
**THE EVALUATION STUDY
OF THE AFFORDABILITY AND
CHOICE TODAY (ACT) PROGRAM**

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**Prepared by:
Audit and Evaluation Services
Canada Mortgage and Housing Corporation**

Ce rapport est aussi disponible en français sous le titre : Étude d'évaluation du programme : Abordabilité et choix toujours (ACT).

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Table of Contents

Executive Summary	i
Introduction	1
Program Rationale	5
Program Success	11

Executive Summary

The Affordability and Choice Today (ACT) Program, initiated in 1990, was designed to encourage the private and non-profit housing sectors to work in partnership with municipalities to develop, test and promote regulatory innovation that can help to improve housing affordability and choice. It addressed a complex infrastructure of bylaws, agreements, zoning, variances and standards established by local and provincial governments to protect the interests of local residents, property owners and governments.

The evaluation examined whether the ACT Program continued to address an actual need (i.e. program relevance) and whether it was effective in meeting its objectives (i.e. program success).

PROGRAM RELEVANCE

The evaluation found that there were substantial opportunities to lower the costs of housing and increase housing options through modifications of housing regulations. Further, the pace of regulatory reform varied considerably across the country with almost half of municipalities having little or no involvement in this area. Regulatory reform was limited by a complex system, the interests of opposing sides and the lack of availability of unbiased information.

A federal government role in funding research/development/demonstration activities and communication activities designed to lead to change in housing regulations can be rationalized on various grounds:

- ◆ There appears to be a rationale for the federal government to serve as an independent body supporting and promoting regulatory reform and regulatory reform information products.
- ◆ There appears to be a rationale for federal involvement in the provision of targeted, unbiased and complete information, particularly on actual examples of success.
- ◆ There appears to be a rationale for federal involvement in reducing duplication and overlap in municipal research initiatives
- ◆ There appears to be a rationale on equity grounds for a program such as ACT which served as a catalyst for regulatory reform.

PROGRAM SUCCESS

The evaluation found that the ACT Program increased the amount of regulatory reform activity in communities which benefited from an ACT project; in a majority of municipalities, ACT represented the only regulatory reform activity.

ACT products were perceived to be relevant and comprehensive. More than half of ACT projects positively influenced regulatory change in ACT communities.

There was a good level of awareness of the impacts of ACT information products. Further, it was clear that ACT had a positive impact on improving housing affordability and choice.

Considering the short tenure for the program, ACT established a reasonable level of awareness and use of its products in communities which have not benefited from ACT funding. This awareness appeared to be increasing as the program matured.

The ACT program had a major influence on regulatory reform in ACT communities and was a minor influence in non-ACT communities. In addition, the ACT program had an influence on the increase in regulatory reform activity since the introduction of the ACT Program in 1990.

Although the data is not conclusive, there was reason to believe that ACT was having an impact in reducing reliance on other non-ACT sources of information. Further, there was a basis for suggesting that this trend would also develop in non-ACT communities.

Although co-operation between the housing industry and municipal regulators has increased since ACT was introduced in 1990, it appears that the ACT program was only a minor factor in this change.

INTRODUCTION

This report addresses the key findings and conclusions of the Evaluation of CMHC's Affordability and Choice Today (ACT) Program.

The ACT Program

The ACT Program, operating since 1990, is designed to encourage the private and non-profit housing sectors to work in partnership with municipalities to develop, test and promote regulatory innovation that can help to improve housing affordability and choice.

The ACT Program provides financial assistance to defray incremental costs of feasibility studies, design and development and documentation. There are three types of projects.

- ◆ Demonstration projects showing how changes in regulation can facilitate the development of innovative housing, reduce production costs or improve quality.
- ◆ Streamlined approval process projects showing how modifications to the approval process can reduce the time and effort required to obtain approval.
- ◆ Documentation of successful regulatory reform activities already undertaken outside of the ACT Program.

Case studies and fact sheets are also published and distributed for the demonstration and the streamlined approval process projects.

The ACT Program is managed by a committee composed of representatives from the Canadian Home Builders Association, the Canadian Housing and Renewal Association, the Federation of Canadian Municipalities and CMHC. The FCM is responsible for the day to day administration of the program. A committee, composed of a broad spectrum of housing interest, selects the projects to receive funding through a competitive process.

The ACT Program is funded under Part IX of the National Housing Act. Part IX authorises CMHC to undertake research and distribute information leading to "the construction or provision of more adequate housing and improved housing accommodation and the understanding and adoption of community plans". About \$2.7 million of Part IX funds have been spent under the program since 1989. Of this amount, 37 percent was used for project grants (\$990,000), 30 percent for the write-up and distribution of case studies and fact sheets (\$800,000) and 33 percent for administration costs (\$910,000). Total annual program expenditures are about \$410,000.

Program Context

The ACT Program addresses a complex infrastructure of bylaws, agreements, zoning, variances and standards established by local and provincial governments to protect the interests of local residents, property owners and governments.

The constitution of Canada assigns responsibility for real property to the provinces. The provinces have in turn delegated much of this responsibility to their municipalities through municipal acts and planning acts.

The provinces and municipalities have chosen not to leave the use of land to the free market, but regulate its use extensively. Hence local and provincial governments may establish plans for the future use of currently vacant agricultural or crown land. These plans indicate where future residential, commercial and industrial development may occur, as well as show where public infrastructure such as roads, water treatment and sewage treatment plants, schools and so on will be placed. The plans are made effective through the local council passing zoning bylaws. These zoning by-laws establish the density of residential development through such parameters as minimum lot sizes, front and rear set backs, side clearances, permitted building types (single detached, attached row housing, low rises, high rises etc.), maximum building heights, parking requirements and so on.

