

# RESEARCH REPORT



## Housing Affordability in a Changing Society: Symposium Proceedings



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# **Symposium Proceedings**

## **Housing Affordability in a Changing Society**

**Ottawa, Ontario**

**November 2, 1995**

**Canada Mortgage and Housing Corporation**

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## ***Foreword***

Canada Mortgage and Housing Corporation (CMHC) sponsored a one-day symposium on **Housing Affordability in a Changing Society** to address two key objectives:

- To raise awareness and facilitate discussion on select issues regarding housing affordability
- To develop a research plan in response to these issues.

CMHC commissioned three background papers to be presented and discussed at the symposium:

- *Future Trends in Housing*
- *Housing a Diverse Society*
- *Measuring the Effects of Municipal Regulations on House Prices and Rents.*

Each presentation was followed by responses from five panelists and then opened to general discussion among all participants. The final part of the symposium was an open discussion on "Next Steps: Research Plan and Other Follow-up Action".

Participants included representatives from government, the housing industry, the private sector and universities. A total of 53 people participated in the symposium, including the Symposium Chair, presenters, moderators and panelists.

## Opening Remarks

by Douglas A. Stewart,  
Symposium Chair

*Douglas A. Stewart, Vice-President, Policy and Research, Canada Mortgage and Housing Corporation.*

After welcoming symposium participants, Mr. Stewart identified the objectives for the day's symposium on **Housing Affordability in a Changing Society**:

- To raise awareness and facilitate discussion on select issues regarding housing affordability
- To develop a research plan in response to these issues.

Mr. Stewart stated that the symposium represented the first step in addressing the challenge of housing a diverse society, and that the discussions would assist in determining areas where research is needed and in developing a research plan.

Mr. Stewart introduced the five panelists. David Crenna would moderate the first topic, "Future Trends in Housing". Mr. Crenna has over 24 years of professional experience in housing policy and has done work for all three levels of governments and the private sector. He holds degrees in political science and public administration from the universities of Western Ontario and Toronto, and the London School of Economics.

The moderator for the second topic, "Housing a Diverse Society", was David Hulchanski, Professor of Housing and Community Development with the Faculty of Social Work at the University of Toronto. He is also on the Board of Directors of the Ontario Housing Corporation. Prof. Hulchanski is currently working on a three-year project, funded by the Social Sciences and Humanities Research Council, examining housing experiences of new Canadians in Greater Toronto. He has written extensively on barriers to equal access in the housing market.

Ross Newkirk was the moderator for the third topic, "Measuring the Effects of Municipal Regulations on House Prices and Rents". He holds a PhD in engineering science, an MSc in computer science, and a BA in economics from the University of Western Ontario. He is Director of the School of Urban and Regional Planning at the University of Waterloo. His areas of expertise include regional economic analysis and decision support, spatial resource analysis and planning, urban regional information systems, and computational methods. He has a broad range of publications to his credit.

Panelist Andrew Sancton is Professor of Political Science and Director of the Local Government Program at the University of Western Ontario. His area of expertise is local government and politics. Of the many publications to his credit, his most recent book is *Governing Canada's City-Regions: Adapting Form to Function*.

The fifth panelist was Terry Matte, a producer and reporter for CBC Television in Ottawa who has worked on programs such as "The Money Report". His area of expertise includes consumer, business and personal finance issues. He has reported on a broad range of housing topics, including rent controls, tax shelters, the housing market, new house technologies and the Ontario New Home Warranty Program. One of his more recent reports was on "Bargain-Priced Condos" in Ottawa.

## ***Future Trends in Housing***

by Darrell Bricker

### ***Presentation***

*Darrell Bricker is Senior Vice-President with the Public Affairs Division of the Angus Reid Group, Inc. Dr. Bricker holds a PhD in political science from Carleton University, and a BA and MA from Wilfred Laurier University. His areas of specialization include advanced research design, multivariate analysis, qualitative research, tracking methodologies and strategic communications planning. With the Angus Reid Group he has directed public opinion research projects for a wide range of federal government agencies.*

Dr. Bricker presented a broad overview of the views of potential first-time home buyers (18- to 34-year-olds) towards housing and urban communities. His presentation, which was based on existing surveys conducted between 1985 and May 1995, focused on answering the following questions:

- Do potential first-time home buyers consider housing a good investment?
- How does the Canadian fiscal situation affect potential first-time home buyers?
- How does the "new economy" [i.e. information technology, working from home] affect them?
- What do they think about housing from an environmental perspective?

### ***Housing as an investment***

- Homeownership is still seen as a good investment, and 74% of renters surveyed in 1995 have a high interest in owning a home, particularly young renters (88% of those 18-29). For most people, it remains a cornerstone of their retirement planning.

### ***Impact of fiscal situation***

- Renters represent a market demand for housing, but lack accurate financial knowledge:
  - Over half of renters (54%) overestimate (21%) or do not know (32%) the present mortgage interest rate.
  - Three-quarters of renters (74%) overestimate (62%) or do not know (12%) the minimum downpayment required to buy a \$100,000 home.



- In a 1995 survey, 95% of the respondents identified job uncertainty as the major barrier to purchasing a home.
- According to a March 1995 survey, 20% of all Canadians said they are likely to purchase a home within the next two years. The percentage was slightly higher for renters at 24%.
- A slight majority of renters (53%) are aware of CMHC's 5% downpayment program. Awareness of the ability to borrow against RRSPs is somewhat higher among renters at 61%, but only 28% of the renters who are aware plan to use this option.

### *Housing and the "new economy"*

- Information technology (e.g. computers and modems) and working from home are expected to have an influence on potential first-time home buyers, but exactly how it will affect the marketplace is unknown. A 1995 national survey indicated that 40% of those who own or intend to buy a home are either self-employed or working from home on a full- or part-time basis.
- According to the same 1995 survey, 41% of all Canadian households own a computer, and a further 5% intended to buy a computer within the next six months. Of those who intended to buy within the next six months, 41% planned to use the computer for job-related tasks, and 36% planned to use it for home-based business pursuits.
- Close to half (46%) of all computer owners in Canada are under 35.
- In terms of affordability and diversity, access to technology will be a significant issue for Canadians. It is expected that by the end of 1995, half of all Canadian households will own a computer. There are some people who can afford the tools to access the information highway, but there are others who cannot. The top 25% of households in terms of income will own 90% of all home computers, and the bottom 25% will own 10%.
- A 1994 survey of Canadians employed outside the home found that 52% of those 18 to 29 would likely use a work-at-home arrangement if it were made available to them by their employer.

