computation, the concept is straightforward. The complications come in determining the drivers of the two components (housing and income), the extent to which they affect one another, the changes in policies and practices needed to either increase before-tax income or reduce shelter costs, and the populations to which they should be targeted.

Earnings are very closely tied to educational attainment, and the income gap between those with high and low levels of education is growing.

WHAT DRIVES INCOME?

There has been considerable research on the drivers of household income. Employment earnings account for the lion's share of household earnings, simply because most households are headed by someone of working age who works to pay shelter costs. According to the 2006 Census, for every $100 of income received in 2005, employment earnings accounted for over $78.[28] That proportion has declined somewhat over the years as our aging population relies less on earnings and more on pensions, especially private pensions, and investment income from savings. The role of public pensions for seniors has declined as higher private pension and investment income has reduced claims on the public pension system.

Not surprisingly, people in the lowest income quintile depend more than others on government income support through social assistance, public pensions, and employment insurance. Lowest quintile earners depend on transfers for $52 of every $100 of earnings. The trend, however, has been to tighten access to social assistance to encourage people to generate more earnings through market income. Even at-risk groups such as single mothers earn a very high proportion of their income—about 70 per cent— through employment.

Households with employment earnings also usually do better than those with no employment earnings. In recent decades, a growing number of Canadian two-parent families have had both partners in the workforce. In fact, between 1980 and 2005, the proportion of families in which two or more persons worked full time and year round almost doubled, from 20 per cent to 38 per cent. This has increased household income for these families and may have improved their housing affordability.

Moreover, fewer couples are having children, and those having children are having fewer. The proportion of couples without children under 18 has grown from 30 per cent to about 37 per cent since 1981, while the proportion of couples with children under 18 declined from 56 per cent to 36 per cent. This is a reflection both of the aging of the population and of the trend toward couples delaying child rearing or simply not having children.

One of the most effective ways to ensure successful labour market transitions is to build classroom-based preparation around job matches.

Finally, earnings are very closely tied to educational attainment. The income gap between those with high and low levels of education is growing. Overall, in 2005, the median earnings of those with a university degree were $51,565, compared with $32,499 for those without a degree. Some evidence suggests the intergenerational effects of education: children of parents with university degrees are much more likely to have university degrees and so to earn higher incomes.[29]

The corollary to these trends is that some groups in society are at much higher risk of having low income and experiencing difficulties in affording their accommodation. Immigrants, working poor households with children and a single breadwinner, single-parent households, and

28 Statistics Canada, "Earnings and Incomes of Canadians."

29 Butlin, "The Determinants of Postsecondary Participation."

households headed by someone with low educational attainment are all at higher risk of experiencing low income and a lack of affordability.

Indeed, a parallel can be made with people making transitions into the workplace from schools, colleges, universities, employment insurance, welfare, or the prison system. Workforce preparation that is divorced from actual engagement in a real job with a real employer will not ensure meaningful and lasting labour force attachment. The evidence of the past decade shows that the most effective way to ensure successful labour market transitions is to connect job seekers and employers, and to build classroom-based preparation around job matches. Other important elements include focused debriefing on the work experience of job seekers, and workplace coaching and mentoring for the newly employed with input from their employers or managers. Linking eligibility for shelter and social supports to job exposure and workforce participation is the best way to help people move up the income ladder and move out of dependency on the social welfare system for their most basic requirements.[30]

Two Canadian welfare-to-work transition programs—JobWave BC and Homeward Bound—are cases in point. WCG International HR Solutions, a private sector firm based in Victoria, administers JobWave BC. (See box "Transitional Strategies: JobWave BC.") WoodGreen Community Services, a neighbourhood-based non-profit organization serving Toronto's east end, runs Homeward Bound. (See box "Transitional Strategies: Homeward Bound Program.")

Transitional Strategies: JobWave BC

JobWave BC indirectly targets welfare clients with housing affordability issues, who must participate in the program as a condition of receiving welfare. The program places clients in jobs, and provides clients and their employers with human resources support. These actions help ensure that clients hold down their jobs and remain attached to the labour force, so that they can eventually lift themselves from poverty.

HISTORY

JobWave was created in response to the rising levels of income assistance recipients in British Columbia, many of whom were finding it difficult to rejoin the workforce. Between 1979 and 1997, the number of people on incapacity benefit or its predecessor, invalidity benefit, more than doubled, while the number of lone parents on income support rose by nearly 700,000. In 1997 there were 5.5 million unemployed or inactive people on benefits. Even after four years of falling unemployment, more than half a million people had been on jobseeker's allowance for more than a year. Long-term youth unemployment was a particular problem, with 85,000 young people languishing on benefits for more than a year, with no job and no prospects. Child poverty more than doubled between 1979 and 1997.

RESULTS

January 2000 to June 2006

Performance-based programming aimed at moving income assistance recipients into full-time, unsubsidized employment helped participants attain 57,000 job placements throughout British Columbia. Within their first two months in the program, 82 per cent of clients found job placements.

JobWave helped reduce the number of British Columbians on income assistance by more than 230,000 between 1995 and 2006, saving taxpayers hundreds of millions of dollars. Clients earned an average wage of $11.52 per hour ($23,000 yearly)—44 per cent higher than minimum wage. The program achieved one of the best retention rates in North America, with 80 per cent of participants retaining at least 12 months of full-time, unsubsidized employment. In fact, many clients have been back at work for 5 to 10 years.

July 2006 to Present

Delivered under the framework of the B.C. Employment Program in more than 200 communities—in partnership with the British Columbia Chamber of Commerce, 25 local chambers, 48 community agencies, the provincial government, and the business sector—JobWave is projected to help another 43,000 clients reach their employment potential by 2010.[1]

1 JobWave, "About JobWave."

30 Kitagawa, *Make the Skills Connection: Building Individuals' Self-Confidence*; Kitagawa, *Make the Skills Connection: Labour Market Transitions Models*; and Kitagawa, *Out of the Classroom*.

Transitional Strategies: Homeward Bound Program

WoodGreen Community Services' Homeward Bound program is comparable to JobWave BC. Launched in 2004, the program aims to help women "to move into independent housing and to have employment with family sustaining incomes within 3 years."[1] It does so by providing an array of services to women and their children, including diploma programs (with Seneca College), other employment training, transitional housing, on-site child care, after-school programs, and one-on-one counselling.

RESULTS

Data from July 2007, near the end of the first three-year cycle, show that the program is off to a promising start. Out of a total of 49 intakes, 39 had obtained their International Computer Driving Licence, 39 had enrolled at Seneca College, 19 had been placed in paid internships, 5 had completed college, and 4 had found employment (at between $40,000 and $55,000 a year).[2]

To achieve these results, WoodGreen reports that it spent an average of $59,720 per participant per year. While significant, this cost dwarfs the program's long-term returns. WoodGreen estimates that, from 2004–16, taxpayers will save $126,430 in subsidized housing costs, $107,254 in shelter costs, or $570,814 in costs related to homelessness for each person who participated in the program. Each employed graduate of the program will also pay taxes every year based on their income).[3]

1 WoodGreen Community Services, "Helping Women and Their Children."

2 WoodGreen Community Services, *Creating the Path*.

3 Ibid.

WHAT DRIVES HOUSING COSTS?

Like the prices of other goods, the price of housing is determined by supply and demand. However, a number of unique features drive this market.

HOUSING AS A CAPITAL GOOD

According to the 2006 Census, 28 per cent of Canada's 12.3 million households own their homes outright. Most of the remaining 72 per cent either carry mortgages on their properties or rent them. That means that financing conditions—including mortgage interest rates, mortgage underwriting standards (assessment of the risk of default), and mortgage amortizations—have a major influence on the annual cost of housing.

A key innovation that has made housing more affordable for many Canadians is CMHC mortgage insurance, which has allowed households to make smaller down payments on their homes. Moreover, CMHC once offered insurance on mortgages amortized over periods of up to 40 years, which considerably lowered the cost of annual payments to qualified buyers.

As a capital good, housing has a long lifespan. Thus, usage of the existing stock is a more powerful influence on prices than new supply, which in a typical year comprises less than 2 per cent of the stock. The stock adjusts somewhat to supply and demand conditions. For example, people may create new apartment units within their dwellings—the so-called secondary housing market. Housing's long lifespan also means that maintenance costs are a significant portion of total housing costs, especially for older housing stock. According to Statistics Canada, on average, households spend over $3,000 annually on "household operation" and about $1,000 per year on maintenance.[31] These costs are also significant for government. Until recently, governments built few new social housing units but continued to spend over $3 billion annually to operate and maintain existing units.

HIGHLY LOCALIZED ECONOMIES

Unlike other necessities, such as food and clothing, there is very little remote manufacturing of housing and few economies of scale. A handful of local developers formed in oligopolistic markets often dominate local markets. Most single-family home builders employ fewer than five people and build fewer than five homes per year. Labour markets are localized. The main drivers of lower costs—competition, new technology, and trade—are more muted in residential construction than

31 Statistics Canada, *Spending Patterns in Canada*, p. 1.

they are in the markets for food and clothing. That keeps costs high relative to the underlying market. There is a base entry-level price that is driven by the costs of new construction, which are typically $150 to $300 per square foot of living space. As one interviewee put it, housing construction is still a craft industry with few innovations to lower its cost structure. The absence of innovations to reduce price means that housing tends to gravitate toward a price that is in line with the local median household income.

As the homeowners pay off their mortgage, they accumulate a financial stake in their house and reduce the interest costs of carrying the home.

HIGH TRANSACTION COSTS

Housing costs a lot to acquire. Renter households have to pay to move and often have to finance security deposits. Owner households have a variety of closing costs, including lawyer fees and land transfer taxes. These transaction fees make it costly to change tenure and, to some extent, limit mobility.

NEIGHBOURHOOD EFFECTS

The value of a house is strongly influenced by the characteristics of surrounding houses. In addition, amenities such as good schools and proximity to work and commercial areas affect the value and cost of a house. The land component of costs is extremely important. A standard concept in land-use economics is that land use will move toward the "highest and best use." That explains how changing land use may alter affordability over time. Urban planners attempt to integrate neighbourhoods to avoid concentrations of low-income housing, but they are constrained by the fact that residents often resist the introduction of low-income housing for fear that it will adversely affect the value of existing houses. That concern may lead to political opposition to new development—the so-called not-in-my-backyard or NIMBY syndrome—that eventually manifests itself in zoning restrictions and high-level development standards that incrementally drive up the cost of housing for new entrants.

A FORM OF CONSUMPTION AND OF SAVING

For the vast majority of Canadians, their house is their single largest investment. According to Statistics Canada's Survey of Financial Security for 2005, real estate accounted for over 40 per cent of household assets, the largest single component. (See Table 4.) Even for those in the lowest asset quintile, housing is the major form of saving. The typical Canadian household stores most of its savings in its house. As the homeowners pay off their mortgage, they accumulate a financial stake in their house and reduce the interest costs of carrying the home. In the process, they gradually make the home more affordable to stay in by reducing their financing costs.

HOUSING IS HIGHLY REGULATED AND TAXED

Housing is one of the most highly regulated and taxed goods. Land-use policies determine how land can be used for residential purposes, sometimes creating scarcity that drives up housing costs. Building codes determine construction standards. Rent controls, taxation, and land-use practices and policies affect the cost of developing new rental stock. One study found that the main driver of affordability was whether a municipality maintains "prescriptive" land-use practices or "responsive" land-use policies.[32]

Government-imposed charges are a very significant cost component of any new construction project, accounting for upward of 18 per cent of the total cost.

According to the builders interviewed, government-imposed charges are a very significant cost component of any new construction project, accounting for upward of 18 per cent of the total cost, more than the builder's profit margin. Municipalities rely heavily on the property tax base to fund municipal services, which have grown in scope and complexity. Municipal and provincial governments in Canada annually raise over $40 billion in residential property taxes,[33] while spending by all levels of government on housing amounts to

32 Performance Urban Planning, *5th Annual Demographia.*

33 Statistics Canada, Consolidated Government Revenue and Expenditures (Revenue).

Table 4
Household Assets and Debts, Canada, 2005
(constant 2005 $ millions)

	Lowest quintile		All quintiles	
	Assets (constant 2005 $ millions)	**% of total assets**	**Assets** (constant 2005 $ millions)	**% of total assets**
Total assets	**30,197**	**100.0**	**3,744,897**	**100.0**
Private pension assets	3,098	10.3	1,631,894	43.6
RRSPs, LIRAs, RRIFs, and other	1,433	4.7	593,209	15.8
EPPs	1,665	5.5	1,038,685	27.7
Financial assets, non-pension	2,488	8.2	584,588	15.6
Deposits in financial institutions	2,128	7.0	237,325	6.3
Mutual funds, investment funds, and income trusts			133,753	3.6
Stocks			103,063	2.8
Bonds (savings and other)			34,619	0.9
Other financial assets	360	1.2	75,828	2.0
Non-financial assets	24,611	81.5	1,528,415	40.8
Principal residence	11,322	37.5	1,880	0.1
Other real estate	–	–	480,828	12.8
Vehicles	5,975	19.8	171,205	4.6
Other non-financial assets	7,314	24.2	284,675	7.6
Equity in business	n.a.	n.a.	589,827	15.8

	Lowest quintile		All quintiles	
	Debts (constant 2005 $ millions)	**% of total debt**	**Debts** (constant 2005 $ millions)	**% of total debt**
Total debts	**29,690**	**100.0**	**1,332,334**	**100.0**
Mortgages	n.a.	n.a.	572,147	42.9
Principal residence	10,549	35.5	486,071	36.5
Other real estate			86,076	6.5
Line of credit	3.68	0.0	68,131	5.1
Credit card and installment debt	3.45	0.0	25,775	1.9
Student loans	9,375	31.6	19,974	1.5
Vehicle loans	4,023	13.6	46,105	3.5
Other debt	5,739	19.3	28,055	2.1

RRSP = registered retirement savings plan; LIRA = locked-in retirement account; RRIF = registered retirement income fund;
EPP = employer-sponsored registered pension plans; n.a. = not available
Source: Statistics Canada, Survey of Financial Security.

about $4.7 billion annually.[34] The property tax burden has a significant effect on the cost of construction and the operating costs of property. These costs are passed on to consumers.

Other government-imposed charges (GICs) create an additional financial burden beyond property taxes. According to 2006 data, GICs—excluding property taxes—contributed an average of $41,184 to the cost of a median-priced house.[35] The story is similar for row houses and condominiums. In 2006, total GICs on row houses were highest in Vancouver at $52,147. That same year, total GICs on condominium apartments were highest in Vaughan, Ontario, at $40,116.[36] Defenders of these charges rightly point out that they are a necessary cost of providing public infrastructure and associated public services. But the counterclaim is that such charges may reflect inefficiencies in the provision of these services and that the structure of the charges may not adequately reflect residents' ability to pay.

Property taxes and development charges are, in effect, regressive taxes on low-income Canadians, who pay a greater percentage of their income to fund them than do higher earners. For example, one study found that families with incomes below $20,000 paid 10 per cent of their income in property taxes, while families with incomes of $100,000 or more paid less than 2 per cent.[37] One effect of property taxes and development charges—whatever their virtues—is to drive costs up and make housing less affordable for households with low income. At least five provinces also maintain some form of rent control. (See Appendix B.) While they help ensure that private rental units are affordable for tenants, rent controls discourage the creation of new rental stock and may partially explain the gradual reduction of Canada's total rental stock.

34 Statistics Canada. Consolidated Government Revenue and Expenditures (Expenditures and Surplus or Deficit). The average consolidated government expenditure from 2005 to 2008 was $4.7 billion.

35 Tomalty and Skaburskis, *Government-Imposed Charges*, Executive Summary.

36 Ibid., pp. 37–38.

37 Palameta and Macredie, "Property Taxes Relative to Income," p. 14.

THE ECONOMICS OF AFFORDABILITY

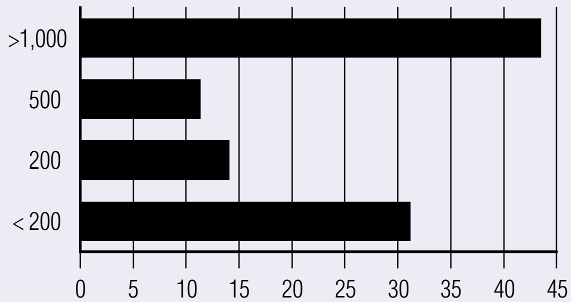
The economics of affordability are based on the relationship of shelter costs to income, as expressed in the STIR. Shelter costs are largely determined by the value of a house, which, in turn, is a function of six elements: land costs, and the dwelling's market value, cost of construction, condition and state of maintenance, location, and size.

The stock of housing in Canada is about 13.2 million units, about 12.4 million of which are occupied as principal residences (the remainder being vacation homes or unoccupied investment properties). Currently, Canada adds about 200,000 units to its stock each year, but starts have been as low as 115,000 (in 1996). Some old stock is also demolished. Demolitions usually amount to about 5 per cent of current starts, but since that works out to only a fraction of 1 per cent of the total stock, demolitions have a small impact on total supply. Household formation and income drive new starts, and are thus the main drivers of incremental supply.

Cities with the greatest population density try to deal with scarcity to some extent, but urban strategies eventually push up against limitations on available development sites.

Canada is a unique country in that it combines one of the lowest population densities in the industrialized world (3.5 people per square kilometre) with a very high rate of urbanization and urban density. (See Chart 4.) Over 40 per cent of Canadians live in cities with a density over 1,000 people per square kilometre and almost 5 million live in three cities at the centre of major census metropolitan areas—Toronto, Montréal, and Vancouver—with a density of over 4,000 people per square kilometre. High density signifies scarcity of housing. When housing is scarce, higher income households will tend to bid up the price. That increases shelter costs per square foot of living space. Cities with great population density try to deal with scarcity to some extent, but urban strategies eventually push up against limitations on available development sites. Therefore, the housing supply is constrained and prices go up.

Chart 4
Share of Population, by Population Density Rates, Canada 2006
(population density, people/km^2; per cent)



Source: Statistics Canada, 2006 Census.

Traditionally, Canadian cities had a heavy concentration of jobs in built-up downtown areas that required people to commute to work from the suburbs. Today, new concentrations of work and housing are emerging in satellite communities around our major urban cores, further complicating commuting patterns and affecting housing costs as employment opportunities grow in proximity to suburban homes.

Households in large cities constantly make trade-offs between employment, commuting time and costs, and shelter costs. Compare, for instance, the costs of residences in New Westminster with those in Vancouver. According to the 2006 Census, the average value of owned dwellings in New Westminster was $374,000, compared with $628,000 in Vancouver. However, the median income of economic families[38] in New Westminster was about $63,000, compared with $58,000 in Vancouver. New Westminster is much more affordable but requires many residents to commute to work in Vancouver, using its congested transportation system. The same dynamic is found in other urban areas, which collectively account for the lion's share of Canada's affordability challenge.

There is a trade-off between investments in transportation systems that leverage Canada's abundance of land and investments in housing in high-cost urban cores. Investments in transportation can lower the cost of commuting from communities with lower land costs and, therefore, more affordable housing. Alternatively, governments may try to subsidize housing directly in high-density urban areas where transportation is less of an issue.

Land cost tends to be driven by the income opportunities for land. In residential areas, it is driven by neighbourhood effects, including average area household incomes. Land usually goes to the highest bidder. Municipal governments set limits on the nature of development through zoning and permitting. However, within those constraints, land tends to be rationed based on area household incomes. The value of dwellings is determined largely by supply and demand. The cost of new construction is primarily determined by skilled labour costs and, secondly, by the cost of materials.

Unaffordability incidence rates are extremely sensitive to changes in household composition and income.

In the box titled "How Affordability Incidence Varies," some parameters are adjusted to show how affordability incidence may vary drastically due to changes in the make-up of households. The nature of households can have a very powerful influence on the incidence of unaffordability, especially when households are constructed based on the premise that there are multiple income earners. The average rent, even in relatively expensive places such as Calgary, is actually quite affordable for two people with relatively modest incomes who share a one-bedroom apartment. But if those people move into separate apartments, the incidence of unaffordability skyrockets. The same is true if one partner loses a job or even moves from full-time to part-time work. Simply put, incidence rates are extremely sensitive to changes in household composition and income.

To some extent, the income profile of a community will conform to shelter costs because prices adjust to demand. But as the existing stock becomes fully occupied, new construction costs will tend to determine

38 An economic family is defined as a group of two or more persons who live in the same dwelling and are related to each other by blood, marriage, common law, or adoption.

the cost of shelter. And new construction is generally more expensive than old stock. To be sure, there are so-called "filtering" effects, where older stock is vacated as the market absorbs new units. Netting out the cost of land, building new construction is generally more expensive than purchasing existing stock, which has typically depreciated over time.

Large cities are not generally easy places for low-income people to live, because their incomes simply cannot keep up with housing costs.

All these factors create a base entry-level price for housing in Canada. Most experts hold that new wood-framed residential units cannot be delivered to the market for much less than $150 per square foot. Amenities actually add very little to those costs, perhaps no more than 10 per cent. Multi-unit residential buildings are closer to $250 per square foot, but they fit more units on a single lot, so the land costs per unit are lower. And the National Occupancy Standard and municipal building permits create minimum spaces of no less than 400 square feet for individuals and upwards of twice that size for families. As a result, in most urban centres, it is difficult to deliver even a bachelor or studio unit to the marketplace for under $80,000. Even with recent cuts in mortgage rates to around 4 per cent, that still implies principal and interest payments of about $5,000 per annum; when utility fees are added to that cost, the basic entry-level cost for an individual to be housed independently is probably around $5,800 per year. That implies household earnings of at least $19,300 for even the smallest bachelor unit to be "affordable."

Using a custom run of Statistics Canada household expenditure data, we found that about 650,000 Canadian households earn less than $19,300 per year and pay over $5,800 per year for their shelter. Living in manufactured homes, depreciated housing stock, or secondary market dwellings may lower these costs to some extent, but newly formed households tend to face shelter costs geared toward newer stock.

How Affordability Incidence Varies

To illustrate how incomes interact with housing costs, let's assume there is no existing stock. Let's further assume that a developer decides to put new stock on the market.

The developer has a building envelope that allows it to develop 50 one-bedroom condominiums on a lot that cost $500,000. New stock costs $220/square foot to construct. Each unit is 600 square feet. The units sell for $160,000.

The developer sells 40 units to buyers who finance their purchase with a 10 per cent down payment and a five-year renewable mortgage at 6 per cent with a 25-year amortization. The buyers also pay condo fees of $150/month. The developer keeps aside 10 of the units to rent for $1,000/month. Each unit pays $50/month in utilities and water charges.

	Owners ($)	Renters ($)
Annual shelter costs*	13,366	12,600
Of which reduced principal is…	2,625	0
Gross household income for affordability	44,554	42,000

*As defined by the census question that is the basis for Canada's affordability estimates.

Now let's say the owners are all couples working in the service sector. Each member of each couple makes $24,000 before tax per annum, for a household income of $48,000. The building is 100 per cent affordable. But what happens in the following scenarios?

1. Household characteristics are redefined: Let's say five couples split up. They sell their units and move into the rental units. The number of households in the building goes from 40 to 50 and the incidence of households experiencing unaffordability goes from 0 per cent to 20 per cent.
2. Interest rates go up: What happens if interest rates go up to 9 per cent? Owner households' shelter costs go up to $16,400/year, meaning that they need to increase household income to $54,667 to stay under the threshold. Doing so would require salary increases of over 13 per cent, an unlikely scenario. Unaffordability incidence goes from 0 per cent to 100 per cent.
3. The developer is granted the land: If these savings are passed on to buyers, the units can be sold for $150,000, making them affordable for households earning at least $42,269. This change has only a marginal impact on total annual shelter costs, because the land cost is only $10,000 per unit and is amortized over 25 years.

Source: The Conference Board of Canada.

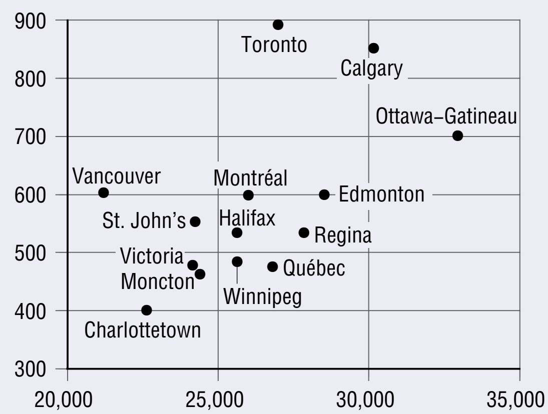
Adding to the problem is the fact that the $5,800 annual carrying cost calculated above is just for a single-person studio unit. To conform to the National Occupancy Standard, a home needs more space for additional occupants. Each additional occupant requires 100 square feet of additional space and therefore adds about $22,000 to the capital cost of the residence (for multi-unit buildings), or roughly $1,400 per year in carrying costs. This extra cost is not onerous if the additional person earns income, as he or she would have to earn only $4,660 per year to maintain affordability for a household that was at the limit. (Hence, employed young people who share apartments are much more likely to find themselves in affordable situations than are lone-person households. One additional person may require only 20 per cent more living space than a single occupant needed, while covering half the cost of the entire unit.) The problem comes when additional occupants do not earn any income, which increases the household's overall shelter costs.

Cities are the economic engines of Canada, creating income opportunities on a large scale. For our purposes, the question is whether their income-generating opportunities exceed their tendencies to increase shelter costs. We looked at 14 cities across Canada from the perspective of someone in the bottom income quintile of these cities and found much greater variability in shelter costs than in incomes. The average deviation in incomes was about half as great as the deviation in shelter costs for both owners and renters.

To illustrate, the median before-tax income for the lowest income quintile for owners in Toronto is $26,988, but their major shelter payments amount to over $10,000 per year. As the Golden Report notes, there were more low-income households in Toronto than in the rest of the Greater Toronto Area.[39] Lowest quintile owners in Regina earn more than in Toronto, $27,847, and yet their payments are significantly lower, at about $6,400. Although lowest quintile renters in Canada earn about half as much as lowest quintile owners, their rent payments average only about $10 per month less than owners' payments. Furthermore, the income of lowest quintile owners in Vancouver was lower than that in any of the other 13 Canadian cities studied, and yet their shelter costs were among the highest. No wonder Vancouver has an affordability problem. Households in the left-side quadrants of Chart 5 are highly likely to experience affordability problems.

The data demonstrate two things about affordability. First, there is a constant tension between the income-generating opportunities that cities offer and their tendency to increase housing costs relative to lower incomes. Large cities are not generally easy places for low-income people to live, because their incomes simply cannot keep up with housing costs, which higher-income people bid up. Second, there is an entry-level price for admission into the housing market. The bottom line does not vary much for renters or owners, but owners benefit from purchasing even modest units. As we have noted, owners accumulate savings while they pay their mortgage and therefore, over time, may become significantly better off than renters.

Chart 5
Major Shelter Payments per Month and Annual Income of Lowest Quintile Owners
($)



Source: Statistics Canada, custom tabulation.

