

CFAA-EOLO HOUSING CONFERENCE - JUNE 9, 2006

TAB 10

PANEL DISCUSSIONS ON THE BENEFITS AND LIMITATIONS OF HOUSING ALLOWANCES

Chair: Dr. Marion Steele

Panel Discussion 1 : The Economic Benefits And Limitations Of Housing Allowances

Speakers addressing Benefits

Vince Brescia
David Lyman

Speakers addressing Limitations

Steve Pomeroy
Martha Lewis

Panel Discussion 2 : The Social Benefits And Limitations Of Housing Allowances

Speakers addressing Limitations

Sharon Chisholm
Russell Mawby

Speakers addressing benefits

Al Kemp
Vince Brescia

Introductory Note

This section presents a record of the panel discussions on the benefits and limitations of housing allowances based on a tape recording made at the Conference. The report is not an exact transcript, as the way people talk does not read well. CFAA has edited the transcript. In addition each of the speakers has kindly reviewed and edited their section(s) to ensure that the record is accurate, and that it says what the speaker intended to say. As much as possible the oral flavour of the discussions has been retained.

CFAA has added section titles and a table of contents so that the discussion on particular points can be found more easily.

The speaker bibliographies are found at Tab 2. CFAA and EOLO thank all the speakers for their participation in the panel discussion, and for their assistance in preparing this record of the panel discussions.

We hope that the Conference and the panel discussions have increased understanding of the various points of view on housing policy.

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PANEL DISCUSSION 1 : THE ECONOMIC BENEFITS AND LIMITATIONS OF HOUSING ALLOWANCES

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VINCE BRESCIA:

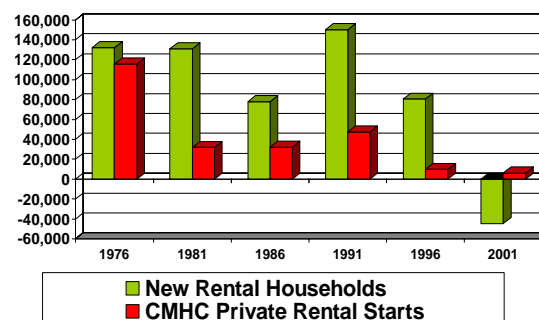
I didn't have a lot of time, but I threw a few slides together so that we can have some visuals to frame the discussions. The slides are not in any particular order, so I am just going to run through them quickly to frame a few thoughts I had about the issues and the benefits of housing allowances, particularly on the economic side.

Rental Supply

One of the discussions that frequently comes up is whether shelter allowances are appropriate from a economic perspective, as they don't address the whole issue of rental supply. There are a lot of concerns about rental supply, but my perspective of rental supply has started to change.

Let's start to look at additions to the supply of rental housing in the market in comparison to new rental households in Ontario since 1976. Traditional rental housing supply measured by CMHC is normally used for public policy purposes around this issue. Rental supply often doesn't correlate particularly well with rental growth for the last 20 years.

Net Additions to Rental Stock,
Previous Five Years, Ontario



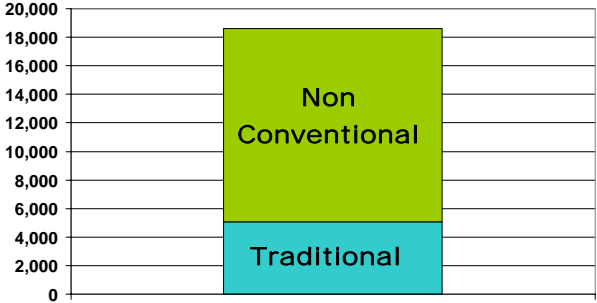
Sources: CMHC and Statistics Canada Census, various years.

Rental supply doesn't have a lot to do with traditional rental supply as measured by CMHC, so I wanted to contrast this between census years where you measure actual additions to the market in terms of total rental supply versus traditional rental housing starts.

We get a lot of rental supply but it is not really being measured. I am not sure that rental supply is an issue at all, and certainly it is not as big an issue as it is made out to be. In the modern era, most of the supply comes from non-conventional sources.

Average Annual Private Rental Housing Supply by Type

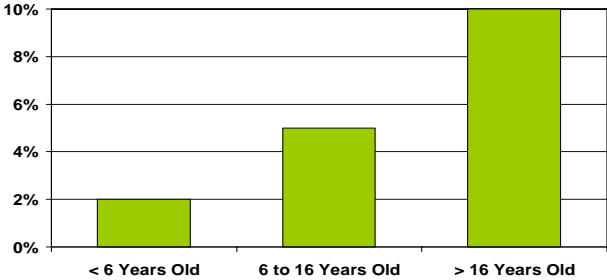
Ontario, 1986-1996



Source: Clayton Research Associates based on CMHC and Census data.

Besides condominiums and converted buildings, there is considerable rental supply in single family homes.

Percent of Single Detached Stock That is Rented, Ontario



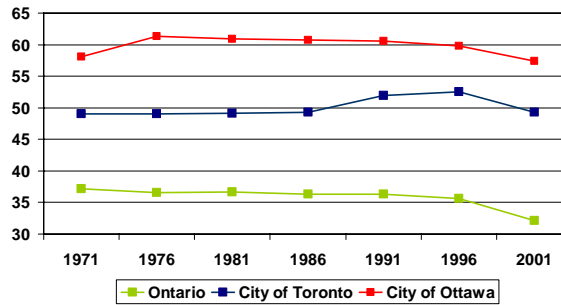
Source: Marion Steele (1991) based on HIFE data.

So I am not sure that rental supply is necessarily a big issue. Why is that, and why does supply come from non-traditional sources? There are various reasons and I don't want to get into discussion about that.

There are massive conversions within the ownership stock to rental that you never hear discussed. There are municipalities that want to consider stopping conversions from rental to ownership, but there is a gigantic wave going the other way which you never hear discussed. There is actually a lot of rental supply out there.

When you look at the percentage of renters in some of the major markets, there is generally a downward trend in renting. There is a move to home ownership as we become wealthier in society, but the major urban centres are certainly not having any difficulty keeping a large percentage of the population as renters.

Percent of Households Renters Toronto, Ottawa and Ontario



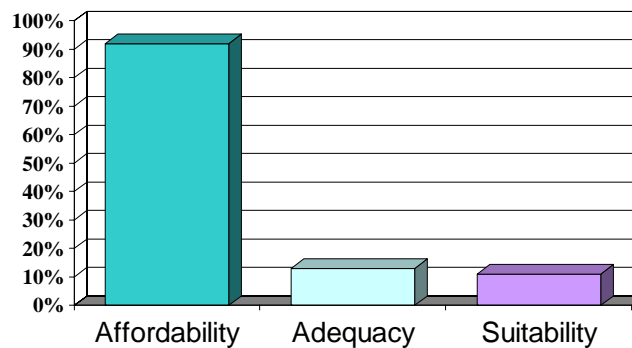
Source: Census, various years.

I am not sure that there is a particularly big problem in the rental supply that we need to address.

The Key Issue is Affordability

When I talk about economic efficiency I like to think about what is the issue that we are trying to address with the whole issue of social housing or housing allowances. When you look at the CMHC data you see that the problem is primarily an affordability problem, and that the adequacy and suitability parts are quite small.

Core Need Problem in Canada by Type of Problem, 2001



Source: Engeland et al, 2004.

Besides that, it is not clear to me that you can't solve most of the problems of adequacy and suitability by addressing the renters' income problems, so they can go and find housing that is suitable and adequate. I have prepared some slides so there is a visual for everyone to see what I am talking about and why there are cost differences.

What are the Comparative Costs?

At the start, you need to compare these things over a long term. People have done this, and we will talk about this in a second. From my perspective the real source of efficiency in addressing people's housing needs through housing allowances is the low cost of the housing where they already live.

Compare either the census average rent, or the average rent of someone who is in core need, with the average monthly rent that was incurred in the non-profit housing program.

