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Chapter Four

Canada's Housing Story

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Canada relies almost completely on market mechanism to supply, allocate, and maintain its housing stock. After the Second World War, improvements in housing finance, residential land servicing and building techniques, materials, and regulations produced high-quality housing for the vast majority of Canadian households.

About 68% of Canadians are currently homeowners. Homeownership, consistently supported by a variety of direct and indirect (tax expenditure) subsidies in the post-war era, has never fallen below 60% (see Figure 1). There is no pretence of housing policy tenure neutrality. Rental housing is in many respects a residual part of Canada's housing system, concentrated in urban areas, housing more low-income households, single people, and minority groups compared to the ownership sector. The income of owners is now about double that of renters, up from about a 20% difference in the 1960s, making market provision of new rental very difficult (i.e., a condominium developer can always outbid a potential rental housing developer for land).

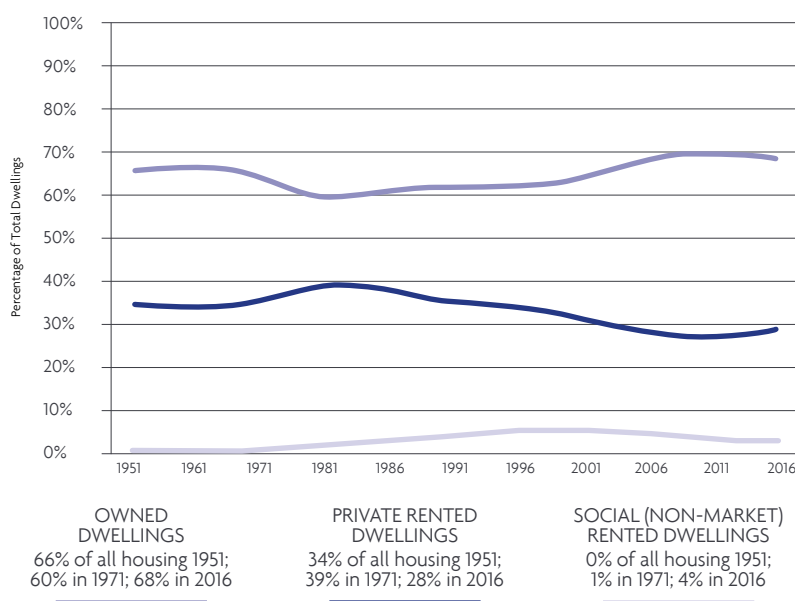
The private rental sector received significant direct and tax subsidies starting in the immediate post-war years until the beginning of government fiscal austerity in the early 1980s. The post-war subsidies for the private rented sector were, in part, a policy option that helped the government resist demands for non-market social housing at the time, as the UK had been providing since the 1890s and especially after 1945 (Bacher, 1993). Most of the non-market social housing – public housing and non-profit and co-operative housing, about 600,000 units, 4% of the current housing stock – was built between the mid-1960s and mid-1990s.

Unlike some comparator nations, the 2008 Global Financial Crisis (GFC) did not have much of an impact on the housing system. Canada's home ownership rate has continued to increase slightly, whereas in some nations the private rental sector grew at the expense of the ownership sector, as a result of the GFC. What does all this mean now and for the future?

Housing Narratives

There can be long periods in a nation's policy history when a dominant policy narrative prevails across a wide spectrum of the polity and society. Such narratives may drive consistent policy actions over long periods, for example Canada's post-war housing for returning veterans, the provision of purpose-built modernist rental residential towers in the 1950s to the 1970s, and the three decade-long federal and in some cases, provincial government support for community-based social housing from the early 1970s to the mid-1990s. However, there is always debate about policies for the housing system, debates that are based on differing philosophical positions relating to the role of market and non-market actors and the type, magnitude, and targeting of housing subsidies. There are thus more unsettled periods when multiple narratives compete and may be driven by tactical rather than strategic policy approaches.

Figure 1: Housing Tenure in Canada, 1951-2016 Ownership and Rental Occupied Dwellings



Source: Statistics Canada, Census 1951-1971 archives and Census 1981-2016 electronic databases. National Household Survey 2011. Social housing: CMHC annual reports, various years.