39 Golden et al., *Taking Responsibility for Homelessness*, p. 137.

CHAPTER 2

Affordability in Canada: Empirical Evidence

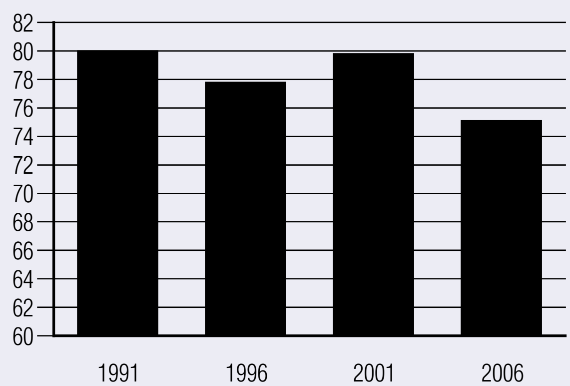
Chapter Summary

- The recent overall trend in Canada has been one of worsening housing affordability.
- The risk of housing unaffordability varies by demographic group, reflecting their risk of experiencing low income, a high cost of living, and limited prospects of transitioning from a high- to a lower-risk group.
- Unaffordability among high-risk groups is likely to worsen, as rental stock is failing to keep pace with demand.

Housing affordability has been worsening in Canada for a number of years. The recent history of affordability reveals some fluctuations. There was a slight worsening of affordability between 1991 and 1996, followed by an improvement between 1996 and 2001, and another worsening between 2001 and 2006. (See Chart 6.) In total, over 3 million Canadian households currently face challenges with affordability.

This worsening is partly an artifact of the census's "snapshot" approach to measuring affordability. Periods of recession generally follow periods of building. In periods of building, affordability may initially be stable as incomes and shelter costs both grow, but at the end of the building cycle there is likely to be excess stock as developers have difficulty pulling out of projects. This period of oversupply improves affordability, as developers drop prices and rents to remove excess stock. Moreover, in recessions, interest rates are typically lowered to spur economic activity. That lowers financing costs for owners, once again improving affordability. Thus, affordability improved in the recessions of 1991 and 2001, but it worsened during periods of growth in 1996 and 2006.

Chart 6
Percentage of Households Spending Less Than 30 Per Cent of Before-Tax Income on Shelter Costs, Recent Census Years
(per cent)



Source: Statistics Canada.

The Canadian recession of 2008–2009 demonstrated these forces at play. (See box, "Housing Affordability in Perilous Times.")

WHERE IS THE CHALLENGE GREATEST?

Which communities face the greatest challenges? Table 5 looks at this question from the perspective of the most and least affordable communities. This table has two noteworthy features. First, although it is unsurprising to see the large metropolises of Toronto, Montréal, and Vancouver among the least affordable places, given that less affordable communities tend to be larger than more affordable ones, it is surprising to see the extent of the range of community populations that face affordability challenges. Second, unaffordability occurs in relatively similar proportions in so-called expensive communities and affordable communities alike. On average, 17 per cent of the households in the 25 most affordable communities face affordability challenges, compared with 30 per cent of the households in the 25 least affordable

Housing Affordability in Perilous Times: The Effects of the Economic Crisis

The Canadian recession of 2008–09 had a significant impact on national housing affordability. In the early months of the crisis, a combination of factors depressed housing demand. Unemployment increased to 7.6 per cent in the first quarter of 2009 (from 5.9 per cent one year earlier).[1] Combined with slowing wage growth and shrinking work weeks, this caused personal income to drop slightly—from $36,773 to $36,583. There was also a reduction in net international migration to Canada, from an annualized rate of 180,852 in the first quarter of 2008 to 171,344 in the first quarter of 2009.[2]

At the same time, the housing supply continued to increase, though more modestly than in recent years. CMHC data reveal that housing starts totalled 139,400 in the first quarter of 2009, adding to the inventory of existing homes.[3]

Together, these factors led many analysts to forecast a drop in housing prices. Scotiabank Group, for instance, forecast a 10 per cent decline in average home prices over 2009.[4] As Multiple Listing Service (MLS) data reveal, this drop in price *did* materialize in the first quarter of the year, with the average house price falling to $284,681 (from $312,002 one year earlier).[5]

1 Canadian Labour Force Survey data supplied by Statistics Canada via e-Data, January 18, 2010.

2 Data supplied by Statistics Canada via e-Data, January 18, 2010.

3 Data supplied by Canada Mortgage and Housing Corporation via e-Data, January 18, 2010.

4 Warren, *Global Real Estate Trends*.

5 Data supplied by the Canadian Real Estate Association via e-Data, January 18, 2010.

To many analysts' surprise, however, the reduced prices did not last long. By the second quarter of 2009, MLS average resale prices had rebounded to $318,670.[6] This sudden turnaround may be attributed to several factors. Historically low interest rates, government purchase incentives, enhanced consumer confidence, and an increase in net migration to Canada all strengthened housing demand. Furthermore, new resale listings lagged as "potential move-up buyers have been much slower to come back to the market, perhaps due to lingering uncertainty over the employment outlook and/or a [reluctance] to take on a larger debt load."[7]

Average home prices continued their ascent in the second half of 2009, reaching an unprecedented $338,807 in the fourth quarter. While they are expected to rise further in 2010, an improvement in housing affordability may be in store for 2011 or 2012. According to some economists, the increased costs of housing and a likely rise in interest rates should eventually cool demand, while gains in housing starts and new listings will augment supply. This may result in a "price correction"—a stagnation or decline in prices, and an "essential ingredient to restoring affordability."[8]

6 Ibid.

7 Warren, *Global Real Estate Trends*.

8 Ibid.

Source: The Conference Board of Canada.

Table 5
25 Most Unaffordable and Affordable Communities, 2006 Census

Unaffordable	Total households	Households experiencing unaffordability #	%
Hawkesbury* (Ont./Que.)	5,340	3,540	66.3
Toronto** (Ont.)	1,792,960	1,194,835	66.6
Collingwood* (Ont.)	7,310	4,880	66.8
Vancouver** (B.C.)	808,710	542,845	67.1
Abbotsford** (B.C.)	55,090	38,225	69.4
Orillia* (Ont.)	15,905	11,115	69.9
Canmore* (Alta.)	4,765	3,335	70.0
Victoria** (B.C.)	142,780	101,275	70.9
Nanaimo* (B.C.)	38,380	27,225	70.9
Kelowna** (B.C.)	62,540	44,550	71.2
Midland* (Ont.)	14,160	10,185	71.9
Squamish* (B.C.)	5,615	4,040	72.0
North Bay* (Ont.)	26,240	18,915	72.1
Barrie** (Ont.)	63,570	45,835	72.1
Cornwall* (Ont.)	24,185	17,470	72.2
Penticton* (B.C.)	18,450	13,335	72.3
Chilliwack* (B.C.)	29,675	21,590	72.8
Vernon* (B.C.)	21,645	15,770	72.9
Peterborough** (Ont.)	45,610	33,240	72.9
Owen Sound* (Ont.)	13,280	9,725	73.2
Kingston** (Ont.)	61,650	45,170	73.3
Montréal** (Que.)	1,519,300	1,117,680	73.6
Hamilton** (Ont.)	265,270	195,685	73.8
Halifax** (N.S.)	154,675	114,715	74.2
St. Catharines–Niagara** (Ont.)	155,340	115,400	74.3
Averages	**214,098**	**150,023**	**71.3**

Affordable	Total households	Households experiencing affordability #	%
Kitimat* (B.C.)	3,625	3245	89.5
Petawawa* (Ont.)	5,325	4715	88.5
Cold Lake* (Alta.)	4,305	3745	87.0
Baie-Comeau* (Que.)	12,605	10905	86.5
Sept-Îles* (Que.)	10,990	9360	85.2
Thompson* (Man.)	4,875	4135	84.8
Amos* (Que.)	7,120	6,020	84.6
Rivière-du-Loup* (Que.)	10,575	8,890	84.1
Yellowknife* (N.W.T.)	6,605	5,515	83.5
Portage la Prairie* (Man.)	7,230	6,015	83.2
La Tuque* (Que.)	5,595	4,650	83.1
Thetford Mines* (Que.)	11,675	9,680	82.9
Sorel–Tracy* (Que.)	21,395	17,710	82.8
Bathurst* (N.B.)	12,935	10,680	82.6
Estevan* (Sask.)	4,595	3,790	82.5
Cowansville* (Que.)	5,335	4,400	82.5
Quesnel* (B.C.)	8,865	7,310	82.5
Lloydminster* (Alta./Sask.)	10,130	8,345	82.4
Medicine Hat* (Alta.)	27,425	22,550	82.2
Miramichi* (N.B.)	9,510	7,815	82.2
Wood Buffalo* (Alta.)	17,815	14,555	81.7
Williams Lake* (B.C.)	7,305	5,965	81.7
Corner Brook* (N.L.)	10,500	8,540	81.3
Port Alberni* (B.C.)	10,555	8,570	81.2
Rouyn–Noranda* (Que.)	17,385	14,105	81.1
Averages	**10,171**	**8,448**	**83.6**

*CA = census agglomeration
**CMA = census metropolitan area
Source: Statistics Canada.

communities. That suggests a fundamental structural disconnection between the cost of putting shelter in place and the ability of lower-income people to access shelter without exceeding the 30 per cent STIR threshold.

Unaffordability is a transitional state for most, although a significant minority still spends prolonged periods in unaffordable housing.

Canada's affordability performance worsened by about 124,000 households between the 2001 Census and the 2006 Census. However, affordability improved in some communities and deteriorated in others. (See Table 6.) Out of 152 census agglomerations and census metropolitan areas, 84 became more affordable and 68 became less affordable between the two censuses. However, because population rose mainly in the less affordable communities, overall affordability worsened. Toronto alone added over three times as many households to the unaffordability ranks as the top 15 communities added to the affordability ranks.

WHO EXPERIENCES AFFORDABILITY ISSUES?

The good news is that unaffordability is a short-term phenomenon for many Canadians, as shown by a study using data from Statistics Canada's Survey of Labour and Income Dynamics.[1] Of just over 7 million Canadians who experienced affordability issues between 2002 and 2004, almost half did so for only one year and over 65 per cent did so for two years or less. (See Chart 7.)

Table 6
Inter-Census Additions to Unaffordability and Affordability Counts, Top 15, 2001–06

Affordability worsened in...	Households	+ Unaffordability	Affordability improved in....	Households	+ Affordability
Toronto** (Ont.)	1,625,530	108,911	Québec** (Que.)	295,187	9,741
Vancouver** (B.C.)	750,195	17,254	Greater Sudbury** (Ont.)	62,863	3,017
Ottawa–Gatineau** (Ont./Que.)	415,311	10,383	Cape Breton* (N.S.)	41,163	2,717
Calgary** (Alta.)	354,003	8,496	Saguenay** (Que.)	62,036	2,233
Montréal** (Que.)	1,421,235	7,106	Winnipeg** (Man.)	270,063	2,161
Oshawa** (Ont.)	103,681	3,940	Prince George* (B.C.)	31,807	1,622
Hamilton** (Ont.)	251,679	3,775	Sault Ste. Marie* (Ont.)	31,404	1,507
Kitchener** (Ont.)	152,493	3,507	Shawinigan* (Que.)	25,160	1,384
Windsor** (Ont.)	117,000	3,393	Trois-Rivières** (Que.)	59,176	1,361
Barrie** (Ont.)	52,021	2,757	Sorel–Tracy* (Que.)	20,552	1,233
St. Catharines–Niagara** (Ont.)	149,653	2,544	Rouyn–Noranda* (Que.)	16,401	1,181
Halifax** (N.S.)	144,018	2,448	Kamloops* (B.C.)	34,570	1,141
Edmonton** (Alta.)	351,935	2,112	Timmins* (Ont.)	17,027	1,124
Guelph** (Ont.)	44,007	1,848	Red Deer* (Alta.)	26,022	1,067
Kelowna** (B.C.)	55,591	1,334	Sherbrooke** (Que.)	75,329	979
Total	**5,988,354**	**179,809**	**Total**	**1,068,760**	**32,468**

*CA = census agglomeration
**CMA = census metropolitan area
Source: Statistics Canada.

1 Engeland et al., *The Dynamics of Housing Affordability*, p. 3.

That indicates unaffordability is a transitional state for most, although a significant minority still spends prolonged periods of time in unaffordable housing.

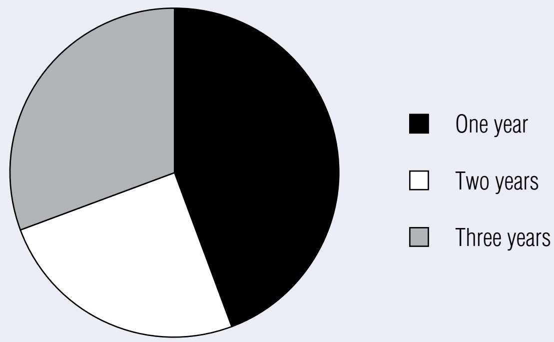
Certain groups are much more likely than others to experience persistent affordability challenges. (See Table 7.) The characteristics covered in the table differ considerably in how they relate to affordability. Some may expose people to the risk of low income; others may put them at risk of experiencing high shelter costs; and a third group are essentially strategies people use to deal with high shelter costs.

Subsidies clearly decrease the prolonged incidence of unaffordability, but their impact is weaker than that of self-directed strategies.

Overall, the authors found Canadians have less than a 1 in 3 chance of experiencing affordability challenges and a less than 1 in 10 chance of experiencing those challenges for long periods. However, some income groups are at significantly higher initial risk and higher long-term risk.

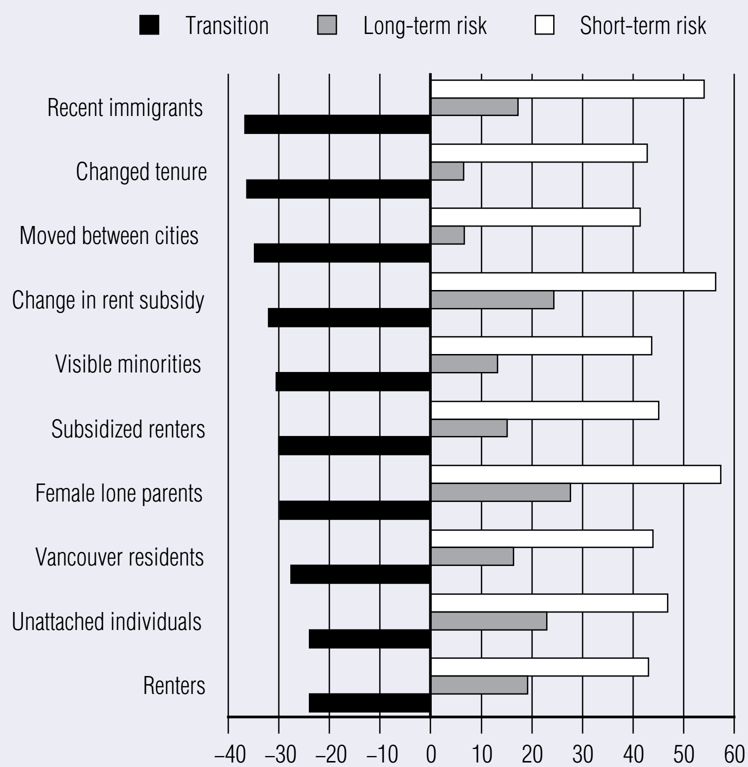
Chart 8 organizes these characteristics into three risk profiles: short-term risk, long-term risk, and transitional risk (which is simply the difference between the short- and long-term risks). We focused on the 10 most at-risk categories of individuals to assess against this typology. The chart shows that some groups experience high initial risk but then find a way to greatly reduce their risk over time. Since in some cases the data merely report demographic characteristics, it is not clear why a particular group can lower its long-term risk. In other cases, the results can be linked directly to strategies employed, such as moving from one locale to another or changing tenure. Subsidies, too, clearly decrease the prolonged incidence of unaffordability, but their impact is weaker than that of self-directed strategies.

Chart 7
Duration of Unaffordability Among Canadians With Affordability Challenges, 2002–04
(n=7.024 million)



Source: Engeland et al., The Dynamics of Housing Affordability.

Chart 8
Unaffordability Incidence Rates Among At-Risk Populations, 2002–04
(per cent)



Sources: Engeland et al., *The Dynamics of Housing Affordability*; The Conference Board of Canada.

Table 7
Cross-Sectional and Longitudinal Rates of Exceeding the Affordability Benchmark, 2002–04
(per cent)

	Cross-sectional			Longitudinal		
Characteristics	**2002**	**2003**	**2004**	**Ever**	**Persistently**	**Difference**
Entire population	**19.4**	**19.6**	**20.0**	**28.1**	**8.6**	**19.5**
Gender						
Female	20.3	20.6	20.8	29.7	9.6	20.1
Male	18.5	18.6	19.2	26.5	7.6	18.9
Age group						
0 to 19	21.5	21.5	21.9	30.7	9.8	20.9
20 to 29	21.3	21.6	21.7	33.1	6.5	26.6
30 to 49	19.3	19.9	20.3	28.1	8.7	19.4
50 to 64	16.9	16.9	17.7	23.5	7.9	15.6
65 and over	16.8	17.0	16.9	24.4	9.3	15.1
Tenure						
Owners—with mortgage*	21.5	22.0	23.1	30.5	10.2	20.3
Owners—without mortgage*	3.5	3.6	4.0	5.9	1.1	4.8
Owners—with a change in mortgage status	n.a.	n.a.	n.a.	24.9	0.8	24.1
Renters—market*	32.0	38.4	34.3	43.1	19.2	23.9
Renters—subsidized*	33.9	32.7	33.1	45.1	15.1	30.0
Renters—with a change in rent subsidy status	n.a.	n.a.	n.a.	56.4	24.3	32.1
Changed tenure	n.a.	n.a.	n.a.	42.8	6.5	36.3
Geography						
Ottawa–Gatineau*	16.1	20.6	19.4	23.8	7.3	16.5
Toronto*	23.9	25.2	28.9	36.0	11.9	24.1
Vancouver*	30.7	30.3	33.1	44.0	16.4	27.6
Montréal*	20.8	17.2	17.4	25.3	9.0	16.3
Calgary*	15.3	21.3	18.6	26.8	8.1	18.7
Edmonton*	16.7	16.4	13.7	24.9	5.5	19.4
Victoria*	22.2	23.5	21.7	30.5	8.8	21.7
Other CMAs*	18.0	17.9	17.3	24.8	7.5	17.3
Rural*	13.4	14.1	14.8	20.5	5.7	14.8
Moved between these places	n.a.	n.a.	n.a.	41.4	6.6	34.8

(continued)

Table 7 (cont'd)
Cross-Sectional and Longitudinal Rates of Exceeding the Affordability Benchmark, 2002–04
(per cent)

	Cross-sectional			Longitudinal		
Characteristics	**2002**	**2003**	**2004**	**Ever**	**Persistently**	**Difference**
Family type						
Married couple with no children*	11.7	11.8	11.6	16	4.2	11.8
Married couple with children*	15.8	16.5	17.5	24.3	7.3	17.0
Unattached individual*	40.9	41.3	41.6	46.9	22.9	24.0
Female lone parent*	48.6	45.2	44.2	57.4	27.6	29.8
Male lone parent*	27.8	24.8	27.4	25.7	12.8	12.9
Other family types*	17.7	18.2	18.5	23.6	5.3	18.3
Changed family type	n.a.	n.a.	n.a.	38.6	7.1	31.5
Disability						
Yes	23.1	22.6	23.4	30.1	10.5	19.6
No	17.5	17.8	18.1	25.8	6.8	19.0
Aboriginal						
Yes	23.6	25.2	23.4	36.7	10.4	26.3
No	18.6	18.7	19.1	27.0	8.0	19.0
Visible minority						
Yes	28.6	29.8	31.3	43.7	13.2	30.5
No	17.4	17.4	17.6	25.1	7.4	17.7
Years since immigration (as of 2002)						
0 to 9	36.5	36.9	37.6	54.0	17.3	36.7
10 to 19	27.7	31.4	33.1	39.5	14.1	25.4
20 to 29	24.2	23.0	25.1	35.7	10.3	25.4
30 to 39	19.0	16.4	19.2	24.6	7.8	16.8
40 and more	14.4	16.7	14.5	22.3	6.8	15.5
Non-immigrant	18.4	18.5	18.8	26.7	8.1	18.6
Educational						
Below high school	20.6	20.9	20.8	29.4	9.5	19.9
Graduated high school	18.7	18.9	19.8	27.6	8.1	19.5
Some post-secondary education (PSE) without certificate	21.1	21.1	20.8	30.1	9.1	21.0
Some PSE with certificate	16.8	16.9	17.9	25.3	7.3	18.0
Bachelor's degree	14.0	15.3	14.4	21.1	5.5	15.6
Post-graduate degree	15.4	12.3	13.7	19.3	5.2	14.1

n.a. = not available
*All three years for longitudinal estimates
Source: Engeland et al., *The Dynamics of Housing Affordability*.

AT-RISK GROUPS

These data show that three major factors heighten the risk of living in unaffordable housing for prolonged periods:

- risk of low income;
- risk of living in high-cost communities; and
- risk of not transitioning quickly (within three years) from a high-risk to a lower-risk group.

In other words, it is not the initial condition of unaffordability that matters as much as whether people can escape that position through their own efforts or with help from the community. Table 8 breaks down the at-risk groups. We categorize the groups at a high initial risk of facing affordability challenges, those that are likely to persistently experience unaffordability for a full three years, and those that have low rates of transition. We define at-risk groups as those that are at least 10 per cent more likely to experience one of these three conditions than the overall population.

Recent Immigrants

Recent immigrants are a case in point. They are at a very high risk of experiencing prolonged periods of low income.[2] One of the more alarming statistics from the 2006 Census is that recent immigrants—those who arrived between 2001 and 2006—with a university degree earn almost $8,000 less than Canadian-born citizens without a university degree. Moreover, immigrants are disproportionately represented among Canadians with low income, as defined by the after-tax low-income cut-off. Immigrants rely very heavily on their employment earnings to pay for their housing, since over 80 per cent of their income comes from employment earnings. The incidence data clearly show they find ways of improving their circumstances within three years. They have good labour force attachment and eventually many do escape housing unaffordability. (See Table 9.)

Table 8
Above-Average Risk Groups Not Meeting the Affordability Standard, Three Dimensions
(per cent)

	Share of population experiencing initial unaffordability	Share of population experiencing persistent (3+ years) unaffordability	Share of those experiencing initial unaffordability who transition to affordable housing
Overall	**28.1**	**8.6**	**69.4**
Female lone parents	57.4	27.6	51.9
Renters with a change in rent subsidy status	56.4	24.3	56.9
Recent immigrants	54.0	17.3	68.0
Unattached individuals	46.9	22.9	51.2
Vancouver residents (resort community)	44.0	16.4	62.7
Visible minorities	43.7	13.2	69.8
Renters at market rent	43.1	19.2	55.5
Longer-term immigrants (10–19 years)	39.5	14.1	64.3
Aboriginal people	36.7	10.4	71.7
Young adults	35.7	10.3	71.1

Sources: Engeland et al., *The Dynamics of Housing Affordability*; The Conference Board of Canada.

2 Despite their high risk of experiencing prolonged periods of low income, most recent immigrants find affordable housing. That success can be attributed, in part, to the housing strategies they adopt, such as grouping multiple families in a single dwelling.

Table 9
Canadian-Born and Immigrant Populations: Median Annual Household Income, Shelter Costs, and Percentage of Persons Spending 30 Per Cent or More of Household Income on Shelter, Canada, 2001 and 2006

	Median annual household income (current $)		Median annual household shelter costs (current $)		Persons in private occupied dwellings spending 30 per cent or more of their household income on shelter (%)	
	2000	2005	2001	2006	2001	2006
Canadian-born population	58,259	67,844	8,653	10,200	18.5	18.6
Total immigrant population	56,173	62,244	9,577	11,470	25.4	28.5
Immigrant population (years since immigration)						
<5 years	43,968	48,681	10,760	12,449	38.9	41.4
6–10 years	52,780	60,180	10,969	14,463	31.4	36.4
11–20 years	61,166	66,581	11,330	13,888	26.6	31.0
21–30 years	69,192	74,675	10,323	12,069	21.0	24.4
31–40 years	63,815	74,225	7,814	9,900	18.6	20.1

Source: Statistics Canada, 2001 and 2006 census data.

Off-Reserve Aboriginal People

It is interesting to contrast the experience of recent immigrants with that of off-reserve Aboriginal people. Two-thirds of Canada's 1.2 million Aboriginal people live off reserve and fully one-quarter live in large metropolitan areas, especially in western centres such as Winnipeg, Edmonton, and Vancouver.[3] According to the 2006 Census, the median income of individual Aboriginal people is $16,752, compared with the overall Canadian individual median of about $22,800.[4] Still, Aboriginal Canadians are very successful at reducing a relatively high rate of initial unaffordability within three years, much like recent immigrants.

This success can be attributed, in part, to government programs aimed at supporting Canada's Aboriginal people. One such program at the federal level is the Urban Aboriginal Strategy (UAS). The strategy encourages various actors—including Aboriginal communities and organizations, municipal and provincial governments, and the private sector—to join the federal government in developing and sharing best practices and knowledge to improve housing outcomes among urban Aboriginal people. It also provides modest funding to UAS-designated cities for initiatives to house Aboriginal students attending accredited educational institutions; support Aboriginal Canadians' transitions to cities; and provide emergency shelter to Aboriginal women, children, and families fleeing abuse.[5]

Similar initiatives exist at the provincial level, including British Columbia's Aboriginal Homeless Outreach program. Launched in February 2008, the program provides homeless Aboriginal people with direct access to shelter and to support services that can help them transition to sustainable independent living situations. It has an annual budget of $500,000, which is divided equally among eight non-profit organizations selected to operate the program in their communities.[6]

3 Statistics Canada, Aboriginal Peoples.

4 Statistics Canada. "Income and Earnings."

5 Interview data, public sector segment, May 8, 2009.

6 BC Housing, *Aboriginal Homeless Outreach Program.*

People in Resort Communities

Vancouver is the worst-case example of these factors at play. It experiences many of the forces that make resort communities, such as Collingwood and Canmore, among the most unaffordable in Canada. In particular, property prices are driven more by the incomes of resort property owners from outside the community than by the incomes of local residents. Vancouver is actually part of a global property market in Pacific oceanfront properties that includes such appealing locations as Sydney, Los Angeles, and San Francisco. Well-off foreign and Canadian investors who value the location and climate bid up residential properties, while the local economy does not produce sufficiently high incomes for those in the lower-income quartiles to affordably rent those properties.

Other At-Risk Groups

But while Aboriginal people and recent immigrants enjoy relatively high rates of transition from unaffordable to affordable housing arrangements, the same is not true for female lone-parent families, renters who change their rental subsidy status, single individuals, residents of Vancouver, and market renters. All these groups are at significantly higher risk of experiencing initial affordability problems that persist, partly due to their tendency to have persistently low incomes. There also appears to be a market structure problem for renters, especially in large urban centres, where a disconnection between rental costs and the incomes of the rental population exists.

UNAFFORDABILITY IS RISING

Given these risk factors, the problem is likely to get worse over time, for two reasons. First, there appears to be a fundamental problem with rental stock in Canada. The number of households renting actually declined between 2000 and 2005, with an offsetting increase in the number of condominium owners, partly due to the widespread availability of cheap mortgages. Ownership levels in Canada are now at an all-time high, which many see as a positive development. But the rental market serves a valuable purpose for those who are mobile and those who have difficulty making the financial commitments involved in home ownership. Renters tend to earn less than owners and seek out low-cost rental units. However, the scarcity in rental supply tends to pull rental rates upwards, forcing renters to pay more than they would like or can afford.