Average Monthly Housing Costs by Type of Housing, Ontario, 1996

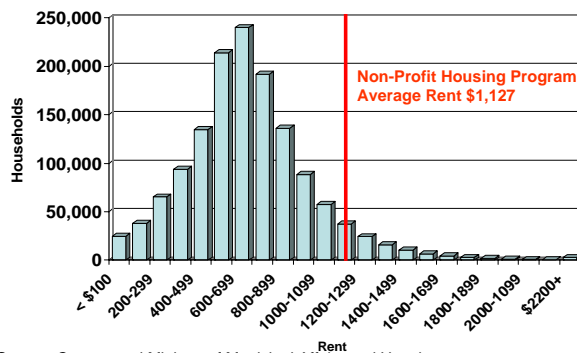


Sources: Census, Ontario Ministry of Municipal Affairs and Housing.

I like to use 1996 because we had the census data for the year, and the non-profit housing program had produced 50,000 new units, so the costs represent average program costs, not a limited sample of projects. You see that it is almost half the cost to house someone where they live rather than to move someone into a brand new project.

Here is another visual illustration: the distribution of rents from the 1996 census in Ontario versus the average rent of the non-profit housing program, which was roughly around \$1,100 at that time (as a provincial average).

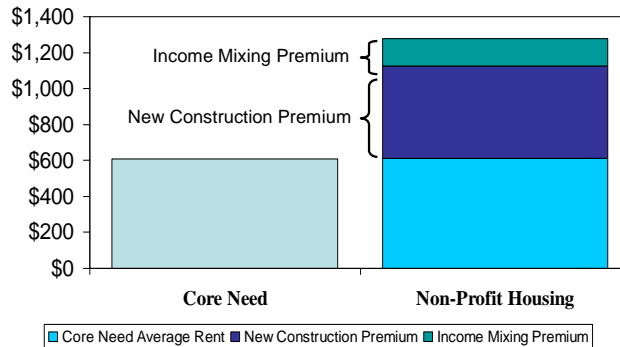
Distribution of Gross Rents Ontario, 1996



Source: Census and Ministry of Municipal Affairs and Housing.

In another way to look at it, think of it from a builder's or a developer's perspective. If you want to get into the business of housing people in the existing rental stock you could buy an average existing rental unit in London in 2003 for roughly \$60,000, compared to building a new one which would cost approximately \$130,000 per unit. You have that huge initial cost differential. The way we break it down is there is a new construction premium when you want to build brand new, when you compare it to existing rents for those in core need.

Average Monthly Non-Profit Housing Cost vs. Average Shelter Cost of Core Need Household, 1996



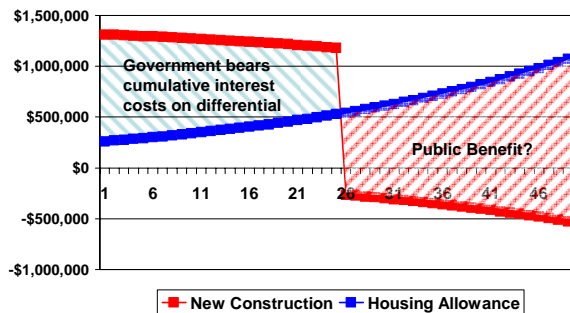
There is also an income mixing premium because if you want to build new social housing you have to create some income mixing or you have public housing. So income mixing is another cost that accrues to social housing, and that is why you end up with a huge cost differential between the two programs.

Long Term Comparative Costs

This is where you get into the long term analysis. There are lots of people who have done this analysis. It is actually relatively simple to do. I actually did the analysis on the both sides when I was working in the government. I had to do the NDP response to Clayton Research Associates shelter allowance research. You set up a model to debate both sides of it. You take a 100 core need households and set up a model to look at what it would cost to house them where they live now based on the core need data versus the cost of building new housing for them. Then you have to monitor how those costs change over time. Because the mortgages tend to stay flat, what tends to happen is that you have a slight decline over time in the cost of social housing and a continual rise with inflation in the cost of helping the same people with the shelter allowance.

New Construction Subsidy Versus Housing Allowance

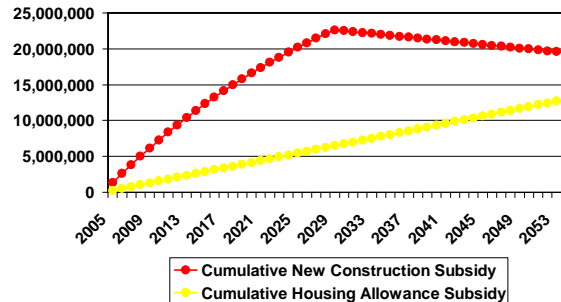
100 Core Need Households



But for a very long period, which is exactly the life of the mortgage, the social housing is much more expensive on a per unit basis. When comparing the programs, the government has to accrue interest on the differential cost between the two programs.

Once the mortgage is paid off, social housing becomes instantaneously more cost effective, and so, it is more cost effective in each year after the mortgage is paid off. However, when you accrue the cost differences and use net present value techniques, then it turns out to be much more expensive in the long run to use the social housing route. This is where the cost effectiveness of shelter allowances come in.

Cumulative Costs of New Construction Vs. Housing Allowance



Source: Federation of Rental Housing Providers of Ontario.

The one assumption that helps the social housing argument is that you have an asset, but it is hard to assume that you have an asset value in terms of a building after 50 or 100 years because the building would require significant capital replacements at that point. The best you can say is that you have the land, and you don't ever really gain back the cost effectiveness that housing allowances have at the beginning. I also have an issue as to whether the ownership of the land is a public benefit because it really is a benefit to whoever has title at that point. It is not clear in those programs that you can really define the land ownership as a public benefit at that point.

Strictly in economic term that is why many of us like shelter allowances.

STEVE POMEROY:

I will respond to some of the points that Vince has made, but I'll do it in the second round of comments. There are some points that I disagree with.

Are Housing Allowances a Housing Program?

First of all I would like to make one clarification, we spent all day talking about shelter allowances. I would argue that they are not a housing program. Basically they are a form of income assistance that is conditionally linked to what you pay for housing. As Marion Steele pointed out in her analysis the objective is not to increase the housing consumption. In fact, in Manitoba the program has not increased housing consumption. In a housing allowance program one says, in effect, "you shouldn't pay more than 30% of your income on housing, you need 70% for something else." Let's give people more money so they can actually spend it on things other than housing. In my mind that is not a housing program; it is income assistance program that is conditionally linked to housing. We already have one of those. It is called the shelter component of welfare. We spend 5 billion dollars a year on it across the country. It is a massive program and it

works pitifully. It has huge design problems, and I think we should fix the problems there instead of creating a new program to hide them.

Now let me focus on the issues here. There are three that I want to focus on to discuss the pros and cons: the issue of cost effectiveness, the issue of equity and the issue of consumer choice.

Cost Effectiveness

Vince has indicated that the cost effectiveness is simple math: if you have a certain budget it is cheaper per person per year to provide shelter allowances. Therefore, you help more people. That is fairly easy. However, I think the point that Vince was getting into about the long run actually happens. Certainly if you look at the numbers in David's presentation earlier this afternoon, we take an average of \$150.00 a month for shelter allowance, \$1800/year, and the rest is capital program at \$50,000/unit. It is about 28 people, so you can help 28 people for a year under a shelter allowance, or you can build social housing for the same amount of money and help a different family every year for 28 years. After 28 years, the social housing asset continues to help more and more people for 30, 40, 50, or 60 years. Therefore, you have built an on-going utility that you can use downstream and continue to recycle that utility to other families.

In terms of the long term cost effectiveness, I think it does come down to who owns the assets. Certainly there is a market cycle, but in the long run market rents rise. If you have any kind of program design that's pegged in some way to the median rent that rent is going up over time and your program costs are going to go up as a consequence. That applies whether one uses the 40th percentile as in the U.S., or the median rent as in Canada.

Over the last 25 years, in the analysis that I did a few years ago, we found that the average market rent had increased at twice the rate of the break even cost of non-profit housing. So in the graph that Vince showed you [at the top of page 6] the curve for the housing allowance would be a lot steeper than the illustration that Vince showed you. Depending what is happening in the marketplace in terms of rents and what is happening in terms of interest rates and the discount rates that Marion talked about earlier, I believe there is a point in time that social housing does become cost effective in pure subsidy terms.

With respect to the asset growth I would fundamentally disagree with Vince that there is no value of those buildings. You landlords know how to capitalize the value to a building, you take the current rental stream and you use a cap rate to calculate the value. There is tremendous value in those assets that have been built in the non-profit sector.