Developers anticipating population growth, are motivated by the potential to purchase and develop vacant or underutilized land into commercial, industrial and residential uses. But in order to do so, they must secure the approval of the local council. Such approval usually takes the form of bylaws or development agreements. In addition to authorising the development of the land, these bylaws or agreements provide for the installation of public services such as water mains, sewers, roads and parks etc. and establish the standards to be achieved in the installation of these services (road widths, depth of water lines and sewers, sidewalks and curbs, etc.). They also establish who will finance these public services - the general public or the developer.

The minimum standards for the construction of residential buildings are also established and enforced by provincial and local governments. Most provinces have adopted minimum building standards modelled after the National Building Code and require their municipalities to follow this code. Many of these provinces have modified this code to fit local circumstances and municipalities may in turn have made their own modifications to the provincial requirements. Residential builders who have purchased land from the developers upon which to build houses for sale must apply for a building permit. The specifications for the design and construction of the building are submitted for approval by the municipality and municipal inspectors ensure adherence to the specifications.

Existing zoning may be changed through application to the local government. For example, developers may apply to have whole areas rezoned for higher densities. Applications can also be made to rezone individual lots within a zone. The latter are commonly referred to as zoning variances. As with most land use changes, public consultation may precede the decision by local council to grant the zoning change and appeals may be heard by provincial governments.

The most often cited rationale for this regulation is that unfettered private use of land could lead to serious misallocation of resources due to the impact of one's land use on the benefits that neighbours receive from their land. A common illustration of this is a factory's smoke emissions harming the health of nearby residents.

If property rights are clearly established and there are only a few property owners involved, then private negotiations could lead to the resolution of such conflicts. In the above example, the factory could financially compensate the resident for their pollution related health risk. Or the resident could pay the factory to install scrubbers to reduce pollution emissions. However once there are many potential property owners whose rights are infringed upon by the actions of others, negotiating a solution may be very time consuming and costly. Further, the possibility exists, that some beneficiaries of the solution may not bear their share of the bargaining cost or the cost of the solution. Government intervention to segregate these two necessary, but incompatible land uses may be the most cost-effective and equitable approach.

Governments may also intervene in land use to mitigate the negative impacts of growth. In-migration to an area places a burden upon the existing urban infrastructure. A common example is transportation, where higher population leads to road congestion which can only be rectified through improvements to the local transportation system. Clearly establishing areas where growth is permitted to occur allows the local residents, through their government, to plan and build infrastructure in an orderly way so as to most cost-effectively deal with the negative impacts of growth.

The setting and enforcement of service and construction standards is justified on the basis that unfettered private activities may endanger the health and safety of the community at large. Substandard dwellings may pose health and safety hazards (e.g., the spread of fire or contagious disease) to the neighbours. In addition, there is an element of consumer protection in the enforcement of minimum servicing and building standards. Purchasers lack the technical knowledge to discern the quality of the buildings and associated services or simply can not observe the quality because it is hidden behind walls or buried underground. In this case, public regulation ensures prospective purchasers that their house and services meet some minimally acceptable standard of quality.

Land use regulatory powers are shared between the provinces and their municipalities in recognition that the impacts of land use may be far reaching, affecting not only local residents, but also residents in neighbouring municipalities or indeed farther afield. Thus some provincial government's have retained review and approval powers over land use in order to protect these regional or provincial wide interests. The most common expressions of this are concerns about the environment and about agricultural land.

Land owners' welfare and wealth are significantly effected by the decisions made by the local and provincial governments about the allowed uses of their land and by the allowed uses of neighbouring (privately and publicly owned) land. Hence land use decisions by the local government may first be accompanied by consultations with all effected parties. Further, local

land use decisions may also have to be approved by the provincial government and the provincial government may hear and adjudicate appeals of local land use decisions in order to protect minority property rights.

The Evaluation Study

The evaluation examines whether the ACT Program continues to address an actual need (i.e. program relevance) and whether it is effective in meeting its objectives (i.e. program success). The data collected for the evaluation comes from 6 sources:

- ◆ case studies of 24 randomly selected projects and of 4 projects considered particularly successful by CMHC program managers. These case studies involved a review of file documentation and telephone interviews with a project contact person, a municipal official and an industry representative. The names and telephone numbers of the project contact persons were first obtained from the project fact sheets. The project contact persons then were asked to identify and provide telephone numbers for municipal officials and industry representatives who they felt were knowledgeable about the project and about the regulatory system in their municipality and who were not members of the project teams.
- ◆ interviews with 60 municipal officials - 10 from randomly selected ACT communities and 50 from randomly selected non-ACT communities. The ACT and non-ACT municipalities were first stratified by population size category (234,000+, 42,000 - 234,000 and 20,000 - 42,000). All of the largest municipalities and an equal number from the 2 groups of smaller municipalities were selected. Then the names and telephone numbers of the Director of Planning for each of the selected municipalities was obtained from ICURR's Directory of Canadian Planning Officials. One official was interviewed from each municipality.
- ◆ interviews with 60 industry representatives - 10 from randomly selected ACT communities and 50 from randomly selected non-ACT communities. While the selection method was the same as for the municipal official survey, a different set of municipalities were selected for the industry representative survey than for the municipal official survey. CHBA and APCHQ were asked to provide names and telephone numbers of 3 or 4 industry representatives in each selected municipality who were knowledgeable about the land use regulatory system there. This list was supplemented by a list provided by CMHC's local offices. One industry representative from the list for each municipality was randomly selected to be interviewed.
- ◆ interviews with 25 randomly selected unsuccessful applicants.
- ◆ interviews with 25 provincial officials. These officials were identified in a Part IX report prepared for CMHC entitled Provincial Regulatory Reform and Housing.
- ◆ a review of the literature related to the relevance issues.