The business case for building new rental units, especially those targeted at lower-income households, is weakening. A Toronto study showed that the decline in the supply of rental stock is due to the fact that rental apartments are a poor investment, as they require a large capital outlay and only generate returns in the very long run.[7] Renovating existing buildings offers greater returns on investment but does little to add to the total stock of housing.

Ownership levels in Canada are now at an all-time high, which many see as a positive development. But the rental market serves a valuable purpose for those who are mobile and those who have difficulty making the financial commitments involved in home ownership.

Canada's rental vacancy rate reached a five-year low in 2008, with vacancy rates falling below 2 per cent in many large municipal areas. CMHC's recently developed affordability indicator compares median income to median rents for two-bedroom apartments in major centres. The lower the value (below a baseline of 100), the worse housing affordability is for median-income households in that centre. Although many communities have improved affordability, it continues to be a major issue in centres such as Toronto, Vancouver, and even Regina. (See Table 10.)

However, population growth has an even greater effect on affordability. Canada is almost entirely dependent on new immigration for its net population growth. As we have seen, new immigrants are at high risk of facing initial and persistent affordability problems. By 2011, Canada's population is projected to be 34.5 million, up from 32.5 million in 2006. As much as 90 per cent of the increase will come from immigration and those immigrants will overwhelmingly move to expensive large

7 Golden et al., *Taking Responsibility for Homelessness*, p. 141.

Table 10
CMHC Median Income to Median Rent Affordability Indicator
(baseline = 100)

Centre*	2007	2008
Calgary	101	103
Edmonton	116	116
Halifax	113	115
Hamilton	113	115
Kitchener	101	108
London	117	119
Montréal	133	135
Oshawa	106	108
Ottawa–Gatineau (Ont. part)	97	98
Ottawa–Gatineau (Que. part)	118	122
Québec	126	135
Regina	103	93
Saguenay	128	121
Saint John	139	126
Saskatoon	110	92
Sherbrooke	133	128
St. Catharines–Niagara	104	102
St. John's	90	83
Sudbury	87	74
Thunder Bay	96	88
Toronto	91	90
Vancouver	97	95
Victoria	96	92
Windsor	86	93
Winnipeg	103	105

*census metropolitan area
Note: The lower the value (below a baseline of 100), the worse housing affordability is for median-income households.
Sources: Canada Mortgage and Housing Corporation, *Canadian Market Overview*; The Conference Board of Canada.

metropolitan areas, such as Toronto, Vancouver, Calgary, and Montréal. Since many immigrants have persistently low income, their presence is likely to add to the affordability challenge in these urban centres. If other factors stay the same, we expect about 230,000 additional immigrant households to face affordability challenges. That alone would increase the national unaffordability incidence rate by around 2 percentage points.

It is important to separate transitory elements from persistent elements, and property market conditions from elements related to income generation.

The challenge from a community action perspective is to align interventions with the reality of the affordability challenge. It is important to separate transitory elements from persistent elements, and property market conditions from elements related to income generation. A "one-size-fits-all" approach to affordability will rarely result in effective strategies because it does not distinguish between these elements of the problem. As part of this report, we provide a set of tools to help communities define these elements. (See Chapter 5.)

The following chapters shed light on what can work and how to make policy, program, and investment decisions related to developing and building affordable housing. We present a suggested approach to affordability, set out intervention principles, highlight approaches that apply these principles, and provide tools to help policy makers and planners implement them in their communities.

CHAPTER 3

What to Do About It

Chapter Summary

- Canada faces a significant shortage of social housing. However, that is not the only affordability challenge Canada faces.
- Canada needs to completely rethink affordability. That involves breaking the affordability challenge into parts and considering which stakeholders can most efficiently, effectively, and equitably handle each part, given their core competencies and cost structure.
- Research suggests that the private sector is most efficient at innovating to lower shelter costs, government and non-profits are efficient as client advocates, and non-profits are efficient operators.
- To achieve greater effectiveness and equity, Canadian stakeholders need to establish more achievable objectives and engage in better targeting.

Every five years, over a 15-year span, Statistics Canada has released new data on housing affordability, which clearly show that affordability is worsening in Canada. Thus, advocates have suggested that governments "do something" about unaffordable housing.

Governments have already responded by launching the Federal-Provincial Affordable Housing Initiative (AHI). Under its bilateral agreements, the provinces and territories match federal funding. The matching funds come from a range of sources—including the private sector, municipalities, and charitable organizations—and may take a variety of forms, including land grants and direct subsidies. The program is highly devolved, the rationale being that affordability is somewhat localized in certain "hot spots" and that provinces are in the best position to coordinate affordable housing policy with other social supports.

The first of the AHI's two phases was announced in 2001. It provided $680 million in funding for the creation of new rental housing, and for major renovation and conversion. The average amount of federal funding could not exceed $25,000 per housing unit under the first phase. Rental units subsidized under the AHI must rent at prices at or below median market rents.

A further federal commitment of $320 million was announced in 2003. In this second phase, the maximum federal funding was increased to 50 per cent of capital costs, to a maximum of $75,000 per housing unit.

Funding was intended to reduce rents to levels that low-income households could afford. Additional funding was provided for housing targeted at low-income households in communities where there was a significant need for affordable housing. To be considered "low income," a household had to qualify for inclusion on a social housing waiting list. Priority targets were immigrants.

In total, the program's goal was to contribute about 120,000 units to the bottom end of the housing market. (See Table 11.) However, in the *Wellesley Institute National Housing Report Card* 2008, Michael Shapcott indicates that since the AHI began, federal spending had increased by $234 million, while by 2007, combined provincial and territorial spending had decreased by $210 million.[1] It should be noted, however, that this drop was due to the fact that Ontario cut its housing spending by $732 million; the other provinces, in combination, actually increased spending by $522 million. Shapcott also claims that from 2001 to 2005, only about 12,000 new units were created under the program.[2] While the CMHC's 2009 *Canadian Housing Observer* indicates that the figure has climbed to 41,000, this is still far below target levels.[3]

Provinces are beginning to experiment with approaches to managing the transition between on-reserve and off-reserve housing for Aboriginal Canadians.

Also concerning is the disconnect between on-reserve Aboriginal housing and off-reserve provincial housing programs. The current approach to helping Aboriginal people transition from on-reserve to off-reserve housing is not holistic, as the former is a federal responsibility and the latter is a provincial responsibility. Hence, there is scope for improving government policies and coordination.

Table 11
Affordable Housing Initiative Allocations and Progress, as of March 31, 2009

	Total ($ millions)	Phase I allocation ($ millions)	Phase II allocation ($ millions)	Committed and/or announced ($ millions)	Committed and/or announced (units)
Newfoundland and Labrador	20.45	15.14	5.31	19.32	1,340
Prince Edward Island	4.16	2.75	1.41	2.95	120
Nova Scotia	28.09	18.63	9.46	27.93	1,211
New Brunswick	22.55	14.98	7.57	22.42	1,071
Quebec	236.51	161.65	74.86	233.59	8,929
Ontario	366.29	244.71	121.58	313.09	17,422
Manitoba	36.93	25.39	11.54	35.22	2,095
Saskatchewan	33.02	22.93	10.09	33.02	1,328
Alberta	98.62	67.12	31.50	98.62	3,683
Northwest Territories	7.95	7.54	0.41	7.95	297
Nunavut	5.25	4.96	0.29	5.25	212
Yukon	5.80	5.50	0.30	5.41	331
British Columbia	130.38	88.70	41.68	130.38	4,305
CMHC overhead	4.00		4.00		
Total	**1,000.00**	**680.00**	**320.00**	**935.15**	**42,344**

Source: CMHC, National AHI Funding Table.

1 Shapcott, *Wellesley Institute National Housing Report Card.*

2 Shapcott, *Dying for a Place to Call Home.*

3 CMHC. *Canadian Housing Observer.* 2009.

Provinces are beginning to experiment with approaches to managing the transition between on-reserve and off-reserve housing for Aboriginal Canadians. For example, Ontario has designed an $80 million Housing Trust program, which Aboriginal organizations administer. The program will fund a combination of new rental stock, rehabilitation of existing stock, and homeownership loans. This program is a good example of a province, the federal government, and Aboriginal groups working together to find creative ways to help people transition from on-reserve to off-reserve housing.

In the 1980s, 20,000 units of social housing were built annually. This figure dropped dramatically in the following decade.

Critics point to the fact that Canadian governments have largely withdrawn from the construction of social housing units, limiting their spending to maintaining the existing social housing stock. In the 1980s, 20,000 units of social housing were built annually. This figure dropped drastically in the following decade. Only 4,450 additional units in total were built between 1994 and 1998, an average of fewer than 1,000 units annually—less than 5 per cent of the previous rate. Only Vancouver and the Province of Quebec have continued to build social housing units in any volume since 1998. However, due to the AHI, more jurisdictions plan to build on a larger scale in the future. In addition to substantial federal funding to rehabilitate existing social housing, the 2009 federal budget also allocated money for affordable units for seniors, disabled people, and on-reserve Aboriginal people. (See box "Federal 2009 Budget Measures for Housing.")

In total, Canada expends significant resources on social housing. The current supply of social housing comprises more than 650,000 social housing units. Governments at all levels spend around $4.5 billion per year on housing, much of which goes toward financing and maintaining the existing social housing stock.

Despite its efforts, Canada continues to experience a demand for social housing that outstrips supply, as indicated by the length of social housing waiting lists.

Federal 2009 Budget Measures for Housing

The 2009 federal budget included the following measures:

- $1 billion for renovations and retrofits of existing social housing;
- $400 million to build housing for low-income seniors;
- $75 million to build housing for people with disabilities;
- $400 million to build new housing and improve existing housing on reserves; and
- $200 million for social housing in Yukon, the Northwest Territories, and Nunavut.
- Up to $2 billion in direct low-cost loans to municipalities, over two years, for housing-related infrastructure projects.

Source: Finance Canada.

However, assessments of the scale of the shortage based on the length of these lists tend to exaggerate the problem. That is because people who may not need social housing are attracted to the units, which are priced well under market rates, and so add their names to the waiting lists. Still, a social housing shortage does exist, even when we discount these individuals.

Social housing is not the only affordable housing challenge today. Problems of affordable homes are so pervasive that they require us to rethink affordability.

However, social housing is not the only affordable housing challenge in Canada today. Arguably, it is not even the most significant challenge. In fact, problems of affordable housing are so pervasive that they require us to rethink affordability.

RETHINKING AFFORDABILITY

It is helpful to break the affordability challenge down into its constituent parts and then consider which stakeholders can most efficiently and effectively deal with each component, given their core competencies and cost structure.

Our objective is to alleviate poverty and encourage transitions to more affordable housing. The idea should be to encourage transitions as much as possible and to alleviate poverty when transitions are not possible. It is difficult to alleviate poverty in a system where people are better off not attempting a transition. Such a system encourages long spells on social assistance, discourages tenants and their children from building human capital, and thus creates a poverty trap.

That is why the federal government introduced the Child Tax Benefit in 1992 with a gradual clawback as household incomes increased. The benefit allowed provinces to put less emphasis on social assistance and more on child programs—particularly educational programs—to encourage longer school stays and limit the intergenerational transmission of poverty. The 2008 federal budget included $550 million per year for the new Working Income Tax Benefit to help low-income families climb over the "welfare wall." Housing policy needs to be consistent with the thrust of these income support initiatives, as part of an integrated approach to addressing the core issue of long-term low income.

Governments want to encourage able-bodied individuals to earn more of their income from attachment to the labour force. The aim of welfare policy is to limit long-term use of social assistance and to ensure that only people in true need have access to welfare. That is why Canada's social assistance entry and use rates fell dramatically during the late 1990s,[4] a trend that changed both the number and composition of social assistance recipients. Single people and couples without children now make up a smaller proportion of the social assistance rolls, while lone mothers with children form a higher proportion.

Our affordability framework has three levels and includes roles for three actors, who, guided by three principles, seek to accomplish three things. (See box "Affordability Action: A Three-Storey House.")

The three actors are:
- private for-profit developers and operators, including secondary market operators;
- governments; and

Affordability Action: A Three-Storey House

Objective: Lower shelter costs and increase incomes

Three actors:
- private sector
- government
- civil society

Three mechanisms:
- design/build
- finance
- operate

Three principles:
- efficiency
- effectiveness
- equity

- civil society, which includes non-profit developers and operators, and a wide range of social assistance and religious agencies.

These actors employ a number of mechanisms: they design and build "affordable" housing units, finance them, and operate them.

Private sector developers and operators are the most efficient at innovating to drive down shelter costs, when the markets are competitive.

There are two principal ways we can improve affordability: lower shelter costs and increase incomes. As these actors put mechanisms in place to do so, either on their own or in collaboration with one another, it is important that the mechanisms embody three principles, "the three Es":
- efficiency—produce any specific outcome at the lowest cost;
- effectiveness—produce the outcome they are intended to produce; and
- equity—give households in the same situation roughly equal access.

Our tools in Chapter 5 and at accompanying website (www.conferenceboard.ca/affordablehousing) provide stakeholders with the means to identify specific target groups and to design efficient mechanisms to reach

4 Finnie and Sceviour, "Social Assistance Use" p. 3.1.

them. Before outlining the tools, however, we will discuss how the three Es can help produce optimal affordability solutions for Canada.

EFFICIENCY

All low-income Canadians benefit when efficiency gains result in lower prices for goods. For instance, trade and innovation in the clothing manufacturing and retailing industry have lowered clothing costs over time, much more than innovation in home construction has lowered shelter costs. So Canada must find ways to lower shelter costs through more innovation and competition. For well-designed programs, efficiency gains help people experiencing affordability challenges in two ways: they lower the overall cost of the shelter, including operating costs; and they allow builders to construct more units for the same amount of money.

Private sector developers and operators are the most efficient at innovating to drive down shelter costs, when markets are competitive. They have the best economies of scale and the core competency to deliver housing to the marketplace. Our interviews revealed a number of examples of private sector innovations that drive down shelter costs. However, our interviews also revealed limited adoption of these methods, because existing processes are designed around more expensive mechanisms and because competitive pressures in local residential construction markets are insufficient to compel developers to adopt cheaper mechanisms.

COLLABORATION IS NOT NECESSARILY MORE EFFICIENT

Generally, we did not find that collaborative mechanisms, such as public-private partnerships or even civil society-private partnerships, are necessarily more efficient than the private sector acting on its own in response to client needs. Often, collaborative mechanisms increase process costs and therefore increase the costs of construction. As mechanisms for lowering the cost per square foot, they are not inherently effective.

We did uncover a more effective approach—government and civil society acting as client advocates for certain target groups, while allowing the private sector to innovate and compete. Under this process, the private sector and these other actors do not co-design buildings. Rather, specifications are put to tender and a private sector competitive process brings forth developers who will efficiently develop housing to those specifications. Moreover, because municipal government controls many building parameters—including building envelopes, zoning, and standards—it can work effectively with the private sector on the macro parameters under which individual firms compete. In addition, municipal governments can engineer trade-offs such as land grants, allowance for greater building-density adjustments to zoning and air rights, and reductions in development charges when developers add affordable units to the marketplace. In many cases, a municipality may actually possess title on the units once they are completed. For instance, a Vancouver architect told us how the municipality changed zoning, air rights, standards, and square footage requirements to encourage the creation of new social housing stock at a lower price per square foot than usual.[5]

Quebec's community-controlled housing sector includes 25,000 units owned by housing cooperatives and 40,000 units owned by non-profit societies.

In this approach, the government is the financier and regulator, while civil society is the operator. For example, the British Columbia government and the City of Vancouver have put in place a program as part of the province's drive to house the "hard-to-house" population.[6] Over the next few years, the province will share predevelopment costs with other partners—including the federal government and private donors——while non-profit housing and service providers will provide the rest. The city is granting the land. Upon project completion, the province will lease the sites to non-profit operators for 60 years.

The Province of Quebec, through la Société d'habitation du Québec, has developed an innovative approach that leverages community partnerships. In its words, "We let

5 Interview data, experts segment.

6 Stueck, "It Takes Time to Build These Things."

the private sector do what it does best: build the projects for all housing providers and provide the working capital. And we team with the non-profit community sector to operate the projects as well as preserve the integrity of the portfolio and its affordability. We did this through long-term operating agreements with community housing providers."[7] Quebec's community-controlled housing sector now owns approximately 65,000 units, roughly the same as the number of public housing units. This community-controlled housing includes 25,000 units owned by housing cooperatives and 40,000 units owned by non-profit societies.

All stakeholders need to adopt efficiencies through mechanisms such as Kaizen planning to lower process costs.

Private sector designers and builders will innovate if the standards to which they are innovating are clear. However, joint venture arrangements with a government as a co-designer and builder are generally thought to be too bureaucratic and time consuming. Even projects coming out of the AHI have been criticized as being too slow and bureaucratic. These projects generally produce lower rates of return for developers and add process costs. That may explain why the financial commitment made through the AHI is at odds with the actual expenditure and the number of units created. All stakeholders need to adopt efficiencies through mechanisms such as Kaizen planning to lower these process costs. (See Chapter 5.)

A SOLID FINANCING SYSTEM

Canada has a solid residential property financing system that leverages capital efficiently. The thrust of fiscal, monetary, and financial regulatory policy over the last 10 years has been to lower the cost of capital, particularly for the ownership segment of the marketplace. While Canada no longer has unsustainable fiscal incentives such as multi-unit residential building incentives or registered home ownership savings plans, it has introduced a number of innovations that lower financing costs for median-income owners. Canadians can now borrow the tax-deferred savings in their registered retirement savings plans to fund their down payment. The recent federal budget introduced a number of other tax preferences that will be useful mainly to middle-income Canadians purchasing their first homes. As designed, tax-free savings accounts are effectively a home savings mechanism for many young Canadians.

Over time, CMHC has gradually relaxed its underwriting requirements. It reduced the amount of money required for a down payment by extending insurance on mortgages up to 95 per cent of the value of the property being purchased. Since October 15, 2008, CMHC has offered loan insurance for amortizations of up to 35 years and up to 95 per cent of the value of the property, going beyond the standard 25-year amortization. These measures have been extremely important ways of extending home ownership to more Canadians and lowering owners' shelter costs.

To be sure, most of these initiatives are targeted at the ownership segment of the marketplace. There has been limited fiscal support for the creation of new rental stock. Developers complain about the tax treatment of capital gains on rental property, which must be realized upon disposition and which cannot be rolled over. Governments could spur creation of affordable housing by allowing rollover of capital gains that are reinvested in new construction. Others have suggested direct fiscal incentives such as a low-income housing tax credit, which has substantially increased the affordable housing stock in the United States. (See box "A Two-Pronged Approach to Fiscal Incentives.") This type of program allows for-profit and non-profit developers to access a credit based on the needs of their target groups or stakeholders. This is in keeping with our suggestion that governments move away from micromanaging individual projects toward merely funding them under set criteria.

THE ROLE OF CIVIL SOCIETY

Canada's high rate of home ownership—now over 68 per cent—ensures that most homes are well maintained. Owners have a strong incentive to care for their properties, and CMHC statistics show that, for the most part, they do so. CMHC estimates that only 4 per cent of Canadian properties required major repairs in 2005,

7 MacKay, "Social Housing Preservation."

and only 0.3 per cent of all households did not have sufficient income to make such repairs.[8]

As one moves across the housing continuum, maintenance costs increase for two reasons. First, tenants do not have an incentive to treat rented property as well as they would treat their own, so the cost of ongoing maintenance is generally higher. Second, in supported or institutional forms of housing, operating costs relate less to the maintenance of the physical buildings and more to the needs of the occupants (such as food, clothes, health care, programming, and surveillance). Although it is natural to think governments should operate these institutions, governments tend to be costly operators.

Not only are non-profits' operating costs lower, but they also have the ability to engage many volunteers at very low costs.

That is where civil society can come in. Although non-profits do not typically have the core competencies to design, build, and finance housing as well as the private sector can, they are connected to their communities in ways that commercial enterprises are not. Moreover, they have a significantly lower cost burden. Not only are their core operating costs lower, but they also have the ability to engage many volunteers at very low cost. This means they can efficiently operate housing ranging from low-income cooperatives to supportive housing arrangements.

EFFECTIVENESS

It is time for Canada to revisit its conceptual framework for affordable housing and establish achievable targets. Current approaches are clearly not effective because the 30 per cent STIR incidence is persistently high and increasing. That measure generates far too many households in need to be very useful from a public policy point of view. Based on household expenditure data, we calculate it would cost billions every year to close the "shelter gap."[9] That would require a tax increase or expansion of public debt, neither of which is conducive to long-term employment and productivity. A permanent tax and transfer expenditure of that size could undermine the income-generation objective, thereby undermining the effectiveness of a pure transfer solution.

Accordingly, there is a need to pursue achievable objectives to improve effectiveness. In this approach, there is clearly a trade-off between those parts of the problem that can be managed through the market and those that cannot. Also, the persistent elements are generally more costly to solve than the transitory ones.

THE AFFORDABILITY PYRAMID

When it comes to affordability, Canada's population can be thought of in terms of a pyramid. At the base of the pyramid is the large majority of households (9 million out of 12.4 million) for which the market does a very efficient, effective, and equitable job, in the sense that people of equal means do roughly as well as one another. These 9 million households face few or no affordability challenges.

For about 2 million households, affordability problems are transitory. To help this group, governments need to improve the functioning of the market and engage civil society to facilitate transitions into and out of affordable housing. As one moves toward the top of the pyramid, the housing affordability challenges become more severe and, therefore, are likely to call for more intense and expensive interventions by government and civil society.

We have demonstrated that much of the growth in unaffordability stems from the fact that Canada relies increasingly on immigrants for its population growth and that these immigrants tend to move to expensive cities. There is a need to engage civil society in these communities to assist with housing solutions for new immigrants. Furthermore, less expensive Canadian cities—particularly medium-sized cities such as Kitchener-Waterloo, Québec City, Moncton, Halifax, and Edmonton—need

8 CMHC, "Recent Trends," p. 8.

9 This calculation is based on Statistics Canada household expenditure data for 2008.

A Two-Pronged Approach to Fiscal Incentives: Low-Income Housing Tax Credits and Housing Supplements

Housing is unaffordable because of a simple gap between income and housing costs. As we have shown, this problem has become more acute because new housing construction costs are rising faster than incomes in the bottom two income quintiles.

Two types of fiscal approaches seek to improve affordability by improving the way the market works. One of these approaches, low-income housing tax credits (LIHTCs), has been used for over two decades in the U.S. but is not currently used in Canada. The other approach, housing supplements, is widely used in Canada. We provide calculators for both of these in the toolbox that supplements this report. (See Chapter 5 or www.conferenceboard.ca/affordablehousing.)

LIHTCs attempt to address one aspect of the problem: a lack of supply in the low-end, specifically rental, housing market. Canada has not had a significant tax program to spur the creation of multi-unit buildings since the demise of the multi-unit residential building program in the 1980s. A LIHTC program seeks to fill this gap by creating auctionable tax credits. These credits are used to lower the after-tax capital cost of multi-unit buildings, so that they require less equity than pure market development projects.[1] The virtue of such an approach is that it counts on the market to design projects to meet the program's eligibility requirements. It is a highly flexible approach that can work effectively for different combinations of for-profit and non-profit developers. The program is also very simple and efficient to administer.

Yet even LIHTC advocates recognize that such a program, on its own, is probably insufficient to close the affordability gap for many households. For instance, University of Guelph housing economist Marion Steele suggests that "even with tax credits costing the government 91 per cent of construction costs—or about 73 per cent of total development cost including land—rents have to be as high or higher than mean market rents to cover costs."[2] That is because the cost of newly constructed stock is, on average, about twice as high as that of depreciated (and mostly occupied) old stock. Because Canada has not built sufficient multi-unit housing stock for some years, so-called filtering effects—through which older buildings become more affordable through depreciation—have been limited. That means we need to build more new, expensive housing stock to tackle affordability challenges than we would otherwise need to do. However, some incentives—such as LIHTCs—are probably needed to kick-start the filtering process.

Still, there is likely to be an ongoing need for some sort of transfer to help low-income families deal with affordability challenges. This type of transfer falls under the aegis of provincial income support programs. For instance, social assistance programs typically contain some provision for housing allowance, either explicitly or implicitly, in benefit calculations. In addition, several provinces have introduced rent supplement programs targeting the working poor. These supplements vary in terms of their eligibility requirements and benefit design. Some provinces—such as British Columbia, Alberta, Saskatchewan, Manitoba, and Quebec—combine social housing (rent geared to income) with generous subsidies for a limited number of families and less generous subsidies for a larger number of families.[3] We summarize some of the provincial approaches to direct-to-tenant supplements in Table 12. Most supplement programs are partial gap coverage programs, meaning that they attempt to close part of the gap between household income and the 30 per cent STIR. However, the idea is to put purchasing power in the hands of the tenant.

In practice, rental supplements may face a range of challenges. First, they can be administratively cumbersome, especially if qualification rules are complex. Second, landlords may nullify them by imposing higher rents, especially in situations where the supplement is paid directly to the landlord or when it is evident to the landlord. Third, supplements may not be tied to the quality of the dwelling—as a result, landlords may not maintain buildings even if they receive supplements. Fourth, benefit schedules may not adequately reflect the cost of housing in different communities. Finally, governments may not phase out supplements gradually as household incomes increase, creating a high effective marginal tax rate and disincentives to work (so-called notch effects). All these issues have a bearing on the ultimate design of any rent supplement program.

