CMHC SCHL
Helping to house Canadians

EVALUATION OF THE PUBLIC HOUSING PROGRAM

APRIL 1990

PROGRAM EVALUATION DIVISION
CANADA MORTGAGE AND HOUSING CORPORATION

BACKGROUND

The federal government has supported public housing under Sections 79, 81 and 82 of the National Housing Act, which permit Canada Mortgage and Housing Corporation (CMHC) to cost-share with provinces and territories the costs related to the construction, acquisition and ongoing operation of public housing projects. Residents of public housing projects pay rents geared to their incomes. The difference between the revenues generated and the cost of developing and operating the public housing portfolio is shared by federal, provincial/territorial and, in some cases, municipal governments.

Public housing projects developed under Section 79 are jointly owned by the federal and provincial/territorial governments. The federal government contributes 75 per cent of the funds required to cover operating losses, the remaining 25 per cent coming from provincial and territorial governments. Public housing projects developed under Sections 81 and 82 of the National Housing Act are owned by provincial and territorial governments. Operating losses for these projects are shared equally by federal and provincial/territorial governments. In some cases, a portion of the provincial/territorial share of operating losses has been passed on to municipal governments.

The evaluation of the Public Housing Program was completed by CMHC in 1989 and responds to a number of issues which have emerged since the program was introduced in 1949. In particular, in light of recent concerns over some deteriorated projects, information on the condition of the public housing stock and its potential for regeneration is required as a basis for subsequent consultation and policy work dealing with its management and regeneration.

In responding to a set of key issues, CMHC conducted several surveys and compiled data bases for the evaluation. The most important data sources were inspections of the physical condition of buildings, units and sites in 1,000 public housing projects, a questionnaire survey of project managers in all 4,800 public housing projects and a questionnaire survey of a sample of 3,500 tenants in the 1,000 inspected public housing projects.

The evaluation sets the stage for the launch of a policy consultation process with public housing tenants, provincial and territorial housing agencies, municipal and regional housing officials and the general public. The consultation process will bring together a broad range of opinions and perspectives to ensure that public housing continues to meet the needs of low-income Canadians and that efficient use of resources is maximised.

CHARACTERISTICS OF THE PUBLIC HOUSING STOCK AND CLIENTS

Approximately 4,800 projects (containing just over 205,000 dwelling units) have been built or acquired between 1949, when the first public housing project was built, and 1985, when new construction under the program terminated. The program was replaced in 1986 by the private/public non-profit housing program funded under Section 95 of the National Housing Act.

The public housing stock represents over 40 per cent of the portfolio of federally assisted social housing and provides homes for 430,000 people. Put in place over a period of four decades, the public housing portfolio is a valuable asset which would be expensive to replace at current costs. It would also be very expensive to obtain shelter at current market rents on the private market in comparison to the lower economic costs of this portfolio.

The public housing portfolio is diverse in nature. Public housing projects include a full range of building types and project sizes. The largest component of the portfolio is comprised of apartment structures with four storeys or more (38.8 per cent of all units), followed by apartment buildings of three storeys or less (23.8 per cent), detached, semi-detached or row houses (23.8 per cent) and projects with a mixture of building types (13.6 per cent). While three-quarters of all projects have fewer than 50 dwelling units, one-half of all units are located in projects with 100 dwelling units or more.

The majority of the portfolio has been developed under Sections 81 and 82 of the National Housing Act. Although a public housing program (Section 79) has been in place for almost 40 years, close to 90 per cent of all units have been constructed or acquired in the last 20 years.

Public housing has been developed in every province and territory. Public housing has been provided in communities of all sizes and in rural areas. The current portfolio is roughly evenly split between family and seniors projects. While most public housing developed prior to 1970 was for family clients, an emphasis on projects for seniors emerged during the 1970s.

Children under the age of 15 constitute one-quarter of all public housing residents. A similar proportion of residents are senior citizens (aged 65 years or more). Almost half of all survey respondents indicated that they had not attended high school. Fewer than one-fifth of respondents are employed, about one-half are retired and one-third are social assistance recipients. The average household income was $10,632 in 1988.