PROGRAM RATIONALE

There are substantial opportunities to lower the costs of housing and increase housing options through modifications of housing regulations. Further, the pace of regulatory reform varies considerably across the country with almost half of municipalities having little or no involvement in this area. Where involvement is higher, regulatory reform is limited by a complex system, the interests of opposing sides and the lack of availability of unbiased information.

opportunities: A survey of municipal officials and industry representatives, conducted for the evaluation, revealed that opportunities exist in all areas of regulatory reform. Although industry representatives identified opportunities in all areas, the lowest response rate from all respondents to any single area of regulatory reform was 40 percent. Further, four areas of regulatory reform were identified by at least 60 percent of respondents: removal of obsolete regulations (73 percent), reduction in length of approvals process (66 percent), reduction of restrictive zoning (64 percent) and reduction of development standards which are set too high (60 percent).

The provincial governments play a major role in land use regulation, both in setting the legislative framework in which municipal governments operate and also in playing a direct role in reviewing and approving plans, establishing regulations covering provincial wide concerns such as the environment and agricultural land and in hearing and adjudicating appeals to municipal land use regulatory decisions. Provincial officials responding to similar questions as those posed to municipal officials and industry representatives on opportunities for reform at the municipal level were most likely to mention restrictive zoning, the length of the approvals process and high development standards. Many provincial officials also mentioned opportunities for reform at the provincial level.

the pace: A literature review on the extent of municipal regulatory reform found a dearth of Canadian information on the subject. One report prepared for CMHC entitled "The Municipal Role in the Supply and Maintenance of Low Cost Housing (1989)", states that while the concept of regulatory reform received some attention during the 1970's and 1980's, it was not until the late 1980's that a greater impact could be seen. Still the evidence showed very little municipal activity in the areas of standards and zoning, and reviewing and improving the municipal regulatory framework. Initiatives identified focused on the provision of new housing (as opposed to established neighbourhoods). Innovations focused on such ideas as Granny suites and zoning changes tended to be site specific.

Information collected for the evaluation from municipal officials and industry representatives on the extent of regulatory reform at the municipal level supports the view that reform activity at the municipal level is uneven. In 50 percent of municipalities, respondents believe reform activity to be from low to none. Further, over 60 percent of respondents felt their municipality had not increased or had decreased regulatory reform activity since 1990.

A report prepared for CMHC entitled "Provincial Regulatory Reform and Housing" notes that most provinces have undertaken some form of review of the land use regulatory environment in the 1990's; however, data from provincial officials collected for the evaluation presents a more conservative perspective. Just over half of respondents said that their province is involved to a high to medium degree in legislative reform; similarly, only half of respondents noted that their province's efforts in the area of legislative reform increased since 1990. About 60 percent of respondents noted that their province exerts a high to medium degree of influence to promote regulatory reform at the municipal level and a similar proportion stated that efforts have increased since 1990.

the system: The literature review and other data collection undertaken for the evaluation have identified a number of constraints to the effectiveness of the regulatory reform process: the length and uncertainty of the approvals process, the complexity of the approvals process, the impact of growth controls on housing prices, the impact of zoning requirements and site development standards on housing prices, and the impact of zoning requirements and site development standards on housing choice.

length and uncertainty: The literature supports the view that the length and uncertainty of the approvals process stems from the need to protect housing investments and the quality of life of residents of a neighbourhood. The responsibility is placed on the challenger to the existing plan to demonstrate that negative impacts will not occur; adequate time is then taken to ensure that all issues and fears are adequately addressed. The length and uncertainty are often the result of an inefficient process that could be streamlined without compromising the objectives of regulation.

complexity of approval process: The complexity of the approvals process, as discussed in the literature, stems from the fact that many municipalities have assigned several departments to manage land development concerns (e.g., planning and building departments, fire and plumbing codes). Approvals may also be required from different levels of government. A developer or builder may also be subject to differing processes and standards from adjoining municipalities.

growth controls: The empirical literature shows that growth controls raise housing prices and lower the value of undeveloped land near the city. This is thought to be the result of local residents' desires to control the pace of population growth through land use regulation. Some analysts believe that the net impacts may be positive for less controls. The evidence from the evaluation, indicating little negative impact associated with ACT projects, would also support this perspective.

zoning and development standards and housing price: The literature discusses the requirements for low densities and high development standards and their impact on housing price. Minimum densities use too much residential land, require higher servicing costs, consume too much agricultural and natural space, demand more infrastructure and increase travel time for commuters. Further, standards are considered beyond reasonable health and safety objectives. Examples include wide roadways, sidewalks on both sides of a residential road, single as opposed to separate trenches. The literature argues that higher standards increase housing costs, thereby

excluding lower income households from these communities. A counter view suggests that higher standards mean higher quality and lower maintenance costs over time, although recent studies indicate that less physical infrastructure (e.g. narrow roads) also results in less maintenance costs.

zoning and development standards and housing choice: The literature considers the impact of standards on innovation and building design. Zoning requirements can prevent housing forms such as seniors housing, rooming houses, co-housing, convertible housing and work-at-home housing; alternatively they may simply, through an extensive approvals process and excessive requirements, render these housing forms financially less viable.

building codes and house prices: The literature argues that prescriptive standards, still most commonly used in Canada, offer builders and developers specific guidance on the use of existing products and technologies, but limit the capacity of innovations in the building field.

One often cited problem in this area is the case of the renovation of an older home. Standards are continually increasing to meet rising expectations for the minimally acceptable quality of new house construction. Homeowners, wishing to renovate their houses, may discover that major reconstruction is necessary to meet minimum code requirements, thus making rehabilitation uneconomical relative to demolition and reconstruction.

A federal government role in funding research/development/demonstration activities and communication activities designed to lead to change in housing regulations can be rationalized on various grounds.

Although municipalities have identified a substantial number of opportunities for regulatory reform, more than half of municipalities are not active in regulatory reform; the effectiveness of municipalities which are participating is limited, as noted above, by numerous impediments. There would appear to be a rationale for the federal government to serve as an independent body, which can support and promote regulatory reform and regulatory reform information products which can be easily transferred to all Canadian municipalities. In particular, this role would address the numerous and wide ranging regulatory reform opportunities and the limitations of municipalities addressing all needs (i.e., economies of scale).

