

SUCCESS AND SUCCESSION IN SOCIAL HOUSING!

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1. Social Housing: Always a Struggle?

Different Ideologies, Changing Realities

This paper is about provoking discussion about the challenges that need to be faced within the social housing sector in Ontario, indeed Canada more generally.

Social housing systems have had difficult times in many of the OECD economies over the last 25 years. However, numerous countries have now moved past relentless, relative contraction of the sector to reappraise how the sector, managed in a modern fashion, can help meet new and emerging challenges. The UK, for instance, has just completed a year long review of sector roles and regulation that has raised points of interest well beyond the British Isles.

Social housing systems always contain elements of judgement, distortion, even various forms of inequality; this is not about inherent incompetence of those who plan and manage the sector. Rather, it reflects the nature of the enterprise, or the outputs and outcomes that are sought for the sector, for instance not just providing decent housing for the poor but also ensuring that there is income mix. The latter is inherently a non-market end that requires a non-market means (this is a key distinction to make, do we want non-profits to secure the ends or to shape the means?).

In consequence, there is a constant challenge to either the ends or the means of the system, and this is inevitable. It is also vital to question cases that are made for non-profit production simply on 'moral' grounds, for the issue is not what is ideologically purest but what works best to deliver the decent housing outcomes required for poorer households. Discussions of the future trajectory of the sector are often led by diametrically opposed believers and non-believers. Fundamental market believers simply see the market distortions that community ownership involves, and assume away social capital formed and the market failures that often arise in financing and finding low income housing. Similarly, fundamental non-profit advocates may start from critiques of globalisation and the market that ignore much of the modern world and the propensity of social housing to become an uncontested monopoly run for the convenience of its controllers, rather than residents.

Market and social failures both exist and the key issue becomes not the label "social housing" but the organisations and systems we create to deliver it. I dismiss both the free market and big intervention schools of thought as theoretical and self-fulfilling. The question for policy-makers is not between choices of theoretical perfection but which system, with its mix of state and market failures, will deliver best. Under that banner, I make a reformist, rather than a revisionist, case for social housing.

In making that case I start from the view that housing is one of the key systems in any economy and society. It needs to be understood as a system and it always requires a long view - as investments that create places as well as homes are involved. Because it is so central to the wellbeing and spending of all families, it is essential always to see connections to other sectors of our lives and indeed policy. Canada, in contrast to past periods, is now failing, not just marginally but pervasively, in the ways in which it understands housing and what you need to do about it.

Why Bother?

It is difficult to say much that is immediately optimistic about the future of the social housing sector in Ontario, or indeed Canada as a whole. Nor is there much point in listing a litany of real or perceived failures of the sector. Those who work, day by day, in social housing are already most aware of the difficult profiles of stock and tenants in many places, as well as the absence of any public commitment, resources and new staff and ideas to propel some forward movement in the sector.

So does this paper, and this conference, have purpose? Even without new resources there are currently 268,000 homes in Ontario's social housing sector. That means half a million reasons to do better in the sector. Some 400,000 Ontarians live in social housing and a further 125,000 applicants are actively seeking homes. Further, the sector houses a disproportionate number of the Province's seniors, forty percent of tenants, and of households with some special need (a third of all tenants). With four-fifths of residents, and new applicants, having household incomes below \$20,000 it is all too evident the key role that the sector provides in fashioning more tolerable lives for some of Ontario's poorest households. The imperative to manage better and to link more effectively to elderly, social and health policies is clear.

But is there a case for new construction, and indeed significant renovation within the sector? Answering that question requires a two part answer. The first sub-question is whether Canadian governments, both Federal and Provincial, in a changed context, retain any sense of commitment to providing adequate, affordable housing for all - so that social, economic and environmental outcomes can be achieved. The second sub-question is, if such a commitment exists on the part of governments, do they choose rental rather than owned routes to meet objectives and, within rental provision, is the non-market sector seen to have some salience in relation to provision goals.

2. A Changing Context

Changing Needs and Demands

There is mounting evidence across Canada, and indeed in Ontario, of significant shortages of market and non-market housing in many locations. In Ontario, real house prices have been increasing consistently for the last decade. Rental vacancy rates have been falling and rents firming up over the last few years. Whilst the total number of social housing applicants has remained relatively stable, actual waiting times to enter the sector have been increasing, homelessness has risen sharply (and is increasingly seen as attributable to low incomes for those in work as well as longer pathologies of substance abuse, family breakdown and mental health issues). In Ontario the net number of rental properties have actually fallen by around 14,000 units over the last ten years and, although non-market provision has increased to small flow levels post 2001, the social sector new provision rate collapsed after the early 1990's. Annual new production totals for Ontario run at around 2000 per annum, in contrast to 10,000 to 14,000 per annum prior to 1993.

