



# **UNIVERSITY OF CALGARY**

## **HASKAYNE SCHOOL OF BUSINESS**

### **Housing Affordability and Market Based Solutions: Summary of February 2016 Cross-sectoral Workshops**

Prepared by:  
Gary Barron, MA, Research Associate  
Westman Centre for Real Estate Studies  
Haskayne School of Business, University of Calgary  
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## Background

In fall 2014, the Westman Centre for Real Estate Studies was invited by the City of Calgary to facilitate a cross-sectoral effort to create a community-based housing affordability strategy for Calgary. The process resulted in a group of partners committed to housing affordability: the Calgary Housing Affordability Collective (CHAC). CHAC's partners share the objective of mobilizing scholarly knowledge and practical experience to improve housing affordability. In spring 2015, the Westman Centre completed interviews with many of the Collective's partner organizations to understand the activities of each in relation to housing affordability, the means by which those activities are funded, relationships between organizations that are necessary or useful in accomplishing their affordability work, and opportunities to address the needs of each sector in enabling housing affordability.

Our preliminary research identified that: **1)** there is insufficient data on both non-market and market housing stock in Calgary, as well as the needs/characteristics of house seekers (e.g. what percentage of the population is working, in and out of shelters or other temporary housing, but could maintain stable housing if a new residential option or financial product were made available to them?); **2)** a neutral organization focused on housing affordability strategies with cross-sectoral involvement is necessary for facilitating effective action; **3)** more research is needed on factors that affect housing affordability and options for housing across the spectrum of affordability, including alternative funding sources for individuals and organizations (e.g. shared equity models), policy and regulation, costs of infrastructure development, and how these coalesce to affect housing affordability for individuals and families; **4)** more research on institutionalized processes related to housing affordability, housing distribution and access is required (e.g. processes to access market and non-market housing, housing financing, and subsidies).

To move the preliminary research forward in addressing the significant social issues identified, the Westman Centre prioritized housing affordability as part of its research agenda. On February 10<sup>th</sup> and 11<sup>th</sup>, 2016, the Westman Centre hosted a series of research planning workshops the objectives of which were to:

- Define and clarify research priorities on housing affordability to more effectively understand the activities of organizations in the housing system, the work they do toward affordability, and find solutions for people across the housing spectrum (from no housing, to affordable/social housing, to rental/ownership of market-based housing).
- Articulate available resources and an action plan for a data consortium on housing. Many organizations currently collect data on market and non-market housing stock, on people seeking housing and accessing support services, but these data are not centralized or effectively maintained. By developing standards and practices to translate disparate data sources into one system operated by a neutral body, all members of the data consortium have the potential to benefit from access to data for both decision-making and research purposes. Data collaboration will allow us to draw on expertise, identify data needs, and develop a framework that will be the bases of future consortium development.
- Identify actionable solutions based on ideas generated by sector leaders with expertise in the social, financial and policy dimensions of housing affordability.

The workshops featured introductory presentations with a brief question and discussion period that led into break out discussions. Once the breakout discussions were completed the group reconvened to vote on primary concerns, questions for future inquiry and applied projects. The workshop summaries in this document provide an overview of the key discussion items and list the questions and ideas that were voted as top priorities. Note that to reduce repetition, items that were raised in multiple sessions were only included in what seemed to be the most appropriate session.

Concurrent to the research planning workshops the Westman Centre also conducted a literature review on the history of housing policy and affordability in Canada. What follows is a summary of that literature followed by a summary of research priorities and ideas for change that were generated at the planning workshops.

## A History of Housing Affordability in Canada

Most initiatives that focus on housing are a reaction to the dire situations that play out in our public spaces. Homelessness, rising shelter usage, and the attendant issues that accompany these situations prompt many service providers and community groups to create models that address the basic right of all citizens to have access to housing. To augment this important community work, the Westman Centre for Real Estate Studies has developed a research agenda that digs deeper into the roots of our present housing crisis. Identifying the underlying policies and practices of housing in Canada can assist in addressing issues within the system. This review of the literature on the history of housing policy and affordability in Canada has been summarized with an indication of key arguments, variables that affect housing and household access to housing, as well as statements on future directions for research.

### Introduction

“When a substantial degree of national resources and effort is devoted towards making every Canadian family a house owner, then there is a special kind of label, a special taint or blight to be placed upon those families who, despite all the favorable manipulations in the basic policy, cannot afford a house of their own”. (Rose, 1980, p. 36).