Although there are many published sources of opinion on regulatory reform, it makes sense that officials would want to reduce bias by relying on multiple sources. There would however, appear to be a rationale for federal involvement in the provision of targeted, unbiased and more complete information, particularly on actual examples of success. The evidence from the evaluation on the use of ACT information and a reduction in the reliance on other sources of regulatory reform information support this perspective.

There would appear to be a rationale for federal involvement in reducing duplication and overlap in municipal research initiatives; although the evidence is not strong, it does indicate a reduction in municipal reliance on special studies and other sources of information.

There would appear to be a rationale on equity grounds for a program such as ACT which serves as a catalyst for regulatory reform. Although the evidence is not strong, evidence on the success and dynamics of the ACT Program indicate a growing reliance on ACT information and some initial impact on housing affordability for lower income households.

constraints on regulatory research and development: The appropriability problem is not seen as a reasonable argument for a federal government role when considering the patterns and behaviours of municipalities in contributing to regulatory reform. Specifically, municipalities do not consider the competitive advantage of their research on regulatory reform relative to the needs of other municipalities.

A more reasonable interpretation of municipal involvement is that municipalities will undertake research and development required by their municipality with little to no consideration of the implications of their work for other municipalities, or of the transferability of this research.

Although previous evidence shows that a vast number of opportunities exist for regulatory reform, more than 50 percent of municipal contacts and industry representatives indicate that their municipality has either a low or no involvement in regulatory reform research and development. Further, municipal contacts and industry representatives also stated that close to 70 percent of ACT projects were developed specifically for the ACT Program and that an ACT project almost never displaced a previously planned regulatory reform initiative.

These results suggest a need for regulatory reform which is only being sporadically met by municipalities. Further, the evidence suggests that while some municipalities are undertaking regulatory reform research to meet their own needs, they do not take into account the benefit that other municipalities might extract from this research. Further, the extent of regulatory reform and the impediments to reform, when weighed against the identified need for reform, demonstrate the limitations at the municipal level to address all opportunities in an effective manner. This implies that an approach to addressing reform opportunities is required which would result in efficiencies or economies of scale.

constraints on the diffusion of regulatory reform information: Based on the responses from municipal contacts and industry representatives, the evaluation identified a range of information sources used by these officials; it is worth knowing, however, that all of these sources at one time or another, have included articles on ACT projects and that in recent years, most information reports on regulatory reform from CMHC, CHRA, CHBA and FCM have originated from ACT initiatives.

It makes sense that municipal contacts and industry representatives would prefer to rely on information from a variety of sources, since this approach would overcome the limitations of any individual information source by offering greater balance, reducing bias and strengthening confidence in the attributes of a proposal. The high use of numerous sources of information would seem to support this position.

The ACT Program is designed to overcome issues dealing with bias or incomplete information. Information collected for the evaluation from municipal contacts and industry representatives shows that in ACT communities respondents relied heavily on ACT project data and that relative to non-ACT communities use of other existing data sources diminished dramatically. Further, evaluation data indicates that more recent ACT information is experiencing a higher level of penetration in non-ACT communities, implying that a similar trend in the reduction in the use of existing data sources may soon occur in non-ACT communities.

duplication of research on land use regulatory reform: As noted above, the evidence shows that municipal contacts and industry representatives rely on a broad range of information sources and that these frequently include information from ACT projects. Penetration into non-ACT communities is increasing with more recently released information and in ACT communities reliance on special studies has decreased dramatically.

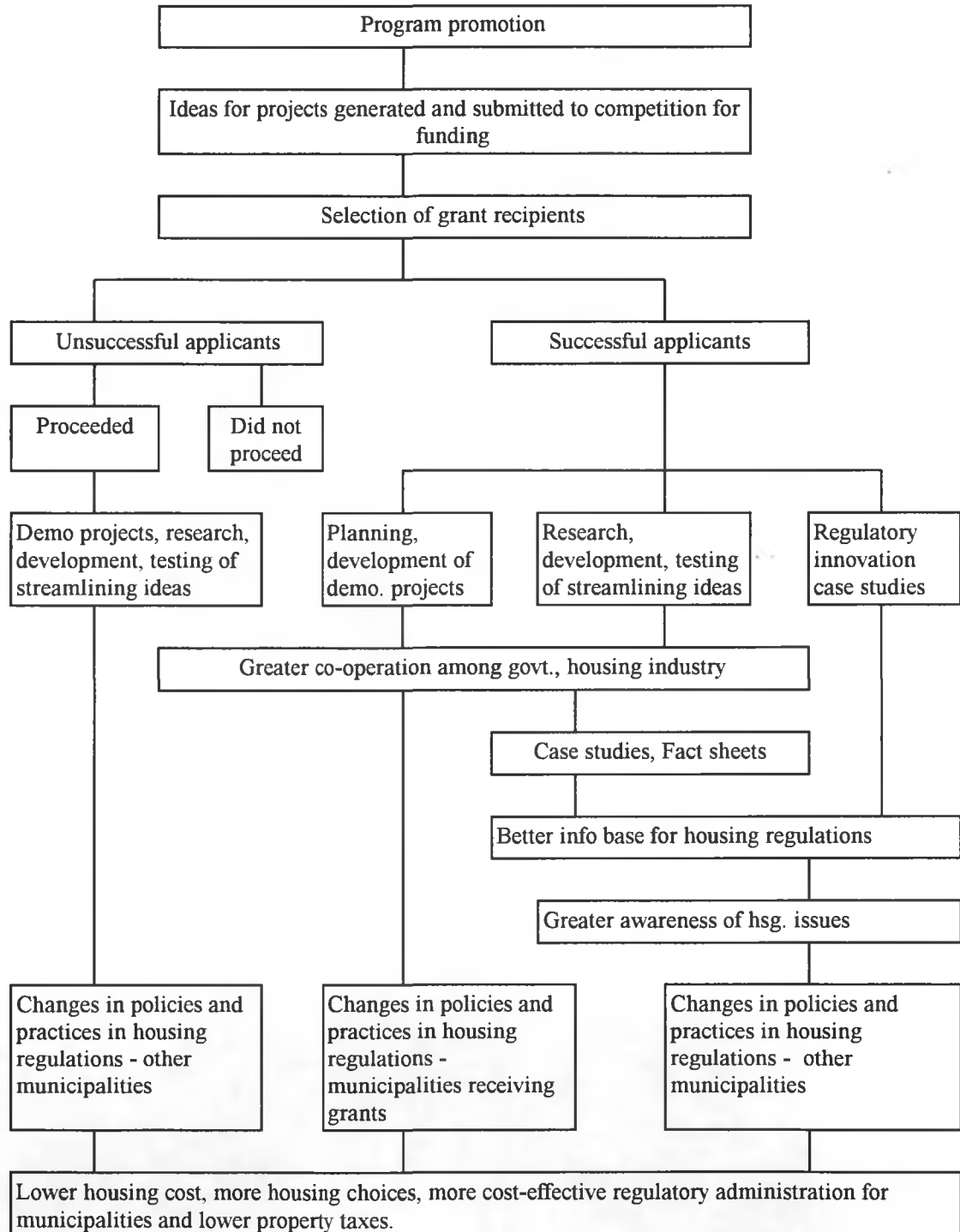
equity: An accepted government activity is the redistribution of income between the economically advantaged and the disadvantaged. That is, where the private market cannot generate sufficient income distribution, government intervention is needed to ensure that the optimal redistribution of income occurs. Land use regulations increase the cost of housing and in so doing contribute to lower standards of living for low income households (who typically spend between 30 and 50 percent of their incomes for housing). If the cost of housing could be reduced through regulatory reform, then the economic well-being of low income households could be improved. Evidence on the success of the ACT Program has found that the program has had some success over its short history in reducing housing costs for lower income households.