Understandably, the composition of clients residing in projects for families and seniors differs greatly. The majority of residents of family public housing projects are children and young adults. Fully 57.9 per cent of residents of family projects are under the age of 25 years. One-half of all client households residing in family projects are single-parent families; just over one-quarter are families where both parents are present. Employment income was the major source of income for one-third of family clients while just under one-half rely principally on social assistance. The average income of households residing in family projects was $11,752 in 1988.

Residents of seniors projects are predominantly aged 65 years or older (82.6 per cent), live alone (85.6 per cent), are retired (83.8 per cent), and rely on Old Age Security and Guaranteed Income Supplement payments as their principal source of income (59.4 per cent). The average income of households residing in seniors projects was $9,796 in 1988.

THE PHYSICAL CONDITION OF THE PUBLIC HOUSING PORTFOLIO

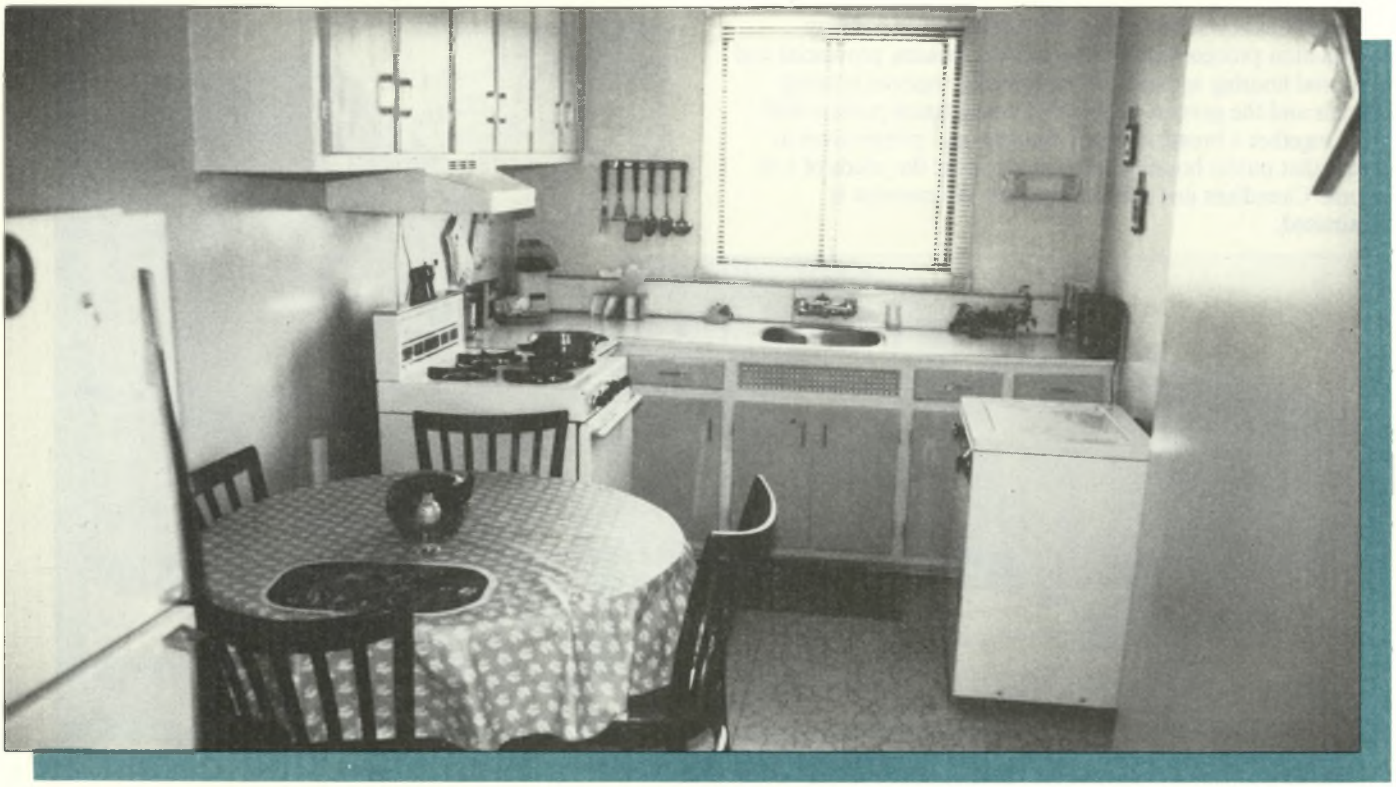
For the first time, the Physical Condition Survey provides a comprehensive assessment of the condition of Canada's public housing stock. The results of this assessment indicate that the public housing stock is in good condition overall. Whether units, buildings, sites or projects were used as the unit of analysis, at least 94 per cent of the total portfolio meets or exceeds NHA Minimum Property Standards for existing residential buildings. Although the stock is generally in good condition, an estimated 169 projects (3.5 per cent of all projects) containing close to 13,000 units (6.3 per cent of all units) fail to meet minimum property standards. In addition, more than half of all projects only minimally meet minimum property standards. Generally speaking, projects committed prior to 1970, those serving family clients and those containing a mixture of building types are in poorer condition.