Canada, heading towards the 2020s, continues to be in a fractured period of widespread housing policy debate. The role of housing and related economic and social policies, government budgets and tax expenditures, and the role of private sector renting and provision of more social housing, are all being debated in the context of the tax and subsidy system that privileges the ownership sector with its rising property values in big city markets. Many question how seriously the Trudeau government, elected in September 2015, is actually re-engaging as promised with the housing needs of the nation.

In November 2017 the level of proposed new spending on housing was released after a consultation process. Canada, therefore, now has a national housing strategy, or at least a document with that name: *Canada's National Housing Strategy: A Place to Call Home*. It was released by the Prime Minister himself, which is very rare for a Canadian housing report.

“Canadians feel a growing sense of housing insecurity.”

The document outlines in general a variety of housing initiatives for various populations and parts of the housing system. There is unfortunately no assessment of Canada's housing system, what works well, what does not. The report notes that 1.7 million Canadians are in housing need (inadequate and/or unaffordable housing, called core housing need) and that another 25,000 are homeless on any given night. It acknowledges that many Canadians feel a growing sense of housing insecurity. But there is no analysis why this is a case. Rather than a hoped-for overall assessment, the programmes bring new money to some specific pressing needs but, in the end, the “strategy” is simply subsidizing some aspects of the more obvious failings of Canada's housing system, while keeping everything else the same. The term ‘affordable housing’ remains vague and while it is used extensively in the document, we still don't know how CMHC defines it. Speculation appears twice in the 40 pages. But, it is a start and it has helped inform the ongoing debate over the need for a more complete framing for strategic approaches to housing policies. Many feel Canada's housing system needs to take a serious, systemic turn.

Original Narratives

Canada's housing narrative generally aligned itself with the opportunities that its evolving housing policy provided. Housing narratives are not static and the public can withdraw or engage in public discourse depending on the visibility of current housing issues. When homeless populations on the streets began to grow, the public supported programmes that would get people off the street. When young people could not access homeownership, a large expression of alarm echoed across the country, especially in the larger urban areas where price escalation was fastest.

In the early years of intervention (Chisholm, 2003; Bacher, 1993; Suttor, 2016), the physical standards of housing and their consequences for health and wellbeing, not just for the residents of poor dwellings, but for those affected by the ‘spillovers’ of disease and fire from poorer neighbourhoods were at the heart of housing policies. In the early years of government intervention, it was the cities and towns that cried out around fires caused by the lack of standards and the lifestyles of the day. With crowded wooden houses and the use of wood fires, a whole street could be destroyed by flames in a few hours. Governments responded by introducing standards and building controls, but federal financial support was needed to restore communities. After 1919, the urgent need to provide better homes for returning soldiers gave impetus to wider, national concerns about housing needs so that ‘merit good’ arguments for housing policies, that reflected a national willingness to redistribute to less well-off households, came to supplement the ‘externalities’ rationale of earlier policies. As in other countries with scale, wide distribution and relative urgency of these needs put pressure on a relatively young federation to respond, especially in pressured urban communities. Whilst housing systems and markets have strong local drivers and outcomes, it has to be recognised that local outcomes have spillover effects in wider geographies that may reach beyond municipalities and provinces. Housing outcomes in Saskatoon, may have global environmental impacts. Street homelessness in the downtown east side of Vancouver may shape Canadian sensibilities of fairness, and indeed be driven by non-local domestic difficulties, and house price outcomes in Toronto may have significant implications for young homebuyers in Cape Breton.

A significant change in housing policy and programmes took place following a great deal of debate in the late 1960s. The mortgage system had been reformed, mortgage insurance introduced, a growing middle-class majority dominated the housing market which was geared to their needs and budgets. But the method of housing low income households and replacing dilapidated unhealthy inner-city districts with better housing by building large public housing estates and using urban renewal to bulldoze central some central residential areas created a backlash. By 1968, the foundation for building a strong nation of well housed, middle-income Canadians with national universal health care, old age pensions, and a social assistance benefit system had been laid.