“Compartmentalizing the population into groups for discussion of the housing problem had the effects of relating the problem to the persons experiencing the problem rather than to the forces creating the problem and of deflecting attention from broader issues of housing needs and equity; specifically, it reinforced a basic dichotomy in housing policy between housing for the poor and affordability of home ownership for the more affluent.” (Streich, 1993:264).

From the 1970s onward real house prices have increased to a significant degree across Canada (Cheung, 2014). Such increases have varied by region with the greatest increases in Census Metropolitan Areas (CMAs) and smaller increases in rural areas (Moore and Skaburskis, 2004). While real house and land prices have increased, real income has decreased (Cheung, 2014; Schlembr, 2014; Moore and Skaburskis, 2004). Affordability problems occur when household costs exceed a particular proportion of monthly income, but decisions as to what this threshold is are value judgements that vary across time and place (Streich, 1993). Moreover, affordability problems vary by household characteristics such as income level, tenure, and other social characteristics (Moore and Skaburskis, 2004; Walker, 2008), and these vary over a person’s life course (Streich, 1993).

A review of research on housing policy in Canadian history reveals that housing affordability is a complex problem that requires a comprehensive and long-term perspective (Miron, 1983; Miron, 1993; Rose, 1980). While much work in the recent past has focused on affordable housing -which refers to providing highly subsidized housing to individuals with low incomes -considering affordability and its relationship to the complexities of housing and the population provides a more intensive understanding of housing issues in Canada. To clarify, “affordability” refers to a condition whereby both individual and collective resources mobilize to enable appropriate housing suitable to individual lives. Affordability recognizes market and non-market

based solutions to housing by considering how social and economic characteristics shape housing experiences and chances. Affordability also shifts focus of discussions on housing away from dichotomous thinking about two classes of people, the poor and those who can afford housing. As such, considering affordability facilitates thinking about the housing system and the forces that shape it.

### **Canada's housing history: crises and market stimulation**

Early in the 20<sup>th</sup> century the Canadian federal government clarified legal responsibilities of each level of government in relation to housing and stated that it is the constitutional responsibility of the provinces. Over the following century the government created numerous partnership programs with provinces and municipalities to provide housing. Most of these generally downloaded costs away from the federal government (Rose, 1980; Miron, 1983; Bacher, 1993) toward provincial and local governments. According to Miron (1983), in Canada the different levels of government have at least eight methods for intervening into the housing sector:

- mortgage financing
- subsidies to owner occupiers
- public housing construction
- rental subsidy programs
- tax subsidies to landlords
- handling of owner equity under the Income Tax Act
- land subdivision controls, and zoning.

Each strategy has been used to varying degrees over time in order to manipulate the housing system. What follows is a demonstration of how these types of interventions, combined with sociodemographic trends, changed the face of housing in Canada over time.

From a demographic perspective, the Canadian population was 50 percent urbanized in 1944. Further, postwar Canada faced a significant housing crisis. Many workers collectively organized to build housing on the edge of cities in order to provide themselves with affordable shelter and avoid inflated land prices (Miron, 1983; Rose, 1980; Backer 1993). Funds to purchase or build housing were most commonly secured through personal relationships or private lenders, and by organizing credit unions or caisses populaires (Haveman and Rao, 1997). In 1954 the federal government altered the National Housing Act, allowing government backed insurance on residential loans through the Canada Mortgage and Housing Corporation (CMHC) as a way of encouraging chartered banks to offer additional credit to consumers and builders. By removing the risk to lenders, the government stimulated significant new interest in residential lending, and instigated a massive increase in housing construction.

By 1981, 80 percent of the population was dwelling in cities. During the same period home ownership increased from 40 percent to 56 percent, with many of these dwellings being single detached houses (Miron, 1983). As of 2011 69% of Canadians owned homes (CMHC, 2016). Historically, Canadian housing policies, financial, and credit systems have favored ownership and individuals in the top 50% of the income distribution (Rose, 1980; Dalton, 2009). The financial crisis of 2008 also resulted in more stringent mortgage rules and risk assessment

criteria, whereby individuals with credit scores below 600 have been unlikely to receive any financing (Schembri, 2014). Moreover, lenders are legally obligated to insure mortgages with a high loan to value ratio, with the threshold set at 80%. Those who cannot secure a large enough down payment pay a deductible, and the sum of these across Canada are pooled to cover the cost of insolvent mortgages. CMHC is the primary insurer issuing approximately 75% of residential mortgage insurance which is covered for insolvency by the federal government (Schembri, 2014).