Although the public housing stock is in good condition overall, it is estimated that repair and replacement actions valued at $350 million were required as of 1988. This represents an average cost of $1,693 per unit in the public housing stock. The majority of projects do not require extensive repairs and have fairly modest repair and replacement costs. Roughly one-half of all projects require less than $10,000 in repairs and replacements. Together, these projects require less than 2 per cent of total repair and replacement costs. At the other extreme, a minority of projects require the majority of repair and replacement costs. Only 2.8 per cent of all projects have repair and replacement costs exceeding $500,000; these projects account for over 50 per cent of all repair and replacement costs.

In addition to the repair and replacement of existing components, the evaluation also identified a number of additions and upgrades which are either necessary to meet current code requirements or would result in cost savings. The costs of undertaking additions and upgrades to the public housing stock in the areas of fire safety, lighting, ventilation, energy efficiency and durability and maintenance is estimated at $133 million as of 1988.

The evaluation also examined the need for more extensive modifications to the public housing stock. Three types of modifications were examined: conversions, redesign and redevelopment.

Conversion is an activity which may result in a net change in the number of units in a building and may involve a change in unit layouts. Conversion is generally required where a mismatch exists between the size of units available and the size and composition of potential client households. Up to 2.2 per cent of projects and 5.7 per cent of units were identified as



conversion candidates. However, the evaluation found conversions to be a costly physical intervention. Many requested conversions are from smaller units (such as bachelors) to larger units and would result in a net decrease in the number of available units in the portfolio. Conversions would be more justifiable if the units to be converted were in poor condition. Non-physical options such as a change in clientele for the units might be more practical solutions.

Redesign and redevelopment refer to a range of actions which go beyond the repair or replacement of existing construction systems or even the addition or upgrading of particular systems. For example, redesign may include changing the project image or appearance, changing the layout of the site and changing traffic and pedestrian circulation patterns. Redevelopment covers a broad range of activities, including the addition or construction of dwelling units and buildings, the demolition of existing dwelling units and buildings, and the addition of building space for residential and non-residential uses. Redesign and redevelopment can enhance the value of the public housing asset.

Redesign and redevelopment may be warranted for projects where the original design was poor or has since become obsolete, where redevelopment potential exists, or where the physical condition is so poor and repair and replacement costs so high that an overall strategy for salvaging the project may be warranted. Redesign and redevelopment may also be a useful solution where changes in communities, either urban or rural, challenge the viability of the project.

The evaluation findings suggest that only a small portion of the public housing portfolio is in need of redesign and redevelopment. The evaluation estimated that up to 500 projects (10.5 per cent of the portfolio) were candidates for some form of redesign and redevelopment. About 57 of these projects (1.2 per cent of the total portfolio) do not meet NHA Minimum Property Standards. Although redesign and redevelopment activities are not necessarily restricted to projects in poor condition, regeneration efforts to date have been in projects which were in poor physical condition. These 57 projects are therefore the most likely candidates for redesign and redevelopment and constitute a lower-bound estimate of overall modification requirements. Correspondingly, the 500 projects referred to earlier represent an upper-bound estimate of modification requirements.

Case studies of redesign and redevelopment candidates were undertaken for the evaluation. Among the redesign options identified were changes in site layout and major renovations leading to changes in the image and appearance of projects. Redevelopment options included the addition and demolition of units as well as the addition of community facilities and non-residential uses. The addition of community facilities was an important option in large family projects, particularly large high-rise projects with few amenities suited to the needs and interests of children.