1 For a very good description of how LIHTCs work, see Steele and Des Rosiers, *Building Affordable Rental Housing*.

2 Steele, "A Tax-Based Affordable Housing Program."

3 Finkel et al., *Housing Allowance Options for Canada*, Chapter 2.

Table 12
Approaches to Tenant-Directed, Non-Social Assistance Rental Supplements: Selected Provinces

Province	Eligibility	Benefit structure
British Columbia	◆ household pays more than 30 per cent in rent ◆ must have employment earnings ◆ has less than $100,000 in assets ◆ meets B.C. residency requirement ◆ must be in market rental	◆ benefit structured by family size (less than/greater than three members) and location (within metro Vancouver, outside of metro Vancouver) ◆ maximum rent coverage is $1,100 per month ◆ maximum benefit is $765 per month for family of four or more members living in metro Vancouver ◆ sliding scale calculator that concentrates the most benefit on the poorest people ◆ example: a family of four earning $18,000 per annum and paying $800 in rent is eligible for a monthly benefit of $235.50, which lowers their rent-to-income ratio from around 53 per cent to just over 34 per cent. If the same family earns $30,000, their benefit is reduced to $50 per month and their ratio goes from 32 per cent to 30 per cent.
Alberta	Direct to tenant: ◆ has residency requirement ◆ must meet core need income thresholds ◆ based on a schedule of “core need income thresholds” that are differentiated by size of dwelling and community ◆ thresholds range from $22,000 for a bachelor apartment to over $100,000 for a five-bedroom house	◆ partial gap closure geared by 30 per cent shelter to income ratio for both programs ◆ benefit focused on those in greatest need based on income, assets, and current housing market housing conditions ◆ direct to tenant is based on the difference between 30 per cent of a household’s income and an agreed-upon market rent, to a maximum subsidy established by a local housing management body
Saskatchewan	Includes two programs: Family Rental Housing Supplement; Disability Rental Housing Supplement The **Family Rental Program** is: ◆ open to families with children under the age of 18 ◆ quality test: eligible properties must meet specific health and safety requirements The **Disability Rental Program:** ◆ requires that one family member has a disability that produces a recognized housing impact ◆ supports that address the housing impact of the disability must be in place at the time of application	◆ partial gap coverage ◆ family size, location, rent, and household income determine the amount of the supplement ◆ benefit geared by size of family and community (to reflect local housing costs) ◆ benefit ranges from $139/month for a single person in a rural community to $326/month for families of five or more in major urban areas
Manitoba	◆ rent supplement program requires a total household income less than the Housing Income Limit (HIL) set annually by the Canada Mortgage and Housing Corporation (CMHC) ◆ applicants must be 18 years of age or older, and not be in receipt of any other shelter allowance or rental subsidy program assistance	◆ partial gap coverage between 25 per cent shelter-to-income ratio and approved market rental rates ◆ housing income limits vary by size of community and size of dwelling ◆ communities divided between urban, rural, and northern “non-market” areas, which have an HIL about double that of urban areas ◆ urban single-bedroom households have HIL of $24,500 compared with $48,500 for four-bedroom households

(continued)

Table 12 (cont'd)
Approaches to Tenant-Directed, Non-Social Assistance Rental Supplements: Selected Provinces

Province	Eligibility	Benefit structure
Ontario	Rental Opportunities for Ontario Families Program (ROOF) ◆ must work and have a family earned income of at least $5,000 and an Adjusted Family Net Income (AFNI) below $20,000 ◆ have one or more dependent children under the age of 18 ◆ pay more than 30 per cent of income toward rent ◆ have less than $10,000 in liquid assets ◆ do not receive social assistance or any other rent subsidy ◆ resident of Ontario and meet program requirements for status in Canada ◆ a five-year program, registration is now closed	◆ partial gap coverage ◆ provides a flat $100 per month subsidy for working families for those paying over 30 per cent of income in rent ◆ budgeted at $185 million over five years
Quebec	◆ individuals 55 years old or over ◆ couples in which one spouse is 55 years old or over ◆ low-income families (workers, students, income-security recipients or other low-income families) with at least one dependent child ◆ $50,000 asset test ◆ for market housing occupants	◆ program covers 2/3 of affordability gap, around 30 per cent shelter cost-to-income ratio ◆ pays up to $80 per month to qualified applicants ◆ benefit geared to income and size of household

Sources: BC Housing, www.bchousing.org/programs/RAP/info_applicants/calculator; Alberta Housing and Urban Affairs, www.housing.alberta.ca/direct_to_tenant_rent_supplement_program.cfm; Saskatchewan Social Services, www.socialservices.gov.sk.ca/srhs; Manitoba Family and Social Services, www.gov.mb.ca/fs/housing/rent_supplement.html; Ontario Municipal Affairs and Housing, www.mah.gov.on.ca/Page4946.aspx; la Société d'habitation du Québec, www.habitation.gouv.qc.ca/en/programmes/depliant_allocation_logement_ang.pdf.

to absorb more of the immigrant population growth. Governments have a variety of mechanisms at their disposal that can help make these cities better known and more accommodating to new Canadians.

The remaining 1.4 million households require multiple interventions to ensure that those who can make transitions do and that those who cannot receive the ongoing support they require to live with dignity in as cost effective a way as possible. Housing may be a portion of the solution to their problem but is certainly not the only one. It is important to see housing interventions for these people as part and parcel of broader poverty alleviation strategies.

At the very top of the pyramid are homeless people. We emphasize that they are *not* part of the current affordability measure. By definition, homeless people are not in households and they do not have shelter costs. They may be homeless because of the prohibitive cost of shelter but they are not counted in the unaffordability incidence. They are the marginalized 0.5 per cent of the population that ends up costing governments a very large amount of money, often because they are temporarily "housed" in costly institutions such as hospitals and prisons. Even though the cost of homelessness is high, it is diffused through multiple neighbourhoods in a few cities. Only in Vancouver, where the problem is concentrated in the Downtown Eastside, is it sufficiently visible to grab much political attention.

MAKING THE CASE FOR HOUSING HOMELESS PEOPLE

The other problem, from a public administration point of view, is that it is difficult for governments to attach a specific fiscal saving to housing the homeless. Most savings would be generated by reducing homeless Canadians' use of institutional facilities. But since the homeless make up a relatively small proportion of the users of such facilities, and are spread across multiple institutions, it is difficult to quantify and track any cost savings. As a result, we may know that it costs $4 billion annually to deal with homeless Canadians, but governments have difficulty making the connection between housing the homeless and the savings elsewhere in the system.

It makes sense, in terms of a national objective, to focus first on homeless people and the first income quintile. The latter accounts for the lion's share of Canada's affordability challenge. This total target group includes around 150,000 homeless people, as well as about 1 million households that house around 2 million people in total (including children). These households are likely to experience prolonged periods of unaffordability simply because of a fundamental structural gap between prevailing rents and their household income. We call this segment, which includes perhaps 5 to 6 per cent of the population, the "core persistent" part of the affordability challenge. If Canada focuses its resources on this smaller target, it can make real progress in both encouraging transitions and alleviating poverty.

PROCESSES FOR CREATING AFFORDABLE UNITS

Governments need to take a hard look at their processes for creating affordable units. As we have suggested, the actual number of units created under the Affordable Housing Initiative (AHI) is a small fraction of the commitment made. As Quebec discovered with its program, the public sector often uses inefficient project development processes that reduce its effectiveness in creating new affordable units. As such, the province has adopted management innovations from the private sector, such as Kaizen planning, to streamline processes and improve the delivery of units to the marketplace. (See Chapter 5.)

EQUITY

The key to equity is to treat people in the same circumstances similarly and to work to mitigate or offset the natural uneven distribution of market incomes. From an affordability perspective, equity has two aspects: ensuring that people of equal means have access to the same resources and helping the most disadvantaged.

Our estimate of the number of households in greatest need is roughly equal to Canada's social housing stock, which accounts for around 5 per cent to 6 per cent of the total housing stock or, by one estimate, between 650,000 and 700,000 households.[10] Given that most of the units are rent-geared-to-income units and that Canada is building up the stock, the problem would seem easy to solve. In addition, most provinces use rent supplements to produce equitable results in the rental market. However, neither of these solutions is necessarily equitable from an affordability perspective.

In Toronto, only 25 per cent to 33 per cent of families that cannot afford to pay market rents live in social housing.

ACCESS TO SOCIAL HOUSING

The social housing stock is fully occupied, with lengthy waiting lists. Whereas the population of low-income people is constantly changing, the population of social housing is more stable. Once someone is in a social housing unit, he or she may continue to qualify to occupy the unit even though someone else in the community is in greater need. So the social housing stock, to some extent, contributes to the core persistent problem. The people in the units will be in an affordable situation, by design, but those not living in social housing—whose needs are often greater—may persistently occupy unaffordable housing.

According to the City of Toronto, only 25 per cent to 33 per cent of families that cannot afford to pay market rents live in social housing; in other words, up to 75 per cent of families that need social housing do not yet have it. At the same time, only 20 per cent of families that live in social housing are actually on social assistance. They include disproportionately large numbers of unemployed persons; young single mothers; disabled people; or seniors who require housekeeping, meal delivery, or personal support workers.

Using household expenditure data, researcher Chris Sarlo looked at 816,000 of the poorest households. About 80 per cent of these households lived in rental units. These poorest households occupied only 150,000

10 Shapcott, *Wellesley Institute National Housing Report Card*, p. 6.

of the social housing units, meaning only 18 per cent of poor households were in social housing.[11] Part of the reason for this fact is that once people occupy units at rates below market rents, they often do not want to relinquish the units, even when their income grows.

RENT SUPPLEMENTS

On the issue of rent supplements, Sarlo also found that only 23 per cent of the poorest households received any sort of rent offset through rent supplements.[12] As we have shown, the variability of rents far exceeds the variability of incomes in the lowest quintile. But these rental supplements are often not well differentiated by the rental conditions of local markets or household characteristics. For instance, Ontario's ROOF program provides a flat $100 to qualified households, no matter how large the household is or what local rental conditions are like.[13]

Governments often spread the money around in too many ways and to too few households, some of which have little need for the subsidy.

THE IMPORTANCE OF TARGETING

As with efficiency and effectiveness, inequity is—to a large extent—a function of imprecise targeting. While governments spend considerable amounts of money to improve affordability, they often spread the money around in too many ways and to too many households, some of which have little need for a subsidy.

For instance, the City of Calgary defines its target population as households that earn 65 per cent of median household income or less and spend 30 per cent of their gross income on shelter. That includes households earning $44,000 spending over $1,000 a month on rent.[14] We found similar examples of imprecise targeting in AHI projects, some of which will produce rental stock for essentially upwardly mobile young households earning over $40,000 a year. When building subsidies are aimed at this part of the market, the system is less able to support households with much more serious needs for assistance. Given that governments face budget constraints, imprecise targeting creates coverage problems for the most vulnerable. So while there is a lot of affordable housing activity, the worst off continue to struggle with the fundamental gap between their earnings and market rents.

11 Sarlo, *What Is Poverty?,* p. 15.

12 Ibid.

13 Ministry of Municipal Affairs and Housing, *Rental Opportunities for Ontario Families*.

14 City of Calgary, *Housing Affordability in Calgary*, p. 2.

TOWARD A BETTER APPROACH

Canada needs a reconfigured approach to affordability that results in more precise targeting, greater efficiency and effectiveness, and greater equity. That will require the various stakeholders to refocus on their core competencies. The objectives, to be achieved by 2015, should be to:

- reduce the incidence of homelessness to under 100,000 people; and
- reduce the incidence of unaffordability among the lowest quintile renters to 50 per cent.

Canada needs to find ways to either increase annual incomes by just over $10,000 or reduce rents to around $240 per month.

To meet these objectives, stakeholders need strategies to either house or otherwise care for homeless people and to improve conditions for the lowest income renters, the poorest of whom are often not in social housing. Communities, governments, the private sector, and civil society can choose from a range of approaches. They can pursue strategies that either raise incomes or reduce rents. In our 14-city sample, the average median income of the lowest quintile was just over $9,600 and shelter costs were, on average, $571 per month. (See Table 13.) Canada needs to find ways to either increase annual incomes by just over $10,000 or reduce rents to around $240 per month.

Table 13
First Income Quintile* Characteristics
(selected census metropolitan areas, 2006 Census)

	St. John's	Halifax	Charlottetown	Moncton	Québec	Montréal	Ottawa–Gatineau
Total tenure (#)	**14,135**	**31,000**	**4,628**	**10,320**	**63,330**	**304,930**	**89,685**
Owned (#)	10,120	19,835	3,122	7,230	37,120	162,640	59,965
Median household income (before tax)	$24,237	$25,626	$22,626	$24,396	$26,806	$26,002	$32,948
Median major payments	$553	$534	$401	$463	$476	$599	$701
Rented (#)	4,015	11,165	1,506	3,090	26,210	142,290	29,720
Median household income (before tax)	$8,346	$8,845	$8,618	$9,302	$9,530	$9,492	$9,945
Median gross rent	$525	$606	$496	$534	$460	$526	$605

	Toronto	Winnipeg	Regina	Edmonton	Calgary	Vancouver	Victoria
Total tenure (#)	360,015	56,245	15,995	80,550	82,960	162,560	28,670
Owned (#)	243,200	37,750	11,200	55,775	61,455	105,795	18,500
Median household income (before tax)	$26,988	$25,635	$27,847	$28,522	$30,161	$21,201	$24,156
Median major payments	$892	$484	$534	$600	$852	$603	$478
Rented (#)	116,815	18,495	4,795	24,775	21,505	56,765	10,170
Median household income (before tax)	$9,702	$8,820	$9,920	$11,260	$11,949	$8,917	$10,203
Median gross rent	$750	$439	$486	$600	$658	$685	$631

*household income in lowest 20 per cent of renter households or owner households
Source: Statistics Canada custom tabulation.

Either approach will require building up the modest rental housing stock and integrating it with strategies to transition people to higher incomes. The more efficiently that can be done, the more likely that any given level of resources will reach more people.

The building and design models presented below, if more widely adopted, will improve the efficiency and effectiveness of affordable housing strategies by:

- increasing the supply of housing targeted at the lowest quintile;
- lowering the operating costs of supportive housing; and
- improving the transitional prospects of the target population or alleviating poverty.

It is not clear that the recently announced federal budget measures support this approach. However, provinces may be able to find room in their own budgets by reducing funding in areas where new federal dollars are being spent. For instance, they could transfer monies previously set aside for maintaining existing social housing toward building a flexible and accessible stock.

In this approach, the idea is to build up the non-market housing stock, have private sector designers and builders develop new models of low-cost housing in collaboration with civil society, and have civil society organizations—including cooperatives—manage the stock efficiently and flexibly to reduce operating costs and encourage transitions. In addition, government plays a crucial role by using its planning and financing tools to create markets for lower-end housing, which do not currently exist. Government is also a "market maker" that encourages creative competition among private sector organizations for the best ideas and the least expensive solutions. It is important for government to be flexible and open if it wants to inspire others to create and finance new models of affordable housing. In the words of the authors of a report on housing affordability, governments need to create markets that are more "responsive" and less "prescriptive."[15]

Assuming municipalities design responsive systems for the creation of new affordable housing stock, federal and provincial governments should fund developments to create supportive housing stock. In this role, governments develop basic standards for new stock and integrate this housing with the delivery of social supportive and transitional services. These services are increasingly contracted out to civil society agencies that demonstrate the competence and capacity to manage the problem. The private sector's role is to work with government on standards to which a variety of private sector builders can respond with their own design and build ideas. (See Table 14.)

The greatest capacity challenge in this approach may be the role of civil society. Civil society organizations tend to have low costs, a passion for their work, and valuable "on-the-ground" perspective. However, they are not always the most efficient or effective bodies. There is no need for governments to consciously shape civil society organizations. Rather, governments need to focus their supportive housing resources on those civil society organizations that demonstrate results and show the capacity to efficiently scale up their operations to meet the affordability challenge. Exemplars exist, including the YWCA, Mainstay Housing, and the John Howard Society.

Table 15
Roles for Three Players

Player	Role	Role in creating efficiency	Role in creating effectiveness	Role in creating equity
Government	◆ market maker ◆ financier/insurer for below-market units ◆ bring partners and collaborators together to create supportive housing units	◆ funds ◆ facilitates private sector design/build through zoning/standards ◆ subsidizes near market into market	◆ targets specific vulnerable subgroups ◆ creates markets to social mobility specifications	◆ focuses on most vulnerable ◆ treats equals the same and seeks to reduce disparities
Private	◆ designs/builds ◆ finances ◆ operates	◆ competes with other private firms to drive costs down ◆ adopts innovative low-cost design/build models	◆ project management delivers to design specifications ◆ effective financing	◆ limited role
Civil Society	◆ operates supportive and transitional housing units	◆ generates low-cost models	◆ develops transitional or harm-reduction strategies	◆ provides equal access to the extent possible

Source: The Conference Board of Canada.

15 Performance Urban Planning, *5th Annual Demographia*, p. 2.

CHAPTER 4

Innovative Models

Chapter Summary

- Various government, non-profit, and private sector initiatives are working to address the affordability challenge.
- Governments can leverage their planning and building permission powers to encourage the private sector to build more affordable units.
- The private sector can use construction, design, and financing innovations to lower the overall or carrying cost of homes.
- Non-profit organizations can combine housing with supports to put individuals on the path to employment and independent living.

Various government, non-profit, and private sector initiatives are working to address the affordability challenge. This section highlights some of these initiatives as potential models for adoption and adaption. The initiatives are organized under three broad themes: government tactics for creating affordable units, private sector initiatives to lower housing costs, and transitional strategies that incorporate a housing component.

INNOVATIONS BY GOVERNMENTS—INCENTIVE STRATEGIES: MODELS 1 AND 2

As noted, governments have many options to create or help create affordable housing units. For instance, they can use their tax and spending powers to subsidize the creation of these units. Another approach leverages governments' planning and building permission powers to encourage private sector participants to build affordable units as part of market housing development projects. These affordable units are then either handed over to the government or operated under covenants that dictate how the units can be priced in the marketplace.

One such technique is inclusionary zoning, which ties project approval to the creation and setting aside of affordable units. (See Model 1.) A second technique is called density bonusing, whereby a municipal government modifies existing plans to allow developers greater building density in exchange for the creation of affordable units. (See Model 2.)

Although these techniques sound like an easy way to encourage the creation of affordable units, they only work in situations where there are above-normal profits to be made. Both techniques act as a sort of internalized tax on development projects. They raise the costs of the project, lower revenue, or do both. If the techniques can be applied in such a way that the developer can continue to make a "normal" profit, then they may succeed in creating affordable units. However, that is likely to be the case only in situations of high and rising property prices.

Model 1—Inclusionary Zoning

Inclusionary zoning (IZ) is an urban planning policy that requires a share of new housing (e.g.,10 per cent to 20 per cent) to be affordable to low-income people. Municipal governments use the policy to increase the affordable housing stock and encourage the development of mixed-income communities.

In the U.S., the IZ pioneer and leader has been Montgomery County, Maryland. As early as 1973, the county adopted a moderately priced dwelling unit (MPDU) policy, which mandated that 15 per cent of new builds be affordable at 65 per cent of area median income.[1]

NOTEWORTHY INNOVATION

IZ leverages the zoning authority of municipal governments and shifts responsibility for affordable housing provision onto private developers. While some developers are deterred by the policy, others are lured by the opportunity to enter the market and build predominantly market units. The high ratio of market units to affordable units is an important feature of most IZ policies. It enables builders to recover their losses from affordable units and maintain profitability by only slightly increasing the price of each market unit.

IZ is innovative in that it creates affordable housing in otherwise unaffordable areas. The result is not only a larger number of affordable units, but also income-integrated communities. Such communities are socially desirable because they prevent the concentration and reinforcement of poverty. They also expose low-income residents to new networks, opportunities, and role models. For low-income adults, this exposure may facilitate a transition to higher-income jobs and market housing. For low-income children, IZ expert David Rusk claims that it can raise education levels by 13 per cent to 15 per cent.[2]

WHAT IT CONTRIBUTES TO AFFORDABILITY

In Montgomery County, IZ (or the MPDU policy) has resulted in the private construction of more than 12,500 affordable units, out of a total 90,000 units built.[3] More impressive, however, is what IZ could have delivered in other jurisdictions. According to Rusk, IZ in the 100 largest metro areas of the U.S. could have yielded 2.6 million affordable units between 1980 and 2000.[4] This amount is twice the number built using low-income housing tax credits and could have met 40 per cent of affordable housing need. By adopting the same IZ policy in its cities, Canada might expect similar results.

1 Interview data, expert segment, December 2008.

2 Ibid.

3 Ibid.

4 Ibid. Assuming a 15 per cent set-aside for affordable housing in all developments of 10 or more units (80 per cent of developments).

Model 2—Adding Affordable Units Through Density Bonuses

A density bonus permits high-density development in exchange for the provision of affordable housing units. It is a zoning tool used to encourage the private sector to build what it would not otherwise deliver within standard building envelopes. It generally accompanies inclusionary zoning legislation and can increase affordable and supportive housing stocks.

NOTEWORTHY INNOVATION

Like inclusionary zoning, the density bonus works by leveraging the zoning authority of municipalities. Its success derives from its benefits to developers and municipalities.

For developers, a density bonus allows them to construct more floor area on a given building lot than they would otherwise be allowed to build. A proportion of this floor area, if built, is dedicated to affordable or supportive housing. However, the proportion is set so that the revenue from market units *exceeds* the losses from the affordable or supportive units, assuming a high occupancy rate. This enables developers to increase the profit on their developments.

For municipalities, density bonuses encourage the private development of affordable or supportive housing. Such development not only alleviates local infrastructure need, but also does so without depleting municipal funds. In fact, the property tax from the additional housing should actually increase municipal revenue.

To maximize the benefit of a density bonus, municipalities must define the kind and amount of housing or other amenities they hope to achieve prior to implementation. They should also adopt ordinances, such as unit caps, to prevent density in the zone from rising above optimum levels.

WHAT IT CONTRIBUTES TO AFFORDABILITY

Density bonuses have the potential to increase the supply of affordable housing, particularly in areas where increased density is of high value to developers. In Canada, however, they have been used with only limited success. The City of Burnaby, for instance, has created only 19 affordable units as a result of the policy.[1] Vancouver used density bonuses in “a brief shining moment” to gain 46 affordable units from a 2004 development; however, it required a capital infusion from the city and pressure on the developer (in the form of the Single Room Accommodation By-law).[2]

1 Interview data, city segment, March 24, 2009.

2 Ibid.

And even then, the evidence is that these techniques, at least in Canada, actually add relatively few affordable units and may be limited through provincial statutes.

INNOVATIONS BY GOVERNMENTS—FUNDING STRATEGIES: MODELS 3 AND 4

This report argues that affordability needs have been defined too broadly and that a stronger focus on those who are at risk of facing long-term affordability challenges is required. For this reason, we are highlighting two innovations: the Government of Alberta's recently announced strategy to reduce homelessness (Model 3) and the federal government's initiative to encourage Aboriginal Canadians to improve the stock of Aboriginal housing (Model 4). In the case of homelessness, the Alberta government is one of the first governments to develop its approach based on the premise that it is less expensive to house homeless people than to manage them through other social services. The latter initiative, while not directly about affordability, is effectively an affordability strategy because it seeks to improve the reserve housing stock and therefore minimize the movement of Aboriginal people from poor housing on reserve to unaffordable housing off reserve.

Model 3—Alberta Secretariat for Action on Homelessness: The Plan for Alberta

Homelessness is a significant and growing problem in Alberta. As recently as 2008, however, the province merely managed the homeless population, rather than attempting to reduce—and ultimately end—homelessness. This approach led to calls for a "fundamentally different approach" to homelessness in Alberta.

In response to these calls, the provincial government established the Alberta Secretariat for Action on Homelessness with a mandate to create "a comprehensive, co-ordinated and sustainable approach" to ending homelessness. In October 2008, the Secretariat delivered on this mandate through its Plan for Alberta—a $3.3 billion plan to end homelessness in the province by 2019.[1] The Alberta government approved the plan on March 16, 2009.[2]

NOTEWORTHY INNOVATION

The Alberta Secretariat for Action on Homelessness began its planning process with a period of information gathering. Secretariat staff interviewed representatives from the homeless-serving system, municipal governments, and non-profit organizations in Alberta's seven largest cities. It also reviewed homelessness action plans developed by other Canadian and American communities. With an improved understanding of the nature and extent of Alberta's problem, as well as of potential solutions, the Secretariat then created its Plan for Alberta.

The Plan for Alberta encourages the province to target spending to accommodate homeless Albertans in permanent housing and provide supports as needed. This differs from the common approach to homelessness, which is to simply create more shelter spaces. Housing provision should begin rapidly and unconditionally, reflecting a "housing first" approach. Furthermore, case management is employed to assess individuals and match them with the appropriate supports.

This double-barrelled approach to addressing homelessness is essential because it addresses both the immediate need for housing and the underlying causes of homelessness. To ensure its efficiency and effectiveness, the Secretariat also created 17 supporting strategies, covering everything from better information management to greater coordination between governments and organizations.

WHAT IT CONTRIBUTES TO AFFORDABILITY

Using Alberta's former strategy, the cost of managing Alberta's homeless population of 11,000 would be $6.65 billion over 10 years, including both direct costs (such as the cost of shelters) and indirect costs (such as health, corrections, and justice system costs).[3] By contrast, ending homelessness via the Plan for Alberta would cost only $3.32 billion over 10 years, for a cost savings of $3.34 billion.[4]

These savings grow when you consider the projected growth in Alberta's homeless population under the previous strategy. According to models, homelessness in Alberta would grow by 7 per cent annually.[5] Thus, by 2019, Alberta would be managing 21,638 homeless Albertans at a cost of over $13 billion. Under this scenario, the Plan for Alberta would generate significant cost savings.

1 CBC News, "Alberta Aims to End Homelessness for $3.3B."

2 Ibid.

3 The Alberta Secretariat for Action on Homelessness, *A Plan for Alberta*.

4 Ibid.

5 Ibid.

Model 4—First Nations Market Housing Fund

In Canada, band councils own the land on First Nations reserves (except on reserves with land title systems). Outsiders cannot seize the land; thus, it cannot serve as security on a mortgage. As a result of this land tenure regime, most banks hesitate to issue mortgages to on-reserve Aboriginal people, often preventing them from building, purchasing, or renovating their homes.

In an effort to overcome this problem, the Government of Canada established the $300 million First Nations Market Housing Fund (FNMHF) in May 2008.[1] The Fund's monies serve as collateral on mortgages for qualifying First Nations members. As of March 2009, participating First Nations and lenders include the Miawpukek First Nation, the Bank of Montreal, Peace Hills Trust, and Vancity Savings Credit Union.

The FNMHF is overseen by nine trustees, including a chairperson appointed by the ministers of Human Resources and Skills Development Canada and Indian and Northern Affairs Canada. CMHC currently manages the day-to-day activities of the fund; however, the government corporation plans to transfer control to the First Nations in the future.

NOTEWORTHY INNOVATION

The FNMHF was developed following the success of several home-ownership programs in bands across Canada. For instance, the Lac la Ronge home ownership program, launched with support from Indian and Northern Affairs Canada and the Bank of Montreal, received 50 applications for loans within its first few months.[2]

1 First Nations Market Housing Fund, "About the Fund."

2 Indian and Northern Affairs Canada, "Coming Home to Lac La Ronge."

For a First Nations band to gain access to the FNMHF, it must complete the First Nation Application for Credit Enhancement Facility and demonstrate competency in three areas: financial management, governance, and community commitment. Once such competency is demonstrated, the band must make arrangements with a participating lender or lenders.

Members of the band can then apply for housing loans from the arranged lender. As with any Canadian household seeking a mortgage, lenders consider the value of the house, the household's income, and the household's ability to repay a loan in light of other expenses. If the household meets the lender's criteria, the loan is approved, with standard lending terms and conditions.

WHAT IT CONTRIBUTES TO AFFORDABILITY

The FNMHF gives on-reserve Aboriginal people access to the same housing financing available to their non-Aboriginal counterparts. Projections suggest that this program will spur the creation of 25,000 homes over the next 10 years, helping to alleviate the perennial shortage of on-reserve housing.[3] It will also enable qualifying Aboriginal people to own or renovate their homes.

Some believe, however, that the Fund could achieve greater results if access criteria were less stringent. According to Irvin Starblanket, Chief of the Star Blanket First Nation, access criteria favour "large wealthy reserves" and disqualify indebted bands, which are frequently the most in need.[4] Thus, while the Fund is an innovative attempt by the government to address on-reserve housing need, some reforms may be necessary to increase program uptake.

3 First Nations Market Housing Fund, "About the Fund."

4 CBC News, "Mortgage Program Too Pricey."

INNOVATIONS IN BUILDING: MODELS 5 AND 6

PRIVATE SECTOR APPROACHES THAT LOWER COSTS

One of the main challenges in creating affordable units is the relatively high base cost of delivering affordable units to the marketplace. This cost may vary from $200 to $350 per square foot, including the costs imposed by the public sector. However, it is possible that building innovations may lower the cost of housing in one of two ways: by lowering the construction costs per square foot or by using design innovations to reduce the amount of square footage required for decent living spaces. These two options are explored in Model 5 and Model 6.