*Housing and the environment*

- According to a 1990 survey, Canadians favour tax incentives for individuals (78% of respondents) and businesses (81% of respondents) to locate outside of urban centres; increasing residential density in downtown areas received less support, with only 48% in favour.
- In a 1991 survey, 74% of 18- to 34-year-old urban residents said they would prefer to live in a new suburb near the city limits (41%) or in an older suburb closer to downtown (33%).
- Younger Canadians are less optimistic about their community's environmental conditions over the next 10 years. Only 30% of those under 35 expected an improvement in their local environment, while just under half (47%) of Canadians over 55 years of age predicted an improvement; 29% of those under 35 expected conditions to worsen, compared to 22% of those over 55.
- No studies could be found that link public opinions on housing and the use of wilderness or agricultural lands. Surveys have been taken, though, that indicate a majority of Canadians favour protection of wilderness lands and wetlands.
- Although the environment is not presently a significant issue for the general public, any environmental disaster in Canada would bring this issue to the forefront of the public agenda.
- Water pollution was identified as the most serious environmental problem (35% by Canadians overall, and 32% by those 18 to 34) in a 1994 survey, with garbage landfill second among those 18 to 34 (28%) but third on the list among Canadians overall (22%), followed by air pollution (25% for both groups).
- Potential home buyers ranked the importance of energy efficiency and environmental features as follows: more efficient windows (78%), more efficient insulation (75%), water-conserving appliances/fixtures (49%), efficient lighting (48%), computer-controlled air exchangers (30%), and the use of building materials with recycled content (21%).
- For those intending to buy in the next five years, 32% indicated they would likely buy a high-efficiency heating system; 23% were interested in upgraded insulation; 20% would likely buy thermal windows; but only 9% were interested in air exchangers and 4% in water-conserving features. The driving factor in these choices is not an environmental concern, but one of affordability.

- Almost half of Canadians (45%) are aware of R-2000 homes, and of those, 63% said they would consider buying one, not because of energy efficiency but primarily because the homes are considered to be of good quality and well constructed. Those who view R-2000 homes negatively consider them to be expensive or to have poor air quality.

### *Other preferences*

- The majority of potential buyers have a preference for resale over new homes (59% resale, 25% new, 16% undecided). Those who prefer new homes do so because they want a modern home (54%) and are concerned that older homes require repairs (53%), special features could not be ordered (45%) and the homes are not energy efficient (45%).

According to Dr. Bricker, some of the findings clearly indicate a pent-up demand for housing. Those in the key buying target group lack adequate information to make an informed decision about buying a house. Financial institutions and CMHC should help renters develop a more accurate understanding of the financial requirements for homeownership (e.g. downpayment and interest rates).

Mr. Crenna suggested that although opinion polls help us to understand people's perceptions, they provide a limited and short-term perspective. We should be wary of making decisions based on surveys alone. Polls tell us what people want, but not about their actions. They are an obtrusive measure needing to be counterbalanced by less obtrusive measures that look at what people are doing, as opposed to what people say they are doing.

Public sector research must present a balanced picture of expectations and reality to avoid misleading people. Consumers must not be pushed into making a decision that is not a very good investment on their part. Research should bring together different factors to make sure we are not promoting something that will put consumers in financial trouble over the long term. A balanced perspective can be achieved through a combination of demographics, economics (such as research into the fundamentals of affordability and family income), and a social perspective gained from opinion polls.

Mr. Crenna also questioned the assumption that if potential first-time home buyers knew more about mortgages and downpayments that they would indeed buy. There may be other factors holding people back. Given people's concern about the future, their job security and the possibility that the situation could become worse, attitudes are likely to change and deteriorate. The housing industry should be attentive to consumers' future attitudes.

### *Commentary*

## *Discussion*

Prof. Somerville raised the issue of looking at geographic variations. He also mentioned that there are often important underlying issues that can be overlooked. The environment may not be the most important issue right now, but it is constantly on the agenda. Some of the other issues are the types of housing people are interested in and even the validity of homeownership.

Participants discussed two key areas in response to the presentation:

- i) the expectation of an untapped market demand amongst renters, and
- ii) interest in suburban expansion.

A number of participants considered low income among renters to be a key barrier to purchasing a home. While research indicates that many renters overestimate financial requirements for homeownership, it cannot be concluded that they have the income to buy a home. For those with low income, there would be no incentive to be aware of financial options. Also, the percentage of those in the target group who are living below the poverty line has doubled over the last 10 years. In Ontario, two-thirds of renters are not likely to buy homes, because they are either on social assistance or paying more than 30% of their income in rent. The notion of any pent-up demand for housing consequently applies to a much smaller portion of renters than implied in the presentation.

Confidence in job security was identified as another major barrier. People will not buy, no matter how affordable housing is, when they are concerned about their jobs and income security. Patterns of work are changing with the new economy. An increasing percentage of jobs are part-time, temporary or self-employment, with work starting and stopping. This affects people's perception of their future and their confidence in making homebuying decisions. It also affects the attitude of financial institutions in terms of their relationship with potential home buyers.

A participant noted that comments raised in both the panel and open discussions about housing as an investment reflect the short-term reality of the last five or six years. Housing is a long-term investment, as well as shelter and something that Canadians want to own.

Dr. Bricker observed that the points raised were all equally worthy of consideration. He maintained, though, that there is a percentage of renters who would buy homes if they were better informed about the financial requirements of purchasing a home. Another factor that will have an impact on the housing market, which was revealed in a survey for the 1994 International Year of the Family, is that many people would like to be able to work at home in order to look after their children.

A cautionary note was raised regarding the work-at-home concept. This arrangement is primarily a middle-class option, and it would not necessarily be an appropriate consideration in developing affordable housing for low-income households. The telework idea could become a home "sweatshop" for low-income women who would simultaneously be responsible for at-home child care.

Surprise was expressed regarding the degree of interest in suburban living that was reflected in the survey results. This is contrary to some of the municipal planning initiatives being undertaken to reintensify urban core living and feedback received in municipal consultations. Reintensification is becoming an increasingly significant issue for the development industry as a whole. A municipal representative commented on two strong messages her municipality had received from extensive consultations with its citizens: develop a strategy to contain urban sprawl, and design communities to make the infrastructure affordable. Given that thousands of people participated in these consultations, it cannot be assumed input came primarily from political activists.

It was suggested there might be a micro-market within the 18 to 34 age group that would initially be interested in purchasing small, downtown condominiums. When starting a family, they would look for larger homes in suburban areas. For instance, for \$150,000, one can buy a 600-sq.-ft. condominium in downtown Vancouver, which would be deemed affordable given CMHC's 5% downpayment program and 7 to 8% interest rates on three-year mortgages. For the same \$150,000, one could buy a 1500-sq.-ft. townhouse in a suburban area.

Dr. Bricker noted that the survey results tended to run contrary to expectations. Municipalities may not want urban sprawl, but many people do not want to live in downtown areas, primarily because of concerns about personal safety. Although Statistics Canada reports there is less crime, but that is not people's perception, and people make choices based on what they think. The issue of how to revitalize downtown areas arises because people are interested in living in the suburbs. There may be people in other age groups who would consider the downtown area, but the 18 to 34 age group surveyed is looking for the suburban experience.

Dr. Bricker observed that participants' comments reflected the multidisciplinary nature of research. Opinion polls provide important information which should not be discredited. Although results are sometimes at odds with what we anticipate, it should be noted that market research is extremely accurate.