Although estimating redesign and redevelopment costs is difficult, the evaluation provides a lower-bound estimate of $133 million (for 57 projects) and an upper-bound estimate of $289 million (for 500 projects). These estimates recognize that redesign and redevelopment needs are more serious in projects which fail to meet the NHA Minimum Property Standards.

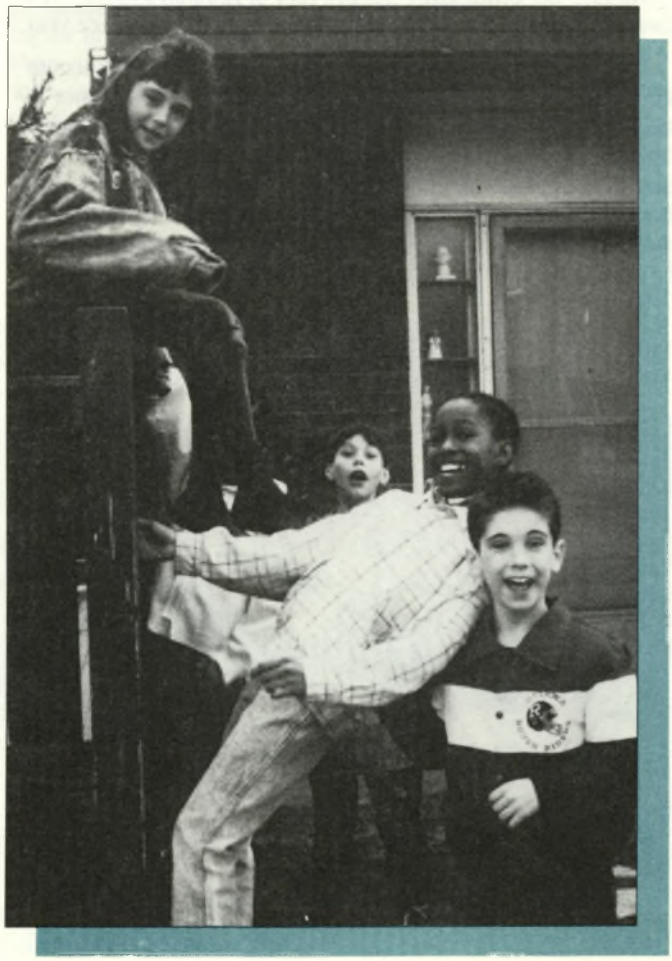
The evaluation found a backlog in the funding of needed repairs, replacements, additions and upgrades in the public housing stock. Compared with repair and replacement actions valued at $350 million and $133 million required for additions and upgrades, the 1988 budget for the maintenance and the modernization and improvement (M and I) of the public housing portfolio totalled $274 million. Assuming that all funds available are appropriately allocated to public housing projects according to levels of need, a funding backlog in the order of $209 million exists.

The level of th estimated backlog should be treated with caution since it is difficult with the data available to establish whether the backlog has increased or decreased in recent years. Increased attention on the preservation of the existing stock and increasing maintenance and modernization and improvement expenditures through the 1980's, suggest that the level of the backlog could be decreasing.

The continued aging of the stock will have an impact on the future condition of the public housing stock and will generate requirements for increased levels of maintenance, modernization and improvements. In 1988, only 5,137 units (2.5 per cent of the total) were aged 30 years or more. By the year 2000, almost 48,000 units or 23.2 per cent of the stock will have met or passed the 30 year age threshold.

CLIENT SATISFACTION AND THE QUALITY OF LIFE

One measure of the success of the Public Housing Program is the extent to which it has improved the living conditions of clients. The evaluation results confirm that public housing clients have improved their living conditions as a result of the move to their current public housing unit. In comparing their current housing unit to the one they occupied previously, the majority of respondents to the client survey cited improvements in rental costs, dwelling size, state of repair and privacy and independence. These are areas which most closely conform to



formal program objectives (affordable, suitable and adequate housing). The Public Housing Program has been less successful in generating improvements in terms of providing safe environments. When comparing their current dwelling to the one they occupied previously, almost one-quarter of survey respondents reported worse conditions with respect to crime and vandalism, only slightly less than the proportion citing improvements.