Impact on Market Rents

I agree there is a supply premium you pay up front to build the asset in the first place. The value of that depends on when you catch up and what is going on in the market place. In periods of low supply, the vacancy rate is very low, rents go up faster and then that period becomes shorter.

I think the Vince is correct, that we have had some creation of supply through the informal stock, through basement suites and rented condominiums, which have been a big part of the informal stock. But that said, we have had a very constrained supply of rental housing in this country. We have had significant increases in rents (as much as 20-30%) in a number of metropolitan cities in Canada between 1997-2002. There is tremendous upward pressure on rents. Shelter allowances do not cause rents to go up. Lack of supply causes rents to go up, and we have had a lot of that.

You can't talk about a shelter allowance program without looking at the market context. In a constrained market with low supply, shelter allowance programs will be inflationary and come at increasing high cost. It really depends on your objective. If your objective is only to address affordability issues you can adjust the allowances, but I think you need to be aware of the supply issues that are going on. In Canada, a third of our households are renters, but in the last 15 years, every year less than 10% of our new housing stock has been rental. We are eroding our current rental stock through conversion, demolition and rents going up because of institutional investors buying the existing stock. There is an absolute decline in the number of units available at low rents, and there is absolute growth in households, which puts tremendous pressure on those rents. The issue in my mind is not an affordability issue; it is a supply issue and the lack of stock.

I think we do have a serious supply issue. The market has not responded to that despite significant changes in the property taxes, and in the rent regulation regime in Ontario. I would also agree with many of the landlords that the federal tax regime is not particularly attractive for rental. We have a serious policy issue on the supply side that we need to address. Essentially supply of any kind is good for the market. In Ottawa, we have 68,000 rental units in the market place. If the City has a program that builds 680 units of social housing per year, that will produce a 1% increase in the vacancy rate. If you nudge vacancy rates up a couple of percentage points, it makes a huge difference for everybody because if vacancy rates are 3 to 4% rents are not going up as quickly. We have seen this in the data across all Canadian cities. You are helping everybody at the same time. So to make the argument that you are helping a very few people with a lottery by building a few non-profit units is not actually true. You have pervasive effects across the market place that have brought us scale benefits quite largely.

Equity

Next I will talk about the issue of equality, equity and horizontal equity. Certainly shelter allowances can be universal, as we saw this morning, and if they are, everybody gets a little help. That is absolutely fair in terms of horizontal equity. The reality is we will never have that kind of budget. None of the speakers put up the numbers on the cost of those programs, but they would cost in the order of 1.5 to 2.5 billion dollars per year. That is many, many times the size of the budgets we've had for housing programs here in the last few years. So I think budget constraints are a reality and we have to live with budget constraints. If we are going to have a shelter allowance it is going to be like a U.S based shelter allowance. It will be heavily rationed, a few people are going to get it, and therefore we are now into a very restricted program. The effect of a very restricted program, if it is a true shelter allowance where people are given an allowance to go and

find housing, the evidence in the United States (a very good study by George Galster?) has actually found a reconcentration of poverty, of folks that have used voucher allowances because they have constrained choice. They have to pay 35 or 40% of the cost of housing themselves, as in the examples we saw this morning. That forces people to look for the lowest cost housing, which tends to be in the poorest neighbourhoods, with the poorest schools, with the highest crime and the highest social cost and there is a huge social cost in policing, in health care and in social service costs in treating households that are in that situation. So let's look at the spatial outcomes that we are going to talk about later.

DAVID LYMAN:

Cost

It does not make sense to attempt to build new units to make them affordable. The issue here is not whether there is a lack of adequate or suitable units, the issue is the ability of people who are currently in those units to pay for those units. As we see in the slides, the people who have a lower income tend to pay lower rents in the private market, and that makes sense, they gravitate towards those units. To build a unit that would need to rent for \$1,400 to break even and attempt to create affordable units through those units does not make sense. Let's use the \$600 units or the \$550 units in order to create affordable units for the individuals living there.

Equity

Now responding to some of Steve's comments, one of the great benefits of the housing allowance program is it allows housing assistance outside of the welfare system. So, those working families who are having a very tough time making all of their payments and meeting all of their necessities, can have assistance without needing to go into the welfare rolls. Stepping back to one of Steve's comments that you can help 28 now or eventually help 28 down the road, with the benefit of the housing allowance is you can help those 28 people today instead of having to wait 28 years to put 28 units on stream one at a time.

Market Rents

Furthermore, Steve mentioned that in low supply vacancies fall, rents go up. What would be left out of that equation is that in periods of higher supply, vacancies increase and rents fall. That is exactly what we see here in Ottawa and what we see in Ontario. It is not a one way street with rents going up every year. Over the long term, rents have not kept up with inflation. In the short term, since 2001 to today in Ottawa, rents have fallen 8% relative to where they ought to be in order to keep up with inflation.

Rental Supply

As well, concern about the shortage of new purpose-built rental units is misplaced. We don't need much new rental stock. There is a general movement to homeownership because Ontario is becoming wealthier generally. There are still some people who need assistance, and as many as possible ought to have assistance, rather than a select few. As well, there are changes in demographics that are leading toward fewer rental units required. As Vince mentioned as well, just because housing is not purpose-built rental

stock doesn't mean it is not a rental unit. Steve mentioned the 68,000 rental units in the primary market in Ottawa; he left out the 30,000 to 40,000 units in the secondary rental market. Frankly that's where many of the individuals who live in core need are right now, in those secondary units. You ask how is it possible that they are paying \$600 per month. The answer is that many of them are not living in the primary rental sector. They are living in the secondary rental sector, which is there to meet a need.

Equity

Finally, on the issue that we don't have the budget to achieve horizontal fairness, we don't have the budget so we are not going to be able to help everyone to eliminate core housing need. A real benefit on housing allowances is we can provide assistance to many people who are having difficulty affording all of their needs. We can give three people \$100, who ideally could need \$150 to meet all of their needs. That goes a lot further for society than giving one person \$300 to move them down from 50% to 30%. That is not as much of a total benefit as moving three people from 50% to 40%.

MARTHA LEWIS:

As this is an economic panel, I will put housing allowances in the context of income, and how effective they are in addressing the lack of affordable housing.

Regional Variations

Starting off with the demand side, the demographics - the aging of the population and newcomers to Canada - of one city is very different from another. Rural areas are very different from urban areas. In Prince Rupert, there is a 50% vacancy rate in social housing because there are no people looking for houses there. Private landlords are giving a free month's rent to attract tenants. But in Vancouver, it takes 1.6 people working minimum wage jobs to afford a bachelor apartment. Housing allowances are neutral when it comes the demand side.

Rental Supply

Moving on to supply. From a few studies I have seen, housing allowances don't seem to have a lot of effect on supply. I know some people say there is enough housing and that stock isn't a problem, but I very much disagree with that. In Vancouver, we have talked with Vancouver Native Housing and Immigrant Services Society and downtown eastside groups, and there is severe lack of affordable housing - especially for families. Over half the market for rental properties in the Greater Vancouver Regional District is now in secondary suites and condos. That does not make it any more affordable, and often makes it harder to make sure that the housing is suitable and that proper standards of maintenance are kept up. So housing allowances probably are not going to affect supply. For that we need to make ownership more affordable; or we need to give tax breaks to private landlords so that it is worth it for them to build more units. We need to look at non-profit housing. Maybe for fragile seniors we need to look at group homes. We need to let planners get on with their job and plan ahead, as opposed to us all playing catch up with the urban sprawl and messes we are getting into in major cities at the moment.

Effect on Government Policy

On the income side, the biggest concern we have is that housing allowances are going to be used by Ministries of Housing to say, "OK, we have done something about the housing problem. Housing allowances are great and we don't need to put money elsewhere." We argue that in B.C. the money for the SAFER (Shelter Allowances for Elderly Renters) program should come out of the health budget, and not the housing budget. If minimum wage rates were at a liveable level, if income assistance and benefits were set at reasonable rates, we would have fewer people in core housing need. Their income would be more reasonable. Words are important and our concern is that if governments are saying they are putting money into housing, but in fact they are not, if they are putting it into income assistance or health, that lets governments off the hook and is very worrisome.