## ***Housing a Diverse Society***

by Greg Mason

### ***Presentation***

*Greg Mason is Managing Partner of Prairie Research Associates Inc., a faculty member with the University of Manitoba's Economics Department, and a member and past-president of the Canadian Evaluation Society. He obtained his PhD in urban land economics, his MA in urban economics and his BA in economics from the University of British Columbia. His areas of interest are applied policy analysis, forecasting, consumer demand analysis, survey research and program evaluation.*

Dr. Mason gave an in-depth presentation on the increasingly diverse nature of Canada's population and its impact on housing affordability and access. His aim is to facilitate the development of a research agenda by addressing four key areas:

- Why is it important to examine the issue of diversity in society with respect to housing policies?
- How do recent socioeconomic trends and diversity affect housing affordability and access? Are there significant access gaps for different groups?
- What options exist for Canada's housing partners to determine the extent of affordability and access problems, and how have other countries dealt with these issues?
- What are some possible next steps for research?

In Dr. Mason's opinion, the concepts of affordability and access to housing are poorly understood by researchers. He observed that although opinion research provides one valuable perspective, it can be misleading because it does not take into account the diversity of markets. He believes it is important for market research to start with the basic premise that there are several housing markets, not one. We should acknowledge this segmentation and be clear about which markets are the focus of any research or discussion, e.g. metropolitan, rural, regional, low-income rental, first-time, move-up, etc.

### ***Diversity intertwines with affordability and access***

In addition to geographically distinct markets, several socioeconomic trends in Canada contribute to a diversity of housing markets which affect affordability and access: ethnic and racial diversity; migration from rural to urban areas; changes in health, social and criminal policies and services; age group preferences; income inequality; and changes in family and household structures. Little research has been done, though, to test fundamental assumptions about how this diversity influences affordability and access.

Recent immigration and migration trends have had a pronounced impact on Canadian cities. Canada's new immigrant groups are more racially and ethnically diverse today. A variety of ethnic groups are found to be concentrated in Montreal, Toronto and Vancouver, making these cities distinct from other cities such as Edmonton or Halifax. Rapid rural to urban migration, which is happening primarily in the Prairies, has been caused by changes in the farm economy and the collapse of Aboriginal community structures. In Winnipeg, Saskatoon and Regina, we are seeing some of the dynamics that occurred in American cities when blacks migrated from the South to northern cities. The downtown areas in the three cities are no longer desirable places to live, having become poor, unstable and crime-ridden.

Geographical variations in rental and homeownership costs are another component of diversity. For instance, for \$250,000 one could buy a one-bedroom condominium, 20 storeys up, in downtown Vancouver. For the same price, one could buy an upscale house in Regina. When surveying people about housing needs and preferences, it is important to have a concrete idea of what "home" means to them.

Income inequality presents another area to contend with in housing policies, and the recession at the beginning of the 1990s has contributed to greater income disparity. Lenders have become extremely cautious in financing real estate investments, particularly as the assumption of increasing land values is no longer tenable in many parts of Canada.

In contrast to Dr. Bicker's presentation, Dr. Mason does not consider 18- to 34-year-olds to represent the future of Canada's housing markets. In Dr. Mason's opinion, it will be the babyboomers who will drive the market. What they choose to do with their "ranches in the suburbs" will have a significant impact. For example, moving "down-market" to centrally located apartments places pressure on older, less affluent neighbourhoods to be upgraded. Housing becomes less affordable in central areas, driving out low-income residents.

As we deinstitutionalize health care, a portion of housing becomes intertwined with the health care delivery system. As more hospital beds are closed and people are moved back into their homes, housing must accommodate health requirements, such as the need for home dialysis. More people who are chronically ill or require palliative care are choosing to remain in their homes. A great number of "bed and breakfasts" and single rooms are becoming part of the mental health care delivery system. Deinstitutionalization of social and criminal justice services are also having a profound impact on housing access, as many residents resist having group homes in their communities.

Dr. Mason commented briefly on two other factors that affect housing requirements—the changing family structure and highly specialized housing needs. He regards changes in the family structure as being subsidiary to other changes, although he noted that these changes tend to be initially thought of as a priority with respect to diverse housing. Shelters for battered women represent a very specialized housing need that can only be met in an urban context, not a rural one. Here again, housing is not a need in itself but is fundamentally linked to social policy and criminal justice and health systems.

### *Defining affordability*

According to Dr. Mason, current definitions of affordability need to be revisited. It is a word many people use casually without having a good, theoretical understanding of its meaning. The conventional rule of 30% of income for shelter neither reflects personal spending preferences nor takes into account views on the social values of homeownership. Dr. Mason noted that measures of affordability are incomplete and that in Canada we have not done enough research on affordability that incorporates regional variations in price, rent and income.

The discussion of affordability takes place between two polar perspectives. The neoclassical view assumes that the market should take care of demand, whereas the other pole argues that public policy must intervene in the market for low-income households because housing meets important social needs. Housing is a fundamental merit, basic to a sense of security and a person's self-esteem.

We rely on the market process to meet the majority of wants and needs, but does it do a proper job in meeting the housing needs of a diverse population? From the classical perspective, the problem is not one of too many regulations, but one of adequate income. People should not be given homes, but money. For those who support policy intervention, the following are basic questions to consider:

- Should we be supplementing the market?
- Should we be supporting all of the various housing policies that are in place?
- To what extent does diversity complicate policy?

Existing measures of affordability are based on minimum standards concerning the physical condition of a house. Much of the affordability discussion, however, is an attempt to define what the minimum standards



should be. These measures do not take into account the fact that some people make such choices as having a new car, yet they live in poor-quality housing. Or others choose to spend 40% of their income on housing without it being an affordability problem. Some people choose to own a home, but cannot afford furniture.

Dr. Mason observed that housing market research has been based primarily on census data and studies of households. The problem with this approach is that the unit of analysis is the census tract or an enumeration area, not the individual dwelling unit, and households are notoriously unstable. If we are to understand housing affordability, it would be better if research looked at dwellings instead, following what is happening in them as a parallel way of looking at what is happening in terms of housing.

Regional variations in price, rent and income have not been captured in studies to date, as Statistics Canada does not consider this component. This makes it very difficult to compare the cost of living and housing between communities, such as Toronto versus Red Deer. The inability to standardize price differences is a very important problem that Canada faces in addressing affordability.

### *Defining access*

Issues of accessibility are basically associated with non-economic impediments, the two most important ones being discrimination and regulatory barriers.

Housing discrimination may occur in either rental or homeownership markets. Surveys can be used to determine discrimination in rental situations. Some survey work on rental market discrimination has been done in Canada, but it has been limited in scope and tends to rely on anecdotal evidence. Dr. Mason suggested there is a clear need to undertake tests for rental market discrimination in Canada to assess problems faced by ethnic and racial minorities, single versus married tenants, male and female, and other identifiable groups.

Research in mortgage market discrimination is more complex. The United States has extensive research and literature on this issue, but the results are inconclusive and marked by controversy. After 25 years of debate, some consider this still a significant issue, while others maintain that the problem does not exist because rational bankers would not forego profits. Community activists in the United States claim that banks have taken savings from low-income blacks and not returned these resources to the community. A similar complaint exists in the Prairies. Farmers

believe that banks in Eastern Canada take their savings and do not reinvest any of it in the Prairies. The inconclusiveness of the U.S. experience thus far has resulted in the Clinton administration proposing a reverse onus test, whereby the lender has to prove there has been no discrimination.