Model 5—Lowering Costs Through Construction Innovation

A major factor in affordability is the relatively high cost per square foot of delivering housing units to the marketplace. In the Canadian housing construction industry, material and labour costs are relatively high and difficult to reduce through substitution. Nevertheless, developers can lower their costs—without altering building design—through ingenuity in housing construction.

Three Canadian organizations are leading the way in lowering the per-foot cost of construction: Teron International, the Innovative Housing Institute, and the Manufactured Housing Institute of Canada. With increased adoption, their innovative methods and technologies could significantly increase housing affordability nationwide.

NOTEWORTHY INNOVATION

Innovation in housing construction can take several forms, one being modular construction. Modular construction involves building sections (or "modules") of a house, according to precise floor plans. Modules are built in factories using mass production techniques and are later transported to the building site for assembly. Related forms of building innovation include partial modularization of elements such as panelized floors, walls, and roofs and sub-assembly of items such as doors, windows, and framing. Again, this construction occurs in factories and results in pre-finished housing components.

There are also innovations that increase efficiency on building sites, such as injection molding technology. While commonly used to create thermoplastic parts, this technology has been recently adapted to produce concrete floors in housing.

These innovations reduce the cost of housing in two main ways. First, they deliver home components quickly and produce few construction defects, expediting the building process and reducing the amount of labour required for a given home. Second, the innovations involve precise technologies and thorough planning, greatly reducing material waste during construction.

WHAT IT CONTRIBUTES TO AFFORDABILITY

Modular homes can be built for $60 per square foot, based on a 1,200-square-foot home, and transported for $7 per mile.[1] At the building site, they are assembled atop a foundation costing $3,000 to $4,000 or a basement costing $17,000 to $18,000.[2] These costs compare with a minimum of $150 per square foot for site-built homes.[3]

Using modular construction and on-site technologies, Teron International reports that it has built an apartment complex in Ottawa for $250 per square foot—$50 cheaper than the company could have done using conventional techniques.[4] This figure is consistent with Teron's assertion that building innovation can reduce the cost of construction by approximately 20 per cent.[5]

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1 Interview data, public-private partnership segment, December 2008.

2 Ibid.

3 Ibid.

4 Ibid.

5 Ibid.

Model 6—Reducing Unit Costs Through Design Innovation

Architectural innovations can reduce the cost of housing construction without compromising safety. According to Avi Friedman, Director of the Affordable Homes Program at McGill University, innovative building design can be an effective way to lower construction costs and increase housing affordability for consumers.[1] It can also increase profits for the developers themselves, by exploiting economies of scale. This finding runs contrary to the popular notion that building large single-detached homes is the most lucrative approach for developers, a belief that has dissuaded many from entering the affordable housing market.

NOTEWORTHY INNOVATION

Narrow unit construction allows developers to build four units on a standard plot of land. Similarly, multi-storey construction allows up to four levels of housing on a basic 12-inch foundation. These construction options not only lower the cost of individual units, but also result in a combined profit exceeding that of a single-detached home.

A second option for developers is to leave a portion of their completed units unfinished, thereby reducing their labour and material costs. These savings get passed on to buyers, who can finish the space later, as finances permit.

Third, developers can minimize their costs by building multiple units of the same design. This cookie-cutter approach enables developers to increase their efficiency over time and to spread their soft costs (such as the cost of blueprints) over more units.

WHAT IT CONTRIBUTES TO AFFORDABILITY

Friedman estimates that the cost of building conventional housing in Montréal typically ranges from $125 to $150 per square foot, excluding land costs.[2] However, this figure drops with each innovative design technique implemented. A home built according to the narrow home model with some space left unfinished, for instance, costs between $80 and $85 per square foot—in other words, it is over 40 per cent less expensive than traditional construction.[3] If more developers adopted innovative building practices, they could create thousands of more affordable homes, particularly for the households in greatest need: those with annual incomes below $25,000.

1 Interview data, private sector segment, November 13, 2008.

2 Ibid.

3 Ibid.

INNOVATIONS IN FINANCE: MODELS 7 AND 8

Yet another way of lowering costs for homebuyers is through innovative financing arrangements. Innovative financing arrangements do not lower the cost per unit but, rather, amortize the cost in such a way as to lower the annual carrying costs.

Another technique is to leverage rising property values by allowing the mortgage to be partly financed through capital appreciation. Two initiatives demonstrate these techniques in action: Vancity's Springboard Home Ownership Program (Model 6) and Options for Homes (Model 7).

Model 7—Vancity's Springboard Home Ownership Program

Vancity targets its Springboard Home Ownership Program at educated, employed, low-income renters who reside in social housing and have good rent histories. It is intended to assist these individuals in becoming homeowners.

NOTEWORTHY INNOVATION

Vancity puts together a credit package equal to 100 per cent to 102 per cent of the cost of the property and offers a combination of a mortgage and a personal loan. The personal loan is a down payment loan equivalent to 20 per cent of the cost of the home. The homeowner does not pay interest on this loan but is expected to repay the principal in 10 years. The homeowner also takes out a 10-year fixed mortgage covering 80 per cent of the purchase price of the home. He or she pays the interest only for 10 years. At the end of the 10 years, the homeowner will have built up equity in the house and will be able to take out a regular mortgage covering principal, interest, and taxes, to be repaid over 20 years.

WHAT IT CONTRIBUTES TO AFFORDABILITY

This program enables a family earning $34,500 to purchase a house for $130,000 with monthly payments of $947 (assuming 5.5 per cent interest) for 10 years. By that point, the family will have built up equity in their home and may have increased their income to the point where larger mortgage payments would be within their reach. Currently, about 30 families have taken advantage of this program. Another 50 or 60 families have been approved for the package but have not yet found suitable accommodation.[1]

1 Interview data, private sector segment, December 2, 2008.

Model 8—Options for Homes

Options for Homes is a private, non-profit developer that has built eight developments, housing more than 1,500 people in the past 16 years. Though based in Toronto, Options has affiliates in Montréal, Ottawa, Waterloo, and Collingwood. The Options affiliate in Montréal builds 200 to 300 affordable units per year—for a total of 500 to 600 in the last three years. The company's affiliate in Waterloo has created more than 150 units in the past three years.

The company caters to three types of clients seeking home ownership as an alternative to renting, many in the two lowest income quintiles. The first client group, for whom the company builds 75 per cent of its homes, consists of people whose income is typically $15,000 to $20,000 less per year than the average income of homeowners in their communities. A second target group, for whom Options builds 15 per cent of its housing stock, are so-called key workers—people who need to work in the city but cannot afford to buy homes in the city. A third target group for Options, for whom it builds 10 per cent of its housing stock, consists of people who live below the low-income cut-off.

NOTEWORTHY INNOVATION

Options for Homes lowers the financing costs of homes by enabling homeowners to take advantage of a second (Alternative A) mortgage. The mortgage comes from an equity pool derived from provincial grants of $70,000 per unit—forgivable to Home Ownership Alternatives (HOA), a non-profit affiliated with Options—and refreshed by profits generated through the repayment of second mortgages. Buyers do not have to repay or service those second mortgages until they sell their home or rent it to someone else.

As a developer, Options for Homes also seeks to lower unit costs by:

- taking advantage of lower land costs at "non-premium" sites;
- minimizing its marketing costs (e.g., by relying on word-of-mouth promotion of its product);
- reducing indoor amenity space;
- economizing on suite finishes;
- lowering its design and construction costs based on economies of scale;
- leveraging a long-term business relationship with DELTERA, the construction arm of the TRIDEL group of companies; and
- reducing its legal and administrative costs.

Using this model, Options produces condominium units for approximately 15 per cent to 17 per cent less (roughly $29 per square foot less) than would a private developer.[1]

WHAT IT CONTRIBUTES TO AFFORDABILITY

The Options for Homes model contributes to affordabity by reducing soft costs, such as marketing costs and architects' fees; cutting construction costs; generating lower condominium fees (10 to 20 per cent lower than modest units in the private market); limiting the profit to the builder to about 10 per cent; and using profits from the repayment of second mortgages to finance more affordable housing projects.[2]

The Canadian Urban Institute *Report on Options* shows that 111 of 282 purchasers in Options' Shermount development in Toronto who declared their income level were in the two lowest income quintiles.[3] The annual income required to carry a mortgage in Shermount's 402-square-foot bachelor units was estimated to be $22,660, assuming 35 per cent of before-tax income was going to pay down the first mortgage debt (principal and interest) amortized over 25 years at 6 per cent, along with property taxes and condominium fees.[4] Most of the buyers of Shermount properties had a household annual income around the median of $38,802. Thus, moderate-income households have benefited most from the Options' model.[5]

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1 This estimate is based on a third-party assessment prepared for the Canadian Urban Institute, which compared Options' building pro forma for its Shermount development with the building pro forma of a private sector developer for a comparable condominium complex. See Evanson and Millar, *Assessment*, p. 18.

2 Ibid., p. 21.

3 Ibid., pp. 24–25.

4 Ibid., pp. 25–26.

5 Ibid., pp. 26, 47.

INNOVATIONS IN LINKING TRANSITIONS AND HOUSING: MODELS 9, 10, AND 11

TRANSITIONAL MODELS THAT INCORPORATE HOUSING

A root cause of housing affordability challenges is persistently low income. But housing itself may be seen as a necessary prerequisite for dealing with factors that lead to low income. As such, civil society organizations are starting to develop supportive housing models that deliver necessary social services concurrently with adequate and safe housing. The idea is to set people on a path that may ultimately see them live independently through their own employment and in market housing. Another aspect of these programs is that, in the short to medium term, they often offer more affordable forms of housing than institutional options, such as hospitals and prisons. (See Appendix C for these costs.) In that way, they deal directly with society's costs of addressing persistently low income and associated maladies.

Model 9—The YWCA Approach

YWCA Vancouver provides a range of safe, affordable housing solutions for women and their families. The YWCA Hotel, in addition to providing affordable accommodation for travellers, provides short-term subsidized housing to those needing emergency or temporary shelter: women in crisis, families in transition, seniors, and others marginalized by the current housing market. At the YWCA Hotel, guests can stay for up to three months, regardless of their ability to pay, and up to five people may share a room.

YWCA Vancouver also maintains four affordable housing projects:

- **Semlin Gardens** in Vancouver and **Fraser Gardens** in Langley: Through subsidized rents (geared to 30 per cent of income) and comprehensive support services, residents are able to gain independence and build better futures for themselves and their families.
- **Crabtree Corner Housing:** Located on the Downtown Eastside, this accommodation offers safe transitional housing for pregnant and parenting women who have or have had substance use issues.
- **Munroe House:** Established in 1979, Munroe House was the first second-stage transitional house in Canada. The 10-unit building offers a secure and peaceful home for women and children who are escaping abuse.

These facilities range in cost from $16,000 to $30,000 per unit, per annum.[1] All housing projects include support from community development workers, housing managers, and/or YWCA staff, and the cost variation reflects the level of support.

NOTEWORTHY INNOVATION

The YWCA works by effectively matching women to the supportive programs and services most appropriate to their circumstances. By giving women these tailored supports, in addition to stable housing, the YWCA helps women "begin their journey to economic independence."[2]

1 Interview data, expert segment, March 2009.

2 Ibid.

Furthermore, the YWCA operates according to a shared support structure, in which women facing similar challenges live together with common supports. Through this structure, the YWCA is able to create economies of scale that lower the per-person cost of its services.

WHAT IT CONTRIBUTES TO AFFORDABILITY

YWCA Vancouver contributes to affordability in three ways. First, it lowers the per-person cost of shelter by grouping women in the appropriate accommodations. Second, it encourages and fosters transitions to independent living, thereby lowering the long-run costs to government and non-profits of sheltering these women. For example, at Semlin Gardens and Fraser Gardens, 80 per cent of entering women are on income support, while 80 per cent of exiting women are employed or furthering their education.[3] Finally, the YWCA leverages the resources of donors to lower the cost to clients. Recently, for example, the non-profit received 60-year, $1 leases from the cities of Surrey and Coquitlam, as well as the promise of significant funding from BC Housing.[4] These resources will be used to create two new housing projects:

Como Lake Gardens in Coquitlam: Following the model of Semlin Gardens and Fraser Gardens, this housing project is set to open in late 2010. The 30-unit building will be designed to Gold Leadership in Energy and Environmental Design (LEED) standards.[5]

Alder Gardens in Surrey: This latest housing project is a 36-unit development, which will also be built to LEED Gold standards. Six of the 36 units will be designated for second-stage transitional housing.[6]

In these three ways, YWCA Vancouver was able to help 182 women and children with their affordability challenges in 2007.[7]

3 Ibid.

4 Ibid.

5 Ibid.

6 Ibid.

7 Ibid.

Several successful models are highlighted in this section: YWCA's transitional housing model (Model 9), the Mission and Shepherds of Good Hope approaches to homelessness and addictions (Model 10), and the John Howard Society's tiered housing for offenders (Model 11).

These innovative models demonstrate ways in which governments, private sector developers and builders, and civil society organizations have succeeded in creating affordable and supportive housing. Some of these models show how this housing can be tied to strategies for improving transitions to enhanced employment outcomes and income for individuals and households. It is hoped that these models might provide a basis for encouraging private and public sector actors to take an initial step toward investing in affordable housing.

The following chapter provides a set of tools that prospective developers and partners in affordable housing can use to identify optimal strategies and approaches to action.

Model 10—Supportive Shelter for Homeless People

Homelessness remains a significant problem nationwide. Our interviews suggest that 100,000 to 200,000 Canadians are currently homeless.

In Ottawa, The Ottawa Mission and the Shepherds of Good Hope are two non-profit organizations working to reduce this population. In addition to providing emergency shelter, these faith-based groups offer various social supports to homeless individuals. These supports act on the root causes of homelessness—such as low income, drug and alcohol addictions, and mental health problems—and help promote transitions to independent living arrangements.

NOTEWORTHY INNOVATION

The key to The Ottawa Mission's success is the client service worker, who meets with individuals who have stayed at the shelter for over a week. In these meetings, the worker assesses residents' needs and their capacity to change through non-threatening, in-person dialogue. She or he then recommends actions and supportive services provided by The Mission, such as job counselling, General Educational Development (GED) classes, addiction recovery programming, and psychiatric care. Residents with longer-term needs are also assigned a case manager, who directs them to resources within The Mission and beyond.

Similarly, the Shepherds of Good Hope assesses individuals following intake and matches them with the appropriate supportive shelter. These shelters are divided into four programs: the Emergency Men's Shelter, Hope Outreach (for women over 18), Hope Recovery (for those under the influence of drugs or alcohol), and the Managed Alcohol Program (for alcoholics). Programs provide access to medical support, psychiatric nurses, and/or addictions professionals, as required.

WHAT IT CONTRIBUTES TO AFFORDABILITY

The Mission receives $40 per person per day (80 per cent from the Ontario government and 20 per cent from the City of Ottawa) to offset the cost of food and shelter.[1] It also raises approximately $70 per person per day in donations, enabling the organization to offer its various services and programs.[2]

Similarly, the Shepherds of Good Hope receives $42 to $45 per person per day through the City of Ottawa.[3] It also receives $100,000 per year from the Ontario government and donations amounting to 52 per cent of total revenue.[4]

At these rates, sheltering an individual with The Mission or the Shepherds of Good Hope is significantly more cost effective than leaving the individual homeless, which may cost the government up to $100,000 per person per year in health care, criminal justice, social services, and emergency shelter costs.[5] It is also more cost effective—over the long term—than other forms of subsidized housing, as the supports ultimately enable residents to transition into sustainable, independent living situations.[6]

1 Costs exclude the capital cost of their buildings, as The Mission currently owns them all.

2 Ibid.

3 Ibid.

4 Ibid.

5 Interview data, public sector segment, November 26, 2008.

6 Interview data, expert segment, March 2009.

Model 11—John Howard Society Tiered Housing Model

The John Howard Society (JHS) is a non-profit organization committed to reducing crime and its causes. In Ottawa, it runs six supportive housing programs (four for adults and two for youths) to shelter and rehabilitate offenders. The supportive housing program for adults is tiered into four levels with each successive level offering more support. This tiered approach promotes transitions and lowers rates of recidivism.

NOTEWORTHY INNOVATION

JHS tiered supportive housing works by triaging offenders according to the level of support they require. Level-one housing caters to recently released offenders who would otherwise be homeless. It places 90 people per year in pre-screened rooming houses—generally for three to six months—and offers one person-year of supervisory support.

Level-two "transitional" housing shelters offenders who require more structured support. This support is provided through on-site staff available 12 hours a day (and a superintendent for the remainder). Offenders are housed in bachelor units, where they may stay for three to six months.

Level-three "supportive" housing accommodates offenders with developmental disabilities. Offenders are housed in aggregate halfway houses and benefit from 24-hour casework staff and support workers who provide life-skills coaching. Some offenders stay for up to three to five years.

Finally, level-four "supportive" housing shelters offenders with substance abuse or anger issues whose "criminal values" are strong. As in level three, offenders are housed in a halfway house setting with 24-hour support; however, a court may order them to stay for up to 10 years.

JHS supportive housing was created on the premise that through special care and services, offenders might be rehabilitated and reintegrated into society. Today, the Society's Ottawa branch reveals that 60 per cent to 70 per cent of its adult residents have transitioned to better ("positive") situations.[1] Furthermore, staff-conducted interviews with former residents reveal that since 2001, none of the 400 to 500 people who have passed through JHS housing have repeated a violent sexual offence.[2]

WHAT IT CONTRIBUTES TO AFFORDABILITY

The JHS strives to keep operational spending in line with the government funding it receives for offender care. That equates to between $345 per month (or $11.50 per day) for each offender in rooming houses or transitional units, and up to $150 per day for each mentally disordered offender.[3]

As shown in Appendix C, $150 per person per day exceeds the cost of several forms of housing. It remains significantly lower, however, than the cost of other shelters frequented by newly released offenders. Prisons, for example, cost $220.67 to $457.07 a day.[4] Furthermore, the cost of housing an offender in JHS housing is often temporary, as many move to independent or family living situations. These factors render JHS supportive housing a comparatively cost-effective option for sheltering offenders.

1 Interview data, private sector segment, January 8, 2009.

2 Ibid.

3 Ibid.

4 Interview data, expert segment, January 7, 2009; Correctional Service of Canada, *The Net Federal Fiscal Benefit of CSC Programming*.

CHAPTER 5

Moving From Concepts to Action: A Collection of Tools

Chapter Summary

- Many Canadians want to address the affordability challenge but lack a set of practical tools.
- Planners, developers, and civil society organizations can systematically evaluate the affordability problem, develop a solution, and begin to take effective action by using the enclosed tools.

A key finding of this report is that there are many concerned Canadians who would like to improve housing affordability. However, they often lack a set of tools for systematically evaluating the nature of the underlying problem, developing a strategy for addressing the problem, and taking effective action.

This chapter presents a set of practical tools for use by planners, private sector developers, and civil society organizations. These tools include:

- data sources;
- calculators and pro formas;
- decision-making matrices; and
- planning and process tools.

The tools address various aspects of defining and doing something about affordability. By using the tools, readers can:

- identify at-risk groups;
- set targets for improving affordability among these groups;
- budget how much it will cost to create affordable units;
- determine the contribution that various governmental programs—such as density bonuses, inclusionary zoning, and land grants—may make;
- make a case for public investments in affordable housing;
- detail innovative public institutions for funding affordable housing, such as housing trusts;
- determine partnership models for building and operating affordable units;
- consider innovative financing tools for lowering the costs to residents;
- apply process tools to improve the efficiency of project execution;
- reduce the impact of administrative procedures to lower costs; and
- identify tax expenditure supports.

These tools are scalable: they can be used at every level, from the national to local levels. They also define a common approach that can be used by all parties, including government, the private sector, and civil society.

Included, for instance, are sample building pro formas and a tool that private developers use to cost projects. Affordable housing inevitably requires partnerships among these parties, so it is important that they have a common frame of reference for understanding the cost of projects and the way public sector resources can be used to create below-market units starting from realistic market rates.

To demonstrate how the tools work, we work through a hypothetical example for a medium-sized Canadian city. For this example, we identify three target groups—lone-parent households, single-person households, and homeless people; set targets for improving affordability among these groups; budget costs; and present a cost-benefit analysis to justify the public expenditure and to determine how the public sector can leverage its planning, land granting, and approval processes to create units. We then present a series of other tools related to the calculation of resource, financing, and administrative costs that have a bearing on the implementation of a broader strategy.

For an online version of these tools, into which users can input their own data, please visit www.conferenceboard.ca/affordablehousing.

TOOL 1: DETERMINING PRIORITY GROUPS AND REQUIRED UNITS

This tool can assist you in determining the priority groups for affordable housing. This, in turn, will enable you to determine the kind and number of housing units required (based on the needs and population of selected priority groups).

STEPS:

1. In column A, enter the various demographic groups that face affordability issues in a selected community (e.g., lone-parent family households, single individuals, Aboriginal Canadians, recent immigrants, market renters).
2. In column B, enter the total number of households for each demographic group within the community. This information can be obtained from Statistics Canada (or, for homeless estimates, from the United Way).
3. In column C, enter the number in each demographic group spending over 30 per cent of their before-tax income on shelter. This information can be obtained from Statistics Canada.
4. In column D, use the data from Statistics Canada to calculate the rate of unaffordability in each demographic group by dividing the population spending over 30 per cent of their income on shelter (C) by the total number of households (B).
5. In column E, decide on priority groups based on the rate of unaffordability in each demographic group. (Note that there is no specific threshold above which a demographic group should become a "priority"—this is at your discretion).
6. In column F, decide on the number of units required for priority groups. Again, the methodology used is at your discretion. One way, for example, is to set a percentage target reduction (e.g., 25 per cent) for the number of individuals in each priority group spending over 30 per cent of their income on shelter (C).
7. In column G, decide on the types of units required. This will depend on the characteristics of the priority group. Families, for instance, will require units with two-plus bedrooms, while single individuals require only one-bedroom or studio units.

A	B	C	D	E	F	G
Household types	**Total number of households**	**Population spending over 30% of income on shelter**	**Rate** (%) (C ÷ B)	**Priority group**	**Number of units required** (to achieve a ___% target reduction of C)	**Type(s) of units required**
Lone-parent family households						
Single individuals						
Aboriginal Canadians						
Recent immigrants						
Market renters						
Other (specify)						
Homeless estimate						

Note: See www.conferenceboard.ca/affordablehousing for a completed example.

TOOL 2: APPLYING INNOVATIVE FINANCING TECHNIQUES

2A: THE SECOND MORTGAGE APPROACH

This tool allows you to calculate a homebuyer's annual mortgage carrying cost, and the income they require for affordability, under the second mortgage approach. In the second mortgage approach, a non-profit organization sells a home below the full market price by pricing at the cost of construction (eliminating any profit). The homebuyer takes out a first mortgage from a financial institution for the sale price of the home (minus the down payment). In addition, the non-profit organization offers the buyer a second mortgage for the difference between the full market and sale price of the home. The homeowner is not required to pay interest on the second mortgage and repayment of the second mortgage is only required when the house is sold or inherited.

STEPS:

1. In column A, enter the name of the approach (e.g., second mortgage approach).
2. In column B, enter the full market price of the home.
3. In column C, enter the sale price of a given home. (Note that sale price is reduced to an "affordable level" for the targeted homebuyer by eliminating the developer's profit.)
4. In column D, calculate the down payment on the home by multiplying the down-payment rate by the sale price of the home (C).
5. In column E, calculate the amount of the first mortgage by subtracting the down payment on the home (D) from the sale price of the home (B).
6. In column F, calculate the amount of the second mortgage by subtracting the down payment and first mortgage from the sale price of the home (B − C).
7. In column G, calculate the annual mortgage carrying costs (including principal, interest, and taxes). This calculation will depend on several variables—namely, the mortgage interest rate, the mortgages' amortization, and local property tax rates.
8. In column H, calculate the income the homeowner will require to achieve affordability (a shelter-to-income ratio under 30 per cent). This calculation involves dividing the annual mortgage carrying cost (G) by 0.299999.

A	B	C	D	E	F	G	H
Approach	**Full market price of home**	**Sale price of home** (B – profit)	**Down payment on home** (___% × C)	**First mortgage** (C – D) **but may be limited**	**Second mortgage** (B – C)	**Annual mortgage carrying costs*** (principal, interest, taxes)	**Income required for affordability**** (a 30% STIR or less, G ÷ 0.2999)

*Assumes 6 per cent mortgage amortized over 25 years and $1,000 in property taxes.
**Based on a 30 per cent shelter-to-income ratio (net of taxes).
Note: See www.conferenceboard.ca/affordablehousing for a completed example.

2B: THE SHARED EQUITY APPROACH

This tool allows you to calculate a homeowner's annual mortgage carrying cost, and the income they require for affordability, under the shared equity approach. In this approach, an entity (a non-profit organization or quasi-governmental body) purchases a direct stake in the equity of a property, sparing the homebuyer a portion of the home's cost.

Upon the sale of the property, the entity gets a percentage of the sale price, corresponding to the percentage of its stake in the property. If the property has appreciated, the entity achieves a "capital gain."

STEPS:

1. In column A, enter the name of the approach (e.g., shared equity approach).
2. In column B, enter the sale price of the home.
3. In column C, calculate the entity's equity stake by multiplying the entity's percentage stake by the sale price of the home (B).
4. In column D, calculate the homeowner's equity stake. This is simply the difference between the sale price of the home and the entity's equity stake (B – C).
5. In column E, calculate the homeowner's down payment on the property by multiplying the down-payment rate (e.g., 10 per cent) by the homeowner's equity stake in the home (D).
6. In column F, calculate the amount of the first mortgage required for the home. This is the difference between the sale price of the home and the down payment (D – E).
7. In column G, calculate the annual mortgage carrying costs (including principal, interest, and taxes). This calculation will depend on several variables, namely the mortgage interest rate, the mortgage's amortization, and local property tax rates.
8. In column H, calculate the income the homeowner will require to achieve affordability (a shelter-to-income ratio under 30 per cent). This calculation involves dividing the annual mortgage carrying cost (G) by 0.299999.

A	B	C	D	E	F	G	H
Approach	**Sale price of home**	**Entity equity stake** (B × entity's percentage stake)	**Homeowner's equity stake** (B – C)	**Down payment** (D × down payment rate)	**First mortgage** (D – E)	**Annual mortgage carrying costs*** (principal, interest, taxes)*	**Income required for affordability**** (a 30% STIR or less, G ÷ 0.2999)

*Assumes 6 per cent mortgage amortized over 25 years and $1,000 in property taxes.
**Based on a 30 per cent shelter-to-income ratio (net of taxes).
Note: See www.conferenceboard.ca/affordablehousing for a completed example.

TOOL 3: THE HOUSING TRUST APPROACH

This tool allows you to outline the revenues, expenditures, and housing beds/units associated with a housing trust.

Housing trusts are long-term funds created for the purpose of building non-profit, affordable housing. They are often funded through local levies, which can be adjusted to provide regular streams of income. For instance, a tourist locale may add fees or taxes to hotel room charges to fund a housing trust for local service workers.