To mitigate such risk, the CMHC created a risk assessment tool in 1996 called “emili”. Many lenders have used emili to assess the risk of residential loans based on the individual applicant’s characteristics, market characteristics of the region in which the individual seeks to purchase a home, and other factors. The tool has been very effective in mitigating risk as CMHC’s arrears rate between 1996 and 2014 was 0.34% (CMHC, 2016).

Many of the housing trends in the 20<sup>th</sup> century were a result of market response to baby boomer demand. As baby boomers began to form their own households, government policy to encourage loans to first time home buyers of newly constructed homes fueled suburban growth (Rose, 1980). The baby boomer generation experienced significant increases in real income while real housing prices remained mostly stable. As baby boomers increased their relative affluence, they moved out of their parents homes and grew their families. As a result, supply shifted from condos and apartments to single detached homes (Miron, 1983). Federal policy changes over this period also favored home ownership, including reduced mortgage rates for first time buyers, removal of capital gains tax on sales of a principal residence, and introduction of the Registered Home Ownership Savings Plan (Miron, 1983).

There are three small exceptions to this trend. First, because of rising affluence relative to housing prices there was a general division of families and individuals from shared households to a nuclear family model. Where many Canadian households had once held many members of the immediate and extended family, the changes in housing and relative wealth allowed more people to form their own independent households. Second, during the late 1960s and 1970s there was a small increase of seniors housing units in response to an aging cohort. Third, the government created an Assisted Home Ownership Plan (AHOP) to support lower income households to purchase a home. However, the program was short sighted and resulted in home owners seeing a 150 to 200 percent increase in monthly housing expenses as mortgage interest rates increased six years after purchase. AHOP had assumed buyers would have real income growth over time and that they would be able to manage increased interest, maintenance, and utility fees (Miron, 1983), but that was not the case.

Real housing price increases and real income decreases have continued into the 21<sup>st</sup> century and this has implications for housing affordability as well as household formation. Prices have outpaced real income, creating affordability issues for an increasing number of Canadians. Our national housing history is also defined by high land and home prices in urban centers that drive home seekers and builders to move further toward outskirts of cities. However, the long term increased transportation costs offset savings from purchasing homes in suburbs (Cheung, 2014). Decision making tools for consumers that incorporate the costs of living on the edge of cities might be valuable to assist them with long-term financial planning.

Personal standards and expectations regarding ownership and housing will need to shift in the face of economic forces that are unlikely to reverse in the foreseeable future. It is likely that as income continues to decline while housing prices increase, individuals and families will need to behaviorally adapt by living together for longer periods, or even permanently. Shared equity ownership and co-operative housing are two additional means by which people can share resources and secure sustainable residence. While new financial products, risk management practices, and housing options might still allow Canadians to continue owning their homes and living independently from their extended families, it may be more prudent to consider changes to our cohabitation practices.

## **Renting in Canada**

Rental housing has not been altogether neglected in Canada, but individuals who rent are in a much more precarious situation than homeowners. Among categories of tenure, renters are the highest proportion of households paying more than 30 percent of income on shelter, with the highest percentage paying more than 50 percent of income on shelter. Through the 1990s renters experienced the greatest increase in affordability problems (Moore and Skaburskis, 2004). Market conditions are likely to affect renters to the greatest degree because they are more likely to be young people who have not yet saved enough to make a down payment or purchase, and there is no means by which to avoid housing price increases for renters (Moore and Skaburskis, 2004). Despite rent controls in some provinces, affordability problems have not been avoided in those locations and this is largely because even with steady shelter prices, real income continues to decline. Such trends demonstrate that affordability problems are not merely a matter of increasing housing supply (Moore and Skaburskis, 2004).

A further blow to renters is developers' preference for presold condos over purpose built rentals because they have a higher return and lower degree of risk. Purpose built rental properties do not pay out until all units are rented and changes in local markets can reduce the rate of return (Cheung, 2014). Where rent controls exist, builders are deterred from creating purpose built rental units because higher market rates may be required in order to see a return on investment within a horizon that fits with their business plans.

Another issue is the dated filtering down theory of housing which posits that housing vacated by wealthier individuals and families will be freed up and become more affordable for less wealthy people as the wealthy move on to new properties (Rose, 1980). However much this process may have occurred in the past it has more recently reversed. Instead, the prices for older dwellings are becoming inflated and there is limited supply of low-priced inner city housing (Dalton, 2009). Moore and Skaburskis (2004) have noted that filtering only reduces rent for a small selection of the housing stock and that this only amounts to an approximate reduction of 10 percent over 40 years.