Canada does not have any legislation in this area. The perception of mortgage market discrimination is barely recognized. Dr. Mason suggested that the emergence of credit unions controlled by ethnic communities is an indicator that discrimination exists amongst financial institutions. In fact, there is probably no doubt that discrimination exists in a variety of markets. But it is likely that discrimination in a mortgage market situation arises from the lender's lack of familiarity with the client being served, resulting in the lender being exceedingly cautious. At this point, we have no evidence to determine how widespread this is.

Variations in land-use regulations and development have a subtle, yet significant, impact on accessibility. Evidence from the United States suggests that regulations can contribute substantially to increasing housing costs, thereby restricting the availability of affordable housing. In some parts of urban Canada, gentrification of inner-city areas is resulting in exclusive communities with strict controls that are pushing out the existing population. Codes tend to be developed locally, with obvious scope for variation in how households are treated. In large urban areas, different municipal governments have different levels of code and code enforcement. There is also increasing tension between urbanites, suburbanites and ex-urbanites (i.e. those who live on the periphery of urbanized areas in lower tax communities). For example, ex-urbanites' use of roads into urban areas was an issue in Manitoba's recent election campaign.

Dr. Mason concluded his presentation by outlining a suggested research agenda for housing a diverse society as follows:

- Undertake basic qualitative studies to scope the nature of housing problems that exist for specific groups.
- Conduct a cross-sectional analysis of affordability, particularly with an aim to contrast geographic variations in affordability between large cities and between rural and urban communities, as well as to contrast variations between different groups. Research on affordability must be national, with each province and urban government playing a role.
- Perform paired audits to test for discrimination in rental markets along the lines of race, gender and ethnicity.

- The financial industry should evaluate its lending practices to ensure discrimination is non-existent.
- Research regulatory needs for all of the various housing markets. This would be the responsibility primarily of provincial and municipal governments.
- Create an Aboriginal housing stock inventory. In many parts of Canada, there is a seriously deplorable and chronic housing problem on reserves that urgently needs to be addressed.
- CMHC should continue to pursue research on homelessness. This phenomena should be regarded in relation to our health and social security systems, rather than as a failure of the housing system.
- Undertake research on how cultural diversity shapes housing and community preferences, especially with respect to neighbourhood development. Immigrant settlement agencies, ethnocultural groups, and provincial and local governments would share responsibility for this research. To allay concerns amongst individuals and ethnocultural groups about the motivations for this type of research, studies should be "owned" by the community and managed by a consortium of the groups that has established a close working relationship.

Prof. Hulchanski encouraged participants to read Dr. Mason's paper and an article listed in the paper's bibliography by George Galster. He noted that Dr. Mason contributes a much-needed overview of the issues, as there is little in the way of a Canadian perspective available.

While there are many similarities between the United States and Canada, Prof. Hulchanski cautioned that there are also many differences. Similarities exist in the way our institutions work, and it is at this conceptual level that American literature can be helpful in developing our understanding of the nature of the issues and problems. At more detailed levels, though, our experience differs. Canada has very different cities and very different urban metropolitan cultures. There is not the extreme racial segregation found in the United States, and Canada's black population is distinctly different from American blacks.

Still, Prof. Hulchanski suggested that Canada can benefit from observing some of the market dynamics in the United States, as similar developments might occur in Canada. Specifically, he mentioned the pattern of racial and ethnic groups living separately from each other. Academics use an index to

## *Commentary*

indicate low or high homogeneity, with 100 meaning that no black or white people or others of different groupings live near one another, and 1 meaning that no one group is predominate in an area, everyone is mixed. Each of the major metropolitan areas in the United States has large black populations, and these cities range from the 70s to the 90s on the index.

In Prof. Hulchanski's view, the controversy over mortgage market discrimination in the United States and the inability to resolve issues stems from political and ideological differences. It is not due to a lack of conclusive research, as Americans know a great deal more about the issues than they did 10 years ago.

While agreeing with Dr. Mason's point that Canada does not have one housing market, Prof. Hulchanski took the idea of multiple markets a step further: the metropolitan areas consist of distinct submarkets, and this is where more information is needed, at the ethnocultural submarket level. In the Greater Toronto Area today there are about 100 different ethnocultural groups. Immigrants from one ethnic background may even comprise more than one submarket. For example, in the past, most Polish immigrants became homeowners, whereas today, many Polish immigrants are accustomed to being apartment dwellers. Information at the submarket level will improve the ability of the housing industry, politicians, decision makers and others to cope with changes in large metropolitan areas

Prof. Hulchanski shared some observations recently made by a researcher from The Netherlands. The researcher had noted that income inequality within a nation provides a fundamental backdrop. The difference between rich and poor, the top and bottom quintiles (20%), in The Netherlands is a factor of five. For Canada, the United States and Australia, the gap is much wider, somewhere between seven and nine. This means there are more people in these countries who cannot generate market demand.

A second contextual factor is the percentage of social housing stock. The Netherlands has a high percentage, for historical and geographical reasons, at 42%; Britain has 25%; and Canada and the United States are much lower.

A third factor is the adequacy of unemployment and social assistance benefits. In The Netherlands, benefits are sufficient to help maintain a reasonable standard of living, which is not the case in Canada where an increasing number of people are becoming anxious about job and income insecurity.

A fourth factor is ethnic tension and the market's ineffectiveness in addressing prejudice and discrimination. The question that has been debated is why markets do not eliminate discrimination. It has been well demonstrated that discrimination is systemic, with one form of discrimination affecting and mutually supporting other forms, and markets do not address it.

Finally, Prof. Hulchanski observed that in both The Netherlands and Canada, health care is not a factor that mortgage lenders need worry about in terms of whether someone can meet their payments, but it would be a factor in the United States.

Prof. Sancton observed that the significant difference in the structure of financial institutions between Canada and the United States had not been raised. He proposed that the more centralized requirements for mortgage lending in Canada would mitigate the types of discrimination found in the United States. Dr. Mason commented that this issue could be added to the research agenda. He maintained, however, that recent developments—the rapidly expanding credit union system, and the increasing flexibility in terms of what insurance and trust companies or any financial institution can undertake—suggest that there has been an element of discrimination.

Mr. Crenna supported Dr. Mason's recommendation to track dwelling units as they are a measure of immediate and vital importance. Major policy shifts are taking away social housing, and we need to look at what is happening to people right now. He also underscored the importance of looking at intergenerational aspects of diversity and stated that we need to look more closely at the American urban scene than we have in the past. With the border opening up and the current influx of firearms and illegal drugs, the question becomes more practical for debate and less academic.

With the exception of discrimination in mortgage market lending and rental markets, Prof. Somerville questioned the relationship between diversity and affordability problems. Dr. Mason commented that we need to look at how diversity is reflected in a range of economic markets, housing being one of them, and education and labour being other areas. He agreed that diversity ought not to have a major impact in terms of access to housing, but proposed that the linkage must be researched and looked at carefully.