Different Policies for Different Situations

In terms of housing allowances, we should look at the costs of administering them if that is going to be separate from existing departments which administer other forms of income assistance. We don't want duplications there. Housing allowances are just one tool. They are good in high vacancy, low rent areas where they can help a lot more people and be cost effective. But we think they are costly with low incomes and high rents in expensive urban centres.

It would be good if landlords, tenants, municipalities, provinces and academics could get together to push senior levels of government to put money into housing in a meaningful amount because there is a crisis certainly in Vancouver, and also in other cities across the country.

VINCE BRESCIA:

Are Housing Allowances a Housing Program?

I think I hear both of our colleagues saying that housing allowances are not a housing program, they are an income program. None of the housing programs are designed for wealthy people or even middle income people. So I think we fool ourselves if we think the programs are not about addressing the problem that people have low incomes. All of the programs are doing that; and so, I think it is more a semantic debate, and a distraction from the real issue of how to help low income people in the most appropriate way.

Steve made a comment that he disagrees with my suggestion that there is no value to the asset when you are doing a long term analysis and that is not what I said. Just to clarify my concern is whether there is a public value to having an asset that is not owned by the government, since we have moved away from public housing. I am not sure that there will necessarily be a public value to that asset; it may actually turn out to be a private value to an asset held by a community group or a small group of people.

Rental Supply and Market Rents

Steve was arguing that we have constrained supply, but I just want to go back to what I said early that there is not in fact a lack of supply. Actually there is an abundance of

supply in Ontario, and we actually had a decline in the number of rental households in the province of about 50,000. Supply is not an issue and has not been for some time.

Steve also said he was concerned about the fact that the rents went up dramatically since 1997 to now. I just want to say that this is not true. It is factually incorrect. CMHC data tells us that real rents in Ontario are the same as they were in 1998. I would be interested in what data there is that suggests that rents have skyrocketed.

My point is that whether you have a building program, or you have a rental assistance program, they all go through cycles. In the building program you have skyrocketing building costs during certain periods and lower building costs in others, and in the rental market you have periods of rent increase and periods of decline. Over the long term all of these things tend to wash out. I don't see the stock as being the big issue.

Equity

The biggest issue for me about all these programs is the horizontal equity issue. It is not just about the social housing program design, to me it is the amount of subsidy we are giving. I really dislike the "lottery system" where a small number of needy people get a large benefit and a large number get no help at all. The thing I like about the housing allowance is an opportunity that we don't have now in the social housing programs. Imagine you have a table with four starving people at it and you give one of them a steak dinner and the others have to watch that one person eat it. That is our system of housing in the province, and I think it is really offensive. I think what we need to do is find another way to spread that money out more equitably even if they get a smaller amount each so that we don't have people who don't get assistance. It's great when you get into social housing you get the cream of the crop, you get your situation looked after at a very high level of subsidy relatively speaking. I think economically speaking that is the biggest problem with the way we have been going. Correcting that is an opportunity that housing allowances offers.

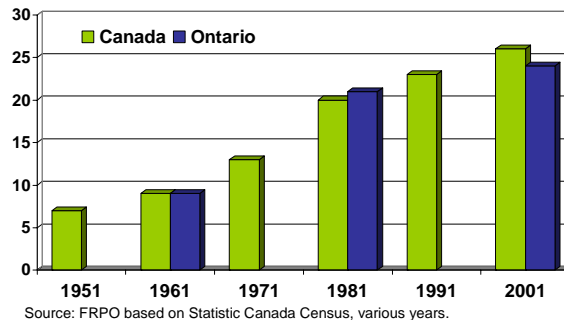
Effect on Government Policy

There is a fear that housing allowances preclude building, but I have never seen that in another jurisdiction. There is almost a panic in the social housing sector that if there are housing allowances, then the government will be afraid to build. There is just no evidence for that in other jurisdictions. I sense that is why there is such a negative reaction to any discussion of the concept. I think it is an unfounded fear. I think because of the small amount needed for each housing allowance we do have an opportunity to address the horizontal equity issue.

The 30% Affordability Standard

Another issue that has come up in the discussion is the 30% affordability standard. That is another design opportunity if we look at a shelter allowance. We might be able to get most sides to agree on this. I also have a problem with the fixed 30% rule. We have a changing society and there was a time even in social housing that only families were eligible to receive public housing. It is not that long ago that we have opened up social housing to single persons. We have a changing society, where a growing proportion of households are single people.

Single Person Households as a Percent of All Households



I don't know that it is necessarily fair to target 30% of income for a large family and 30% of income for a single person. I think if we have a new program that we can change that. I think a single person can afford a lot more in terms of a percentage, and maybe families need less than 30% to be the criteria. I think that this is another opportunity that could be opened with a new program. We seem reluctant to change it because we have this big stock of existing housing and we don't want to change it for those people, but maybe we can address that through a new program.

STEVE POMEROY:

First of all, I agree we should move away from the fixed 30% standard of affordability. A variable shelter allowance with different rates for different household sizes makes sense.

[There was a general agreement on that point from those present.]

Program Beneficiaries

I think you also made your point that the working poor do fall between the cracks. We do have a shelter allowance program within welfare, but it is only for people who are on benefits. We do not have anything for the working poor. If there is a role for shelter allowances other than seniors, I think that the primary group we should be working for is families.

Rental Supply and the Policy Mix

Martha has made a very valid point, in saying that in some extent we are having a bit of fabricated debate of extremes. Most people who know me know that I do not hold an extreme view on this. I think we need a mixed policy bag, and we need a bit of both types of instruments. I think there is a role for shelter allowances in a certain context, but I think we do have to put into the context of the supply side.

I am concerned about what happens if you lose sight of supply. In the UK, back in the pre-war years 50% of their housing stock was rental, and now only 10% of the stock is private rental. The government has invested all kinds of money to try to get the private market back into the business, because they let it slide so far off the scale, and they didn't look at maintaining a balanced housing system that had some equal policies, funding for homeownership, for private rental, for social rental. They have an

imbalanced system and it does not work very well. I think a key concern in Canada is making sure that this doesn't happen here.

Certainly we are getting supply coming from the condo side, but for the most part that tends to be very high rent, and we have very poor supply of low rent units. We have high rent condos and low rent basement suites, and I think we need to take a look at what is the balance between those, and is it right, and can we make sure that there is more there?

I think the rental market has seen a slight decline in the number of rental households as Vince has indicated, and for two reasons. One is we have had historically the period of lowest mortgage rates that we have ever seen in this country, and it has been the most accessible period of homeownership we've ever had in our history. Hence people with means have been able to shift sideways into homeownership, and that has helped to moderate core need to some extent in the last 5 years. But if you are not actually creating any rental housing, it is not surprising that the total number of renters is going down. The population is continuing to increase, and you haven't got any more rental units, so people are sliding towards homeownership. That is exactly the problem that happened in the UK. In the absence of adequate supplies of rental housing, young families without the means to afford it have been forced into homeownership. The UK has huge rates of repossessions, huge defaults and huge mortgage costs. Default costs is a pressing issue for the mortgage association in the UK, and for governments because they have allowed for this to happen. This has been a fortunate period of history for us, and let's not lose sight of why. If interest rates do go back up, what will we do in those circumstances?

Rental Increases

In terms of rents skyrocketing, I didn't say the rents skyrocketed. In relative terms the average market rent for a 25 year period, increased 1.8 times the break-even cost for non-profit housing. That was the comparison I was making. In terms of real rents, rents may not have gone up since 1997, but if you look at the real incomes of the lowest quintile of households i.e. the people we are trying to serve, those incomes have actually gone down in real terms. So we have this widening gap between rents and incomes. If you are designing a shelter allowance program to house those households you have to be aware of the fact the beneficiaries have lower incomes. If your subsidy system is based on a percentage of income, then in real terms your cost will be going up over the long term.

Policy Mix

The point I would like to finish on, is I think we do need a balanced system, we need an appropriate mix of instruments. On Vince's point that the non-profit sector thinks that if there are shelter allowances then the government will also build, or there won't be money to build, I think we ourselves actually frame that perception by having these silly debates where it is all or nothing. If we say Ottawa has a 12 billion dollar allocation, let's take all of it and put it into a trust fund to create cash flows for shelter allowances, that is an extreme view. The non-profit sector gets upset because there is nothing left over. But if we say let's take half of it, or a third of it, or a portion of it and you can do a bit of

both, I think that it is a good idea, except in those circumstances where you have very limited budgets. In that case I think you would want to take a pretty serious look at the supply issue. If you have a low supply market you would probably want to tweak supply because that will have benefits in the long run across the market place rather than just simply providing shelter allowances.