Client satisfaction represents an additional indicator of the success of the public housing program. The evaluation found that most clients are satisfied with their dwelling unit and nearby area overall. Only 12.6 per cent of survey respondents expressed overall dissatisfaction with their home, compared to 23.2 per cent cited by a survey of renter households in general. The greatest dissatisfaction was expressed over security against crime and vandalism (26.2 per cent of clients dissatisfied). The emergence of security as a concern of tenants is a reflection of their concern with crime in public housing projects. Almost half of all survey respondents reported that vandalism and property theft were either major or minor problems in their project and just over one-quarter reported problems with drug dealing and assault. While the incidence of major problems with crime is highest in family projects, it is comparable to that reported among the general population.

Public housing currently serves as a source of medium-to-long-term accommodation. Well over one-half of respondents to the client survey reported that they have lived in public housing for at least five years and just over one-quarter reported that they have lived in public housing for 10 years or more. Few survey respondents expressed the intention of moving (17.7 per cent) and fewer still could say when they intended to move (9.3 per cent). Only 3.5 per cent of respondents reported that they intend to move out of public housing within one year.

The Public Housing Program is well targeted to low-income households, with 96.1 per cent reporting household incomes below that required to obtain adequate, suitable and affordable housing in the private marketplace. Despite the assistance provided through the Public Housing Program, 39.9 per cent of households surveyed remain in core need. Over four-fifths of those identified as being in core need have shelter costs equal to or greater than 30 per cent of their household income.

MANAGEMENT PRACTICES AND PERFORMANCE

In the majority of provinces and territories, responsibilities for the day-to-day management of public housing projects are decentralized to local housing authorities or other private organizations. In provinces which retain these responsibilities, the activities are often performed through regional offices. The differences in provincial and territorial management are associated with characteristics such as portfolio size, centralized or decentralized management, dominant client type and portfolio age.

Provinces and territories generally provide local housing authorities with sound program manuals and have training and communication programs in place. Maintenance guidelines were found to be one weakness in provincial/territorial support, either because the guidelines were incomplete or because they did not include follow-up monitoring.

Guidelines and procedures governing relationships between tenants and project management were generally found to be strong. Where portfolio or project size warrants, projects have on-site offices and community resource workers. Provincial or territorial support for involving tenants on boards and associations, and day-to-day or regular contact with tenants is also strong.

Most provinces do not have adequate guidelines governing unit inspections/tenancy checks. In most cases project managers control maintenance budgets at the project level, allowing for greater responsiveness to tenant requests.

Most provinces have three to five year modernization and improvement (M and I) plans to assist in managing project condition; however, few provinces and territories encourage the reporting of repair costs to promote preventive maintenance or monitor maintenance practices. Employee reports at the project level are used by most project managers to set priorities for M and I expenditures.

These results show that provincial and territorial support for project level management can be improved in certain areas. Although few manage the stock directly, the provinces and territories can effect a great deal of change by recommending procedures to project-level staff, increasing their monitoring of the program and providing more training and other forms of support to project-level management. The emergence of the preservation of the public housing stock as a high priority seems to have resulted in strengthened provincial and territorial support for project-level management.

Management at the project level varies. Project managers are more likely to manage portfolios of less than 100 public and social housing units, have off-site offices and have at least part-time employees on-site. On average, project managers have over seven years of experience in public housing management, with just over six years of experience as project managers. About 15 per cent of project managers have completed a property management accreditation course or have an accreditation course in progress. Project managers in most provinces have pursued courses in budget planning, tenant relations, property inspections or trades.