## Other Complications with Affordability

Incidence of affordability problems varies by household type. People with low incomes have a higher likelihood of having high shelter-cost-to-income ratios, are also more likely to face higher shelter costs regardless of household composition, and face problems with housing whether they rent or own (Streich, 1993; Miron, 1983; Rose, 1980). Low income also reduces ability to move locations in instances where housing markets are unaffordable or employment with good compensation is available. Further to this point, Rose (1980) has argued that assigning a proportion of housing to the lowest income groups does not work as a solution to the affordability problem because it has been tried many times and has failed.

While renters have a higher degree of risk related to housing affordability, the bottom 20 percent of mortgage owners as classified by income spend 70 percent of their income on mortgage payments, and a 2 percent mortgage rate hike could cause 10 percent of Canadian households to drop into the commonly accepted category of unaffordable housing (the 30 percent income-to-shelter-cost cutoff) (Cheung, 2014). Moreover, low-income individuals are not able to generate a supply response based on market activity (Moore and Skaburskis, 2004). As such, private industry is not able to produce a range of options across the spectrum of affordability without involvement from governments (Rose, 1980; Miron, 1980; Cheung, 2014). History demonstrates that the private sector alone has not been capable of providing a suite of housing options across the spectrum of affordability, nor has the government or banks effectively supported citizens across this spectrum to enter housing ownership. Instead, policies and markets have favored the top 50% of income earners, leaving the rest of the population to acquire rental housing, subsidized housing, or without any housing options.

Disadvantages are compounded based on household composition and social characteristics. Households with children and poor married couples are more likely to have problems due to their need for larger dwellings (Moore and Skaburskis, 2004). In order to prevent low-income households from becoming marginalized, policies need to support social mix and provide incentives for the private sector to develop affordable housing (Cheung, 2014). For example, affordable housing projects for Aboriginal people have their own unique challenges including needs for larger house sizes to accommodate larger families, NIMBYism, and additional supports for self-reliance (Walker, 2008).

While governments have uttered much rhetoric regarding the importance of housing in social and economic objectives, the agencies they have created are only able to pursue narrow programs (Dalton, 2009). Housing policy must be regarded and acted upon comprehensively and inclusively to address varying needs, including the incorporation of First Nations and urban indigenous populations while recognizing their rights to self-determination (Moore and Skaburskis, 2004; Walker, 2008). The trend of increasing affordability problems raises policy concerns related to just distribution of real income and opportunity, and increasing rates of homelessness due to these problems (Moore and Skaburskis, 2004).

Streich (1993) has argued that a part of the problem with creating solutions to housing affordability is how we define and categorize it. For example, the shelter-cost-to-income ratio approach has several problems with how to estimate the housing expenditures of homeowners



who regain a portion of their spending and receive tax free capital gains upon sale of their home. The core need approach attempts to incorporate housing quality, but requires consensus on a normative quality of housing, detailed data on costs for standard units, and presumes that perfect matching between households and units is possible. Similarly, the National Occupancy Standard assumes that specific household forms should be aligned with particular unit sizes, numbers of bedrooms, and that members over 18 years of age should sleep separately (Streich, 1993). However, Streich's greatest concern is with the fact that these standards in categorization and measurement do not recognize lived realities of households or changing needs and wants over time.

## Conclusions

This review illustrates trends and problems regarding housing affordability in Canada. Researchers have regularly articulated the same problems in policy, categorizations, and financial tools over the past 50 years, with apparently little positive change. Since the early postwar period household formation has largely been defined by households seeking lower cost housing on the outskirts of cities, and policies that have promoted that practice. Rising costs associated with regulations around building and subdivision of lands, mortgage policies that favored first time buyers of newly constructed units, and policies that have encouraged land speculation are all contributors. Purchasing housing on the edge of cities may be the only affordable option for first time buyers in the short term, but early savings seem to be off-set by long-term costs associated with transportation and these are typically not factored into buyer decision making processes. Lenders are equally unable to consider issues of transportation as their risk modelling focuses only on the property cost in their lending decisions. Canadian mortgage and risk assessment tools also seem to service only the top 50% of income earners in the population, leaving the rest of the population at the whims of market forces. Of Canadians who are able to acquire a mortgage, 20 percent hold their mortgages precariously, meaning that a severe economic downturn or increase in interest rates could put them at risk of defaulting on their loans.