DAVID LYMAN:

First, I am glad to see we have reached agreement in this debate that the 30% affordability standard should be re-examined.

Second, I certainly agree that you are right in the comment that the view is that we have set up in this debate is the artificial situation of no housing allowances. I hope that the non-profit sector will promote housing allowances as a piece of housing policy. We haven't seen that before here in Ottawa. We haven't seen that very much in the Province of Ontario before, even as a piece of housing policy. What I have seen is similar to what Vince has seen, which is a great reluctance, a great willingness to fight to prevent that additional policy from opening up.

Third, for me too, the horizontal fairness is a huge issue. If we can help three people better their situation by a significant degree that is far better than helping one person reach "perfection" at the 30% standard.

Fourth, the other key issue here for me is that it doesn't make sense to try to make a new \$1400 rental unit affordable to low income individuals when through housing allowances we can make \$500-\$600 rental units affordable to that same low income household at much less cost.

That concluded the Economic Panel Discussion. There were then two questions from the floor.

QUESTION 1:

Steve, you said that the income of people in the lowest quintile has gone down, and Vince had illustrated earlier that the rents have not changed or have gone down marginally. But you also state it is not an income problem. I just can't get my head around that. Incomes have gone down, and rents haven't changed, but it is not an income problem. Can you please explain?

STEVE POMEROY: I didn't say it wasn't an income problem. I said housing allowances are not a housing program. I said the problem is entirely an income problem, and as an income problem you should fix it with an income based program like an income supplement. But at the same time you need to have a place for people to live. I think you need to ensure that there is a supply, whether you build it or you enable it to happen in some way through allowing conversions, through allowing basement suites, through trying to stimulate the creation of units. You also need to ensure that there is an adequate number of units that are affordable to the lower income levels, and at the same time to make sure that income supplements actually work to make sure people can pay for them.

QUESTION 2:

How will supply side measures create affordable units when you are building them at \$110,000 a unit or \$120,000 a unit?

STEVE POMEROY: The fundamental flaw in that argument is the assumption that there are sufficient units at \$600/month. There is a very limited stock of low income housing. If you take the rent distribution as Vince did [at the bottom of page 4], and you match that rent distribution with the income distribution of low income households, there are way more income households at the bottom of the income spectrum than there are units. There is a huge mismatch, you have a surplus of units in the mid-part of the market and you have got an absence of units at the bottom end. That is clearly an issue. I think trying to figure out ways to ensure that more units are available to low income households is difficult if you are not creating new supply. My point is in the long run you will have inflationary impacts from a shelter allowances program because there is a constrained supply. You need to have some new supply. If the market is not building it, then the government needs to make sure that someone is building it, and if the non-profit sector is willing to build it, then let them build it.

MARTHA LEWIS: While there may not be a problem of stock in some areas like rural areas where some people are moving away, there is definitely a lack of affordable housing stock in big cities with increased urbanization. So I don't think we should simplify the picture by pretending that one solution fits all communities.

DAVID LYMAN: To respond for a moment, if there is a surplus of units in that mid-range, then through housing allowances let's allow people to access those units rather than creating units at the expensive end. The CMHC figures show that there is vacancy at the low end, and there are units available in the secondary market as well.

VINCE BRESCIA: There is some great research coming out of the United States on the causes of the affordability problems. Malpezzi and Green have done some research on what has happened to the bottom of the US housing market. We haven't seen this kind of research in housing before. They find that those areas with the biggest affordability problems have an overall housing supply problem. I found similar results looking closely at Ontario's and Canada's situation. The result is lack of supply housing at the low end of the market. The filtering process breaks down when you have a lack of supply at the expensive end, and this is Vancouver's problem. You don't need to address it by building housing at the low end of the market. If you want to address the problem you need to make sure there is an adequate supply at the expensive end. That is what we have seen work so well. Affordability has improved dramatically in Ontario, and Steve has rightly said that one of the factors is a well functioning housing market. It insures that filtering can happen.

Rental housing is not actually the best source of filtering. Ownership housing is, because you will get long vacancy chains with ownership housing. We surveyed where new tenants in brand new rental housing move from. We surveyed our members who built new projects. They asked tenants where they moved from and what rent they were paying. The new rent was \$1400 on average in Ontario which is roughly what we are

talking about for building new social housing. But when you get people to move into the new housing [paying the \$1400], they leave behind affordable housing [at \$1200 or \$1000. In turn, the people who move into those units leave behind rental units at \$800 or \$600.] What Malpezzi and Green found in the United States is that places that have affordability problems have an overall lack of supply. It is often because of geography, which is the problem Vancouver has, or other things like greenbelts and limits on land supply. Then the filtering of the market breaks down, and the people in the low end have serious problems. Besides the income support, an aspect that we don't talk about in all this is making sure we have lots of housing supply at all price points.

STEVE POMEROY: I agree with Vince. I think Vince has come back to the point that I was making. Supply is a critical issue. I would agree that supply in any part of the market works. A unit added anywhere in the market creates a vacancy somewhere else, which raises vacancy rates across the marketplace and has the benefit of moderating the pace at which rents will go up.

VINCE BRESCIA: The researchers are finding that the key is housing supply at any price range. Really expensive supply turns out to create the greatest benefit because it creates the most activity in the marketplace.

STEVE POMEROY: I think on pure economics grounds the points David and Vince have raised are very difficult to answer. I think the case for affordable housing and social housing is very much in the non-economic benefits of creating a kind of community, which the social panel will deal with.

PANEL DISCUSSION 2 :

THE SOCIAL BENEFITS AND LIMITATIONS OF HOUSING ALLOWANCES

Chair: Dr. Marion Steele

Speakers addressing Limitations

Sharon Chisholm
Russell Mawby

Speakers addressing benefits

Al Kemp
Vince Brescia

SHARON CHISHOLM:

When the Canadian Housing and Renewal Association (CHRA) developed its policy on rent supplements and shelter allowances, what we had to do first is to situate the discussion in the context of what we are facing these days. It was important for us that we did that, and I think that you will agree as I walk you through this paper. So I want to talk about the context we are facing before we get into the criteria for choosing what kind of housing instrument to use.

Investment Outcomes

When decision makers are making an investment it is important that they know what the outcomes of that investment is going to be. Russell is a decision maker around these kinds of areas as is the City of Ottawa Council. We would want them to be armed with the right kinds of materials to make decisions. For us housing is a lot more than shelter. It is shelter, yes, and you pay for shelter, and that has a certain value and that was well demonstrated. But it goes beyond shelter. Good homes build strong families. The physical quality of the housing is important too for children's health and well being. Well designed homes and higher density developments support our Kyoto objectives, or any objectives around reducing greenhouse gas emissions. Mixed developments help us to counter the costly concentrations of poor households, which is just starting to occur or is escalating more recently. That is going to be a real issue to deal with. More stable housing prices will benefit the fuller economy by raising the productivity and competitiveness in more communities, and reducing the upward pressure on rents and house prices. These are all important non-shelter outcomes that are related to how a country and various governments decide to leverage their investments.

In Canada as you all know there are 1.5 million Canadian households in need of some kind of shelter assistance so it is a major challenge for us. Achieving our major goals in relation to competitiveness, environmental improvement, social justice, cultural dynamism and diversity requires that we invest wisely in housing. Housing policy matters in terms of building our neighbourhoods. It matters in terms of our concerns about cities. It is about place-making goals, and it requires not just community action but private sector investment as well. Both together and both with the same goals in mind.

Local Program Planning

All orders of government have a role to play in moving the housing requirement agenda forward. The federal government has to recognize the importance of local actions. In the past we have often had federal leadership through a federal programs which were

one size fits all. We recognize that there is a problem with that. There is a great importance to local people taking control, making decisions, having local planning committees in place so that the outcomes that come from the investment in housing are as great and effective as they can be. We've seen that local investment and local involvement can be really important with the SCPI program that we have had recently, that was the homelessness initiative, where all kinds of different social agencies, private agencies and foundations came together to address homelessness and housing shortages in various communities across the country.