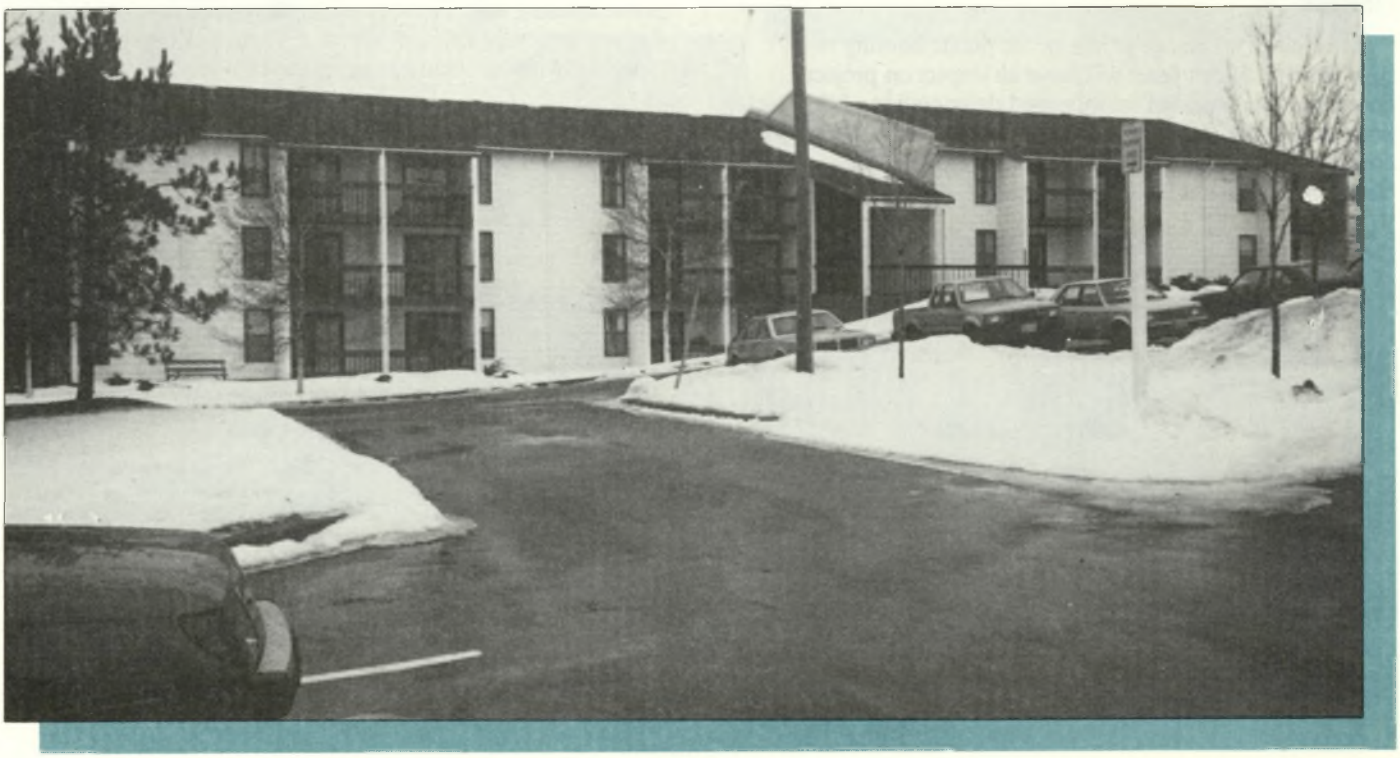
A range of indicators throughout the evaluation documented the fact that projects identified as being in greater need (such as older projects and family projects) have received less attention in relative terms.

There is some form of tenant involvement in most public housing projects but it is not formalized through tenant committees. Although meetings between project staff and tenants occur in almost 40 per cent of projects, meetings between project staff and tenant committees occur in only 15.9 per cent of projects. Meetings are more common in seniors projects and in larger public housing projects.

Project managers are open to advice from tenants and to the formation of tenant committees. Support (such as meeting spaces and materials) for tenant meetings is provided by management in over one-quarter of public housing projects; these projects contain over half of all public housing units. Support for tenant meetings is more common in seniors projects and in larger public housing projects. Project managers indicate that meeting rooms are available and satisfactory in approximately half of all public housing projects. These projects contain close to 70 per cent of all public housing units. Meeting rooms are more frequently available in seniors projects and in larger projects.

More than 80 per cent of tenants are satisfied with the way their project is run. While tenant satisfaction does not vary by level of tenant involvement, tenants have expressed the desire for a greater role in the running of their project. Irrespective of their current level of involvement, approximately one-third of tenants are in favour of greater tenant involvement in the management of their project. The support of project managers for direct tenant involvement in the management of projects is much lower.