## *Discussion*

Mr. Matte asked if there is any information on the value of homeownership to immigrants. Much of the work in this area has been anecdotal, but Prof. Somerville noted that a recent survey of immigrants in Vancouver, particularly Asian immigrants, indicated a high preference for homeownership, both in terms of what people said they would do and their actual actions. Mr. Stewart mentioned that CMHC has been undertaking similar research and expected the results later in the month.

It was suggested that, with respect to discrimination, Canada could borrow from the United States' experience. We should not put the issue onto a Canadian research agenda, because of limited funds and other initiatives that we should be undertaking. Dr. Mason suggested that academics could assist mortgage lenders in understanding what constitutes a good test for discrimination, and this is where academic research from the United States would be helpful to our financial institutions. This is an area in which the Canadian Bankers Association indicated a willingness to participate in research.

A number of issues that relate to family types, divorce and recoupling have a significant affect on affordability, but no research was proposed in the presentation that related to divorce, single-parent families, or joint custody, for example. The question becomes which policy area should deal with these matters. This is an example of where housing policy interfaces with social, economic and health policies. In Dr. Mason's view, many issues relating to single-parent families and insufficient income are socioeconomic policy issues, and governments have not taken measures to ensure, for example, that men maintain responsibility for their children. In response to this, it was noted that it cannot be assumed that all fathers can afford to pay. This will not deal adequately with household and child poverty or end the need for social housing stock.

With health care and many other issues affecting the housing market, it is advisable to undertake research on the concept of performance-demand for shelter, as opposed to regarding housing as being primarily price-point driven.

With housing policy emerging as a regional issue, it is difficult to discuss top-down policies for discrimination when this is not an issue in many parts of Canada. Regional variations also affect housing prices. To bring more people into housing markets, the levels of downpayment need to be eased, whether it is a 5, 10 or 25% program, and appropriate downpayments need to be established on a regional basis, not set at a national level.

Capital gains and taxes should be applied when owners sell their homes. Canada's housing policy is fashioned to benefit high-income people, a problem not discussed. Wealth should be considered as much as income, but we have not factored it into the affordability equation. As we do not know whether the value of houses will always increase over the long term, it is unclear if this is a capital gains issue. If people cannot sell their houses because of declining prices, then we would need to look at whether the taxes involved, for example land transfer taxes, are a hindrance.

Affordability has to do with downpayments and mortgages, but it also needs to address the cost of producing housing. We need to determine which regulatory reforms will produce housing that meets consumer demands, while not unduly restricting or taxing the housing industry or a segment of society.

Research on affordability and access needs to include those who have been mentioned but not addressed directly, such as single-parent families and Aboriginal people. They have been noted but no indication has been given as to how they will be included in research activities. Research methodologies need to take cultural differences into account. For example, many Aboriginal people do not have telephones due to traditional convictions. Reaching urban Aboriginals also requires further consideration.

Dr. Mason acknowledged that there are a range of issues that need to be considered and could be part of a research agenda. If the issue is primarily an income, health or social security issue, it is better to deal with it in its respective policy area, rather than attempting to adjust housing policy. Special consideration, though, should be given to First Nations communities because of their constitutional relationship. There is no question that reaching urban Aboriginals is much more difficult, and this represents a major information gap.

## ***Measuring the Effects of Municipal Regulations on House Prices and Rents***

by Tsurriel Somerville

### ***Presentation***

*Tsurriel Somerville is Assistant Professor of Urban Land Economics at the University of British Columbia. He obtained both his PhD and MA in economics from Harvard University, and has a BA in economics and Chinese studies from Hebrew University in Jerusalem. His areas of expertise encompass housing markets, land use regulations and housing supply, and he has published various papers on land use regulations, land assembly and other factors affecting the cost of housing.*

Prof. Somerville proposed that an index be developed to measure the effects of regulations on housing prices for comparison between municipalities. His presentation addressed the following questions:

- What are the benefits and challenges in measuring the regulatory environment?
- How do we develop and use the measures?
- How do municipal regulations affect affordability and accessibility?

### ***Benefits and challenges in measuring regulations***

Some people attribute the housing affordability crisis to municipal regulations, while others view regulations as protecting neighbourhoods and communities from undesirable forms of development. Municipal regulations are developed to address legitimate concerns of residents. The question is how these concerns can be met while minimizing negative effects, specifically on affordability and access. Prof. Somerville argued that measuring the effects of regulations is necessary to achieve a fair balance between the two competing interests.

The problem is not the function of regulations, but rather the form they take and their affect on affordability. Municipal regulations can cause prices and rents to rise, or change the composition of available units. For example, regulations can encourage the construction of large, costly units at the expense of more affordable, high-density housing. Zoning is often used to restrict density, and building codes and development fees can raise the cost of developing or rehabilitating units.

Affordability is not a concern limited to those making the transition from renter to homeowner. Discussions about affordable housing, however, tend to overlook the rental market, ignoring the fact that regulations affect that market as much as the homeownership market. Access to affordable housing for all renters is part of the issue, but affordability becomes an acute problem



when poor renters, the bottom 25% of renters based on income, are taken into consideration. In 1991, poor renters were spending about 44 to 50% of their income on rent.

Prof. Somerville argued that income growth becomes a housing issue when we look at income by tenure, i.e. homeowners, all renters and poor renters. According to Statistics Canada census data for five major cities, there was a sharp decline in terms of real income from 1980 to 1990 for all renters, but especially for poor renters, whereas homeowners' income increased.

Prof. Somerville illustrated some of the above points by commenting on housing in the Vancouver area. Relatively smaller, high-density housing stock in central areas is being torn down and replaced with larger units that cost at least twice the existing price. Renters or buyers who want affordable, single-family homes must move to outlying areas and be prepared to spend 1.5 to 2.0 hours commuting each way to and from the core area. Single-room occupancy dwellings and other housing stock in the downtown core that have provided shelter for low-income families are also being demolished as part of a gentrification process.

Prof. Somerville argued for a redefinition of affordability, specifically with respect to rental housing. He made the same point as Dr. Mason that the conventional definition of spending 30% of household income on housing payments does not allow for personal spending preferences.

### *Developing and using measures*

Prof. Somerville proposed that creating a database is fundamental to assessing the impact of regulations on housing affordability. From this database, a regulatory index could be developed to facilitate comparisons between communities across Canada. Local officials would benefit from having a set of measures and an index to assist them in reforming municipal regulations to increase affordability. Without a tool to gauge the breadth and intensity of existing regulations, successful regulatory reform appears to be impossible. Other government officials, developers and activists could also find advantages in using the measures and index.

The index would convert database information into a single score, permitting simple, numerical comparisons between communities. For example, regulations for one community might result in an index score of nine on a scale of one to 10, and for another, four on the same scale. Any index measure will be flawed, but a single index allows simple comparisons, which are preferable to complex ones.