The primary trend over the past 45 to 50 years is that real incomes have decreased while shelter costs (and other consumer goods) have increased in price. The housing problem amounts to a particular way of classifying what is more broadly a problem with growing relative poverty. The trend is a Canada-wide problem that requires all levels of government, the private sector, non-profit sector, and the public to work together toward solutions. Effective solutions will have to be diverse and recognize individual needs and expectations, but will also likely require significant spending. Merely addressing supply (building more units), allocating more housing to low-income people (inclusionary zoning), or only increasing demand (providing more subsidies) will not likely be effective. All of these have been tried and have not been successful in preventing housing affordability problems on a large scale.

To be clear, as incomes continue to decrease in tandem with increased costs of living, more people will enter states of relative poverty. Any effort to prevent homelessness or other affordability problems needs to address this engine of poverty. In addressing this problem Canadians must recognize that housing is a basic need that extends to all residents, and that growing poverty is a problem that can only be addressed through a collective effort that

prioritizes solutions to housing and poverty on local, provincial, and national levels. Solutions will need to be incorporated into a comprehensive plan that works flexibly to meet diverse needs and expectations, but also recognizes Indigenous rights to self-determination. In the face of economic forces that place the majority of Canadians at risk of poverty and housing affordability problems over time, Canadians must unite toward achieving the common goal of equality of opportunity for access to dignified housing and real income growth. Without a collective effort, we condemn a great proportion of Canadians to perpetual disadvantage.

## Workshop Summaries

### Workshop 1: The Housing System - Opportunities for Improvement

Ideas and concerns at the workshop on the housing system were diverse, but the most common themes included:

- a need to map out the system in order to better understand its components and operations;
- research and solutions must take diverse needs and expectations into consideration in order to avoid treating people as though they are standardized in how they are willing and able to live;
- collaboration and cooperation is necessary in order to do quality research and produce effective solutions; and
- more effective communication and engagement with communities to understand the housing system and the complexities of solutions to affordability problems.

Dr. Stephen Gaetz articulated that more collaboration across sectors, the public, and all levels of government are necessary to ensure solutions to affordability problems. Workshop participants also emphasized that it is imperative to work with First Nations and urban Indigenous People as part of any comprehensive solution to housing affordability.

### Priorities

#### Engagement

- How can we best engage with communities to demonstrate benefits to change (e.g. in infrastructure, building/zoning, supports for housing)?
- Can a focus on solutions, rather than problems make a difference in engaging communities/stakeholders?
- How can we better understand who stakeholders are, who they represent, what their role is, and what it is that they can do to make change?
- Are governments, and politicians, risk averse in that they are not willing to invest in long-term projects or experiment with new solutions?
- How can we develop the political will to make real improvements in the housing system?
- Is there a common goal that we can all agree upon to achieve and then work from there?

#### Needs, wants and expectations

- People are not standardized, they have diverse needs, wants, and expectations, how can we better understand these across income levels and tenure (e.g. shelter/subsidized/rental/ownership) to provide options (e.g. units, credit) and supports that recognize this diversity?
  - How can we create a system that does not expect people to fit into inflexible and pre-made standards of living?
- What are people's diverse pathways to success through the housing system and what can we learn from these?

- How does the housing system determine who is worthy of housing and supports to acquire housing?

### Understanding the system

- How do we engage in effective prevention to prevent people at risk of losing their housing or slipping into an unaffordable situation?
  - e.g. How can we be immune to issues with low oil prices? How are a growing aboriginal population better served? How can housing accommodate different stages of life course?
- What are the points in building and development processes that cause delays or bottlenecks, can those processes be adjusted to improve system efficiency?
- What are all of the policies and regulations that come to bear on building and development, what are their effects, and how do those effects happen?
- What are best practices in regard to land lord and tenant rights, can we improve the framework in Alberta, other Canadian jurisdictions?
- What are the different strategies that governments, non-profit organizations, and private corporations use to manage stock to ensure financial sustainability?
- Does work by some providers create barriers for other providers?
  - We cannot know unless we regularly discuss and share efforts.
- Why is ownership the privileged tenure?
- Why is there a lack of sufficient rental housing, what are the levels of investment in rental housing, and does for-profit rental housing have effects on the not-for-profit housing sector?
- What co-operative housing models are effective and how might they fit within the housing system?
- What do we need to know about the housing system in order to address future needs?
- How do rural, urban, and First Nations housing systems intersect (or not) and how can they be better understood in relation to one-another?
- What is the role of different types of housing units (e.g. mobile homes, tiny homes) in addressing gaps in the housing system, should they play a role at all?