In April 1968 Pierre Elliot Trudeau became Prime Minister promising a “Just Society” defined as including improved urban and housing policies: “The Just Society will be one where such urban problems as housing and pollution will be attacked through the application of new knowledge and new techniques.” His minister of housing established a task force on housing and urban development that travel the country for most of 1968. The *Report of the Federal Task Force on Housing and Urban Development* is released in January 1969, recommending that the government formally adopt a set of 10 principles. The first states that housing and urban development “are an urgent priority” and “must be treated as such” by the government. The second declares housing a basic human right: “Every Canadian should be entitled to clean, warm shelter as a matter of basic human right.” Though the federal government does not immediately act on the recommendations in the report, prompting the minister, Paul Hellyer, to resign in protest, the report is the first major national study to frame the issue of adequate housing as a human right and recommended a new approach to meeting the social need for housing, replacing government managed public housing with community-based non-profit and co-operatives, leading to the very significant 1973 amendments to the National Housing Act.

The Trudeau government also established the Ministry of State for Urban Affairs. The MSUA (1971-1979) was an experiment in building a new kind of institution for policy development and for advising government on issues that cut across many departmental and governmental jurisdictions. The federal government, in one of the most urbanized countries, has had no such agency since 1969.

The set of programmes that emerged after changes to the National Housing Act in 1973 were innovative and unique to Canada in what they aimed to achieve. They were concerned with eliminating the stigma of public housing, settling well with the vernacular architecture of place and having a mix of incomes. They would be developed and managed by community groups and non-profit, non-equity co-operatives. They remain for the most part, highly successful in the provision of well maintained, well located developments. About 300,000 households continue to benefit from a secure and affordable place to call home, better access to employment, schools and other community benefits. Until the federal government terminated the social housing supply programmes in the early 1990s, another major bout of fiscal austerity, for about two decades 10% of total housing production was non-profit, municipal non-profit, or co-operative housing (Suttor, 2017).

All countries face these multi-scale effects of local housing outcomes and must assign resource and spending powers to different orders of government to resolve issues. In the Canadian context, those involved in early policy interventions did see the importance of the role that the federal government had in resourcing better housing outcomes and ensuring that the housing system worked well across the nation. Where Canada differs from other federal housing systems has been in two important respects. First, as time has passed there has been a singularly confused, debilitating narrative about the legitimacy of federal roles in housing policies. The second, has been the policy instruments that Canada has deployed to in pursuing national interests (Hulchanski, 2006).

The success of the smaller scale, widely scattered non-profit and co-op housing buildings, given that they replaced public housing, was very high. Those that benefited had a story that was generally went this way; “I now have a home. No one can tell me to leave. My kids can be involved in local sports and can stay in the same schools. I have no plans of ever moving.” This may be a simplistic take on their housing story, but residents have a sense of permanency, which allowed them to acquire training and move into the work force. Their children benefited from a stable environment in which to achieve in school and remain physically and mentally healthy. This is a powerful narrative that is similar in many ways to the homeownership narrative.

Many successful developments funded under these programmes remain invisible to the public because they do not stand out from other housing in the neighbourhoods in which they are located. In 1994, the highest point of support, Urban native housing units numbered 10,300, cooperatives 61,200 and community based non-profit 178,700. During the same period on reserve housing units increased by 15,900 and Rural and Native housing by 24,800, Canada's affordable housing stock was increased by --- over the period of these programs, but that number has been decreasing yearly. What the public saw of government assisted housing was mostly the large public housing projects that were built prior to the mid-1970s. Support for more of the same was low. While those who could access homeownership found support in the mortgage insurance fund allowed them to acquire the mortgage insurance, government regulations and standards around how housing was to be built and maintained enabled them the comfort of knowing they had quality housing at prices they could afford to pay. The bonus, of course, was that any capital gain on the sale of the owner-occupied house is tax free. The non-taxation of capital gains is Canada's largest single housing subsidy programme, costing in recent years \$5 billion to \$7.5 billion in lost revenues (depending on housing market conditions). The first-time home buyers tax credit program, introduced in 2009, costs about \$125 million a year (see Figure 2).