An index would also introduce an element of objectivity currently missing in regulatory discussions. Anecdotal evidence needs to be replaced with qualitative descriptions and quantitative measures as a means of assessing the impact of regulations on housing prices and facilitating regulatory reform. The increase in objectivity would outweigh any detail lost in qualitative surveys and data analysis.

The regulatory environment is a product of complex interrelationships between regulations, enforcement strategies and the review process. Development of accurate measures poses a formidable challenge in an environment that is extremely broad, diverse and without fixed rules. For example, how can we measure the extent to which agricultural land reserves are or are not a binding constraint?

Simply noting the regulations that exist would not provide a sufficient measure, because enforcement, which is of ultimate importance would be ineffectual. Two communities may have similar zoning by-laws, but very different regulatory environments due to one having a streamlined process for handling variations, and the other having a lengthy and costly process.

Community type (i.e. urban, suburban or rural) and the degree of homogeneity or diversity in the population and income level give rise to different regulatory forms and applications. Regulation also occurs at different levels of government—provincial, regional and municipal—which adds further complexities.

A well-designed, extensive survey is required to provide the database from which a set of variables and a single index can be constructed to describe the different aspects of the regulatory environment. . Survey questions must be designed to elicit quantifiable responses.

Preliminary interviews should be undertaken with government officials, builders and developers, and community groups to ensure the survey covers the essential elements of the regulatory environment. The questions should then be field-tested and the results discussed with those participating in the test to make sure the survey is providing appropriate information for analysis.

The survey must be broadly distributed across Canada at municipal, regional and provincial levels. When it is completed, selected interviews would be held with a sample group of respondents to determine if the questionnaire was understood and that the survey provided accurate feedback. The survey should also be sent to builders/developers and community activists to ensure that responses from local officials are consistent with the perceptions these two groups have of their local regulatory environment.

### *How regulations affect affordability*

Regulations affect affordability primarily in one of three ways:

- Slow the rate of development
- Increase rents and prices
- Limit development of more affordable units.

Slowing the rate of development through local government intervention automatically limits supply. Restrictions on new development and zoning of land use are the most prominent forms of intervention. Growth controls regulate residential development by limiting the number of subdivisions or building permits issued. Development may be restricted to selected areas, possibly to protect natural habitats, for community preservation or to maintain agricultural lands. Zoning is often used to restrict the availability of high-density housing, particularly in suburbs. With more businesses locating in suburban areas, the availability of affordable multi-family housing units in these areas, either for purchase or rent, and the impact of zoning will be issues of increasing importance.

Development fees and land set aside for schools and parks represent a considerable cost to each unit. Since fees are charged on a per unit basis, and not according to the value of housing, these costs are the same whether the unit is a starter home or in the upscale market. Delays in the approval process can also increase development costs, leading to higher prices or rents. The net result is to encourage the development of more expensive, low-density housing.

Building codes tend to reflect standards desired by middle- and upper-income groups. These codes limit the development of affordable units, particularly rental units in older urban areas. Rehabilitation of deteriorated buildings is an important component in providing affordable housing at the low end of the market, but existing codes do not permit economical rehabilitation of older housing stock.

*Commentary*

Dr. Newkirk suggested that it should not be assumed that more regulations necessarily create higher prices, as the reverse may be true. Higher prices reflect considerable activity in the marketplace, and there is a tendency to want to control this activity. Hence, higher prices may create more regulations.

While Dr. Newkirk found the survey formative and ambitious, he questioned whether municipalities would be able to commit to participating in a survey of this scale. He also questioned the usefulness of the index as a tool, as it was not clear who actually would use the tool and how.

Would the tool's key attribute be descriptive, predictive, normative or all of these? If normative, would there be a target number so municipalities could determine how far off they are? Would it give them some idea of how to achieve the target? This leads to the question of what could or should be the target, which would involve theoretical and ideological considerations.

Assuming an index could be created, there are key challenges in proceeding to do so. Policies can be contrary to trends and societal desires, and an index would somehow have to take this into account. Within the broad classes of regulations mentioned, there are specific ones having a significant bearing on costs, and the challenge is to identify them. Inconsistencies exist in definitions and even in the interpretation of zoning classifications from one municipality to the next. For example, Ontario municipalities can each have a very different definition for an R-1 zone. Professional interpretation presents another challenge. It has been shown that where it might be assumed that planners would evaluate permit requests in a standard fashion, there were those who chose slightly different rules from the others.

Dr. Newkirk identified four items for further consideration:

- We need to understand the dynamics of change that are at work over time and in a given area.
- We need to determine how we can move from assumptions about future urban form to understanding the policy and development framework required to bring it about. For example, there are discussions about a nodal approach to development, but a "node" has yet to be defined, and it has not been determined what is required to bring about appropriate development of a node.
- We need to look at the impact of development standards on affordability.

- Planners need to move away from the established pattern of exclusionary land uses and accept mixed use development.

Dr. Newkirk elaborated on the first point by showing anticipated future population distribution patterns for the Greater Toronto Area. The existing regulatory framework encourages an outward spread of the population. If the intent is to have more central development, then it is important to understand how particular policies will restrict or enhance the intended development pattern. In 1980, the majority of seniors were concentrated in the central area, but by 2020, they will be more spread out. These changes have different implications for policy considerations, the regulatory environment, housing costs and affordability for each of the municipalities in the Greater Toronto Area.

Prof. Sancton considered the proposed index to be problematic for a number of reasons. He noted that the reasons had been identified, for the most part, by Prof. Somerville in his presentation and by Dr. Newkirk in his comments. Another concern was whether an index figure could be at all meaningful. No conclusions can be drawn, for example, about the strictness of a municipality's zoning laws and enforcement by looking at the percentage of rezoning applications that are approved. A municipality that has few rezoning applications, but approves most or all of them, may have tough policies that discourage applications that do not have a solid case. Another municipality may have several applications, but approve only a few.

Prof. Sancton observed that some municipalities view zoning as a means of keeping out social assistance recipients, which is a political dynamic to be taken into account. Zoning and other regulations are designed to preserve neighbourhoods by keeping certain groups on the outside. In discussing costs, we must remember that income distribution is another part of the issue.

In conclusion, Prof. Sancton made an observation concerning development charges. At a time when public policy experts are raising serious questions about the suitability of using development charges to finance new developments, there are council members from politically opposite perspectives who strongly favour them, although for very different reasons.

Mr. Crenna proposed that research needs to be focused on the fundamental reasons why there is considerable support among citizens for exclusionary zoning and the functions served by such zoning. Builders and those who sell housing have long-term interests in affordability and access. Other people's interests are short-lived. A basic problem is that

people switch sides when they cross from one group to another, specifically from potential buyer to homeowner. We may find support for even tougher regulations, because in a period of instability, homeowners will want to protect what they have. Efforts to de-regulate may stop with R-1 zoning. Residents in these areas are very pleased with the effects of exclusionary zoning.

In Mr. Crenna's opinion, it would be useful to compare extremely different regulatory environments, rather than ones with relatively narrow variations. He recommended comparing Houston, Texas, which has no zoning, with another municipality that has substantial zoning to determine the net physical difference and the net effect on housing affordability and access.