STEPS:

1. Under "Revenue," record all sources of projected revenue for your housing trust, as well as the corresponding amounts. Total the amounts.
2. Under "Operating expenditures," record all sources of projected operating expenditures for your housing trust, as well as the corresponding amounts. Total the amounts.
3. Under "Administration," record all administration costs related to your housing trust, as well as the corresponding amounts. Total the amounts.
4. Under "Reserves," record all financial reserves for your housing trust, as well as the corresponding amounts. These include both capital and operating reserves. Total the amounts.
5. On the right-hand side, record all the beds and units your housing trust intends to produce, broken down by unit type (e.g., price-restricted, rental).

FINANCIALS

Revenue
Rent
Other income
Interest on reserves
Total

Operating expenditures
Bank charges
Insurance
Repairs and maintenance
Property management
Mortgage principal
Mortgage interest
Taxes
Garbage and recycling
Snow removal
Utilities
Total

Administration
Total

Reserves
Capital
Operating reserve
Total

Units	Beds	Units
Price- and occupancy-restricted housing (ownership)		
Occupancy-restricted housing (ownership)		
Rental- and occupancy-restricted units		
Other restricted rental		
Total		

Note: See www.conferenceboard.ca/affordablehousing for a completed example.

TOOL 4: OPTIONS FOR LEVERAGING PUBLICLY HELD LANDS

This tool presents several different options for building up and managing public land resources. As land is a critical component of housing costs, amounting to anywhere from 20 per cent to 30 per cent of total building costs, the leveraging of public lands can be an effective way to improve housing affordability. These options can be used individually or in conjunction with one another.

STEPS:

1. Read through the outlined options for building up and managing public land resources.
2. Consider which options may be feasible in your community.
3. Select one or more options to pursue.

Option A: Crown land management

Crown land is typically managed through government agencies. These agencies may have multiple mandates that extend well beyond the provision of land for affordable housing. As a result, some governments have established supplementary agencies that focus specifically on freeing land for use in affordable housing.

Option B: Land banks

Land banks are government or quasi-governmental entities that assemble properties through purchase, repossession, donation, inheritance, or other means. They often work with municipal authorities to acquire vacant, abandoned, or tax-delinquent properties. The resulting stock of land can be devoted to affordable housing (for example, through a donation to a community land trust or to a non-profit housing developer).

Option C: Community land trusts

Community land trusts (CLTs) are local, non-profit entities that hold title to land indefinitely. They may receive land from a number of sources, including land banks and private land donations. Among other things, community land trusts can offer free land or long-term, sub-market leases on land to affordable housing developers. This supports housing affordability by eliminating or significantly reducing the cost of land, one of the most expensive components of housing projects.

Option D: Rezoning

Municipal governments have zoning authority within their community and can leverage this authority to encourage the development of affordable housing units. One option is for municipalities to rezone vacant land for affordable residential development. A second option is for municipalities to rezone low-density public land for high-density building that includes affordable housing units. (See Tool 6 for more information.)

Option E: Add residential structures to existing publicly owned structures

Municipalities can add affordable housing units to existing public structures. For example, affordable units can be built on top of government offices or community centres. This has the added benefit of providing low-income households with easy access to public services and/or facilities.

Barriers to developing unused land

The main barriers to the development of unused public lands are existing claims and zoning restrictions. Tax foreclosures are also challenging, as it may become difficult in such cases to clear title to the land. A virtue of land banks is that they develop an internal capacity to identify and break through such barriers. Some municipalities have established procedures to expedite the transfer of abandoned or tax-foreclosed properties to new stewardship and for use in affordable housing projects.

TOOL 5: CALCULATING THE CONTRIBUTION OF LAND GRANTS TO AFFORDABILITY

This tool allows you to calculate the impact of land grants on the total number of affordable housing units in a project. If you are a government official, this information can help you to decide whether to grant land to a project. If you are a private sector or non-profit figure, it can help you make the case to government for land grants.

STEPS:

1. In column A, enter the name of the proposed residential project.
2. In column B, enter the number of units the proposed housing project will include.
3. In column C, enter the value of the land on which the affordable housing project will be built (using, for example, MLS data).
4. In column D, calculate the land costs per housing unit by dividing the value of the land (C) by the number of proposed units (B).
5. In column E, enter the average costs of housing units in the affordable housing project (determined by the cost of land, construction, building fees, and taxes, etc.).
6. In column F, calculate the number of housing units that the land grant will fund by dividing the value of the land (C) by the average cost of the units (E).
7. In column G, calculate the number of housing units that the land grant will fund as a percentage of the total proposed units by dividing the former (F) by the latter (B).

A	B	C	D	E	F	G
Proposed residential project	**Proposed # of housing units**	**Value of land** ($)	**Land costs per unit** (C ÷ B)	**Average cost of units** (D + construction costs, taxes etc.)	**Number of units funded by land grant** (C ÷ E)	**Units as % of proposed units** (F ÷ B)

Note: See www.conferenceboard.ca/affordablehousing for a completed example.

TOOL 6: CALCULATING THE CONTRIBUTION OF DENSITY BONUSING AND INCLUSIONARY ZONING

6A: POTENTIAL CONTRIBUTION OF DENSITY BONUSING

This tool allows you to calculate the impact of density bonusing on a project's total number of affordable units. A density bonus is an authorization given by a municipal government to a developer to build at a higher density than specified in official density plans. In exchange for a density bonus, some municipalities require developers to include affordable housing units in their housing developments. Thus, density bonusing is a strategy to increase the affordable housing stock.

STEPS:

1. In column A, enter the name of the proposed residential project.
2. In column B, enter the number of housing units the proposed residential project will include.
3. In column C, consider if there is demand for additional density. (High housing prices, for example, could be an indication of such demand.)
4. In column D, determine the density contribution that will be given to the developer (that is, the number of additional units that the developer will be permitted to build on the lot). This figure will be based primarily on the density rate that the municipality deems desirable (e.g., if the project calls for 25 units but the municipality believes that 40 units would be desirable, the latter may allow an additional 15 units).
5. In column E, enter the original amount of profit expected (pre-density bonusing) per housing unit (based on the original pro forma).
6. In column F, calculate the original amount of profit expected (pre-density bonusing) for the total housing development by multiplying the profit per unit (E) by the number of proposed units (B).
7. In column G, calculate the increase in profit that will be achieved through density bonusing by multiplying the profit per unit (E) by the density contribution in units (D).
8. In column H, enter the cost per affordable housing unit.
9. In column I, calculate the number of affordable units that density bonusing will contribute to the housing development by dividing the increase in profit through density bonusing (G) by the cost per affordable housing unit (H).

A	B	C	D	E	F	G	H	I
Proposed residential project	**Proposed # of housing units**	**Demand for additional density**	**Density contribution** (units)	**Original expected profit per unit**	**Original expected profit on total development** (E × B)	**Increase in profit through density bonus** (E × D)	**Cost per affordable unit**	**Number of affordable units created** (G ÷ H)

Note: See www.conferenceboard.ca/affordablehousing for a completed example.

6B: POTENTIAL CONTRIBUTION OF INCLUSIONARY ZONING

This tool allows you to calculate the impact of inclusionary zoning on the total number of affordable units in a project. Inclusionary zoning is a policy to increase the number of affordable housing units by requiring builders (in certain zones) to incorporate affordable housing units in their project (in return for the entitlement to build in those zones). The idea is for the affordable units to be funded through a portion of the overall project profit. To ensure this, planners target projects where there is potential for a large profit to be made.

STEPS:

1. In column A, enter the name of the proposed housing project.
2. In column B, enter the number of housing units the proposed residential project will include.
3. In column C, enter the average cost of housing units in the proposed residential project.
4. In column D, enter the expected rate of profit from the housing units.
5. In column E, calculate the net profit for the proposed residential project by multiplying the proposed number of housing units (B) by the average cost of units (C) by the rate of profit (D).
6. In column F, enter the "normal" rate of profit.
7. In column G, calculate the "windfall" profit. This involves finding the difference between the rate of profit (D) and the "normal" rate of profit (F), and then multiplying the difference by the number of proposed units (B) and the average cost of the units (H).
8. In column H, calculate the number of units that could be created by dividing the "windfall" profit (G) by the average cost of units (C).
9. In column I, calculate the number of units that could have been created (H) as a percentage of the total number of proposed units (B) by dividing the former by the latter.

A	B	C	D	E	F	G	H	I
Proposed residential project	**Proposed # of housing units**	**Average cost of housing units**	**Rate of profit** (%)	**Net profit** (B × C × D)	**"Normal" rate of profit** (%)	**"Windfall" profit** [(D − F) × B × C]	**Number of units that could be created** (G ÷ C)	**Units as a share of the project** (H ÷ B)

Note: See www.conferenceboard.ca/affordablehousing for a completed example.

TOOL 7: SELECTING OPTION (BUILD, BUY, LEVERAGE, OR SUPPLEMENT) TO DELIVER AFFORDABLE HOUSING

This tool allows you to assess the different options for delivering affordable housing, both qualitatively (Table 1) and quantitatively (Tables 2–5). It also outlines the mechanisms through which each option can be encouraged (e.g., capital grants, land banks, density bonusing).

QUALITATIVE ASSESSMENT

Table 1

	Who	Why	When	How
1. Build	All	Lack of affordable supply	During downturns in the housing market (leverage off upturns)	Capital grants, density bonusing, land banks
2. Buy	All	Excess supply suitable for conversion to affordable units	During downturns in the housing market	Housing trusts
3. Supplement	Government	More flexible option for addressing affordability	All times, especially in flexible supply markets	Cash transfers, vouchers to tenants, portable housing allowances
4. Leverage	Municipal government	Zoning and permitting powers provide leverage encouraging developers to include affordable units in their developments	When planned residential developments or re-developments lend themselves to the inclusion of affordable units	Inclusionary zoning, density bonusing

QUANTITATIVE CALCULATION—BUILD, BUY, OR SUPPLEMENT

The first task is to determine the number and size of each unit type you plan to deliver.

1. In row A, in each column, enter the type of unit you intend to produce. (If you intend to build more than three types of units, add columns accordingly.)
2. In row B, in each column, enter the required number of units of each type.
3. In row C, in each column, enter the average size (in terms of square feet) of each unit type.

This provides the basis for calculating the cost of the three options—build, buy, or supplement.

Table 2

A	Type of unit			
B	Required units			
C	Average size (square feet)			

OPTION 1: BUILD

Using the information from the table above, you can now weigh the various options for delivering affordable housing units:

4. In row D, in each column, enter the type of unit (A). (If you intend to build more than three types of units, add columns accordingly.)
5. In row E, in each column, enter the land costs associated with each unit.
6. In row F, in each column, enter the construction costs associated with each unit.
7. In row G, in each column, enter the soft costs associated with each unit (e.g., marketing, architect fees).
8. In row H, in each column, enter the taxes associated with each unit.
9. In row I, in each column, calculate the total cost per unit by adding the various costs (E + F + G + H).
10. In row J, in each column, calculate the total cost to build all units by multiplying the cost per unit (I) by the number of required units (B).

Table 3
Build

D	Type of unit (A)			
E	Land costs			
F	Construction costs			
G	Soft costs			
H	GST			
I	Total per unit (E + F + G + H)			
J	**Total cost to build all units** (I × B)			

OPTION 2: BUY

11. In row K, in each column, enter the type of unit (A). (If you intend to build more than three types of units, add columns accordingly.)
12. In row L, in each column, enter the current square footage cost per unit for buying (dollars per square foot).
13. In row M, in each column, calculate the implied cost per unit by multiplying the square footage cost (L) by the average size per unit (C).
14. In row N, in each column, calculate the total cost to buy all units by multiplying the implied cost per unit (M) by the number of required units (B).

Table 4
Buy

K	Unit type (A)			
L	Current square footage cost for buying units ($/sq. ft.)			
M	Implied cost per unit (L × C)			
N	**Total cost of buying all units** (M × B)			

OPTION 3: SUPPLEMENT

15. In row O, in each column, enter the type of unit (A). (If you intend to build more than three types of units, add columns accordingly.)
16. In row P, in each column, enter the number of households you plan to assist (B).
17. In row Q, in each column, enter the average income of the households you plan to assist.
18. In row R, in each column, calculate how much the average household could spend on shelter without exceeding the 30 per cent shelter-to-income ratio. This involves multiplying the average income of the households (R) by 0.3.
19. In row S, in each column, enter the average monthly rent of each unit type in your community. (You can retrieve this information from local housing agencies.)
20. In row T, in each column, calculate the average annual rent of each unit type in your community by multiplying the average monthly rent (S) by 12.
21. In row U, in each column, calculate the average annual affordability gap by subtracting 30 per cent of household income (R) from the average annual rent (T).
22. In row V, in each column, calculate the total costs to government to close the affordability gap for all households. This involves multiplying the average annual affordability gap (U) by the number of families you plan to assist (P).

Table 5
Supplement

O	Unit type			
P	Number of households you plan to assist (1 household = 1 housing unit; see B)			
Q	Average income of households			
R	30% of average income of households that will occupy the units (0.3 × Q)			
S	Average monthly rent for affordable unit			
T	Average annual rent for affordable unit (S × 12)			
U	Average annual affordability gap (T – R)			
V	**Total cost to government to close affordability gap for all households** (U × P)			

Note: See www.conferenceboard.ca/affordablehousing for a completed example.

23. Compare the total cost to build (J), the total costs to buy (K), and the total cost to supplement (V). Select the appropriate option.

TOOL 8: DETAILING REVENUES/COSTS FOR SELECTED OPTION (PRO FORMA)

This tool allows you to quantify and outline the various revenues and costs associated with an affordable housing project. The resulting financial statement is known as a "pro forma." A pro forma can help you understand the full market costs and projected returns of producing units. If you are a private developer, it can also help you "scope out" the business case for development projects.

STEPS:

1. Under "Project revenue," record the number of units planned (A) and the average sale price per unit (B). Multiply both to calculate the gross revenue.
2. Record any commissions and fees associated with your housing project. Then subtract the commissions and fees (D) from the gross revenue (C) to calculate the net project revenue.
3. Record the various project costs associated with your housing project. Total the costs (F + G + H + I + J) to calculate the total project costs (K).
4. Calculate the net cash flow before financing by subtracting the total project costs (K) from the net project revenue (E).
5. Enter the financial interest that will accrue on the mortgage for the housing project in M. You can calculate this using an online mortgage calculator.
6. Calculate the net cash flow to the developer by subtracting the financial interest (M) from the net cash flow before financing (L).
7. Enter the cash investment in O (provided by investors, banks, government, etc.)
8. Calculate the total cash-on-cash return by dividing the net cash flow to the developer (N) by the cash investment (O).
9. Calculate the annualized cash-on-cash return by dividing the total cash-on-cash return (P) by the number of years required to develop the project.

PRO FORMA

Required units	
Average size (square feet)	

	Project revenue	
A	Number of units	
B	Average sale price per unit	
C	Gross revenue (A × B)	
D	Less commissions and fees	
E	**Net project revenue (C – D)**	

	Project costs	
F	Land acquisition	
G	Planning, design, approval	
H	Site work and building construction	
I	Amenities, off-site costs (such as gardens or play areas)	
J	Management and overhead	
K	**Total project costs**	

L	**Net cash flow before financing (E – K)**	
M	**Financial interest (based on 25-year mortgage)**	
N	**Net cash flow to developer (L – M)**	
O	**Cash investment**	
P	**Total cash-on-cash return (N ÷ O)**	
Q	**Annualized cash-on-cash return**	

Note: See www.conferenceboard.ca/affordablehousing for a completed example.

TOOL 9: MAKING THE CASE FOR INVESTMENT

This tool allows you to make the case for investment by summarizing and presenting the costs and full range of benefits of an affordable housing project. Calculating both the quantitative and qualitative benefits of an affordable housing project enables stakeholders to make a strong case to potential investors for the necessary financing.

STEPS:

1. In row A, enter a target group in each column. (If you intend to build for more than three target groups, add columns accordingly.)
2. In row B, enter the type of units to be created for that priority group.
3. In row C, enter the number of units to be created for that priority group.
4. In row D, enter the annual operating cost of the outlined units, per unit.
5. In row E, calculate the total annual operating cost of all units by multiplying the number of units required (C) by the annual operating cost per unit (D).
6. In row F, enter the contribution provided by the tenant (through the payment of their rent).
7. In row G, calculate the net costs by subtracting the contribution by tenants (F) from the total annual operating cost for all units (E).
8. In rows H to L, enter all economic (quantitative) benefits. See the footnotes for guidance on calculating benefits.
9. In row M, calculate the total economic (quantitative) benefits (H + I + J + K + L).
10. In rows N to S, place a checkmark beside all social (qualitative) benefits that apply.

A	Target group			
B	Type of units required			
C	Number of units required			
D	Annual operating cost per unit, taken from budget			
E	Annual operating costs, all units (C × D)			
F	Contribution by tenants*			
G	**Net costs (E – F)**			

Benefits**

Economic (quantitative) benefits

H	Reduced use of social assistance (C × 0.2 × $13,044, if applicable)			
I	Reduced use of health/mental services (__% × C × $3,000, if applicable)			
J	Reduced use of emergency shelters (C × 80 × $35, if applicable)			
K	Reduced use of police and justice services (__% × C × $2,000, if applicable)			
L	Improved contribution to the tax base (C × $600, if applicable)			
M	**Total enumerated benefits (H + I + J + K + L)**			

Social (qualitative) benefits

N	Greater social cohesion/reduced social exclusion			
O	Reduced intergenerational transmission of poverty			
P	Longer school stays by children			
Q	Improved long-term income prospects			
R	Reduced stress on public services			
S	Longer life expectancy			

*Assumes tenant rent contribution of 40 per cent of gross income and average income of $20,000 per annum per household or $13,000 for SRO clients.
**Assumes a 20 per cent improvement in labour force attachment and, thus, a 20 per cent reduction in the number of households requiring social assistance of $13,044 per year. Assumes a $3,000 increase in income. This income is taxed at a rate of 20 per cent, generating $600 in tax revenue. (Note, however, that SRO households are not required to pay any tax due to their low incomes.) Assumes a 20 per cent reduction in the use of hospital services ($3,000 per year) or a 50 per cent reduction among SRO households. Assumes a reduction in the use of emergency shelters by 80 nights per year. Shelter space costs $35 per person per night. Assumes that 1 per cent of lone-parent and single, working-poor households and 20 per cent of SRO households will no longer require police and justice services of $2,000 per household per annum.
Note: See www.conferenceboard.ca/affordablehousing for a completed example.

TOOL 10: RUNNING A PROJECT EFFICIENTLY—THE KAIZEN PLANNING PROCESS

The Kaizen planning process allows you to eliminate unnecessary activities and make better use of available resources in affordable housing projects. This results in greater efficiency—and, thus, cost savings that can be passed on to homebuyers or renters.

PROCESS STEPS:

1. Map the current processes for project development.
2. Identify the sub-processes and the steps involved at each stage.
3. Do a "situation analysis" to contextualize process improvements.
4. Have partners work together to eliminate unnecessary steps and streamline the process.
5. Develop a new process map.
6. Implement the new process and communication plan.

TOOL 11: REDUCING PUBLIC ADMINISTRATION FEES AND PROCESS COSTS

This tool presents several different actions that governments can take to reduce public administration fees and process costs. This, in turn, will reduce developers' overall building costs (which are often transferred to homebuyers or renters) and facilitate the creation of more affordable units.

STEPS:

1. Read through the outlined actions that governments can take to lower public administration fees and process costs associated with affordable housing projects.
2. Consider which actions may be feasible in your community. Feasibility may depend on such factors as the existence and level of fees in your community, the nature of fee schedules, permitting practices, etc.
3. Select one or more actions to implement.

REVISE DEVELOPMENT CHARGES AND IMPOST FEES

Municipalities levy development charges and impost fees on new developments to fund municipal infrastructure. In general, developers pass on these levies and fees to buyers through higher purchase prices or rents. From an affordability perspective, the main issue is that development charges and fees are often levied on a flat-rate basis, regardless of the type of unit.

There are various ways to reduce the impact of development charges and fees on affordable housing. One way is to modify fees to make them more progressive. For instance, one mid-sized Canadian city uses the following "type-based" fee schedule, which varies according to the type of unit.

- Single-family and semi-detached homes—$5,909
- Two-bedroom apartments—$3,780
- Bachelor and one-bedroom apartments—$2,544

A second method is to vary fees based on the square footage of living space. A third option for municipalities is to institute reduced fees for infill development. Finally, municipalities may lower fees for certain types of development, such as affordable densification.

EXPEDITED PERMITTING

Municipalities adopt a variety of building-permitting policies for health and safety reasons. These policies cover things such as building permits and environmental assessments. Although these policies are well-intentioned and necessary, the permitting process can be convoluted and lengthy, resulting in higher development costs and less affordable housing.

Some municipalities have adopted expedited permitting for affordable housing to reduce the administrative burden on the developers of these projects. Expedited permitting usually involves making a series of process improvements. These improvements can include eliminating processes that do not contribute to public safety and environmental requirements, and speeding up approvals of elements deemed necessary. Using Kaizen planning processes (see Tool 10) is one way to approach this challenge. The objective is to improve efficiency and predictability, thereby reducing costs to developers. The resulting savings can then be passed along to homebuyers and renters.

ADOPT REHABILITATION CODES

The rehabilitation of older buildings can be a key way to add to the affordable housing stock. However, many municipalities insist that rehabilitated buildings be brought up to current building standards. This can be especially problematic for older buildings, which are more expensive to "bring to code" than are new buildings.

Rehabilitation codes seek to balance the need for public safety with the desire to renew the housing stock. Such codes cover repairs, renovations, alterations, reconstruction, change of use, and additions. Rehab codes are based on the principle that rehabilitating a building need not involve bringing the entire building up to code. They allow for incremental improvements to buildings and, thus, foster the creation of affordable housing.

A good example is North Carolina's rehab code. This type of code allows building owners and developers to choose the extent of renovations required and to gradually upgrade buildings to current standards. (For further details, see www.ncrehabcode.com/pdf/PP_REHABBRO.pdf.)

TOOL 12: DETERMINING ORGANIZATIONAL ENTITIES THAT PRODUCE AFFORDABLE HOUSING

This tool outlines the various organizational entities that produce affordable housing, as well as the ownership/governance models they use. The tool also allows you to map out how many units, of each type, will be created by each organizational entity.

STEPS:

1. In the first row, in each of the columns from D to F, enter a type of unit required.
2. Read the description (B) and governance/ownership model (C) of the outlined organizational entities.
3. Consider which organizational entity to adopt, support, or partner with, based the on desired governance or ownership model.
4. In each of the columns from D to F, indicate how many units of each type will be created by each organizational entity.
5. Total the number of each type of unit to be built.

			Type of Unit Required		
A	**B**	**C**	**D**	**E**	**F**
Organizational entity	**Description of entity**	**Governance/ownership model used by entity**			
Private non-profit	Often affiliated with a religious organization, social organization, or service club	60-year operating lease, units owned by housing trust			
Co-operative non-profit	Operated by resident members, but owners have no equity rights	Co-op owns units, purchased partly through grants			
Local housing corporation	Owned by individual service managers established by local government	Local housing corporation develops and operates unit			
Municipal non-profit housing corporation	Owned directly by municipal governments	Municipal authority owns and operates units			
Private for-profit	Owned by property development companies or by individuals	Private sector owns and operates units. Affordable units are created under rent covenants or through supplements			
Total					

Note: See www.conferenceboard.ca/affordablehousing for a completed example.

TOOL 13: CALCULATING THE IMPACT OF LOW-INCOME HOUSING TAX CREDITS ON THE FINANCING OF AN AFFORDABLE HOUSING PROJECT

This tool allows you to calculate the effect that low-income housing tax credits (LIHTCs) can have on the financing of an affordable housing project. Low-income housing tax credits are tax credits that, when redeemed, provide a dollar-for-dollar reduction against a corporate income tax liability. They are awarded by government housing agencies to the owners/developers of eligible affordable housing projects,[1] generally following a competitive application process.

In the United States, federal regulations restrict the use of LIHTCs. Thus, in order to capitalize affordable housing projects, owners/developers generally auction off 99.99 per cent of their tax credits through financial intermediaries known as “syndicators” to investors who become “limited partners” (or joint owners) in the projects. In many cases, there are multiple investors, and they form “limited partnership groups.” Syndicators typically take a percentage of the auction sales (e.g., 10 per cent). The remaining revenue generated by the sales (e.g., 90 per cent) is paid to the owners/developers to finance their affordable housing projects.

Investors in LIHTCs can benefit in several ways. First, investors can redeem the credits in order to obtain a dollar-for-dollar reduction in their corporate income tax liability. Second, as limited partners (or joint owners) in affordable housing projects, investors can claim the losses or depreciation of the affordable housing projects on their tax forms. Investors are also entitled to a portion of the cash flow from the project (although they often accept only a small amount to cover minor costs such as accounting). Finally, in the United States, the purchase of LIHTCs by financial institutions—the most common investors in LIHTCs—can help these institutions conform to the requirements of the *Community Reinvestment Act* (CRA). The CRA is a 1977 federal act designed to encourage investment and non-discriminatory banking practices in low- and middle-income communities.

Like any marketable good, the bids that investors make for LIHTCs depend largely on the supply of and demand for the tax credits. Because the credits are often allocated for use over an extended period (e.g., 10 years), with an equal amount to be redeemed each year, LIHTCs are also discounted to reflect their present value. Historically, this has resulted in an average bid of 75 cents to 85 cents on the dollar. In the aftermath of the 2008–09 recession, however, bids have fallen somewhat (to approximately 69 cents to 71 cents on the dollar) due to the collapse of many financial institutions and the resulting reduction in demand for the credits.

Another factor that can affect bid levels is the risk associated with an affordable housing project. By law, only investors in affordable housing projects that continue to meet the eligibility criteria (see footnote) can fully redeem the LIHTCs they hold. Thus, while “defaults” are rare, investors will bid lower for LIHTCs awarded to projects perceived as less likely to meet the criteria. Such projects might include those built by inexperienced development firms or firms using LIHTCs for the first time.

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1 In the United States, “eligible” projects are those in which at least 20 per cent of the units in the project will be affordable to and occupied by households with incomes no greater than 50 per cent of the area median income (adjusted for family size), or at least 40 per cent of the units in the project will be affordable to and occupied by households with incomes no greater than 60 per cent of the area median income (adjusted for family size). Note that to be deemed “affordable,” maximum rents can equal no more than 30 per cent of household income.

STEPS:

1. In row A, enter the total cost of the affordable housing project (based on pro forma from Tool 8).
2. In row B, enter the amount of LIHTCs that the owners/developers have been awarded.
3. In row C, calculate the present discounted value of the LIHTCs. As most tax credits are to be used over 10 years, investors usually discount the value of the LIHTCs to 75–85 cents on the dollar.
4. In row D, enter the total revenue from the sale of the LIHTCs to investors.
5. In row E, calculate the commission earned by the syndicator for auctioning off the credits. This involves multiplying the commission rate (e.g., 10 per cent) by the total revenue from the sale of the LIHTCs to investors (D).
6. In row F, calculate the amount of LIHTC revenue remaining to finance the affordable housing project by subtracting the syndicator commission (E) from the total revenue from the sale of LIHTCs to investors (D).
7. Calculate what portion of the affordable housing project was financed by LIHTCs by dividing the amount of LIHTC sales remaining to finance the affordable housing project (F) by the total cost of the project (A).