This local planning model also puts pressure on program designers to comb out the inequalities between programs. In Ontario, as an example, a municipality that agrees to offer a social assistance recipient a housing (rent) allowance, which is a positive step, also shifts cost from a program that is 80% funded by the province to one that is entirely funded by the municipality. One has to question what kind of costs a municipality must take on because of how the jurisdictional issues are settled in Ontario. That is a really important financial consideration when you are thinking about these programs.

The local process would include lateral connections like connections with health agencies, immigration agencies, with education and training institutions, with sustainable development, with City revitalization objectives, so this kind of joined up thinking can really produce far greater outcomes that go far beyond the mere provision of shelter. I can tell you that if we really want to keep the federal government in this game we are going to have to convince them that the outcomes of their investment go beyond shelter. This is because the federal government is no longer interested in social outcomes that are provincial matters. But we know in Canada that the only time housing investment happens on a large scale is when the money comes down from the federal government, sifts its way through the provinces and then goes down to a local level. So we have to convince the federal government that they have an interest in making sure that housing happens and that their interests aren't around shelter only.

Market Failures

In addition to housing dollars, CHRA supports the re-introduction of a neighbourhood renewal program that really targets Canada's poorest places. Any kind of renewal program would require some housing investment. We support the idea of maximizing consumer choice as well, but where households are well informed and are able to make decisions in their own interests, in a freely functioning market that doesn't have serious market failures. We know that market failures do exist, and they particularly affect lower income households. There are some occasions when we seek to intervene quickly when we ought to let the market take care of itself. I think one would be when we have a lot of rental vacancies around we should let rents fall to a level where those units would rent out again. As people have mentioned today, another occasion to intervene is to increase the shelter component of social assistance. That would be the first way you would want to address a shelter allowance program, so that those most disadvantaged Canadian households have the money that it would take to purchase in the market what they need for shelter.

Market failures do exist and first they exist where households are too poor to afford what governments regard as an adequate standard of housing, but poverty is not the only issue when looking at market failures. Poor quality neighbourhoods, concentrations of poverty, urban sprawl and the effects of inflation from price imbalances are all common illustrations of market failures. Where the effects are significant, they will simply be reinforced by housing allowance measures. Where you have a high supply of housing, there are certainly instances where housing allowances could be a useful intervention, particularly if there has been an emergency and you need to act quickly. But when the housing supply is short, then we have to go back to creating more supply and to looking at how that is going to be done. Housing policies have to cater to people but shape places as well. They are about social security but also about cities and infrastructure, about building the capacity and places that will ensure Canada has a healthy future.

In Canada, rent supplement contracts with the private sector have tended to be temporary. Generally they do well during high vacancy markets and not as well in low vacancy markets when private sector proponents no longer need government programs to help fill their buildings. There are always exceptions to these rules, but that is generally the rule. When the vacancy rate tightens then the desire for rent supplement units seems to evaporate. For the poorest Canadians the most effective long term government expenditure is the development of community housing which offers a security over the long run, a stable place for people to grow up, and to be part of a neighbourhood, to get educated, to stay in school, to be healthy and so on.

Situations When Housing Allowances Work Well

Portable shelter allowances can be useful under the kind of situations I talked about, where there is a disaster, or an immediate need to replace the housing or as an eviction prevention strategy: if someone is about to be evicted from their unit, and there is an opportunity to go in there and prevent that eviction. Portable shelter allowances on a large scale are usually designed to ensure people have an incentive to look for rental housing well below the average market rent, and that is certainly the kind of programs that have been discussed today as well. Over time, the market responds by creating areas of low income households living in marginal housing. In the larger cities these areas will often be far away from potential job opportunities. Therefore, portable shelter allowances are not very helpful in supporting other social policy agendas.

In coming to some conclusions around where we felt CHRA should position itself, here are some situations where we would see a need to spend some share of housing budgets on housing allowances, that is, on housing allowances and not shelter allowances. If there is a substantial, sustainable flow of vacancies on the rental market; if those vacancies likely to meet the requirements of client groups, and to contribute to wider program aims such as neighbourhood renewal. If there are adequate shelter allowance components in provincial and territorial social assistance programs (and if not, they should be funded first.) If the allowance scheme adds anything to the supply of affordable homes, either immediately or in the long term. Finally, if eligible households entitled to choose not-for-profit landlords, which is consistent with the theme of choice.

Investments in Housing

In concluding, I want to point out that in the non-profit sector, the private sector and the government sector, we all have to look at how much we can leverage our investments in housing. The smart money is on seeking multiple outcomes. They are the kind of outcomes I have talked about today that really affect the quality of place in any number of areas. That means the solutions can vary from one province, or one city to another or the northern end of Canada to the southern end of Canada. There can be many kinds of solutions, but to build strong places, to build strong families and strong individuals with housing is the kind of policy that I think will yield the most positive results.

AL KEMP:

Why People Want Housing Assistance

I am going to introduce you to 13,000 people and families in British Columbia and I am going to tell you about two questions our provincial Housing Minister has been asking recently.

These 13,000 people and families are on the waiting list for government housing. The two questions our Housing Minister asked are: "Where are they living now?" and "Why are they on the waiting list?" The answers to those two questions are quite clear: first, those people live in private sector housing; they are not homeless. Second, they are on the waiting list because they cannot afford the rents that they must pay. Rents must be paid. That is a fact. We cannot argue with that. In 2006, no one, not government, not public sector, not non-profits, not private sector, no one can build an affordable housing unit.

So based on those facts, I would like to invite you to B.C. just for a few minutes. We would like you to come and bring your tourist dollars as well, but that is a different topic. So join me in B.C. Yesterday, let's say we introduced portable housing allowances. I am adding the word "portable" to the words, "housing allowances."

What do Housing Allowances Achieve?

Portable housing allowances were introduced in British Columbia yesterday, and here are the results. Today, the portable housing allowances have created horizontal equity. They are not based on class. They are not based on whether you are working poor or whether you are on social assistance. They are not based on whether you are single, married, have 2 kids, 5 kids, no kids, or are seniors. They are portable housing allowances based on the need to pay rent. They are immediately available. Nothing has to be built and suddenly there is not a waiting list of 13,000 people and families in British Columbia for assistance. The allowances are immediately available and also easily ended when they are no longer needed, so that nobody is still living in a 3 bedroom house when all the kids are grown up and gone. Instead that house is available at an affordable rent. As they always do, landlords are accepting tenants based on their rental history, not based on whether or not they are on social assistance.

Mobility and Choice

Portable is the word that I used, and I think that is a very important component of housing allowances that we haven't spoken about very much today. What does that mean? First of all, it means that the housing allowances allow the family or the individual or the couple to choose to move, for whatever reason that makes sense to them. They have the security of the housing allowance and know that it will move with them. It may mean moving within the neighbourhood or another area of the community, or it may mean moving to another community where jobs are more available than they are where the people are currently living.

Our portable housing allowance program that came into effect yesterday has another component to it. That component is the following: if you move to another community where jobs are more available in search of a job, then your portable housing allowance is guaranteed to remain for 'x' number of months. We haven't decided on the length yet, but let's say it is going to remain the same for 6 months regardless of what your income is. That housing allowance is going to provide some security and some encouragement that it would be secure and comfortable to move to another city.

Avoiding Evictions

Portable housing allowances reduce the incidence of threatened evictions. I don't like that phrase but that is what happens. Someone has been my tenant for many months, but they have fallen on hard times. They can't pay the rent. Generally speaking as a landlord, I am not going to evict that person, but I am going to have to talk to them about being on the edge of being evicted if they don't find a way to pay their rent. Actual evictions for non-payment of rent are going to be reduced dramatically.

The High Vacancy Fallacy

I want to address the high vacancy fallacy because that is also going to change dramatically, now that we have portable housing allowances available in British Columbia. The high vacancy fallacy is that in high vacancy areas portable housing allowances might work and might be some assistance, but they don't work at all in low vacancy areas because there is nothing available. Remember the first of those two questions: Where are the people on the social housing waiting list living now? They are living in private sector accommodation! It is available! Those 13,000 people and families are primarily located in Victoria and Vancouver. For the last 5 years Victoria's vacancy rate has been lower than 1%. We have people on the housing waiting list in Victoria, but they are living in private sector housing which they cannot comfortably afford.

RUSSELL MAWBY:

So far today the focus has been on raw economics, not on any other things we expect housing to do.