There is nothing in the Constitution of Canada that precludes Federal government interest in and support for housing outcomes and policies. Yet the federal role was greatly curtailed after the mid-1990s and often disputed and resisted since then although Canada's dual crises, of provision in the affordable/community/public sector and of housing affordability for a wide income range of employed and younger households, has largely unfolded whilst provinces have been the key level of government with housing responsibilities. Few have strategic, well-defined and financed strategies for their provincial housing systems and policy has a piecemeal, under-funded, 'experimental' feel to it.

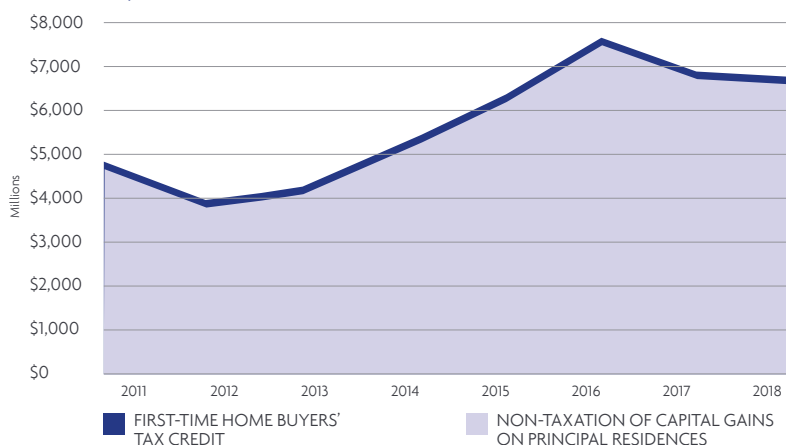
In the 1990s, the provinces pushed for a withdrawal of the federal government in active programme management. They asserted that, as providers of social programs, they would be better positioned to manage social and cooperative housing. The federal housing co-operatives fought for and were able to avoid devolution. They subsequently set up a new financial agency to improve their self-management and preserve the co-op housing stock (which is about 0.7% of all housing in Canada).

In the mid-1990s the federal government decided it would no longer play a role in social housing. It transferred (downloaded) its social housing stock and remaining stream of about-to-expire subsidies to the provinces. The result of this move has been mixed. While a few provinces have remained active in housing provision, most reduced their own annual contributions to housing, limiting their financial involvement to funding received from the federal government.

Since the 1990s, the federal government has maintained an interest in affordable housing provision, but at a much-diminished rate of support and has increasingly leaned towards other infrastructure spending as a focus of federal stabilisation programmes.

The key chapters of Canada's national housing story have been, first, a relatively stable and, by OECD standards, a moderately neutral approach to housing taxation and, second, the maintenance of a national housing agency with both housing and mortgage market roles, the Canada Mortgage and Housing Corporation, created in 1946. The federal government retained its role in the finance system via the mortgage insurance market. CMHC's mortgage insurance is used for social and non-profit housing as well as for homeownership by individual households.

Figure 2: Canada's Home ownership Tax Subsidies
Department of Finances Estimates, 2011-2018



The role of CMHC as a provider of mortgage insurance has been, and continues to be, instrumental in allowing households to access the long-term financing they require to purchase a house. Most Canadians are very aware of the important role played by CMHC in mortgage insurance. The provision of mortgage insurance does have potential risks for the government but in the main, it has been a profitable business for CMHC and the Federal government.

House Price/Rent Inflation and the Current Crisis

For more than a decade, and increasing annually, is serious public concern over the cost of housing. Though the Global Financial Crisis had a modest impact on Canada's housing system, increased inequality and the increased financialization of urban land and housing have changed everything. Canada is a large country geographically. The once mainly local/regional housing markets are now increasingly national and global sites for speculation and serve as safe places to park money (in the form of houses and condominium units, many left vacant). This is particularly the case in the Toronto and Vancouver regions, but many parts of the country are affected. There is a regional spillover effect. As some households are pushed out of the City of Toronto housing market, they are showing up in surrounding municipalities. The urbanized region that has the Toronto metropolitan area at its core (6 million people) has a total of 9.3 million people (3.4 million households), about 25% of Canada's population (2016 Census). House prices and rents are increasing dramatically, wages for many are not.