Not all public housing units are in use. Over 6 per cent of all units were vacant for one month or more during the year preceding the survey, representing a lost capacity of over 1,000 units per annum. This was the definition used in the evaluation to define a "long-term vacancy rate" and, as such, is not the same definition as a normal vacancy rate. The most common reasons for long-term vacancies were lack of need, physical condition and unit suitability. Long-term vacancy rates were higher in rural areas, where underutilization is predominantly characterised by low need for public housing units. Projects with unsatisfactory facilities and services and those located near derelict or dangerous buildings had higher than average long-term vacancy rates.



Total expenditures (federal/provincial/territorial/municipal) under the program in 1986 exceeded $1 billion ($5,545 per unit). Revenues averaged $2,450 per unit, resulting in operating losses of about $3,098 per unit. Canada Mortgage and Housing Corporation's share of the operating losses amounted to over $400 million or $1,698 per unit. Amortization expenses account for over 37 per cent of total expenditures. Taxes, utilities and administration consume an additional 33 per cent of all expenditures, leaving less than one-third of total expenditures for project operations, maintenance, modernization and improvements.

KEY FINDINGS AND IMPLICATIONS FOR PUBLIC HOUSING IN CANADA

The evaluation findings underscore the fact that the public housing portfolio is diverse in character. Public housing serves two distinct client groups (families and seniors) which differ greatly in their characteristics and their needs. The diversity of the stock (in terms of location, project size, building type and project age) and the characteristics of public housing clients pose a range of management challenges for preserving the stock and responding to client needs in a cost-effective and efficient manner.

The evaluation found that the public housing stock is in good condition overall. Repair and replacement actions estimated at $350 million are, however, required. The costs of additions and upgrades to the public housing stock are estimated at an additional $133 million. The physical condition is not uniform across all components of the portfolio and a minority of projects in very poor condition require the majority of repair and replacement costs.

The evaluation identified a backlog of funding for needed repairs, replacements, additions and upgrades in the public housing stock. A continued increase in expenditures on maintenance and modernization and improvements in future years could accommodate the annual accrual of "new" repairs, replacements, additions and upgrades as well as the backlog identified.

The change in the age profile of the public housing stock over the next fifteen years will have an impact on project condition. The potential for increased deterioration of the stock presents an opportunity to improve the management of physical condition. The focus on improved management of physical condition should not be limited to those projects that now need major repairs and replacements, but should also include measures aimed at preventing other parts of the portfolio from deteriorating to a similar condition. In particular, projects which only minimally meet Minimum Property Standards and are at risk of falling below the standards should be targeted for attention.

Periodic monitoring of the overall condition of the public housing portfolio should become a normal component of enhanced portfolio management practices, thus enabling a better allocation of maintenance and M and I resources. Periodic monitoring of the condition of the stock would also provide the time-series data needed to indicate clearly whether the condition is improving or deteriorating.

A small portion of the public housing portfolio is in need of redesign and redevelopment. A separate modification (regeneration) initiative should be established to address the needs of projects which are beyond normal maintenance and M and I. The identification and monitoring of projects that are potential candidates for modification should be an integral part of the periodic review and monitoring of the overall condition of the public housing portfolio.

The case studies carried out in the evaluation illustrated that public housing projects in need of modification often experience complex physical and/or social problems. Accordingly, a modification program should involve sound planning and a multi-disciplinary team of experts to investigate all the evident problems within the projects and all the solutions that might apply, without a predisposition to recommending physical changes. The use of experts with experience in previous modification activities would also ensure that the lessons learned are transferable. Tenant support and involvement is critical to the successful modification of public housing projects. The active participation of tenants and other government bodies serving the tenant population is essential to the achievement of modification goals.

The evaluation results confirm that clients have improved their living conditions as a result of the move to their current public housing unit. Public housing clients also indicated that they are generally satisfied with their homes. Although problems with crime do not appear to be a feature of public

housing per se, crime is viewed by residents to be a problem in family public housing projects. It is apparent that the overall security and safety of residents are threatened in a portion of the family public housing portfolio, to the detriment of the young families and youth who reside in them. Resolving problems of security deserve increased attention.