Market Inefficiencies

I think there is a fundamental question here on why we would use public subsidies to paper over problems of inefficiency in the housing markets. Why would we reward

situations of vacancy and mismatch of supply and capacity of the market to purchase the product? Where are the falling rents that one might expect in a truly elastic market? It is fair to say that there are baselines in terms of real costs that have to be addressed to make sure that those units are available. But looking at some of the numbers that Vince put up on the board, which Steve pointed out is missing showing the gap between what those costs appear to be and where the capacity of the market actually is, would let us do that pure economic solution to the housing problem of supply and demand.

Public Purchase of Existing Rental Buildings

One of the things that would lead to, as we have certainly contemplated in Ottawa, though we haven't taken action on yet, is if the economic argument is premised on a \$60,000 existing rental unit compared to a \$140,000 unit, we would use our capital funding to buy those \$60,000 units and make sure they are made permanently rental, permanently affordable and probably non-profit to ensure that any of the proceeds from rent are kept within the building and used to help meet supply needs and to produce some of the other benefits that people have from living in non-profit housing, which is in supportive environments, income mixing, all the social evidence around the benefits of people of being in an income mixed environment rather than all in poor environments or worse yet fully dependant, alone in a building in poverty and dependant on government to feed the kids and pay the rent.

Housing Policy as Part of Overall Economic Policy

I think that what this is really speaking to is, from a municipal perspective which is a perspective that I am supposed to take while I am here today, housing does a hell of a lot more than just the charitable model of social policy that we have seemed to accept in Canada, which is to "help that poor family; let's buy them a turkey and everything will be okay". What we are strongly promoting and what we find very intriguing when we look at other jurisdictions, including the United States just to the south, is that they have a much more rational view on the role that housing policy plays in addressing economic conditions.

For example, many states have inclusionary zoning requirements. They require new development to include affordability for the simple reasons (a) the state does not want to pick up the tab itself; and (b) they are clearer at using full cost accounting, which doesn't just look at how much money I am making on my rent, it looks also at what it is costing society for people who can not afford to live in housing. My favourite example is Florida which generates \$120,000,000/year through economic activity to support affordable housing programs. The reason is not that Florida is too concerned about poor people, but another because they have a service economy and they can't afford to pay service workers what it costs to live in Florida, so their solution is to make sure that housing development and housing policy is actually being used to build more affordable communities and more appropriate communities to meet the full range of economic needs rather than a side bar government program to fill in gaps in economic markets.

Building Assets; Building Communities

The other point is that we are building assets either way; the only real question is who owns it? That housing allowance subsidy isn't only helping the poor family, it is paying

the mortgage, and it's paying the capital costs of running that building. We have been very successful in using shelter allowances to help people become homeowners in Saskatoon. The reason wasn't just because there were too many poor people in the neighbourhood, there were actually two reasons that the government bought into. One reason was 17 million dollars a year in shelter allowances was actually flowing through that neighbourhood and leaving the province to absentee owners, and the second reason was the incredibly deleterious effect it was having on the neighbourhood in terms of the banks weren't in the neighbourhood anymore, the grocery stores weren't there anymore, the childcare wasn't there anymore, the laundromats weren't there anymore, because what you have is an incredibly intense concentration of very low-income families.

What was very interesting in Saskatoon, we had the lowest vacancy rate of any city in the country for most of the time I was there until towards the end. In that neighbourhood the vacancy rate climbed up over three years to 10%. In the meantime, that neighbourhood was growing significantly without the addition of housing stock. What was happening is that with the base line rent that the apartments were charging, people in that neighbourhood could not afford them any more, so families were doubling up and tripling up and apartments were sitting vacant.

You could argue that a housing allowance would have been a very easy way to fix that problem, but the solution that we came up with in Saskatoon was that it was more than just a housing problem. What was going to happen to the rest of the city if that neighbourhood disappeared off of the tax rolls, and that is exactly what was happening in Saskatoon and is exactly what is happening in Winnipeg, I'm not going to say that it is happening in Ottawa yet, but the reason I tell you that story is to make the point that there is much more to the issue of housing as opposed to an income program, from the municipal perspective, which speaks to Sharon's point about where the federal government seems to be most interested in this question. It isn't just about the shelter, it is very much about what kind of cities and communities we are building.

VINCE BRESCIA:

I was quite struck by those last comments; I don't know where to start. To address them head on, I will start with Russell's comments and then head backward from there.

Public Purchase of Existing Rental Buildings

Russell characterizes his view point as the municipal view. I'm not sure all municipalities would agree with Russell's view. What we really saw is a left wing versus right wing view. Russell, what you are really talking about is state ownership of the rental housing stock. Your argument is that if housing values are at \$60,000 for existing rentals, and at \$140,000 for new construction, and using the existing stock is more affordable, then why would the state throw its money away into private sector profits. If the state owned the existing rentals it would eliminate the profits from the private sector and make the whole housing sector efficient. The rentals are there and available for \$600 in the private sector, but somehow by getting the state to own it you are getting into a better model. That is what I am hearing. If you have a shelter allowance in Saskatoon and there are

private sector owners whose rents are in part paid by that allowance, you are throwing your money away. I suppose in the socialist nirvana you get the state to own all the commodities and by eliminating profits of all sectors of the economy you make the economy more efficient, but I don't believe that has proven true anywhere in the world. In any particular sector that has moved to state ownership, you get state monopolies and those monopolies give you bad outcomes. I was particularly struck by that view, that if you already have affordable housing out there in the private market, then you need to buy it, because otherwise you are throwing any subsidies or allowances away to profits. I don't know what the state accomplishes by taking over the existing rental housing stock.

Housing Markets Function Well

Moving to Sharon's comments I find some points of agreement. We agree that the shelter component of welfare should be increased. I don't know if it should be a first step or not, but we do agree. A lot of your comments are on market failures and Russell's as well, but I go back to the well functioning housing market. You say the municipal role is in making sure the housing market works properly, but again I go back to my experience in the U.S. research: the effective way to proceed is to make sure there is an abundance of supply, not go and try to fix everybody's problem at the low end of the market.

Consumer Choice

I wanted to get the social side instead of the economic side, and why it might be good to consider a shelter allowance. Marion touched on this earlier in some of her remarks. One we haven't talked about a lot is just the great benefit you get from consumer choice, of giving someone the choice of where they want to live. To me this is the biggest reason of all to go with this model. You are actually concentrating people in social housing. You talk about income mixing and you have 75% people low income that you are putting into one building, but I don't see that as contributing to income mixing. I see that as contributing to the concentration of poverty, and I am not sure that you are fixing a problem of concentration through that model.

Mobility and Work Force Attachment

Giving people the pure choice to decide where they want to live, wherever it is in the province or if you have a national program, wherever it is in the country that they want to move. If you are in Newfoundland, and the jobs are in Fort McMurray, and they can make the allowance portable that seems to me to be a great advantage when talking about a national housing allowance. The work force attachment implications that Al was referring to are very important. A problem we have seen in social housing is that people are afraid to leave their units, because they lose their subsidy. That does affect behaviour. I think that is an important impact. Our goal should not be to give people a permanent place in social housing; hopefully our goal is to ensure that they have an opportunity to move out of it. As Marion's research showed, a lot of people have transitional needs. Those are well served by a model of a housing allowance, and not as well served by having the government provide permanent housing.

Absence of Stigma

Another thing about this is the lack of stigma. A concern I have with social housing is that because of the concentrations and the defined locale, the neighbours know that it is social housing. Some of the research that Marion has done shows that there is a real lack of awareness that people have a housing allowance. Surprisingly even their landlords often don't know that their tenants are receiving a housing allowance. It struck me as a wonderful thing that the neighbours don't know it, and the people across the street don't know it. So in terms of community building, it really strikes me as a helpful thing that people have that independence and that protection of privacy that doesn't usually come with social housing.

RUSSELL MAWBY:

Housing and Social Policy Goals

To respond to Vince's point, my argument was simply this: if you are going to take a purely economic analysis to this problem, then there are some other pure economic or certainly more cost effective solutions than presuming building social housing means building very expensive units, so therefore it is bad, and there are more effective ways of using the money.