Given the complexities described in developing an index and the fact that geographic variations can alter affordability, Mr. Matte questioned the ability to develop a comparative index. Instead of doing this, he suggested it would be just as effective, less expensive and simpler to compile a list of the major factors—e.g. development charges, zoning restrictions, available land, etc.—the effects of which municipal officials and others could interpret for themselves.

## *Discussion*

Some symposium participants expressed support for pursuing a database and index, but several questioned its validity. They noted that regulatory environments are very diverse, open to differing interpretations and change frequently, thus limiting the comparative or lasting value of a database. Questions were also raised about how the database would be used.

Those in support recognized that it would be difficult to develop and utilize an index, but believed it would be advantageous to pursue it. It was suggested that there must be some common elements between municipalities that could be measured. An index would provide some degree of consistency that would assist municipal officials and others in better understanding their regulatory environments.

Prof. Somerville was acknowledged for speaking to the issue of regulations and costs, a topic that has been ignored for years. It was pointed out that we presently do not have any means for dealing with this issue, and we have neglected to develop a strategic housing policy for Canada that addresses the issue of affordability. Ultimately, home buyers and renters pay for development charges. It is important, therefore, to make some progress on a basic policy for housing in Canada.

The need to minimize negative effects of regulations was a basic premise of the presentation. It was pointed out, however, that a number of regulations have been introduced in relation to land use planning that contribute to the development of more affordable housing. The regulations stipulate the amount of multiple housing required, as opposed to single-family dwellings; the percentage of affordable housing to be constructed; and the amount of time to be spent on the approval process. If this type of regulatory environment resulted in a rating of 10 on the index, it would be concluded that there is substantial negative impact, whereas the exact opposite is true.

It should not be assumed that an index would be used exclusively to promote affordability. In Quebec, 90% of municipal finances for servicing costs are obtained through real estate tax. Regulations are often introduced to increase the value of houses in order to cover servicing costs. Elected officials may have very different views from municipal staff on how to use the index. Some may want to use it to increase values in order to meet the costs of providing new housing. If the index is to be used to promote affordability, the political context needs to be considered.

Another participant, who welcomed efforts to understand the cumulative effect of regulations, also expressed concerns about the affect of political realities on this type of index. Political interests are part of the regulatory process, and political will can change in response to emerging issues or when new people are elected. Many municipalities have suspended development charges, which is a political decision. The undertaking is worthwhile because it could help to level regulatory environments, but the political element would probably impede the survey.

Many municipalities are looking at how to make neighbourhoods more livable by creating mixed-use, high-density, more compact communities. In attempting to develop guiding principles, municipal staff find they are working against a perception held by politicians and the public that high-density can only mean high-rise buildings, which are not considered desirable. Interesting neighbourhoods could in fact be created with densities doubled. Qualitative research should be undertaken using a national survey with focus groups to determine what people are willing to accept and the potential demand for high-density living in these types of communities. There is considerable resistance to intensifying densities, and working with focus groups would provide the opportunity to explain alternatives to high-rise dwellings.

In response to these comments, Prof. Somerville stated that there is an argument for compiling information and generating a database that

broadly defines the groups of policies involved. There is a need to understand regulatory environments, and efforts to do so can be advanced through an extensive survey aimed at creating a set of variables that characterize the regulatory environment. A series of indices would be preferable to a single index. Each index could then address one area, such as the supply of affordable housing, prices or the degree to which a municipality is receptive to development.

Prof. Somerville drew attention to Appendix 2 of his paper, in which he discusses some of the challenges in weighting variables, the type of survey questions that might be asked and the methodology for constructing measures.

Some officials may use the information contrary to the intended use of supporting affordable housing, but that is why the information should also be available for use by all officials, developers and community activists. The discussion would at least be based on some objective input.

Dr. Newkirk summarized the discussion by noting that there was general consensus regarding a strong need for good information. He noted, too, that several suggestions pertained to the proposed survey, while others spoke to the possibility of associated or alternative surveys. He considered it highly appropriate that a set of indices is required, rather than a single index.



The second objective of the symposium was to identify some of the research gaps that might be addressed in a research plan. Mr. Stewart commented that other actions might be taken as a result of the symposium discussions, possibly some demonstration projects or programs, depending on the budget available.

To begin the discussion, Mr. Stewart reviewed several of the points that had been raised:

#### ***Research***

- There was considerable discussion about how to conduct surveys.
- Information should be gathered on a dwelling unit basis, as opposed to using census or household data.
- There is a need to find out not only what people think, but what they actually do.
- Caution was expressed about the development and application of a regulatory index.
- A series of indices might be more appropriate than one index in measuring the effect of municipal regulations due to the complexities involved.

#### ***Affordability and accessibility***

- Redefine affordability, taking into account wealth and income.
- People's preferences in allocating their resources need to be taken into consideration in determining affordability.
- Increase people's awareness of the financial requirements for buying a house.
- Keep in mind that geographic variations in income and housing prices affect affordability.
- Existing research related to discrimination is mostly anecdotal. There needs to be a more systematic approach in this area.
- More research should be undertaken on the housing needs of women, in particular single mothers.
- Research needs to include Aboriginal people.

#### ***Next Steps: Research Plan and Other Follow-up Action***

#### ***Review***

## *Discussion*

### *Diversity*

- There is no one national housing market, but rather there are many housing markets across the country, which has implications for policy development.
- We need to understand how cultural values affect housing tenure.

### *Existing information and initiatives*

- CMHC was encouraged to provide integrated overviews of existing regulations, of what is known about affordability, and of initiatives already undertaken. This would be in the form of lists which would be helpful to others in assessing regulations and identifying gaps in information.
- CMHC should provide an integrated perspective of what is and is not known about affordability and the housing system as a whole. Tracking existing housing stock, which was discussed in a presentation, is one strategy that will provide some of the missing information.
- A record of initiatives taken over the years and ones that are ongoing would capture the considerable amount of work that has already been done on some of the issues related to affordable housing.
- The Urban Development Institute (UDI) has developed a number of position papers which may be of interest to other symposium participants. Some of the papers address housing types and lifestyle alternatives. UDI is working with CMHC on a pilot project for an affordable housing model. It hopes to bring the findings forward to the public, with CMHC, when the project is completed.
- We should look at alternatives developed elsewhere. In particular, we should look at what other countries are doing in terms of private-public partnerships.
- Surprise was expressed about issues and initiatives that were not raised. It was noted that much of the discussion had focused on new housing construction and not on conversion of existing stock, which is a key source of affordable housing. Several CMHC initiatives associated with affordable housing, but not discussed at the symposium, were noted as practical examples of what can be done and which should not be set aside:

- ▶ Rehabilitation
- ▶ Conversion of buildings from one form to another
- ▶ The A•C•T Program (Affordability and Choice Today), which has brought people together to determine what can be done to make a real change and take action
- ▶ CHARLIE House
- ▶ The Grow Home
- ▶ The Healthy House
- ▶ EnviroHome
- ▶ Only peripheral mention of R-2000 homes was made during the symposium
- ▶ Reno Demo project
- ▶ Various demonstration initiatives, including infill projects.