The Logic of the ACT Program

The ACT Program, given the size of its budget, is logically designed to achieve its objectives.

The ACT Program provides funding through a competitive process to local groups, representing both industry and government, which wish to demonstrate how housing costs or choice can be improved through regulatory reform, or to streamline the approval process in order to speed it up and so reduce housing and administrative costs. It is expected that the completed projects will be instrumental in supporting local decision-makers in their decision to adopt or reject regulatory reform initiatives.

Fact sheets and case studies of completed projects and of other successful projects are also developed and distributed to other municipalities. The expectation is that the independent and objective information on ACT projects will alert decision-makers in other municipalities to the possibility and desirability of regulatory reform, and so lead to regulatory reform there as well.

Activities**Outputs****Short term impacts****Long term impacts**

PROGRAM SUCCESS

The relevance section addressed the question about whether there is a need for the ACT Program and whether the federal government has a role to play in regulatory reform. The program success section addresses the nature and scope of impacts that resulted from the federal government's introducing the ACT Program in 1990. The first issue to be addressed is "what happened in those municipalities receiving ACT funding?". An equally important question, given the logic of the program, is what happened elsewhere as a result of information generated by the ACT Program.

The ACT Program increased the amount of regulatory reform activity in communities which benefited from an ACT project; in a majority of municipalities, ACT represented the only regulatory reform activity.

The first issue to be addressed is whether the ACT Program had an impact on the municipality's decision to investigate regulatory reform. Possibly the municipality was already going to do the research project, in which case program funding would only have displaced municipal funding and the project could not be attributable to the Program. In order to address this issue, the evaluation team selected 24 projects at random for case study. The case study involved a review of the project files and interviews with the project contact person, with an independent and knowledgeable municipal official and with an independent and knowledgeable industry representative. The interviewees were asked if the project had already been planned, what the impact of receiving ACT funding was on the decision to proceed with the project and if other projects were affected by the decision to proceed with the ACT Project.

As an additional line of evidence, rejected applicants were asked similar questions to those of the successful applicants. Their answers would provide confirmation of the successful applicants answers since they would be less likely to provide "grateful testimony". For example, if a significant number of unsuccessful applicants did not proceed with their project, this would be a strong indication that program funding was a key factor in the decision to do the project.

Almost 70 percent of case study respondents who said that they knew indicated that the project was planned expressly to obtain funding from ACT (Table 6). This compares to the 48 percent of unsuccessful applicants who said that their project had been planned to obtain funding from ACT.

Table 6: Case Study respondent opinions on impact of ACT Program on decision to plan project	Project Contacts %	Municipal officials %	Industry Reps. %	Average %
Planned prior to decision to apply	44	36	14	31
Planned as a direct result of ACT	56	64	86	69

Only 11 percent of case study respondents (compared to 9 percent of rejected applicants) said that the project would have gone ahead anyhow, while 48 percent believed that it would have gone ahead without ACT funding, but that its timing or scale would have been changed or that it would have been affected in some other way (Table 7). About 40 percent of respondents felt that the projects would not have proceeded without ACT funding compared to the 55 percent of unsuccessful applicants who said that their project did not go ahead because they did not receive ACT Program funding.

Table 7: Case Study respondent opinions on impact of receiving ACT funding on decision to do the project	Project Contacts %	Municipal officials %	Industry Reps. %	Average %
Would have gone ahead unchanged	13	11	8	11
Would have been conducted on a smaller scale	19	22	25	22
Would have been conducted later	19	22	8	16
Would have gone ahead, but in different way	0	6	25	10
Would not have gone ahead	50	39	33	41

Few case study respondents could identify any positive or negative impacts of the ACT project on other similar projects planned in the municipality (Table 8). In most cases, there were no other planned projects (50 percent) or those projects that were planned were allowed to continue (30 percent). Only 4 percent (on average) of case study respondents indicated that other projects had been cancelled in order to do the ACT project. These results compare to the 17 percent of unsuccessful applicants who said that another initiative had been undertaken to replace the ACT project. Using either measure would suggest that displacement of other projects by ACT projects is very low.