The growth in inequality means that many households who still consider themselves middle class are no longer middle income. A largely deregulated housing

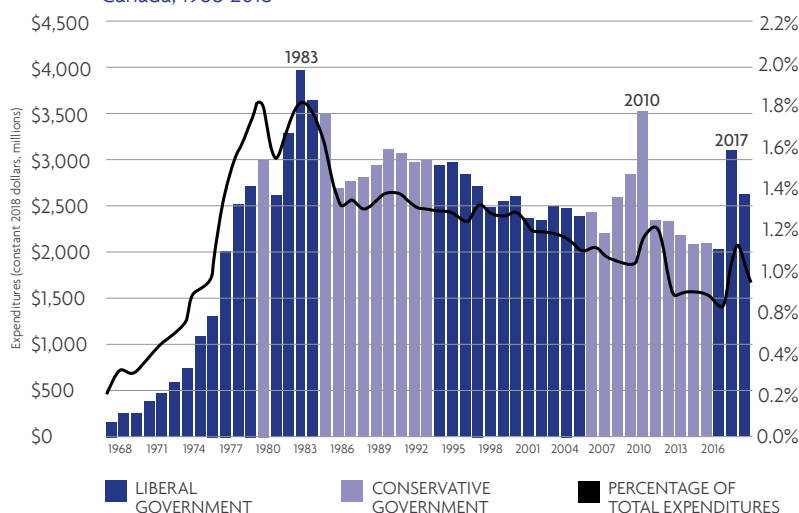
system relying on market forces for 96% of the housing stock with a small supplemental social housing sector was not built for the disappearance of most of the middle-income group. An increase in the number of high income households are now the group setting real estate prices, in conjunction with global forces, which the once vast local/regional middle class once did.

One reason the GFC had limited impact on the housing system is that a major economic stimulus was quickly implemented, and as Walks (2014:256) explains, Canada's banks needed and received substantial bailouts combined with a massive growth of federal government mortgage securitization and record household indebtedness. How sustainable is all this?

Canada's National Housing Strategy is largely silent on these systemic issues. Spending more money might help for a few for a while. We are told that about \$40 billion will be allocated by the federal government over ten years, about \$4 billion annually on average. The rollout has certainly been slow. Sceptics might be right. How possible is the promise of no new taxes and an eventually balanced budget together with massive spending in many sectors, including housing?

A large part of Canada's housing story to date is told in the fifty-year overview of the federal role in housing via its budget (see Figure 3). Prior to the late 1960s there was an incentive program for private sector rental construction, some joint federal/private lending on mortgages, and a very small public housing programme (only 12,000 housing units 1949 to 1964). Starting in 1965 more public housing was provided annually, more private sector rental construction was subsidized, and more ownership programmes were initiated from time to time. Each had a stream of annual subsidies resulting in the rise in the annual spending and the increase until the mid-1980s in the percentage of the federal budget spent on housing.

Figure 3: Housing Program Expenses, Parliamentary Appropriations, Canada, 1968-2018



Source: CMHC, Canadian Housing Statistics, various years; for 2016-2018, Public Accounts of Canada; Canada, Fiscal Reference Tables

In 1984, with the election of a conservative government, the private sector rental housing supply subsidy programme was cancelled and the number of social housing units funded by the federal government began to decrease annually, ending in zero units after 1993. From that peak spending in the mid-1980s the long fall in the annual housing expenditures, and as a percentage of the federal budget, began its steady fall, until ... the GFC. It was such a major shock that even the very austerity-minded conservative government of Stephen Harper became free spending economic stimulus Keynesians. About \$2 billion annually is required for the subsidy stream for all social housing ever built in Canada. In the fiscal years 2008 to 2010 an additional \$2.2 billion was spent on housing programmes by the Harper government (e.g., about \$1 billion on rehab of aging social housing; funds for on-reserve housing for First Nations, etc.). Then spending return to the minimum necessary to cover long term commitments.