### *Impact of regulations*

- The foregoing initiatives clearly indicate that we are not without strategies to work on affordability and regulatory issues. A formula was developed in British Columbia that analyzes construction and regulatory costs in building a house. Over the last 20 years, hard costs—construction materials and labour—have increased by about 3%. Regulatory costs have increased by 32% over the same period. This suggests that regulations present an area where costs could be reduced.
- The fact that Prof. Somerville identified a number of regulations in his paper that impede access to affordable housing was noted as a major breakthrough. CMHC was encouraged to develop a list of regulations, on a regional or national basis, with costs attributed to each. The list would assist in determining which regulations could be deleted or added to contribute to affordable housing.
- CMHC should develop tools for provinces, regions, local governments and community people to use in assessing their own situations and creating solutions. Practical tools are preferable to esoteric indices.

- Developers must contend with indecision, time factors and interpretation in the approval process. The time factor is becoming onerous, which might be one of the variables to assess in the index. Several issues must be addressed in developing raw or vacant land to produce a marketable product, which represent other variables that should be assessed: environmental issues; safety issue; access to land and egress; transportation; development charges; and land servicing.

### *Affordability*

- We need to determine which of several different variables are the critical ones affecting affordability. We need a comparative analysis of municipalities across the country on regulations and affordability in order to do this, and to know the degree to which a given factor affects affordability. We cannot afford to spend money studying regulations only to discover that a particular factor represents a relatively small percentage of the problem.
- Affordability needs to be introduced on either the demand or the supply side by changing rules. The first requirement for consumers is it must be affordable, and financing must be relative to income. If regulations are reduced for developers, then they can offer their products at a lower cost. Either the rules change for consumers so that they can afford the price, or the rules change for developers so that they can offer a lower price. If a survey is to be done, it should look at how the rules for demand or supply could be changed.
- Most of Canada's social housing stock was built in the 1960s and 1970s and is in need of repair. A tool for assessing repairs or the type of investment that is most suitable would be useful, both for social housing and private rental housing stock. We also need to have an understanding of how social reform and changes in social assistance at both the federal and provincial levels will affect housing affordability and provision of social housing. It would be useful to look at the affect of Ontario's Rental Housing Protection Act, which was designed to preserve affordable rental housing.
- CMHC should consider offering a series of workshops to deal with some of the uncertainty facing developers and consumers. We are told that developers want to know what types of housing are needed, but that we do not fully understand the needs of some of the ethnocultural groups. Developers do not know the extent to which they can change a "typical Canadian housing style", while still meeting market interests and maintaining municipal endorsement. Also, there are people who likely could afford to buy, but are not aware of their ability to do so.

CMHC could convene regional workshops with focus groups to address these points.

- We need to look at why the industry is not able to deliver housing in a cost-effective manner. In other sectors of the economy, the market generally meets demand. It should be remembered that the rental market is part of the housing continuum, and gains in this area will contribute to gains in other areas of the housing market.
- The need to keep the rental market in mind was reiterated with the comment that the people who are most at risk are not those who are considering the transition from renter to homeowner, but those who are deciding between living on the street and being able to afford to rent.
- It was suggested by some of the participants that affordable housing cannot be separated from other key factors, including confidence in job security and the economy. Affordable housing is both a housing problem and a socioeconomic problem. Across these areas, Canada is spending \$11 billion altogether on housing. We must not forget that people are suffering in Canada and that we do have a considerable amount of money relative to some of the problems. Solutions must be multidisciplinary, and CMHC must work more closely with other areas of government to develop them.
- The issue is not affordability. The real problem is housing security, which is dependent on job security. There are over 200 people per week visiting a project in the Montreal area (prices range from \$69,000 to \$300,000) who want to buy, but do not because of job security issues. We need to look at creating jobs. In sharp contrast, the economy and job prospects in British Columbia have been strong for the past 10 years, and people's confidence is reflected in the marketplace. The housing industry in British Columbia has continued to be very robust.
- A dynamic economy and market does not mean, however, that there is not a serious affordability problem. Another participant pointed out that redevelopment, renewal and renovation of existing housing stock is of significant importance with respect to affordable housing in British Columbia. There are thousands of people living in deplorable conditions on some of the most expensive real estate property in downtown slums across the province.

In summarizing the recommendations, Mr. Stewart said he had expected the benefits of regulations to be better acknowledged in the discussion on a regulatory index. While there are some negative side effects, regulations serve a purpose, and communities benefit from them. The question is one of balance, specifically at what point do regulatory costs exceed the intended benefits.

He also commented that Canada is going through a period of restructuring and uncertainty. It would be a mistake to mislead people to think the situation is other than what it is, and this is not an area that CMHC can change.

Mr. Stewart stated that the proceedings of the symposium would be produced and the recommendations would be presented to the National Housing Research Committee (NHRC). As well, CMHC's research staff will be asked to assist in determining what CMHC can pursue given the limited resources available. He summarized the recommendations put forth during the symposium as follows:

- There is quite an interest in regulations and a diversity of opinion as to what actions CMHC might take as a means of addressing regulatory reform. CMHC needs to look at the question of whether it should continue such initiatives as the A•C•T Program, or if it should invest money in creating indices to measure the impact of regulations on the cost of housing. The time required for the approval process needs to be carefully controlled, as this affects the industry's ability to provide housing in a cost-effective manner.
- CMHC has been working on developing indices with respect to the overall quality of life within a community, and this could potentially be expanded to include the cost of regulations.
- Qualitative research should be undertaken to assess the potential demand for more innovative forms of high-density living. There are attractive, yet affordable, alternatives to high-rise apartment buildings.
- Work has been done on what other countries are doing in the area of private-public partnerships, but CMHC needs to ensure this work is up-to-date as there may be other worthwhile examples of what Canada could pursue.
- Tools need to be developed to assess the condition of high-rise buildings. This is important because much of this housing stock may require considerable upgrading due to age, and it represents a sizeable portion of affordable housing units.

## *Summary of Recommendations*

- The effect of changes in social assistance programs on housing affordability and what will happen to existing social housing stock has already been identified as a key issue to pursue further.
- A survey should be done to determine how to change the rules for supply (regulations affecting developers) or demand (consumer income and financing) in order to change the system and make housing more affordable.
- We must look at rental market affordability as well as homeownership.
- When developing tools, CMHC should concentrate on ones for people working at the local level. This is an area where CMHC has been active, e.g. the seniors' housing assessment tool allows for a systematic assessment of seniors' housing and service needs. A future role for CMHC could well be one of providing information and creating tools to help others do their job better.
- Workshops to address some of the uncertainty concerning the purchase of housing, the transactions involved and the means of financing a purchase could help people in making the decision to buy.
- An inventory of affordable housing initiatives would be a useful reference tool.
- The impact of land costs on housing affordability and opportunities for redevelopment need to be taken into account in developing policies for affordable housing.
- Opportunities for infill housing can help achieve goals, particularly environmental ones, that cannot be attained by developing raw land.