Table 8: Case Study respondent opinions on ACT project impacts on other regulatory reform initiatives	Project Contacts %	Municipal officials %	Industry Reps. %	Average %
Other projects continue unaffected	44	20	25	30
Other projects started sooner	11	10	25	15
Other projects cancelled or delayed	11	0	0	4
No other regulatory reform initiatives	33	70	50	51

ACT products are perceived to be relevant and comprehensive. More than half of ACT projects positively influenced regulatory change in ACT communities.

According to the evidence provided above, the ACT Program was very successful in fostering affordable housing demonstration projects previously constrained by municipal regulations or in supporting the development of ideas for streamlined approvals. However these projects do not in themselves indicate program success. It is expected that the information generated by the projects will be used by local politicians and senior bureaucrats as a basis for deciding whether to remove

the local regulatory constraints or to implement the ideas for streamlining the approvals process. It may be that these decisions would have been made anyhow, with or without the information from the project. On the other hand, it is possible that information from the ACT project was instrumental in decisions to reform local regulations or processes. Only in this latter case could it be said that the program/project was a complete success.

The evaluation team surveyed project contact persons, municipal officials and industry contacts to find out what sort of information was generated by the project and who were the target audiences. The most common responses were written reports, followed by the ACT fact sheets, ACT case study reports and media coverage. The written reports and ACT information were more likely to be targeted to municipal decision makers than to housing industry members (by relatively small margins), while the media coverage was more likely to be targeted to the housing industry and the general public.

When queried about the quality of the information being provided, 71 percent of case study respondents felt that the information was relevant for municipal decision-makers and 60 percent felt that it was in enough depth. Sixty (60) percent of the case study respondents said that there was a high or medium degree of support for regulatory reform among municipal decision-makers.

In order to determine if the Program is successful in leading to regulatory reforms, the evaluation team asked case study respondents if the local regulations or approval processes affecting housing costs or choices that were targeted by the ACT project had been changed. According to case study respondents, about 30 percent of the projects have already been followed by regulatory changes, while an additional 45 percent of the projects are expected to be followed by regulatory changes. For those that had been changed, the case study respondents were asked about the role that the ACT project played in the decision to change the regulation or process and if there had been any impact on other local regulations or processes. For those that had not yet been changed, the case study respondents were asked whether they would be changed in the future and about the role that the ACT project would play in the decision to change the regulation or process.

According to Table 9, the ACT projects influenced decisions to adopt regulatory reform in about 56 percent of these cases. About 18 percent of projects were followed by reform which could be solely attributed to the ACT project (they would not have occurred if the project had not occurred) and about 38 percent of projects were followed by reforms which would have occurred at a later date or less effectively if there had been no project. ACT projects had no influence on the decision to adopt regulatory reforms in about 20 percent of the cases. About 24 percent of projects would not be followed by reforms.

Table 9: Impact of ACT project on decision to adopt regulatory reforms	Project Contacts %	Municipal officials %	Industry Reps. %	Average %
Regulatory changes expected following project	78	86	65	76
Would not have been made without ACT	22	21	10	18
Would have been later or less effective	44	36	35	38
Would have been made anyhow	12	29	20	20
No regulatory changes expected following project	22	14	35	24

There is a good level of awareness of the impacts of ACT information products. Further, it is clear that ACT has had a positive impact on improving housing affordability and choice.

The evaluation team felt that it was important to try to assess the potential nature and size of the impacts on housing costs and prices of the regulatory changes that were being induced by the ACT Program. First, a review of the documentation revealed that the program was generating the following types of improvements in housing affordability and choice:

- ways of streamlining approval processes,
- alternative land and site development standards,
- facilitating new forms of housing, such as expandable and convertible housing, accessory apartments, co-housing, garden suites and housing designed to accommodate home based employment,
- new approaches to infill, intensification and conversion; and
- more cost-effective renovation standards.

The Program documentation further revealed that a few of the projects that were completed had immediate impacts on the availability of housing for low income households. In one instance, 47 low rent units were created and in another, 21 units of a condemned building were renovated at low cost. It should be noted that a number of the projects are still underway and it is not yet possible to document their impacts. In other cases, although the project has been completed, not enough time has passed for the impacts to be recorded.

The team also asked case study respondents about the impacts of which they were aware, the logic being that these persons would be sufficiently familiar with the housing situation within their own municipality to be able to provide reasonable responses. The nature and size of impact would most likely vary from project to project. For the program as a whole, the respondents were more likely to identify increased types of housing and reduced government administrative costs as the main types of impacts (Table 11). The most often cited form of new housing was

narrower lots followed by in-fill housing. Very few felt that there would be any negative impacts.

Table 11: Opinions on Nature and Size of Impact of Regulatory Reform	Major Impact %	Minor Impact %	No impact %
Reduced costs of developed land	13.5	21.2	65.4
Reduced costs of construction	15.8	21.2	63.5
Reduced local government administrative costs	23.1	38.5	38.5
Increased types of housing	28.8	26.9	44.2
Reduced costs of renovation	13.5	25	61.5
Average	18.8	26.5	54.6

The evaluation team also attempted to obtain quantified information from the case study respondents on the size and distribution of the impacts. However this approach was somewhat experimental, so that the following has to be treated with caution. Few attempted to answer these questions, and of those that did, most cited their own opinions or the opinions of others as the main basis for their responses. Their responses can be summarised as follows:

- the median estimated cost-saving was 15% for land development, 8% for construction, 5% for renovation and 10% for local administration.
- these reduced costs or new forms of housing were expected to translate into lower housing costs by about 50 percent of case study respondents.
- the most often estimated reduction in rent for new units - 2%, for existing rental units - 10%, in new house prices - 10%, in existing house prices - 2%, in property taxes - 10%, in maintenance and renovation costs- 5% and in operating costs - 5%.
- homeowners and real estate developers were most often cited as the main beneficiaries of the reforms and landlords the least often.
- all income groups, roughly in proportion to their representation in the population, would benefit.
- about half of the respondents thought that the benefits would occur immediately or within one year.