### **Workshop 2: Data Sources and Strategic Relationships**

Concerns regarding data and information sharing heavily emphasized lack of trust and cooperation, with need to clarify how problems with these can be better addressed. Workshop participants also identified that working together on establishing standards and information sharing practices regarding wait list data as an opportunity that might have many mutual benefits. Dr. Milaney's presentation also introduced a number of data sources that may offer future opportunities for better understanding the housing system (particularly in regard to homelessness) once trust has been established.

## Priorities

### Current sources

- There are currently three separate types of waitlists that are all unshared and this creates problems with calculating numbers of people in shelters over time (e.g. are the same individuals on each wait list?).

### Data/information we need

- What is it that we already know, so we can better understand what it is that we need?
- We need mixed methods studies that include institutional ethnographies and interviews, regarding organizational practices in order to better understand people and the systems they live/work in.
  - This means access to organizations in order to investigate policies and practices that may prevent movement through the system or up the affordability spectrum.

### Relationships

- How can we build trust so that the environment encourages collaboration rather than competition?
  - How can we work with uncertainties and fears related to possible judgements that organizations are under-performing when data is reviewed?
  - How can we ensure that information is contextualized so that information regarding “success” rates are not taken out of context (e.g. success looks different depending on population or individual)?
  - How does funding affect willingness to share information/data and is it possible to fund differently in order to support collaboration/cooperation?
- Who has useful information or data and how can we bring them to the table?
- How can we develop a common language so that we can better understand how information/data from different organizations connect?
- Can the U of C Library work as a neutral party to support data sharing?
  - Curating data as organizations begin to share
  - Sharing/supporting access to existing data
- Can we implement standards in certain work that non-profits are doing to facilitate understanding and information sharing?
- Once we identify useful data we must implement standards in definitions, access, and ethical considerations in order to ensure that the data is useful and does not violate people’s privacy or rights.
  - There is a successful example from Germany where a bank created a group that brought different proprietary data sets together. People go to a location, learn how the data is setup, then request analyses from home, results are vetted to ensure no sensitive information is released.
- Need to implement informed consent processes while ensuring that people are capable of providing it.

### **Workshop 3: Financial Innovations for Housing Affordability**

At the workshop on financial innovations the participants generated numerous ideas and examples of potential or proven means to support access to housing finance and credit. The presentation by Dr. Veronica Warnock and Dr. Frank Warnock identified that one problem with credit systems is that they tend to focus on past interactions with credit, rather than identifying willingness and ability to repay loans. Based on examples from elsewhere in the world it was clear that it is possible to create innovative solutions and supports to help people move from a down-market position to one further up-market. Beyond generating innovative ideas and examples, workshop participants also posed a number of questions for future inquiry.

#### **Priorities**

##### Ideas/examples

- Revolving loan fund model that allows one to borrow for a down payment, or damage deposit (e.g. New Jersey, Stokvel fund in South Africa).
- Transfers of capital as living bequest to a common fund used to support household loans.
- Social impact bonds
  - Example in Saskatchewan of a small organization for single moms. The province and a donor purchase a house, it is managed by the organization and if it is successful then the government pays out the investor, the investor then invests in the next project. Is it working, if so, how?
- Create a REIT
  - It doesn't have to be a low-return some social REITs are paying out 5%/year.
  - Can't make it too restrictive because you want to welcome different types of social investors.
  - However profit is entirely based on how effectively it is managed, so it must be very well managed.
- Pre-development/construction financing can be difficult to secure.
  - In the United States the Community Reinvestment Act requires banks to put funds into communities in need. This means the banks will loan to an intermediary at a low rate (e.g. 3%) then the intermediary can lend to a smaller developer at a higher rate (e.g. 6%) that otherwise wouldn't have access to a loan.
- Refurbish vacant office space, rebrand as single room occupancy in a central location
- Governments and other organizations restructure supports like worker's compensation, or Alberta Insurance for the Severely Handicapped, or rules around supportive housing, to allow for wealth accumulation.
  - Small amounts could be contributed to RRSps
  - Supports could be put in place to transition to non-subsidized housing once enough savings have been accumulated
- We can use community revitalization levies to increase assessed value then turn funds toward a general affordable housing development fund, or revolving loan fund.