Rising real incomes allied to, since the mid 1990's, a long period of low real and nominal interest rates, have meant that more and more Canadians could fulfill a preference for

home ownership so that the social housing cutback was not translated into unmet needs or demands. But nor does it mean that governments can wish away housing needs into the market when there are still poorer households. All the evidence is that this group has grown in scale in Canada (and Ontario) with the number of households in core housing need running towards 1.5 million nationally. ONPHA estimates that an additional 10,000 to 12,000 units are required each year in the Ontario rental sector with at least a tripling of social provision (or, equally, deeply subsidised private affordable rental housing).

Changing Policy Thinking

Governments, Federal and Provincial, give much advice to households to take the long view, for instance in our health behaviours, in pursuing augmented education and human capital and, now, in reducing the environmental impacts of our actions. But governments have failed to give either a long or a broad view to what outcomes need to be achieved in the housing system. Housing is a complex system, with consequences of actions often difficult to pin down promptly, and it is a capital asset so that public action can sometimes be deferred until some future date. Canadian governments seem to have been cutting, deferring and avoiding the evidence for so long in the housing field that they have begun to lose sight of the fundamental importance of the housing system (like the nation's finance system or labour market) in shaping who we are, where we live, how we live, how we save and how we invest.

Many OECD governments reduced housing expenditures during the 1990's, and many sought smaller and more effective social provision systems. In this millennium most have either stabilised their commitments or, as in the UK and New Zealand, for example, begun to-re-expand support to meet well identified shortage issues which have economic and social consequences.

There is little doubt that the analytical and research capacities available to the Canadian housing system have contracted, with resources, not just in CMHC and in Provincial governments, but in academia too. However CMHC had such historic strength in that area of endeavour, that Canada still has a passable information base to identify housing trends and difficulties (though it has remarkably limited, published, standardised house price information). No doubt better data and better organised evidence-based cases for housing would help, in the ways that Economic and Social Research Council and Joseph Rowntree Foundation- funded work has shifted the debate about both cities and housing in the UK. But the key constraint on government action does not seem to be research or data. Rather, it is the clear will to take a purposeful lead and to manage housing policy in a more modern fashion.

Canada and the Canadian provinces and territories have reached a cross-roads between their rhetoric and their actions about housing. The nation has to be realistic about:

- whether it still is serious about its image of conciliator, includer, integrator, fair in mind, firm in purpose but tough in entitlement and operation, or
- whether it will tolerate growing inequalities in wealth, more segregated low income neighbourhoods and more of the poor in unaffordable crumbling homes.

The delusion, that none of these problems exists, has to stop. If provinces are to be the solution, they should put homes first and fiscal brinkmanship last.

The economic prospects of the nation are robust, and not just for the short term, though manufacturing sectors will continue to be greatly pressured by international competition. Globalisation brings the prospect of sustained future growth and economic opportunities for economies that are creative, flexible and well resourced in human and natural capital. Canada and Ontario have these attributes. However there are two difficulties associated with globalisation that have an impact on housing prospects and outcomes. First, though growth is the dividend of globalisation, increased inequality is the likely downside unless governments act to ensure that those low-income households exposed to wage competition are supported in their lives and careers. A richer, more unequal Canada is likely to emerge, unless Canadians choose to take the opportunity, but also address the problem. Within this broad context for change, that drives both a growing demand for homes and sustained affordability issues for the poorest quarter of Canadians, there are also specific housing sector worries. Over the last twenty years, as housing policies have diminished in strength and housing finance circuits have become (generally beneficially) embedded in the core of our capital markets, real house price inflation, and the consequent growth in housing wealth within household portfolios, has become prevalent in the advanced economies. Sustained price appreciation also accelerates the difference in housing choices between the more and less affluent - with better-off households induced, by rising real prices, to own, as soon as they can accumulate a credible deposit for ownership. Social housing then has to operate in the context of serving a client group who face no, or little, prospect of real income increases and, by its nature, offers them no share of the appreciation in the asset value of the homes they live in. This is a fundamental difficulty of private and social rental housing. It may protect tenants today, but, for the long term, it virtually ensures lasting, worsening relative real wealth. In short, to face the economic challenges of globalisation, governments may have to pay more attention to low-income housing supports, not just for the resident population, but to ensure that the flow of potential immigrants, across a spectrum of skill groups, are not discouraged from choosing Canada because of perceived difficulties in securing affordable housing or the prospect of limited social mobility, postmigration. At the present time, there is some evidence of recent migrants are now facing greater housing and social mobility difficulties than earlier cohorts of immigrants. As half of all immigrants to Canada come to Toronto, how the Ontario housing system operates has a bearing on the wellbeing of the nation.