A	Total cost of affordable housing project	
B	Amount of LIHTCs awarded to owners/developers (to be used over ____ years)	
C	Present discounted value of the LIHTCs (B × ____%)	
D	Total revenue from the sale of the LIHTCs to investors	
E	Syndicator commission (____% × D)	
F	Amount of revenue remaining to finance affordable housing project (D – E)	
G	Portion of project financed by LIHTCs (F ÷ A)	

Note: See www.conferenceboard.ca/affordablehousing for a completed example.

TOOL 14: RENT SUPPLEMENT APPROACH TO AFFORDABILITY

This tool allows you to calculate the impact of a rent supplement on a household's shelter-to-income ratio. Rent supplements are monthly stipends given to low-income households to subsidize shelter costs. They provide a simple, flexible way for governments to assist low-income households in reducing their shelter-to-income-ratio to affordable levels.

STEPS:

1. Establish whether the household is eligible for a rent supplement using applicable criteria (which may vary by community). Some examples of questions to be asked:
   - Is the household income within the maximum allowed?
   - Does the household include dependent children?
   - Does the household pass the asset test (have less than $_______ in total assets)?
   - Do all household members hold resident status?
2. In row A, enter a household's monthly income. In many communities, only incomes below a certain amount are eligible for a rent supplement.
3. In row B, enter the household's monthly rent.
4. In row C, enter the household's eligible rent. In many communities, only rents above a community-set minimum threshold, but below a community-set ceiling, are eligible for a rent supplement. This defines the "supplement band."
5. In row D, calculate the actual rent-to-income percentage before the supplement by dividing the monthly rent (B) by the household's monthly income (A).
6. In row E, calculate the supplement for which the household is eligible using the formula set by your community. (A common formula is one dollar for every eligible rental dollar (C) over an established amount, reduced by a percentage of every dollar of household income (A) over another established amount.)
7. In row F, calculate the rent-to-income percentage after the supplement by dividing the monthly rent (B) minus the supplement (E) by the household monthly income (A).

A	Household monthly income (maximum $________)	
B	Monthly rent	
C	Eligible rent: amount of rent above minimum threshold ($________) but below eligibility ceiling ($________)	
D	Actual rent-to-income percentage before supplement (B ÷ A)	
E	Supplement: One dollar for every eligible rental dollar (C). This amount may then be reduced by $________ for every dollar of income (A) over $ ________	
F	**Rent-to-income percentage after subsidy [(B – E) ÷ A]**	

Note: See www.conferenceboard.ca/affordablehousing for a completed example.

APPENDIX A

Government Affordable Housing Programs

CMHC

RENTAL PROGRAMS

RRAP for Rental Units

Objective	Provide financial assistance for mandatory repairs to self-contained rental units occupied by low-income households
Target group	Private entrepreneurs, non-profit corporations, and cooperatives
Description	Provides a forgivable loan ranging from a maximum of $24,000 to $36,000 per unit, or $16,000 to $24,000 per bed, depending on geographic location
Reach	55,300 (total for rental units, rooming houses, and garden suites), 1995–2007

RRAP for Rooming Houses

Objective	Provide financial assistance for mandatory repairs to rooming houses occupied by low-income tenants
Target group	Rooming house owners
Description	Provides a forgivable loan based on the cost of repairs, ranging from $16,000 to $24,000 per bed-unit
Reach	55,300 (total for rental units, rooming houses, and garden suites), 1995–2007

DEVELOPMENT PROGRAMS

RRAP for Conversions

Objective	Provide financial assistance for the conversion and rehabilitation of non-residential properties into affordable, self-contained rental housing units or bed-units
Target group	Private entrepreneurs, non-profit corporations, and cooperatives
Description	Provides a forgivable loan based on the cost of the conversion, ranging from a maximum of $24,000 to $36,000 per unit, or $16,000 to $24,000 per bed, depending on geographic location
Reach	3,308 units, 2000–07

The Shelter Enhancement Program

Objective	To increase the supply of housing units for victims of family violence.
Target group	Non-profit corporations and charities that house victims of family violence.
Description	Provides fully forgivable loans (of up to $24,000 in southern areas of Canada, $28,000 in northern areas, and $36,000 in far northern areas) to assist in the repair, rehabilitation, and improvement of existing shelters, and in the acquisition or construction of new shelters and second-stage housing for victims of family violence.
Reach	n.a.

RRAP for Secondary and Garden Suites

Objective	Provide financial assistance for the creation of a secondary or garden suite to encourage independent living for low-income seniors and for persons with disabilities
Target group	Homeowners and private entrepreneurs who accommodate a low-income senior or an adult with a disability
Description	Provides a forgivable loan ranging from $24,000 to $36,000 per unit, depending on geographic location
Reach	55,300 (total for rental units, rooming houses, and garden suites), 1995–2007

HOMEOWNERSHIP PROGRAMS

Home Adaptations for Seniors' Independence

Objective	Provide financial assistance for minor home adaptations to help low-income seniors live in their home independently and safely
Target group	Low-income seniors and landlords
Description	Provides a forgivable loan for materials and labour, up to $3,500 per household
Reach	19,858 units, 2001–07

RRAP for Homeowners

Objective	Provide financial assistance for mandatory home repairs to preserve the quality of affordable housing
Target group	Low-income homeowners
Description	Provides a forgivable loan ranging from a maximum of $16,000 to $24,000 per household, depending on geographic location.
Reach	79,699 units, 2001–07

RRAP for Persons With Disabilities

Objective	Provide financial assistance for accessibility modifications for persons with disabilities
Target group	Low-income homeowners and landlords
Description	Provides a forgivable loan based on the cost of modifications, ranging from $16,000 to $24,000 for homeowners and rooming house owners, and $24,000 to $36,000 per unit for rental property owners. The maximum assistance available depends on geographic location
Reach	16,649 units, 1995–2007

Emergency Repair Program

Objective	Provide financial assistance for emergency repairs for low-income households
Target group	Low-income homeowners living in rural areas
Description	Provides a forgivable loan based on the cost of repairs, ranging from a maximum of $6,000 to $11,000 per unit, depending on geographic location. (Note: not available on reserve)
Reach	30,319 units, 1995–2007

RRAP on Reserve

Objective	Provide financial assistance to repair substandard homes and improve accessibility for persons with disabilities
Target group	Band councils and low-income homeowners
Description	Provides a forgivable loan ranging from $16,000 to $24,000 per home
Reach	9,446 units, 2001–07

BRITISH COLUMBIA: BC HOUSING

RENTAL PROGRAMS

Rental Assistance Program

Objective	Help bridge the gap between market rents and what a household can afford to pay
Target group	Low-income working families
Description	Provides portable monthly cash assistance to low-income working families, ranging from $50 to $765 per family
Reach	3,600 families

Shelter Aid for Elderly Renters (SAFER) Program

Objective	Help make rent more affordable for low-income seniors
Target group	Low- to moderate-income seniors
Description	Provides monthly cash subsidies for seniors who spend over 30 per cent of their income on rent
Reach	15,300 seniors

Independent Living BC (ILBC)

Objective	Provide a middle option to help bridge the gap between home care and residential care
Target group	Low-income seniors and persons with disabilities
Description	Provides assisted living apartments with support services. Residents pay 70 per cent of their household gross income
Reach	4,000 units

Seniors' Supportive Housing Program

Objective	Provide specially modified rental apartments for low-income seniors to enable them to continue living in their home independently
Target group	Low-income seniors
Description	Existing seniors' housing is converted and upgraded to improve accessibility and safety systems. Residents pay 50 per cent of their household income.
Reach	590 units

DEVELOPMENT PROGRAMS

Provincial Housing Program

Objective	Provide subsidized housing for vulnerable residents of B.C.
Target group	Frail seniors, people at risk of homelessness, people with disabilities, and low-income families
Description	Provides financial assistance for the creation of non-profit affordable housing developments with supportive services
Reach	3,350 units

Community Partnership Initiative (CPI)

Objective	Create partnerships to implement innovative strategies that create more affordable housing for people in need
Target group	Municipalities, and non-profit and community groups
Description	Provides one-time grants, mortgage financing, or rent support for unique housing solutions
Reach	1,334 units

Aboriginal Housing Initiative (AHI)

Objective	Create safe, secure and culturally appropriate housing to address the needs of Aboriginal people living off reserve
Target group	Aboriginal people living off reserve
Description	Provides one-time funding to develop new, affordable housing for Aboriginal people living off reserve
Reach	292 units

ALBERTA: ALBERTA HOUSING AND URBAN AFFAIRS

RENTAL PROGRAMS

Regular/Direct-to-Tenant Rent Supplements

Objective	Regular rent supplements are to enable low-income households to obtain and maintain affordable and suitable rental accommodations. Direct-to-tenant rent subsidies are paid directly to an eligible tenant to assist with rental costs. The subsidy is based on the difference between 30 per cent of a household's income and market rent.
Target group	Low-income households
Description	Local housing groups provide rent supplements for landlords that subsidize the gap between market rent levels and 30 per cent of household income. Local housing groups provide rent supplements directly to tenants.
Reach	8,571 units

Seniors' Self-Contained Housing Program

Objective	Provide affordable rental apartments for low-income seniors to enable them to live independently.
Target group	Low and moderate-income seniors who are functionally independent
Description	Provides a province-owned apartment to seniors who are functionally independent. Tenants' rent is 30 per cent of their household adjustment income.
Reach	14,253 units

Community Housing Program

Objective	The Community Housing Program provides subsidized rental housing to individuals and those with special needs who cannot afford private sector accommodation.
Target group	Low-income families, senior citizens, and individuals with special needs
Description	Provide subsidized rental housing for low-income households who cannot afford private sector accommodation. Tenants' rent is 30 per cent of their household adjusted income.
Reach	10,421 units

Special Needs Program—Non-Profit

Objective	Provide a middle option to help bridge the gap between home care and residential care.
Target group	Municipalities, non-profit, and community groups
Description	Provides subsidized special needs housing units that allow occupants to pay a reduced rent based on 30 per cent of their household income.
Reach	1,634 units

Lodge Program

Objective	Provide a middle option to help bridge the gap between home care and residential care.
Target group	Seniors who can function independently
Description	Provides subsidized living accommodations with support services for seniors. Residents are left with at least $265 in disposable income per month.
Reach	4,000 units

DEVELOPMENT PROGRAMS

Off-Reserve Aboriginal Housing

Objective	Increase accessibility to new housing units, housing repairs, homeownership assistance, and affordable housing options for low-income Aboriginal households.
Target group	low- to moderate-income Aboriginal households
Description	Organizations involved with Aboriginal households living off-reserve can apply for funding through an RFP.
Reach	264 units

SASKATCHEWAN: SASKATCHEWAN HOUSING CORPORATION

RENTAL PROGRAMS

Affordable Housing Rentals

Objective	Provide access to suitable rental accommodations for moderate-income families and seniors
Target group	Moderate-income families and seniors
Description	Provides assistance through operating agreements that help keep rents affordable. Rents are set at the low end of the market or at break-even levels.
Reach	11,894 units

Social Housing Rental Program (SHRP)

Objective	Provide suitable, adequate, and affordable rental housing for low-income households
Target group	Low-income seniors, families, and persons with disabilities
Description	Provides subsidies to lower rent payments. Rent is calculated based on a tenant’s ability to pay.
Reach	17,288 units

Saskatchewan Rental Repair Program

Objective	Provide financial assistance for landlords to complete repairs required to bring their properties up to minimum health and safety standards
Target group	Landlords of rental units
Description	Provides a one-time forgivable grant, ranging from $6,000 to $9,000 per unit
Reach	99 units

DEVELOPMENT PROGRAMS

Encouraging Community Housing Options (ECHO)

Objective	Provide financial assistance to help applicants determine the feasibility of a housing project and develop affordable housing
Target group	Non-profit and private corporations, cooperatives, and municipalities
Description	Provides a loan of up to $10,000 for a feasibility analysis. Also provides a loan for the development of affordable housing, ranging from $5,000 to $45,000.
Reach	68 projects

Remote Housing Program

Objective	Assist low- to moderate-income families in the North to build their own homes
Target group	Low- to moderate-income families living in the North
Description	Provides forgivable grants equal to 75 per cent of the basic unit construction costs
Reach	23 units

HomeFirst Rental Development Program

Objective	Help increase the supply of affordable housing for low- to moderate-income households
Target group	Community-based organizations, developers, contractors, and municipal or other non-profit groups
Description	Provides one-time forgivable loans to develop affordable rental units, ranging from $77,000 to $96,000 per unit
Reach	1,256 units

HomeFirst Northern Rental Option

Objective	Meet the need for adequate rental housing in the North, create new jobs, and generate economic activity
Target group	Community-based organizations, developers, contractors, and municipal or other non-profit groups
Description	Provides one-time forgivable capital loans
Reach	143 units

HOMEOWNERSHIP PROGRAMS

HomeFirst Secondary Suites Program

Objective	Help increase the supply of affordable housing for low- to moderate-income households
Target group	Eligible homeowners and rental property owners
Description	Provides a forgivable loan for 50 per cent of total construction or renovation costs for secondary suites, ranging from $24,000 to $28,000 per suite
Reach	3 units

Saskatchewan Emergency Repair Program (SERP)

Objective	Provide financial assistance for emergency repairs required to ensure the continued safe occupancy of a home
Target group	Low-income households in urban areas
Description	Provides a one-time forgivable loan, ranging from $6,000 to $9,000 per unit
Reach	87 units

Saskatchewan Home Adaptations for Independence

Objective	Provide financial assistance to complete modifications to accommodate a household member with a disability
Target group	Low-income households
Description	Provides a maximum forgivable loan of $3,500
Reach	25 units

MANITOBA: MANITOBA HOUSING AND RENEWAL CORPORATION

RENTAL PROGRAMS

Rent Supplement Program

Objective	Help low-income households obtain affordable, adequate, and suitable housing
Target group	Low-income families, elderly people, and special-needs households
Description	A monthly rent supplement is paid to the housing project, and the tenant pays rent as usual.
Reach	1,410 units

Rural and Native Housing Program (RNH)

Objective	Provide housing for low-income families in rural Manitoba
Target group	Low-income households
Description	Provides a subsidy to ensure that tenants and homeowners pay no more than 25 per cent of their family income on housing
Reach	1,874 units

Manitoba Shelter Benefit

Objective	Help low-income households pay their rent
Target group	Low-income households
Description	Provides a monthly benefit for households in private rental accommodations, up to $210 per month
Reach	14,184 households

DEVELOPMENT PROGRAMS

Home Ownership Program

Objective	Create a new supply of affordable housing that sells at market value in designated target areas
Target group	Low- to moderate-income households building a new home in a designated target area
Description	Provides households with a one-time contribution to reduce the capital cost of their house and offers down payment assistance
Reach	Unknown

Rental and Cooperative Housing Program

Objective	Increase the affordable rental and cooperative housing supply for low- to moderate-income households
Target group	Private sector developers, and non-profit and cooperative organizations
Description	Provides access to capital funding for private developers and cooperative organizations to develop a new supply of rental or cooperative housing
Reach	Unknown

Northern Remote Renovation Program

Objective	Encourage home renovations in remote Northern communities
Target group	Low- to moderate-income households in Northern communities with incomes at or below the HOMEWorks! maximum household income limit
Description	Provides renovation options for remote Northern communities
Reach	Unknown

HOMEOWNERSHIP PROGRAMS

Cooperative Housing Program

Objective	Support the operation of non-profit cooperatives that provide housing for low- to moderate-income households
Target group	Low- to moderate-income households
Description	Co-op members purchase equity shares in a housing project and collectively become owners of the building. Subsidies are available for low-income members.
Reach	Unknown

Homebuyer Down Payment Assistance Program

Objective	Help low- to moderate-income renters afford a mortgage down payment to purchase their first home
Target group	Low-income households
Description	Provides down payment assistance, ranging from 5 per cent to 10 per cent of the sale price, and a closing cost allowance
Reach	Unknown

Manitoba Tipi Mitawa Program

Objective	Address the off-reserve housing crisis for Aboriginal people
Target group	Aboriginal people living off reserve
Description	Provides mortgage payment subsidies and contributes 5 per cent of the purchase price toward a down payment
Reach	5 units

ONTARIO: ONTARIO MINISTRY OF MUNICIPAL AFFAIRS AND HOUSING

RENTAL PROGRAMS

Rent Supplement/Housing Allowance

Objective	Help bridge the gap between market rents and what a household can afford to pay
Target group	Low-income households
Description	A monthly supplement is paid to the landlord on behalf of households, ranging from \$20 to \$300 per household
Reach	5,000 households

Rental Opportunity for Ontario Families (ROOF)

Objective	Help low-income families with monthly rent payments
Target group	Low-income working families
Description	Provides a housing allowance directly to low-income families, up to \$100 per month for five years
Reach	27,000 families

DEVELOPMENT PROGRAMS

Rental and Supportive Housing

Objective	Allocate a specific number of supportive units for tenants with specific needs
Target group	Low-income households
Description	Service managers work with the Ministry of Health and Long-Term Care and the Ministry of Community and Social Services to ensure support services are coordinated.
Reach	9,722 units

Brownfields Initiative

Objective	Address the lack of affordable housing in older, urban areas
Target group	Municipalities across Ontario
Description	Covers the clean-up of brownfields sites and the construction of new affordable housing on cleaned brownfields
Reach	535 units

HOMEOWNERSHIP PROGRAMS

Homeownership

Objective	Provide an opportunity for moderate-income households to move from rental accommodation to homeownership
Target group	Moderate-income households
Description	Provides interest-free down payment assistance loans, up to 5 per cent of the home purchase price
Reach	1,886 units

Northern Housing Program

Objective	Encourage the repair and construction of affordable housing
Target group	Low-income households living in the North
Description	Provides an average loan of $25,000 per unit, which homeowners can use to repair existing residences, and landlords and developers can use to rehabilitate or build affordable rental units. If the loan is used to repair existing residences, it has a 10-year forgivable period. If the loan is used to rehabilitate or build affordable rental units, it has a 20-year forgivable period.
Reach	1,202 units

QUEBEC: LA SOCIÉTÉ D'HABITATION DU QUÉBEC (SHQ)

RENTAL PROGRAMS

Rent Supplement Program

Objective	Help low-income households obtain suitable and affordable rental housing in the private sector
Target group	Low-income households
Description	Provides supplements for landlords to subsidize the gap between market rents and 25 per cent of household income
Reach	16,759 units

Low-Rent Housing Program

Objective	Provide low-rent homes that are reserved for low-income households
Target group	Low-income households, mainly women, youth, and seniors
Description	Provides a subsidized, self-contained apartment. Rent is 25 per cent of household income.
Reach	73,167 units

Shelter Allowance Program

Objective	Help low-income households spend less of their household income on rent
Target group	Low-income households
Description	Provides a shelter allowance of up to $80 per month
Reach	128,903 units

DEVELOPMENT PROGRAMS

AccèsLogis Québec Program

Objective	Promote the coordination of public, private, and community resources to build social and community housing for low-income households and persons with special needs
Target group	Housing cooperatives, municipal housing bureaus, non-profit organizations, and acquiring organizations
Description	Provides a loan to subsidize up to 50 per cent of production costs. An additional $5,000 per unit is provided for disability adaptations, and $4,000 per unit for projects in remote areas.
Reach	4,916 units

Affordable Housing Québec: Social and Community

Objective	Allow housing developers to complete community and social housing projects with a minimum community contribution
Target group	Housing cooperatives, municipal housing bureaus, non-profit organizations, and acquiring organizations
Description	Provides financial assistance to cover the purchase of land, professional fees, construction, and renovation work, up to 75 per cent of the project
Reach	1,927 units

Affordable Housing Québec: Private Component

Objective	Increase the number of affordable rental units
Target group	Private sector developers
Description	Provides financial assistance to private sector builders for the construction of affordable rental housing for moderate-income households
Reach	2,131 units

Affordable Housing Québec: Kativik Component

Objective	Create new housing units in Kativik communities
Target group	Residents and corporations from Kativik
Description	Provides financial assistance of up to $7,000 per unit for residents and corporations to create new rental housing units for Kativik residents
Reach	32 units

Renovation Québec Program

Objective	Help municipalities develop home and building improvement programs for low-income households in targeted residential areas
Target group	All municipalities in Quebec
Description	Provides financial assistance to help municipalities deliver programs for residential renovations, repairs, construction, transformations, adaptations, and homeownership
Reach	1,250 units

HOMEOWNERSHIP PROGRAMS

Home Ownership for Residents of the Kativik Region

Objective	Provide financial assistance for the purchase of existing residential buildings in 14 Kativik communities
Target group	Households, cooperatives, and non-profit organizations in the Kativik region
Description	Provides financial assistance for the construction or purchase of a residential building, and for payment for municipal services
Reach	60 units

RénoVillage Program

Objective	Provide financial assistance to help low-income homeowners renovate their homes
Target group	Low-income homeowners living in rural areas
Description	Provides financial assistance for major repairs, up to 90 per cent of the cost, to a maximum of $10,000
Reach	7,500 units

Home Adaptations for Seniors' Independence Program

Objective	Provides financial assistance for minor adaptations to low-income senior households
Target group	Low-income seniors
Description	Provides a grant for materials and labour, ranging from $1,750 to $3,500 per household
Reach	558 units

Home Ownership Program

Objective	Provide financial assistance to help first-time buyers purchase affordable housing
Target group	First-time buyers
Description	Provides financial assistance of up to $10,000 for homeownership and of up to $8,500 for the purchase of a rental building
Reach	Unknown

NEW BRUNSWICK: DEPARTMENT OF SOCIAL DEVELOPMENT

RENTAL PROGRAMS

Rent Supplement Assistance Program

Objective	Provide assistance to help low-income households obtain affordable, adequate, and suitable rental accommodation
Target group	Low-income households
Description	Provides supplements for landlords to subsidize the gap between market rents and 30 per cent of household income
Reach	2,954 units

Off-Reserve Aboriginal Affordable Rental Housing

Objective	Provide financial assistance to increase the supply of affordable rental housing units for Aboriginal households living off reserve
Target group	Private non-profit corporations
Description	Provides a forgivable loan for the construction, acquisition, rehabilitation, conversion, and operation of rental housing projects, of up to $50,000 per unit
Reach	25 units

Public Housing Program

Objective	Provide subsidized rental accommodation for low-income households experiencing difficulty obtaining affordable housing in the private sector
Target group	Low-income families, elderly people, and persons with disabilities
Description	Rent is reduced to 30 per cent of household income.
Reach	4,213 units

Rural and Native/Basic Shelter Rental Program

Objective	Assist off-reserve Native and non-Native households to obtain affordable, adequate, and suitable housing in rural communities
Target group	Low-income rental households in rural communities
Description	Rent is reduced to 30 per cent of household income.
Reach	882 units

DEVELOPMENT PROGRAMS

Affordable Housing Program

Objective	Provides financial assistance for the construction, acquisition, rehabilitation, conversion, and operation of rental housing projects
Target group	Private entrepreneurs, non-profit corporations, and cooperatives
Description	Provides a forgivable contribution of up to $30,000 per unit, covering 100 per cent of the total units for non-profit groups and 50 per cent of the units for private entrepreneurs
Reach	1,594 units

Federal/Provincial Repair Program

Objective	Provide financial assistance to help homeowners and landlords repair, rehabilitate, or improve their dwellings, and modify or adapt their homes for seniors or a person with disabilities
Target group	Landlords and low-income homeowners
Description	Provides a forgivable loan of up to $10,000 for regular repairs or items to improve accessibility for disabled people
Reach	1,200 units

HOMEOWNERSHIP PROGRAMS

Home Ownership Program

Objective	Provide financial assistance to help low-income households buy or build a modest first home
Target group	Low- and moderate-income households
Description	Provides a repayable loan for 25 per cent of the purchase price of the unit, or for 50 per cent of the total construction cost, to a maximum of $50,000
Reach	790 units

Off-Reserve Aboriginal Home Ownership Program

Objective	Provide financial assistance to help Aboriginal households living off reserve buy or build a modest first home
Target group	Low-income Aboriginal households living off reserve
Description	Provides a forgivable loan for 10 per cent of the total cost, and a 25-year repayable first mortgage covers the remaining cost of the unit
Reach	47 units

Home Completion Loan Program

Objective	Provide financial assistance to help low-income households complete their partially constructed homes
Target group	Low- to moderate-income homeowners
Description	Provides a repayable loan, sufficient to complete the home, of up to $30,000
Reach	520 units

NOVA SCOTIA: DEPARTMENT OF COMMUNITY SERVICES

RENTAL PROGRAMS

Rent Supplement Program

Objective	Assist low-income households in need of adequate, affordable rental housing
Target group	Low-income households
Description	Provides supplements for landlords to subsidize the gap between market rents and 30 per cent of household income
Reach	733 units

Family Rental Housing

Objective	Provide adequate, affordable rental housing to families in need
Target group	Low-income families
Description	Provides a self-contained unit for low-income families. Rent is based on household adjusted income.
Reach	3,600 households

Seniors Rental Housing

Objective	Provide adequate, affordable rental housing for seniors and other individuals in need
Target group	Low-income seniors
Description	Provides a self-contained apartment for seniors who are functionally independent. Rent is based on household income.
Reach	7,700 households

Lone-Parent Student Affordable Rental Housing

Objective	Provide a limited number of affordable rental housing units for low-income single parents attending university
Target group	Low-income single parents attending university
Description	Provides supplements for landlords to subsidize the gap between market rents and 30 per cent of household income
Reach	70 units

DEVELOPMENT PROGRAMS

New Home Purchase Program

Objective	Build new, modest homes in urban areas of revitalization to help moderate-income households move from rental housing to homeownership
Target group	Non-profit and private sector developers
Description	Projects must be in designated urban areas, house moderate-income households, and remain affordable for 10 years. Average funding of $40,000 per household.
Reach	6 units

Parent Apartment Program

Objective	Create affordable housing for senior family members
Target group	Homeowners with a low-income senior family member
Description	Provides low-interest loans of up to $25,000 for additions or renovations to a single-family dwelling
Reach	A portion of the 2,600 loans made per year for all home improvement programs in Nova Scotia

New Rental Housing Initiative

Objective	Build new affordable rental units in areas where the population is growing or a housing shortage exists
Target group	Non-profit and private sector developers
Description	Provides upfront capital funding of up to $25,000 per unit and rent supplement funding over 10 years of up to $25,000 per unit
Reach	553 units

Rental Housing Preservation Program

Objective	Create more affordable rental units in targeted areas by converting buildings that are not used for residential purposes
Target group	Non-profit and private sector developers
Description	Provides upfront capital funding of up to $25,000 per unit and rent supplement funding over 10 years of up to $25,000 per unit
Reach	118 units

Off-Reserve Aboriginal Housing Trust Fund Programs

Objective	Increase the availability of adequate and affordable housing units for Aboriginal households living off reserve
Target group	Aboriginal households living off reserve
Description	Provides funding for housing development programs delivered through various Aboriginal off-reserve groups
Reach	Unknown

HOMEOWNERSHIP PROGRAMS

Family Modest Housing Program

Objective	Provide funds for lower-income households to build or buy modest housing
Target group	Low- and moderate-income households
Description	Provides mortgage funds of up to $70,000. Interest rates are fixed for a five-year term and the loan must be repaid within 25 years.
Reach	Unknown