- Increase the Floor Area Ratio (FAR) for higher density housing
- Non-profit land leverage
- Partnerships to harness expertise and land (e.g. a church partners with a developer to rebuild the church and make greater use of the land).
- Explore approaches to shared equity financing
- Co-op housing
- BMO products for First Nations
- Land swaps between organizations

### Questions

- What are the reasons that some segments of the population are down-market and under-served by our housing finance system, and how can we move them up-market?
- Affordable housing cannot compete in the market and so does not generate a supply response to demand, are there ways of making affordable housing an interesting investment for private sector builders/developers?
- Are there people within other organizations with expertise to evaluate financing/credit that banks do not have and which could assist in developing new assessments or products?
- Are there ways of reducing or spreading risk of loans among numerous lenders so that no one lender has a high risk?

### **Workshop 4: Policy Innovation for Housing Affordability**

Once again workshop participants considered increased cooperation and collaboration as primary to making a difference in policy, shared a number of ideas and examples that may work, and posed several questions for future research. Dr. Jeannette Waegmakers-Schiff and Dr. Eric Weissman's talk highlighted that innovation can occur on a mechanical (e.g. technology) or philosophical level (e.g. ideas, categories of thought) and that what we expect and impose on people as a standard through policy has serious ethical implications. In thinking of solutions it may be useful to stop and think on whether we would want our own loved ones living in the conditions we expect others to accept.

### Cooperate/collaborate

- The Wellsley Institute partnership with Fife House Organization in Toronto is an excellent example of innovation and partnership.
  - Involves three institutions with two separate populations that have common needs (young people living with HIV/AIDS and seniors).
- Can we better innovate with regard to housing models (e.g. co-operative, cohousing, etc.)
- Work with future tenants to develop criteria for an ideal city site.

### Ideas and quick wins

- Transit oriented development (TOD) sites and the allocation of land for affordable housing construction.

- Identify and purchase lands around TOD sites ahead of city plans, then can capitalize on sales as values increase.
- Underused school sites used to create mixed use and low-cost housing on a lease basis
- Provide incentives for developers to ensure that affordable housing is not lost in redeveloping areas
  - Tax exemptions, density bonuses, parking relaxations, new land-use districts with 6 story wood frame and no parking
- Allow municipal governments to dispose of land (or cheap lease) at below market value for the public good.
  - Housing should be regarded as a public good.

### Questions

- What is the balance between public good and efficient, cost effective regulatory processes?
- Are there policies that promote partnerships?
- How can we better affect policy to achieve common goals in regard to housing affordability?
  - Developers want to develop, cities (and other governments) want development.
- How can we best demonstrate that demand exists and show what needs to change to meet demand (e.g. new financing supports/policies, new infrastructure, new units, etc)?

## **Summary**

### **Research Priorities**

We must develop collaborative research with the aim of understanding the housing system, the policies and regulations upon which it rests, the organizations that shape it, and how it does or does not meet people's needs and expectations. Data flows, policy, financial products, and credit assessment all come to bear on the housing system and how people behave within it.

To that effect we propose the following research questions and priority areas. The research questions posed are broad enough that individual researchers and collaborators can create sub-questions and take on a variety of projects to better understand the phenomena of interest to which each broad question pertains.

### Housing system: organizations, culture, standards, practices, information, and relationships

1. What are people's needs, wants, and expectations across the spectrum of affordability and population?
  - a. Within this question we can pose questions about infrastructure, unit characteristics, lifestyles (e.g. living with extended family), tenure preferences (rental/owner/coop/other), proximity to services, use/integration of technology, and engagement with stakeholders/public and their expectations, and concern or interests for changes across the life course.



2. How are organizations within the housing system addressing these (or not)?
  - a. Within this question we can pose further questions regarding standards, systems of classification, judgements of worth, pathways through the housing system, practices related to access to units or resources.
  
3. What do different types of organizations do in the housing system, how do they accomplish their work, and how do they relate to one another?
  - a. Within this question we can ask further questions regarding organizational roles and responsibilities, supports for particular tenure types (rental/owner/coop/other), data or information that currently exists or which is needed for future planning, opportunities to facilitate relationships for information sharing, strategies to manage stock to ensure financial sustainability, processes to services clients, and barriers that one might introduce for others.
  