Although it is difficult to form any conclusion about the size of the impacts of the ACT Program, it is clear that the majority of ACT program impacts are positive in nature.

Considering the short tenure for the program, ACT has established a reasonable level of awareness and use of its products in communities which have not benefited from ACT funding. This awareness appears to be increasing as the program matures.

The key to the success of a small research and development program such as the ACT Program is its ability to distribute information on municipal regulatory reforms which is of interest to other municipalities across the country. In demonstrating that certain reforms are both desirable and feasible, the program information creates both an awareness among municipal decision-makers of the problems created by regulatory constraints and of the regulatory reforms that are possible.

Decision-makers are then expected to use this information to generate reforms in their own municipality. In this way, the rate of take up of the regulatory reforms is accelerated.

Thus the ACT Program would be considered successful if it provides independent and objective information thought to be of value to decision-makers. It should be noted that the program is managed by representatives of industry and government, so that information produced by the program would be free of biases that might be associated with information produced exclusively by the one or the other.

The evaluation team measured the awareness and use of ACT information products, such as fact sheets and case studies, by surveying municipal officials and industry representatives across the country. Those who indicated that they had used these information products were also asked to rate them on the basis of their relevance to their municipality (applicability) and on the basis of their usefulness (whether they contained enough in depth information to generate interest in adopting the reform in their municipality). The results are reported in Table 12 below.

There is a reasonable level of awareness of ACT Program fact sheets among municipal officials and industry representatives, while the awareness of the case studies is lower. However, awareness for some individual case studies is higher, in particular for those dealing with garden suites and development standards. This would suggest that the programs information dissemination activities have been reasonably successful.

The rate of use among those who are aware is a measure of the amount of interest in these publications. These results suggest that there is high interest in the fact sheets, but moderate interest in the case studies (on average). However, for some case studies, the interest is higher. Those dealing with plans checking, standardised subdivision agreements and adoption of the National Building Code in PEI would appear to fit into this category.

For those who are interested in these subjects, the rating of their relevance or applicability to their municipality is very high; 84 percent for fact sheets and 79 percent on average for the case studies, and the rating of the sufficiency of depth is high for fact sheets (58 percent) and for case studies (64 percent).

Table 12: Awareness and Use of ACT Information in non-ACT communities	Awareness % of Total	Use % of Aware	Applicability % of Used	Depth % of Used
ACT Fact Sheets	34	57	84	58
ACT Case Studies (average)	21	29	79	64
Expert Systems: The Future of Plan Checking	10	38	83	67
Pre-Permit Demolition - O'Bee's Steam Bath	6	22	50	50
Standardised Subdivision Agreement	26	43	94	65
Alternative Development Standards for Affordable Housing in Ottawa Carleton	34	30	88	75
Adoption of the National Building Code in PEI	17	35	67	67

Table 12: Awareness and Use of ACT Information in non-ACT communities	Awareness % of Total	Use % of Aware	Applicability % of Used	Depth % of Used
Recognising the Certified Residential Builder in the Approval Process	24	26	70	60
Regulations for Garden Suites	39	30	83	56
A Management Strategy for the NIMBY Syndrome	28	23	60	70
City of Ottawa's "A Better Way" Task Force	21	21	71	57
Condominium Parking Standards in Mississauga	9	29	75	50
Community Support for Affordable Housing: A Public Education Package	19	17	80	80

There seems to be greater awareness and use of the fact sheets and case studies among provincial officials than among municipal officials and industry representatives. Fifty (50) percent of provincial officials were aware of the fact sheets and about 28 percent on average were aware of the case studies. Of those who were aware of the fact sheets, 58 percent used them while of those who were aware of the cases studies, 36 percent used them.

Provincial officials' ratings of the applicability of the information was higher than the municipal officials' and industry representatives' ratings, while their ratings of the sufficiency of depth was about the same. All provincial officials who used the fact sheets said that they were applicable while 92 percent of provincial officials who used the case studies said that they were applicable. Forty-three (43) percent of provincial officials who used the fact sheets said that they were in sufficient depth while 62 percent of provincial officials who used the case studies said that they were in sufficient depth. (It should be noted that fact sheets are produced when a contract is signed, but before the project starts. They are not intended as an in-depth tool).

An examination of the awareness and use of ACT information products in non-ACT communities (Tables 13 and 14) shows an increasing trend in the awareness of information products, although there is no clear change in the use of ACT fact sheets and case studies. It is not known whether this is due to a growing acceptance of the program as a whole or the nature of the more recent projects, this is still a promising result for the ACT Program.

Table 13: Awareness - Non-ACT Communities			
Publication date	Municipal officials	Industry Rep's	Total
Aug. '92	11.5	6.9	9.2
May '94	17.8	31.3	24.5
Nov. '94	26.5	19.2	22.9
All	20.6	21.4	21

Table 14: Use-Non-ACT Communities			
Publication date	Municipal officials	Industry Rep's	Total
Aug. '92	16.6	42.8	26.3
May '94	37.8	28.1	31.2
Nov. '94	26	10.2	19.5
All	28.8	21.7	25.2

The ACT program had a major influence on regulatory reform in ACT communities and was a minor influence in non-ACT communities. In addition, the ACT program had an influence on the increase in regulatory reform activity since the introduction of the ACT Program in 1990.

As a test of program effectiveness, those municipal officials and industry representatives who identified opportunities for regulatory reform in their municipality were asked to identify the source of their opinions. The logic of this question is that recognition of the problem is the first step in regulatory reform. To the extent that ACT was instrumental in bringing about this recognition, regulatory reform can be attributed to ACT.