Responsibilities for the day-to-day management of the portfolio are highly decentralized and, consequently, provincial and territorial property management programs have evolved differently. Provincial and territorial support for project level management can be improved in certain areas. Since day-to-day administration of the portfolio rests with the provinces and territories, CMHC has not played an active role in the management of the stock. CMHC should play a more active role by guiding the evolution of the program and by monitoring its performance.

Federal public housing program objectives should be updated to reflect the change from a delivery-oriented to a property management-oriented program. In addition, previous activity-oriented objectives should be replaced with results-oriented objectives. Performance measures should be developed to establish program goals and monitoring standards to allow all parties to assess risks and management effectiveness. Cost control mechanisms appropriate for an aging portfolio should also be developed (CMHC reviewed Modernization and Improvement Authorities in 1989). Monitoring requires the availability of automated (current and time series) information. These data would include basic characteristics of the stock and tenants, and administrative expenditure patterns. A second level of information would include the monitoring of physical condition and of the management and social environments.

The evaluation results indicate that projects in the greatest need do not appear to receive the greatest attention. Within a given budget and recognizing that each project requires a certain annual investment, maintenance and M and I budgets should be allocated according to need in property management programs; those projects and units in the greatest need should receive a share of the budget in proportion to that need.

Project managers have a high degree of experience. However, not all of them can accurately assess the physical condition of their projects. Project managers could benefit from additional training in property management, particularly in the area of standards of condition and the assessment of the physical condition of projects.

The evaluation found that there is some form of tenant involvement in most public housing projects but it is not usually formalized through tenant committees. Project managers indicate that they are open to advice from tenants and to the formation of tenant committees. However, the support of project managers for direct tenant involvement in the management of projects is much lower.

More than 80 per cent of tenants are satisfied with the way their project is run. Tenant satisfaction does not vary by the level of tenant involvement, but tenants have expressed the desire for a greater role in the running of their project. The feasibility of promoting greater tenant input and involvement in the management of public housing projects should be further

explored. At the same time, support and training should be provided for project managers to deal with the resulting changes in the management environment of public housing.

Not all public housing units are in use. The underutilization of projects, particularly in rural areas, indicates the importance of accurately assessing the need and demand for social housing units. Need and demand analyses for new social housing delivery and existing projects should be strengthened, including the monitoring of vacancy rates in existing projects. Tenant turnover has been handled very effectively in most projects, resulting in a low loss of occupancy months to the portfolio; however, there is still a portion of the portfolio where tenant turnover procedures could improve.

Conversions were found to be a costly solution to the problem of underutilized stock. For this reason, non-physical options such as a change in client (for example, housing non-elderly singles in bachelor units) or a change in use (such as nursing facilities in bachelor units) should be considered prior to physical conversion.

Total expenditures (federal/provincial/territorial/municipal) under the program in 1986 exceeded $1 billion. Canada Mortgage and Housing Corporation's share of the operating losses amounted to $1,698 per unit. The portfolio is a valuable asset which would be expensive to replace at current costs/rents.

Amortization and taxes currently consume approximately one-half of total annual expenditures on the portfolio. As mortgages reach the end of their amortization term, the proportion of project budgets consumed by principal and interest payments will decline. However, the impact of mortgage termination will not begin to be felt for 20 to 30 years. Only a small proportion of current program expenditures are for repairing and upgrading the stock.

The evaluation found that the Public Housing Program is well targeted to low-income households. Nevertheless, just under 40 per cent of public housing tenants continue to be in core need. A review of the various rent scales currently in use and the manner in which they are implemented is warranted, given the incidence of affordability problems detected.

Throughout the evaluation, fundamental differences between family and seniors projects were identified with respect to client characteristics, the physical condition of the stock, client satisfaction and quality of life, project management and operating costs. From a program planning, budgeting and monitoring perspective, the seniors public housing portfolio should be treated as a component distinct from the family public housing portfolio.

Copies of the summary report (67 pages) and/or the main report (332 pages) are available, free of charge, from

Program Evaluation Division
National Office
Canada Mortgage and Housing Corporation
682 Montreal Road
Ottawa, Ontario
K1A 0P7
Tel. (613) 748-4671 FAX (613) 748-3332