4. How do we engage in effective prevention to prevent people at risk of losing their housing or slipping into an unaffordable situation?
  - a. Within this question we can pose further questions regarding residential tenancies legislation, mortgage policies, indicators of risk, organizational processes and supports, ethics and unforeseen consequences related to surveillance.
  
5. How do rural, urban, and First Nations housing systems intersect (or not) and how can they be better understood in relation to one-another?
  - a. Within this question we can pose further questions regarding specific relationships between regions, opportunities for regional development, common goals and aspirations.

Policy and regulatory environment: current practices, innovations, and change

1. What are all of the policies and regulations that come to bear on building and development, what are their effects, and how do those effects happen?
  - a. Within this question we can ask further questions regarding regulatory processes, bottlenecks, associated costs, and opportunities to facilitate particular types of units or developments (including tenure), opportunities for particular types of financial products.
  
2. What are the policies and regulations that come to bear on access to housing across the spectrum and population?
  - a. Within this question we can ask further questions regarding organizational and governmental practices that shape opportunities to become housed or to maintain housing.
  
3. What are the policies and regulations that come to bear on access to and accumulation of financial resources across the spectrum and population?
  - a. Within this question we can ask further questions regarding organizational and governmental support programs, policies that shape the sorts of financial products that are available, and risk or other assessments of worth.

## Finance, credit, and risk: current practices, innovations, and change

1. What are the reasons that some segments of the population are down-market and under-served by our housing finance system, and how can we move them up-market?
  - a. Within this question we can ask further questions regarding consumer risk assessment, credit scoring practices and classifications, corporate logics and interests in investment in particular markets or consumer segments.
2. How do lenders, insurance agencies, governments, and others in the housing system conceptualize, classify, and do work with risk? What work does risk itself do? How does this have effects on builders, developers, consumers, and the housing system more broadly?
  - a. Within this question we can ask further questions regarding concepts of risk, how these vary across organizations and individuals (e.g. banks, developers, land lords, consumers), expertise and technologies used to calculate risk, the effects of such on gain access to financial resources, how people live and work, and therefore how risk-related work shapes how people live in cities.
3. What are alternative ways to conceptualize and score risk or credit, and to provide access to financial or other resources? What are effective signs of willingness and ability to repay and how might these alternatives be implemented in Canada?
  - a. Within this question we can ask further questions regarding alternative lending systems, risk assessments, debt and means of exchange.

In addition to the need for further research there are a number of opportunities for cross-sector collaboration on projects to implement change in organizational practices, create new products, or adjust policy. These projects may be informed by the research priorities as they move forward and it will be important for participants in each realm of activity to communicate as they proceed.

## Housing system

There were a large number of questions that arose during the housing system workshop, as well as many concerns. Many of the applied projects in this area will need to be developed as the results of our research proceed and processes within the housing system become more well-articulated.

## Data

Housing wait list systems, standards and relationships between them is a broad area that we can begin to explore, and which some of the non-profit sector participants at the workshop had interest in pursuing. It will be useful for interested parties to coordinate and develop a plan to pursue this as an applied project. We can develop further collaboration on data sharing as our housing system work grows and we clarify what information/data we need in particular, who has access to that information, and how we can best create process to provide access.

## Financial Innovations

Workshop participants shared a wide variety of examples of financial tools, approaches to credit, and related activities that could be explored and tested in the Calgary and Canadian context. Based on the list of examples included herein collaborators can identify specific examples of interest and work on developing a plan to explore their implementation.

## Policy Change

Many of the most effective policy interventions we develop or recommend are likely to derive from our broader study of the regulatory and policy aspects of the housing system. However, a number of concerns regarding policies and the complications or limitations they impose upon practices within the housing system (e.g. ability for families to decide how to share bedrooms) were raised during the workshops. Given concern for creating a cooperative environment partners from the non-profit, private, and government sectors should also begin work on a memorandum of understanding with necessary internal policy adjustments in order to support such work.

## **Next Steps**

The Westman Centre for Real Estate Studies will work with academic and non-academic partners to develop specific research and applied projects based on the questions and ideas identified in the attached literature review and workshop summary. The Westman Centre will also begin to build relationships with additional scholarly, cross-sector, and First Nations partners in order to effectively prioritize and deliver both research and applied projects. As work progresses we will invite partners together for face to face meetings based on interest areas and expertise in order to effectively allocate and coordinate the projects across areas of interest. The Westman Centre will also facilitate conversations regarding the development of a Social Sciences and Humanities Research Council grant application to recruit additional talent and provide research support.

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