The results show that in non-ACT communities, ACT was only cited as a source of opinion for about 20 percent of respondents. This was much less important than all other sources cited; however, in ACT communities, the ACT Project was a major player identified by over 40 percent of respondents. Further, the prominence of other sources of opinion diminishes considerably in ACT communities. Of particular note, is the reduction in the need to rely on special studies in ACT communities.

Table 15: Basis for opinions on opportunities for regulatory reform	All Communities %	ACT Communities %	Non-ACT Communities %
ACT Project	26	42	19
Other Special Study	21	10	29
Monitoring of existing data sources	56	44	68
Opinion of those working in the field	57	48	67

¹ as noted above, information about ACT projects is strongly represented in these data sources.

A second test of program success remains whether the provision of information under ACT has accelerated the rate of take up of regulatory reform by municipalities in Canada. In order to test this hypothesis, the evaluation team surveyed the 40 percent of municipal officials and industry members who indicated that their municipalities had increased regulatory reform efforts since 1990 to ask them their opinion on the main factors contributing to the increase (Table 16). As shown below, there are many factors leading to an increase in regulatory reform activity since

1990. Although not a major factor, experience with an ACT Project and information about other ACT Projects were cited by 34 percent and 41 percent of respondents respectively. The most often cited factors contributing to the increase in effort to reform regulations are pressures to reform within the municipality, information from other sources and R&D activities within the municipality (Table 14).

Table 16: Opinions on reasons for municipalities' increased regulatory reform efforts since 1990.	Major Factor %	Minor Factor %	Total %
Experience with an ACT Project	16	18	34
Information about other ACT Projects	13	29	41
Information from other sources	18	55	73
Provincial government requirements to reform	27	20	47
Pressures to reform from within municipality	54	21	75
R&D activities by the municipality	41	27	68
Other	39	2	41

¹ as noted above, information about ACT projects is strongly represented in these data sources.

Although the data is not conclusive, there is reason to believe that ACT is having an impact in reducing reliance on other non-ACT sources of information. Further, there is a basis for suggesting that this trend will also develop in non-ACT communities.

One of the rationales for federal government intervention in regulatory reform R&D is to eliminate overlap and duplication of research among municipalities. This is a particularly difficult challenge for the program and it is certainly equally difficult to measure changes in this area. In both ACT and non-ACT communities, the evaluation would be looking for a reduction in reliance on municipal research. That is, an acceptance that ACT information is a reliable source of information.

First, the evaluation team asked municipal officials and industry representatives if they knew of any instances where their municipality had cancelled plans to collect information on the feasibility of regulatory reform through its own R&D activities because information from the ACT Program could be used instead. Only 2 of the 157 respondents (1.3 percent) were aware that this had ever happened. In addition, no provincial official identified cancelling plans to investigate the feasibility of legislative reform governing land use and building construction because of similar circumstances. Although this is only a small sign of a reduction in duplication, it is not surprising, since first of all, the data shows that ACT projects did not generally displace other regulatory reform projects; in many municipalities, ACT represented the only regulatory reform activity. In addition, it would be expected that a municipality would want to examine unique features of its own environment, which may not have been examined in the ACT project community. Nevertheless, a small reduction was identified using this indicator.

The key information from the evaluation which covers the possibility of municipalities' directly implementing regulatory reform because of information from ACT comes from Tables 13 and 15.

Table 15 shows that ACT is a key source of information in ACT communities and that reliance on other sources of information is much lower than is found in non-ACT communities. This data implies a reduction in the use of traditional data sources. Of particular note is a significantly reduced reliance on special studies. Table 13 shows an increasing awareness of ACT in non-ACT communities. This trend one would expect would over time result in a comparable reduction in the use of other data collection activities, similar to that found in ACT communities.

Although co-operation between the housing industry and municipal regulators has increased since ACT was introduced in 1990, it appears that the ACT program was only one factor in this change.

The ACT Program requires that the projects be managed by teams composed of members from the local housing industry and from the local government. The literature on the benefits of co-operation says that a group will be more productive in identifying problems and devising solutions than would individuals working independently. Further, the results of a group effort are more likely to be successfully implemented because every one in the group has "ownership" of the project, whereas distrust will likely prevent individuals from accepting any solution proposed by others. There is much empirical evidence to support this hypothesis in the management science literature.

A possible spin-off benefit from the ACT program could be a general increase in co-operation between the local housing industry and government. This could be achieved by demonstrating that the success of regulatory reform initiatives was partially attributable to the co-operation of the team members.

Table 17 shows that co-operation in ACT communities (where the program is most active) increased over the course of an ACT Project and that this was particularly noticeable for industry representatives. The number of respondents who cited that co-operation never occurred decreased from 15 percent to 11 percent. For industry, this result was more pronounced with those citing no co-operation diminishing from 27 percent to 8 percent over the course of an ACT project.

The number of respondents who cited that co-operation between industry and municipal representatives increased over the course of an ACT project almost doubled from 15 percent to 26 percent, while for industry representatives this number increased from 9 percent to 42 percent over the course of an ACT project. (It should be noted that although there is a strong positive result, respondents before and after an ACT project may not be the same people).

Table 17: Opinion on the extent of co-operation among groups in the delivery of housing before and after the ACT project (ACT communities).

Extent of Co-operation	Project Contact n=18	Municipal Contact n=30	Industry Contact n=24	All n=72
Before ACT project				
Always	16%	20%	9%	15%
Sometimes				
On most issues	6%	3%	18%	8%
On some issues	11%	23%	27%	22%
On a few issues	22%	17%	18%	18%
Never	6%	10%	27%	15%
After ACT project				
Always	11%	23%	42%	26%
Sometimes				
On most issues	13%	3%	8%	7%
On some issues	13%	23%	25%	20%
On a few issues	25%	13%	17%	18%
Never	25%	3%	8%	11%
Increase of extent of co-operation	0%	6%	33%	14%