I am pointing out there are in fact very effective ways that give you better bang for your buck (e.g. buying the \$60,000 rental unit as permanent non-profit housing) . You can characterize it as public ownership if you want, but I guess I would question then why the private sector is so happy to receive public benefits of housing allowances, because we contextualize this as being for the tenants, but we know that it is going to pay for the buildings. I don't think that there are any arguments about the importance of that because it costs a certain amount of money to build and maintain housing. So how one is a subsidy and state ownership, and the other is market efficiency? That is the argument I am trying to make here. I think with opportunities like this event, we need to have much more discussion about housing and social policy in this country, rather than the "help the poor person" or "government ownership" conversation that we are stuck in once again.

I find that incredibly frustrating because the point I am trying to make is, from a municipal perspective, we absolutely recognize the importance of not just helping that poor family but the cost to all of us in society. There is an immediate cost to municipalities in Ontario, in particular, when those issues are not dealt with effectively and fairly and, frankly, I guess, economically. What I am trying to counter is the notion that this is a black and white conversation of either build new expensive units or give the private sector money so they can do it cheaper. I think there is a lot of middle ground that needs to be explored and the point again I tried to make is given the limited budgets that I have to work with and some big numbers, they are doing big work, much of the stuff (social housing) was dumped on us rather than our volunteering to take it on as a municipal, property-tax-driven organization.

Need for Multiple Tools

What really is the best value for our dollar? Given the limited funding that we have, if we are going to have effective solution to dealing with housing and social problems, there is no one tool that can do the job. We need a multiple set of tools to deal with a multiple set of questions. The point that I am taking from Sharon's position is this: let's define what it is we want those tools to do before we start trying to build a house with just a screwdriver. We need a tool box.

There is absolutely a valid and important role of housing allowances to address social needs in our communities, and I don't think anyone would argue with that. It has been positioned as being the only tool, whereas I think we need to get to something that is a lot more nuanced, and a lot more effective about the outcomes that we are expecting from these dollars. And that is just to say in my opinion and from the analysis that we have done, and I think to some extent politically at some points in time, the best bang for our dollars comes from capital development because we get assets that we have some confidence will remain affordable over a very long period of time.

You might be interested to know that we have just signed an agreement recently with a private sector landlord who has promised to provide affordable housing in perpetuity in exchange for a capital contribution to redevelop a portion of his building to add some units to the housing stock in his building. I think that is good bang for our buck because that means we are getting those 30 units at a very affordable price for a very long period of time as opposed to having to pay for the units over and over again.

Fundamentally, all this is driven by a slide you put up, Vince, which I think for a future meeting, it would be very helpful to have the piece that Mr. Pomeroy was pointing to, that it is really good to show the distribution of rents in the market but let's start showing where the distribution of renters is in the market as well, in terms of the capacity, notwithstanding the point whether the 30% (affordability standard) of gross income to rents is good, bad or otherwise.

Reviewing the 30% Affordability Standard

I think there is absolutely a discussion to have in what is the right number in terms of public policy and affordability. The reason I think it is a very important conversation to have is because, again, governments pick up the slack when people can't afford their housing. As Marion's data pointed out, people are using their housing allowances to buy food, people are using it to pay for school trips, and people are using it to participate in our society as citizens.

Need for Full Program Evaluation

When we have a full cost accounting discussion about the importance of housing and the income policy in this country, then I think we are going to get the programs that make sense. Then I think we are actually going to get housing that is going to make the private sector very happy, it's going to keep the public sector very happy and most importantly it is going to help all of our citizens, and it is going to be very fair and very balanced about the impact to our society of having people in our society who are struggling and can't afford to live in our society anymore.

AL KEMP:

Need For Multiple Tools

I want to pick up on something that Russell said and I think that there is a real danger in this. I want to pick up on something Sharon said way back about dialogue. There actually hasn't been much dialogue today, but I hope there is a better understanding after today. The solution to the affordable housing problem is not a solution; it is multiple solutions. It is multiple approaches, and multiple governments working together. I think that there is a real danger in saying that housing allowances are bad; therefore social housing is good; or in saying that social housing is bad; therefore housing allowances are good. The question should not be either/or. I think the real purpose of today has been an attempt to increase the understanding of the value of portable housing allowances as a way of addressing the income needs within our country.

Housing Allowances and Other Social Programs

Portable housing allowances can be locally administered. The devolution of responsibilities from senior governments is probably going to continue. It is a lot easier to administer a portable housing allowance program than some of the other social programs that are being pushed down the ladder.

Portable housing allowances do not prevent people from accessing social, health or cultural programs. Sharon suggested that one of the real benefits of social housing is you have everybody together so everybody can access all the other programs that they need, whether it be health, addiction, social or other programs. Well, there are thousands of people accessing programs in Canada today, who are not living in social housing.

Housing Allowances versus Rent Supplements

I think that it is really important to maintain the distinction between rent supplements and housing allowances. Portable housing allowances are not contracts between governments and the private sector. Portable housing allowances are contracts between governments and people who need the housing allowances.

Landlords don't need to know that tenants are receiving portable housing allowances. The absence of the stigma aspect that Vince was talking about needs to be stressed.

Housing Programs and Administrative Cost

There is no infrastructure required for portable housing allowances similar to what is required to plan, to construct, to develop and to operate and then to maintain social housing. For every dollar that goes to social housing, a lot of it has to go to overhead, operations and maintenance. For every dollar that goes into a portable housing allowance, almost all of that dollar goes directly to the people in need.

I want to go back to B.C., I talked about the mythical portable housing allowances that came into effect yesterday; well I am not just speaking about something imaginary. Our Housing Minister has given some very strong indication that there will be a housing

policy introduced in British Columbia this Fall. He also has said that governments should not be in the business of constructing, managing or adapting housing, and that he will be building on the SAFER 1 program model, that you heard about earlier today. If I am reading the Minister correctly, in British Columbia we will see a dramatic expansion of portable housing allowances. He has also said that the governments must be and should continue to be in the business of providing, operating housing for people with special needs.

So I would like to close by leaving you with one thought, Canada does not have an affordable housing shortage problem. Canada does have an income shortage problem.

Questions from the Audience

QUESTION 3 :

I just want to make the point that when we talk about the social housing approach and the high cost of constructing a new unit that over time those units become not only affordable, but in fact start generating the surplus. When I was at City Living the older stock was generating a surplus so that we could use that to subsidize additional tenants and we built a new reserve fund to start developing new housing. So when you talk about the high cost of social housing you are talking about the snapshot today to build a new unit, but what you have to think about is over time how those units become very affordable.

VINCE BRESCIA: Yes, we did actually discuss that in today's seminar. We put a slide up and referred to the times-series analysis which you commonly see on either side of the debate. There is a standard way you look at the costs overtime. So that was in our discussion in our earlier panels.

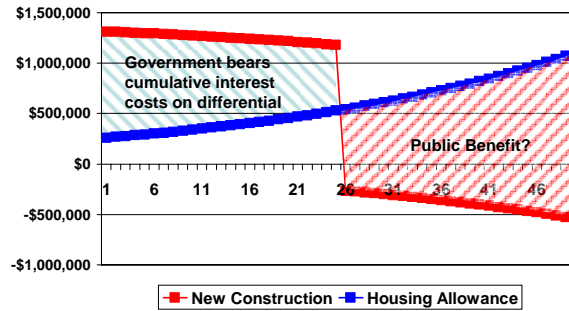
QUESTIONER: I don't think I missed it. You didn't make the point that the older housing can actually start making a surplus for the corporation to use for other purposes.

VINCE BRESCIA: The issue in this analysis is the difference in costs that the government has to carry in the earlier years. You have to factor into your analysis and the cumulative interest on the high cost in the early years. That is very high, and you don't make that up for a very long time. The only way you can make it back in the social housing market is to use the assumed asset value, and assume it is all 100% into the public benefit. So you can see it here in this chart up on the projector.

¹ Shelter Allowances for Elderly Renters

New Construction Subsidy Versus Housing Allowance

100 Core Need Households



It actually goes into the negatives which is the surplus you are referring to. The public housing cost is the red line of the 100 unit project, and that [pointing to year 26 on the chart, when the project first runs a surplus] is when the mortgage is paid off. However, the assumption of a surplus after the mortgage is paid off requires a strong assumption about the value of the asset because for a lot of social housing now, the operators are still asking for operational subsidies and for funds for capital repairs even after the mortgages have been paid off.