Home Ownership Preservation Program

Objective	Assist homeowners with major repairs or renovations needed to meet minimum health and safety standards
Target group	Low- to moderate-income homeowners
Description	Provides financial assistance to help homeowners repair major defects involving the home's structure, framework, plumbing, electrical system, heating system, or fire safety system
Reach	250 units

Small Loans Assistance Program

Objective	Provide financial assistance to help homeowners improve their housing conditions
Target group	Low-income homeowners
Description	Provides a low-interest loan of up to $20,000 for home renovations, additions, or repairs
Reach	A portion of the 2,600 loans made per year for all home improvement programs in Nova Scotia

Provincial Housing Emergency Repair Program

Objective	Assist low-income homeowners with the costs of emergency repairs
Target group	Low-income homeowners
Description	Provides a forgivable grant of up to $5,000 for labour, materials, and taxes
Reach	A portion of the 2,600 loans made per year for all home improvement programs in Nova Scotia

Access-a-Home Program

Objective	Provide assistance to people who must adapt their homes for wheelchair use
Target group	Low-income homeowners
Description	Provides a maximum grant of $5,000 that does not need to be repaid
Reach	A portion of the 2,600 loans made per year for all home improvement programs in Nova Scotia

Senior Citizens Assistance Program

Objective	Provide financial assistance for necessary repairs to help low-income seniors remain in their home longer
Target group	Low-income senior homeowners
Description	Provides a forgivable grant of up to $5,000
Reach	A portion of the 2,600 loans made per year for all home improvement programs in Nova Scotia

Cooperative and Non-Profit Housing Programs

Objective	Provide modest, affordable housing for lower-income households through non-profit continuing housing cooperatives
Target group	Low- to moderate-income families and individuals
Description	Provides lower-income households with subsidies to reduce monthly housing payments. Payments are based on household income and do not surpass market rents.
Reach	4,884 units

PRINCE EDWARD ISLAND: DEPARTMENT OF SOCIAL SERVICES AND SENIORS

RENTAL PROGRAMS

Rent Supplement Program

Objective	Provide affordable accommodations for low-income families on housing waiting lists
Target group	Low-income families on housing waiting lists
Description	Utilizes rent subsidies and existing private market housing to make accommodations more affordable
Reach	18 units

Seniors' Housing Program

Objective	Provide affordable, self-contained rental apartments to enable low-income seniors to continue living in their home independently
Target group	Low- and moderate-income seniors who can function independently
Description	Provides an affordable apartment for seniors. Rent is 25 per cent of household income.
Reach	1,158 units

Family Housing Program

Objective	Provide quality rental housing units for low-income families that may not otherwise be able to obtain adequate housing
Target group	Low- and moderate-income families
Description	Provides an apartment for low-income families. Rent is 25 per cent of household income.
Reach	476 units

DEVELOPMENT PROGRAMS

Garden Suites

Objective	Provide affordable rental apartments for low-income seniors to enable them to continue living independently
Target group	Homeowners with a low-income senior
Description	Provides financial assistance for homeowners to create a garden suite for a low-income senior
Reach	6 units

NEWFOUNDLAND AND LABRADOR: HUMAN RESOURCES, LABOUR AND EMPLOYMENT (HRLE), AND NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION (NLHC)

RENTAL PROGRAMS

Rent Supplement Program

Objective	Help low-income households obtain suitable and affordable rental housing in the private sector
Target group	Low-income households
Description	Landlords set aside apartments within their properties to rent to low-income households. Rent is 25 per cent to 30 per cent of household income.
Reach	1,005 units

Rental Housing Program

Objective	Help low-income households obtain suitable and affordable rental housing in the private sector
Target group	Low-income households
Description	Provides a subsidized, self-contained apartment. Rent is 25 per cent to 30 per cent of household income.
Reach	5,511 units

HOMEOWNERSHIP PROGRAMS

Provincial Home Repair Program (PHRP)

Objective	Assist low-income homeowners to repair their homes, and assist seniors and persons with disabilities to make necessary accessibility changes
Target group	Low-income homeowners, seniors, and persons with disabilities
Description	Provides grants and repayable loans to homeowners to cover the cost of repairs. Grants range from $5,000 to $6,500, and repayable loans range from $10,000 to $13,000.
Reach	2,500 units

APPENDIX B

Provincial Rent Control Regimes: Rules on Notice and Timing of Provincial Rent Increases

ALBERTA

There are limited rent controls in Alberta. Rent can be increased only if there has not been a rent increase within the previous 365 days or since the start of the tenancy, whichever is later. For these types of tenancies, the landlord must give the following notices before increasing the rent:

- weekly: 12 tenancy weeks
- monthly: 3 tenancy months
- any other periodic tenancy: 90 days

For mobile home sites, 180 days' notice must be given by the landlord to raise the rent.[1]

BRITISH COLUMBIA

British Columbia has rent control. Landlords must use the approved form "Notice of Rent Increase" and give the tenant three months' notice to increase rent. Tenants cannot dispute the rent increase unless the increase is more than the allowable amount. In 2009, rent increases are capped at 3.7%.

For manufactured home park tenancies, landlords can also recover costs due to increased utility fees and property taxes as long as increases are distributed proportionately among tenants. In this situation, landlords must provide tenants with copies of the receipts and tax notices that justify the rent increase.[2] For more information on tenancy laws in British Columbia, see the Residential Tenancy Branch website at www.rto.gov.bc.ca.

MANITOBA

The rent increase guideline is set each year by the province and takes effect on January 1. Landlords must follow these guidelines or apply to the Residential Tenancies Branch if they can show that the increase will not cover their operating costs and they want to increase the rent above the guideline. A landlord pays a fee to apply for an above-guideline rent increase. The fee is $150 if there are three or fewer units in a complex and $500 for complexes with four or more units. Rents can be increased only once every 12 months.[3]

A landlord must give a tenant written notice of a rent increase on a prescribed form at least three months before the increase is to take effect. They must also give the Branch a copy of the notice. The Branch provides the form or the landlord can complete it online, print a copy for the tenant and submit the information to the Branch electronically. A tenant may object to any rent increase and send an objection to the Residential Tenancies Branch at least two months before the effective date of the increase.

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1 CMHC, Renting in Alberta.

2 CMHC, Renting in British Columbia.

3 CMHC, Renting in Manitoba.

NEW BRUNSWICK

There are no rent controls in New Brunswick. In a month-to-month lease, two months' notice is required to allow the tenant to be able to give a month's notice to terminate the tenancy. In a year-to-year lease, three months' notice is required and the tenant may elect to terminate the tenancy by serving at least one month's notice prior to the day the rent increase is to take effect. If a fixed term tenancy using the lease prescribed by the province indicates a check mark in the box to allow for a rent increase during the year, the landlord may do so with three months' notice. If not, then the full year must pass before an increase is allowed.[4]

NEWFOUNDLAND AND LABRADOR

Three months' written notice of a rent increase is required. A landlord may not increase rent during a fixed-term agreement, more than once in a 12-month period, or during the first 12 months of a weekly or monthly rental agreement.[5]

NOVA SCOTIA

There are no rent controls in Nova Scotia. In a mobile home park tenants may ask the Residential Tenancies to review the rent and a Residential Tenancies Officer will determine what the rent can be. Landlords of all types of residential rental units may raise the rent only once in 12 months and must give written notice at least four months before the anniversary date of the tenancy.[6]

ONTARIO

Ontario sets rent increase guidelines each year. The guideline is calculated based on the Ontario Consumer Price Index and is the maximum amount that a landlord can increase rent without obtaining the approval of the Landlord and Tenant Board. The 2009 rent increase guideline is 1.8 per cent. It applies to rent increases that occur in Ontario between January 1 and December 31, 2009.

In most cases, the rent for a unit can be increased with 90 days' written notice if at least 12 months have passed since the last rent increase or since the tenant first moved in. The guideline applies to most private residential rental accommodation, but does not apply to vacant residential units, social housing units, co-op housing units, nursing homes, and commercial property.[7]

PRINCE EDWARD ISLAND

The allowable rate of rent increases is set by The Island Regulatory and Appeals Commission each year. If a landlord wishes to increase the rent, he or she must serve the tenant with a Notice of Increase in Rent of Residential Premises at least three months before the date the recent increase is to take effect. Landlords, who wish to raise the rent above the allowable rate as set by IRAC, must apply to the Director of Residential Rental Property for approval. Landlords may not raise the rent until a fixed-term lease expires. Rent increases are tied to the property, not the tenant. A landlord can increase the rent for a unit once a year, and the amount of rent increase is the same regardless of the number of people living in the unit, or whether the unit has changed hands. The rent for a new tenant rent should be the same as for the previous tenant if a rent increase in that year was already made.[8]

QUEBEC

If the duration of the lease is 12 months or less, the rent may not be increased during the course of the lease, and any clause in the lease stating otherwise is without effect.

For leases longer than 12 months, the landlord and the tenant are free to adjust the rent during the course of the lease, if this is provided for in the lease itself. Either

4 CMHC, Renting in New Brunswick.

5 CMHC, Renting in Newfoundland and Labrador.

6 CMHC, Renting in Nova Scotia.

7 Ontario Ministry of Municipal Affairs and Housing. E-mail message to Diana MacKay, May 12, 2009.

8 CMHC, Renting in Prince Edward Island.

party may apply to the Régie du logement for redress if they feel that the amount of rent increase provided for in the lease is excessive or inadequate, even if they had consented to the amount.

Quebec law allows for a rent increase when a new tenant occupies a rental unit; however, at the time of entering into the lease, the landlord must give the tenant a notice stating the lowest rent paid in the 12 months preceding the beginning of the lease. The tenant can contest the rent and ask the Régie du logement to fix the rent. This does not apply to cooperative housing and new buildings. Contact the Régie du logement for a list of rental units that would fall under this exception.

There is no ceiling on rent increases or fixed rates of increase—each case is treated specifically. If a tenant has been given proper notification of a rent increase and rejects the rent increase (in writing), the landlord may apply to the Régie du logement to fix the rent.[9]

9 CMHC, Renting in Quebec.

SASKATCHEWAN

Landlords must give six months' written notice if rent is paid monthly or three weeks' notice if rent is paid weekly. A tenant can ask the Rentalsman to make the landlord charge the old rent until proper notice is received.[10]

Note: The information in this appendix is based on information from Canada Mortgage and Housing Corporation.[1] The information for Ontario has been updated by the Ontario Ministry of Municipal Affairs and Housing.

1 CMHC, Provincial and Territorial Fact Sheets.

10 CMHC, Renting in Saskatchewan.

APPENDIX C

Shelter Costs Typology

The following Shelter Cost Typology identifies and describes the various forms of shelter in Canada, broken down into five main groups: institutional, emergency, supported, independent-unsubsidized, and independent-subsidized. It also indicates the average cost for each shelter, as well as the services included (if applicable).

The typology serves as a convenient tool to compare shelter costs. It reveals that supported, independent-subsidized, and independent-unsubsidized housing are often more affordable than institutional and emergency shelters, confirming the findings of the report.

A. INSTITUTIONAL

Type of accommodation/ action	Support/management model	Accommodation	Meals	Supports for daily living (SDL)	Medical support	Cost per day*	Example
Prison or detention centre	• Accommodation or incarceration • Some treatment • Some life-skills activities • Security	Included	Included	Included	Included	**$228** minimum security and farms **$221** medium security **$332** maximum security **$457** women's facilities	Correctional Service Canada (federal penitentiaries)[1]
Psychiatric (in-patient bed)	• Professional staff • 24-hour care • Intensive level of health care • Housekeeping	Included	Included	Included	Included	**$689/bed** for persons actively receiving medical attention **$1,000–$1,500/bed** for "bed blockers"—patients who no longer require active psychiatric care, requiring instead an alternative level of care, but who have no place where they can be discharged	Royal Ottawa Hospital Group (September 2008 data)[2]
Psychiatric or detoxification treatment centre	• Professional staff • 24-hour monitoring and care • Detoxification treatment (withdrawal management services) • Supportive counselling • Referral to community supports	Included	Included	Included	Included	**$130/person**	Ottawa[3]
General in-patient treatment	• Acute care • Professional staff • Intensive level of health care • Housekeeping	Included	Included	Included	Included	**$720–$1,115/bed**	Ottawa[4]
Long-term care facility	• For seniors and others requiring palliative care) • 24/7 medical and case management support	Included	Included	Included	Included	**$134/bed**	Social Data Research in partnership with the Flett Consulting Group (Ottawa)[5]

*Costs have been rounded to the nearest dollar.

(continued)

1 Interview data, public sector segment, January 7, 2009; Correctional Service of Canada, *The Net Federal Fiscal Benefit of CSC Programming*.
2 Interview data, public sector segment, January 16, 2009.
3 Pomeroy, *Proactive Versus Reactive*, slide 11.
4 Pomeroy and Berrigan, *Costs of Responding to Homelessness*, Appendix A, p. 17.
5 Social Data Research and the Flett Consulting Group, *Affordable Housing Supports*, p. 7.

A. INSTITUTIONAL (cont'd)

Type of accommodation/action	Support/management model	Accommodation	Meals	Supports for daily living (SDL)	Medical support	Cost per day*	Example
Halfway house	◆ Level of care ranges from minimal to 24-hour police monitoring ◆ May include help with mental illness, developmental delays, and/or substance abuse issues	Included	Included		Included	**LEVEL 1** **$12–$15/person** ◆ Rooming house rent for adults receiving social services, including a disability support ◆ Supervisory support for individuals (costing about $40,000 annually, divided by 70 beds, divided by 365 days/year, equalling an additional $1.57 per person/day) **LEVEL 2** **$12–$15/person** ◆ Transitional housing for offenders who need structured support to succeed ◆ Average length of stay is three to six months ◆ Rooming house rent for adults receiving social services, including a disability support; John Howard Society also collects a per diem of $50 per individual/day for its services **LEVEL 3** **$100/person** ◆ Supportive housing for individuals with developmental delays who live in a group home setting for up to three to five years ◆ 24-hour casework staff and support workers are available **LEVEL 4** **$100/person** (for highly secure rooming houses) ◆ Supportive housing for persons with substance abuse or anger management issues who may be under house arrest and serving long-term supervision orders	John Howard Society[6]

*Costs have been rounded to the nearest dollar.

6 Interview data, private sector segment, January 8, 2009.

(continued)

B. EMERGENCY

Type of accommodation/ action	Support/management model	Accommodation	Meals	Supports for daily living (SDL)	Medical support	Cost per day*	Example
Street arrest (community policing)	◆ Arrests for public disturbance, disorderly conduct	No	No	No	No	**$55–$113/person**	Ottawa[7]
Street outreach	◆ Street counselling ◆ Mental health and addiction supports ◆ Health care ◆ Food and clothing	No	Some	No	Some	**$1.40/person**	Ottawa[8]
Ambulance call with transport	◆ Possible paramedical emergency treatment	No	No	No	Paramedic	**$690/trip**	Ottawa[9]
Emergency hospital	◆ Emergency outpatient treatment	No	No	No	Yes	**$372–$820/bed**	Ottawa[10]
Emergency shelter or hostel	◆ Various in-house and community support workers in public- or non-profit-operated shelters	Included	Included	Some	No	**$33/bed**	Booth Centre (Montréal)[11]
						$49/bed	Salvation Army (nationally)[12]
						$20–$30/person (based on quadruple occupancy)	Ottawa[13]

*Costs have been rounded to the nearest dollar.

(continued)

7 Pomeroy and Berrigan, *Costs of Responding to Homelessness*, Appendix A, p. 17.
8 Ibid.
9 Ibid.
10 Ibid.
11 Bert Lessard, Booth Centre, Montréal. Phone interview by Kurtis Kitagawa, January 7, 2009.
12 Interview data, private sector segment, January 7, 2009.
13 Pomeroy, *Proactive Versus Reactive*, slide 11.

C. SUPPORTED

Type of accommodation/action	Support/management model	Accommodation	Meals	Supports for daily living (SDL)	Medical support	Cost per day*	Example
Supportive housing—high supports	This type of social housing is typically referred to as “alternative housing” because it caters to special high-need client groups, such as homeless people, women escaping domestic violence, people with addictions, and people with mental health issues ◆ Communal living ◆ Group or private meals ◆ Community supports for SDL ◆ Staffing 24/7 ◆ Some intense support for health and assisted daily living (ADL) linked to assertive community treatment (ACT) teams	Included	Included	Some		**$31.43/unit** = **$24.10** (for accommodation only) + **$7.33** (for administrative and maintenance costs) note: does not include mortgage debt servicing costs	Toronto Community Housing Corporation[14]
						$82.19/unit	YWCA Crabtree House in Vancouver (for expectant and new mothers with addictions)[15]
						Other estimates put supportive housing with high supports at **$115/person**	Ottawa[16]
Supportive housing (medium supports)	◆ Communal living ◆ Group or self-contained units ◆ Occasional community supports for SDL ◆ On-call emergency support ◆ Support workers on-site during the day (two to three full-time employees [FTEs] per 30 to 50 residents)	Included	Included	Some	No	**$37/person** (reflects cost of services only)	Ottawa[17]
						$74/unit	YWCA Munro House (Vancouver)[18] Stage 2 housing for women and children escaping domestic violence who have already participated in a stage 1 recovery program

(continued)

*Costs have been rounded to the nearest dollar.
14 Interview data, public sector segment, January 19, 2009.
15 Interview data, private sector segment, January 12, 2009.
16 Housing Plus, “Supportive Housing in Ottawa,” slide 8.
17 Ibid.
18 Interview data, private sector segment, January 12, 2009.

C. SUPPORTED (cont'd)

Type of accommodation/ action	Support/management model	Accommodation	Meals	Supports for daily living (SDL)	Medical support	Cost per day*	Example
Supportive housing (low supports)	◆ Communal living ◆ Group or self-contained units ◆ Occasional community supports for SDL ◆ On-call emergency support ◆ No on-site staff but one FTE per 30 to 50 residents	Included	Included	Some	No	**$44/unit**	YWCA Semlin House and Fraser Gardens in Vancouver (for single mothers)[19]
D1. INDEPENDENT—SUBSIDIZED							
Apartment	◆ Fully self-contained bachelor, one-bedroom, or two-bedroom apartment ◆ No support services	Included	No	No	No	**$20–$22/unit** (depending on single vs. family occupancy)	Ottawa[20]
Rent geared to income	◆ Rental accommodation subsidized according to tenant's income	Included	No	No	No	**$27.18/unit =** $12.50/unit (average subsidy) + $13.32/unit (average rent) + $1.36/unit (in commercial revenues used to offset rent)	Toronto Community Housing Corporation[21]
						80 per cent of CMHC-reported area median income	Regent Park (Toronto)[22]
D2. INDEPENDENT —UNSUBSIDIZED							
Rental accommodation subsidized by housing allowances (paid to tenant)		Included	No	No	No	**$3.33/unit**	Rental Opportunity for Ontario Families[23] (a five-year "shallow housing" allowance that subsidizes 20,000 households across Ontario, 8,000 in Toronto alone)

(continued)

*Costs have been rounded to the nearest dollar.
19 Interview data, private sector segment, January 12, 2009.
20 Pomeroy, "Proactive Versus Reactive," slide 11.
21 Interview data, public sector segment, January 19, 2009.
22 Interview data, public sector segment, January 7, 2009.

D2. INDEPENDENT —UNSUBSIDIZED (cont'd)

Type of accommodation/ action	Support/management model	Accommodation	Meals	Supports for daily living (SDL)	Medical support	Cost per day*	Example
Rental accommodation subsidized by rent supplements (paid to landlord)		Included	No	No	No	Varies by province	
Supportive community-based care (in an owner- or tenant-occupied home)	◆ Help of a personal support worker or social worker, as needed	No (care provided in recipient's home)	In certain cases (e.g., Meals on Wheels)	Yes	In certain cases	**$33/person**	Ottawa[24]
Boarding house or Rooming house	◆ Basic room and board, or room only ◆ No support services or minimal community supports	Included	Included	No	No	**$40/bed**	Ottawa[25]
Retirement residence	◆ Access to laundry and other personal care services ◆ Meals and medical services, as needed	Included	Included	Included	Included	**$88** (for private studio units) to **$124** (for a self-contained suite)	Ottawa[26]
Motel (two adults and two children)	◆ Private motel room	Included	Included	No	No	**$26/person** (approx., based on quadruple occupancy)	Ottawa[27]

*Costs have been rounded to the nearest dollar.

(continued)

23 Interview data, public sector segment, January 19, 2009.
24 Social Data Research and the Flett Consulting Group, Affordable Supportive Housing, p. 7.
25 Pomeroy, *Proactive Versus Reactive*, slide 11.
26 The Council on Aging of Ottawa, *Housing Seniors*, p. 4.
27 Comfort Inn Ottawa, price checked at www.ihsadvantage.com, January 20, 2009.

D2. INDEPENDENT—UNSUBSIDIZED (cont'd)

Type of accommodation/ action	Support/management model	Accommodation	Meals	Supports for daily living (SDL)	Medical support	Cost per day*	Example
Self-contained apartment—single person (including single-room occupancy, bachelor, and one-bedroom unit)	◆ Private or non-profit ◆ Basic residential services ◆ No support services	Included	No	No	No	**\$21–\$23/person**	Ottawa[28]
Fully independent, self-contained, family unit (two to four bedrooms)	◆ Private or non-profit ◆ Basic residential services	Included	No	No	No	**\$23–\$39/person**	Ottawa[29]
Affordable home ownership	◆ Private owner-occupied accommodation ◆ No support services ◆ Builders may reduce the cost of homes to consumers through government incentives or building/financing innovations	Included	No	No	No	See Chapter 4	Options for Homes, Vancity

*Costs have been rounded to the nearest dollar.
28 Pomeroy and Berrigan, Costs of Responding to Homelessness, Appendix A, p. 17.
29 Ibid.

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APPENDIX E

Related Products and Services

Roundtable on Socio-Economic Determinants of Health

The Roundtable on Socio-Economic Determinants of Health brings together thought leaders from business, government, academia, and local communities, as well as from various sectors, to impact health and wellness outcomes. It works to achieve this impact by leading the dialogue and illuminating policies and actions that address the socio-economic determinants of health and improve the lives of Canadians. For more information, visit www.conferenceboard.ca/networks/rsedh.

Healthy People, Healthy Performance, Healthy Profits: The Case for Business Action on the Socio-Economic Determinants of Health

Business has an important role to play in addressing the socio-economic determinants of health. These determinants—income, employment and working conditions, education and literacy, housing, food security, etc.—have a greater impact on health outcomes than do genetics, individual choices, and the health-care delivery system. This report provides practical guidance and principles of success to businesses that may take action. It is part of the research agenda of The Conference Board of Canada's Roundtable on Socio-Economic Determinants of Health.

Healthy Provinces, Healthy Canadians: A Provincial Benchmarking Report

This publication breaks new ground in that it benchmarks the performances of the provinces on 70 health indicators grouped into the three categories of health status, health outcomes, and health-care utilization and performance. The report shows which provinces are top performers and gives them a clear understanding of where their systems are strong, where they need to improve, and to which provinces they should look for best practices.

How Canada Performs: A Report Card on Canada

The Conference Board's annual report card measures how well Canada is meeting its overarching goal of creating a high and sustainable quality of life for all Canadians, by earning high and sustainable grades in six categories: Economy, Innovation, Environment, Education and Skills, Health, and Society. It reveals that Canada is falling behind countries that are its peers, partners, and competitors. Go to www.conferenceboard.ca/hcp for in-depth results.

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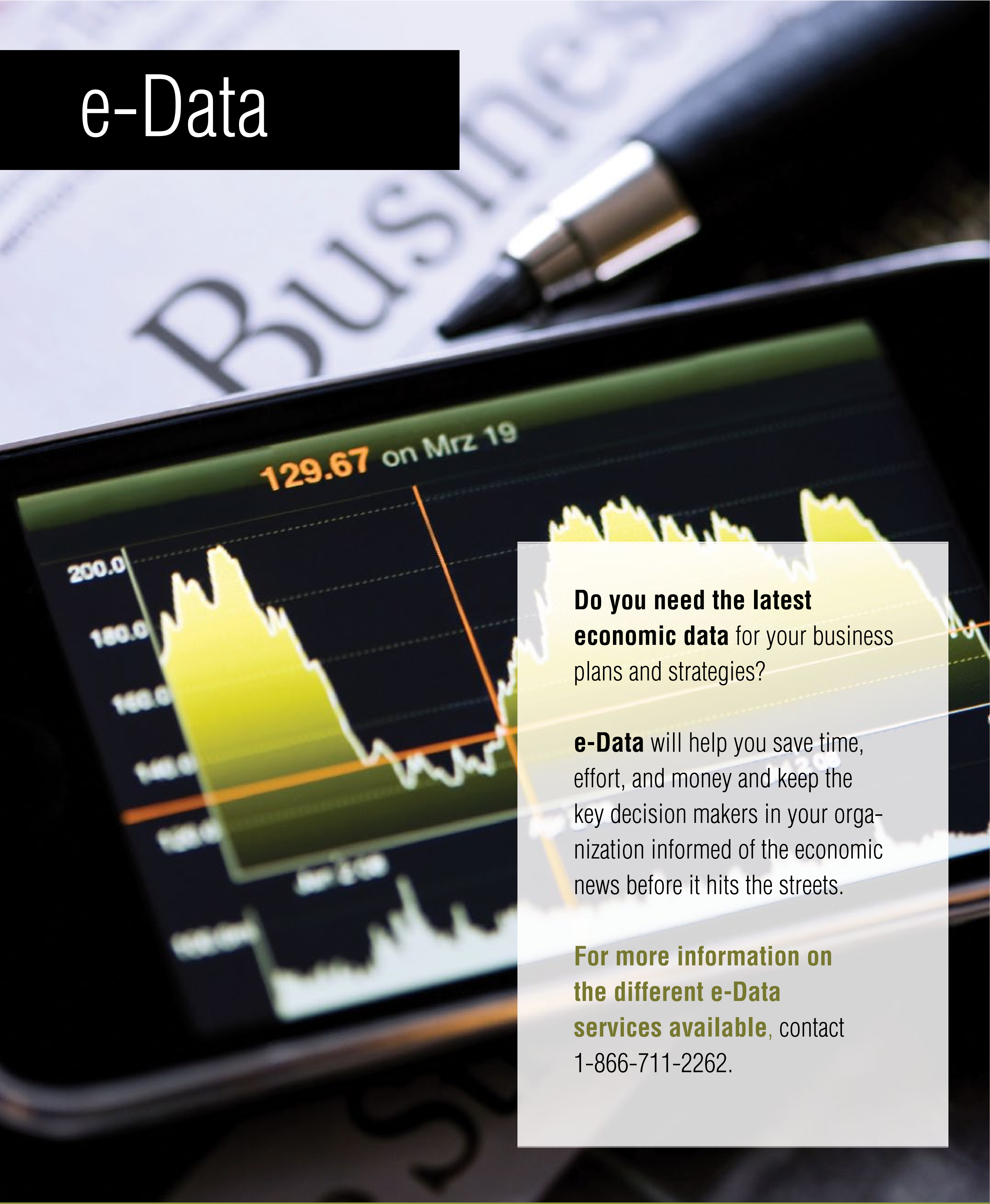

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