The surprise for many of us is what came next. Contrary to all the press conferences and press releases about the federal government's new housing commitment to significantly address housing needs, the Harper government spent more new money on housing (the \$2.2 billion) in a three year period than the current Trudeau government has: about \$1.9 billion, 2016 to 2018.

In summary, the Canadian government's role in helping Canadians obtain adequate, appropriate and affordable housing has gone through four distinct periods.

1. The first is the period up to 1964 in which the government avoided any significant involvement, except in the ownership sector.
2. The second was a two-decade-long commitment to building a non-market social housing sector as part of a broader social safety net, which ended in 1984.
3. The third was a decade-long decline in the allocation of new federal money for housing assistance, ending with a full withdrawal in 1993.
4. The fourth period, from 1994 to the present, is much like the first – no significant federal involvement. This period also saw a devolution to the provinces of most federally assisted housing built during the previous periods, and, like the first period, a small “affordable housing” programme that seems to produce more press releases than housing units.

We need to change the national dialogue on housing. We need to reframe our understanding of the important role housing plays in our economy and government policy must respond accordingly. Canada's housing system was not designed to adequately house all.

The Missing Housing Stories

Canada's post-war housing story, consisting a several phases and changes, is now over. We are in an era of new and very different housing policy challenges. Housing is a key part of the economy. It is integrated into all aspects of the economy in so many ways. It can be both a strong element of productive economic development as well as a means to improve social well-being and the quality of life for all. But this key economic role housing plays is missing from the narrow and traditional policy framework. As MacLennan & Miao (2017:130) note: “Failure to understand housing systems and to implement policies to address them is arguably exacerbating income and wealth inequalities, reducing productivity growth and replacing entrepreneurial returns with a growing reliance on growing property rentier incomes.”

When the Shaping Futures Partnership was started it was with the aim of acknowledging the changes that were made in the social and community housing sectors and how they had innovated and contributed. We need to reframe our understanding of the important role housing plays in our economy, in reducing carbon, in social inclusion and inequality. The purpose was to look at how policies would follow practice, in a changing environment and within an environment of governments pulling away from the funding of social and affordable housing. A new framework of “modern” housing policies is needed.

What would it mean in Canada to change the national dialogue? For one, we would need to acknowledge that there are several housing forms that provide secure and safe housing. Many non-profits and co-operatives have been immensely successful in providing mixed income, quality designed homes integrated within neighbourhoods. These communities have provided secure and affordable housing since the mid-1970s. At that time, the growth of community housing was significant about 10% of overall housing growth. Today, in Australia, Canada, and the UK, the absolute number of public and community housing units is in decline. There is an urgent need focus on this successful agenda, celebrating its success, and supporting modern business models for this sector that will allow it to grow and remain affordable. Community housing groups must have the intention to continue to meet need, even when it means increasing market rents. This option needs a profile with the public. It needs to reflect the values of a new generation that may not have cars, seriously cares about the environment, and are willing to live in more compact housing and are seeking to find like minded communities.

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The private rented sector needs to grow as well. This will mean that governments need to reassess taxation policy. Local governments should set higher targets in their official plans for multi unit housing. Inclusionary zoning needs to provide building opportunities to allow rental sector housing and especially community housing projects to be part of all new housing communities. Developers in Canada have shown themselves to be nimble and adaptable in Canada. They should work hand in hand with local governments to make this happen.

We are ready to admit that our housing policies are no longer fit for purpose and that we need a new dialogue that includes younger households, environmental imperatives, and tools to fight inequalities. Housing is well placed to support social inclusion. New housing can be developed in ways that help expand opportunities for work, daycare, education, and recreation. Most importantly location close to work or transit determines the work day for parents and the time that they can spend with young children. We can no longer afford and can no longer sustain a housing system designed as a mechanism for “encouraging rentier returns and increasing wealth and income inequalities” (MacLennan & Miao, 2017:143).

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