The major social issue is the aging of the population, although Canada fares well in this regard, relative to much of the OECD. But there is little doubt that the capacity of the economy to grow, and indeed to provide care for the elderly, will be increasingly dependent on immigrant inflows. Immigration is already 70 percent of Ontario's population growth and this is likely to rise over time. So the aging population, poses issues about not only the design of homes and the paying for services (is this how many middle income Canadians will end up using the housing equity gains they are now making?), but also touches upon construction labour costs (will there be enough skilled young workers) and the provision of homes for immigrants. And the immigration process also touches upon the emergent issue of neighbourhood based income and ethnic separation within Canadian cities and settlements.

There are some commentators who deny the existence of low income neighbourhood concentration as important issues in Canada. However the last census data for 2001, pointed to the growing number of concentrations of poor households and visible ethnic minorities within Canadian cities. There is strong research for Toronto that makes all too clear the sustained emergence of segregated neighbourhoods within the metropolitan area. Urban Aboriginal neighbourhoods of disadvantage are apparent too, and across the country. The differences within Canadian cities are nowhere near on a par with the US or the UK and France, for instance, but they are there -and severe and dysfunctional. Housing strategies that can reverse such change are badly needed, but are costly and seem to fall between the cracks of interdepartmental or intergovernmental differences. If social housing has a role to play in this set of changes then it will have to be as part of a wider vehicle or programme to attain sustainable change. In order to work, social housing has to now rethink its neighbourhood connections.

If economic and social change draws attention to the distributional and disadvantage aspects of globalisation that will have an impact on housing, there are also policy concerns that emerge in relation to growth management, not least the environmental aspects of change. In the future, if real gas prices continue to rise (and that is likely), and if carbon taxes or emission charging systems become manifest, then households will place new emphasis on accessibility to the sites where they live, work and play. And the same changes are likely to raise questions about the costs of heating and cooling domestic spaces. Accessible, energy efficient and smaller homes are more likely to form a growing share of housing output, and be subject to demand and price increases.

This has two important implications for social housing. First, the sector assets (often with quite accessible homes), are likely to become more valuable. Secondly, there may be a displacement of poorer and middle income households from city cores and from transit accessible suburban sites. It is critical that a housing affordability problem for the poor is not compounded by a high transport cost outcome, or that those with the least human capital become more and more separated from labour market opportunities. In this respect, decent affordable housing for poorer households that is close to centres of employment, could become a vital link in reconnecting the poor, the 'globalisationpressed', to the prospect of a paying job. Social housing could become a vital link in strategies for a "hand-up" rather than a "handout".

In such a growth context, again with governments having limited ability to control land values and house prices, there may be a strong case for non-market ownership of some of the land value gains that arise from not just growth, but the planning and infrastructure decisions, that support change in particular places.

These paragraphs present some quite sweeping arguments about our challenges for social housing in Canadian cities. They are no longer suggesting an argument that a morally decent Canada will always pay to house its poor, and that well intentioned notforprofits will be the best way to provide these services. The world has changed, and these are different times. The arguments have to be reframed: how decent, affordable homes and an effective supply system for housing will raise Canadian competitiveness in attracting skills and producing goods and services. They have to be about how the social challenges of aging, and integration of new Canadians are facilitated by effective housing programmes. They have to be about how better housing design, management and planning will facilitate the containment and reduction of greenhouse gas production.

Cases can be made about how important the housing system is in shaping the big outcomes that governments seek. Governments must begin to think differently about housing and what it does for the economy, society and environment. But helping housing is not the same as re-boosting social housing. Government has to be clear on why it wishes to support housing programmes, and indeed, how it can best do that. The non-profit sector has, on the other hand, also a need for a frank assessment of where and when it can best deliver a mix of required policy outcomes. What are the cases for social provision? What are the key questions and challenges? How does the sector need to change? Can it change?

At the outset of the previous section of this paper, facts on the scale and role of non-profit housing in Ontario were set out to emphasise why the sector is important and why a purposeful review was required both in relation to current provision and future roles. In this section, in order to focus on how the sector has to lay claim to roles in future policy, the emphasis is upon the non-profit sector in Ontario as an efficient provision system or industry. Just as there was a manifest prima facie case that there is an important role for non-profit market housing, so there is a case that the sector has to change. At the present time, there are just over 1500 providers of the 268,000 social units in Ontario. This implies an average stock size of around 170 units, an amount made smaller when one considers that the 173 municipal non-profits and local housing companies provide some 61 percent of the stock. Across the sector, not only does organisational scale vary (from Toronto Community Housing Company to small co-operatives or non-profits) but the strategic and operational management capabilities range from high professional standards to misplaced amateurism in the maintenance of assets. Governance arrangements range from clear and effective, to committees mired in the minutiae of operational detail. Stock quality ranges from excellent in design and maintenance, to poor with accumulating deferred maintenance as landlords struggle to reconcile low rents and the received poor stock quality transferred in downloading.

The whole system creaks with maturation. Buildings have aged since the main programmes of three or four decades ago and have done so poorly as they have been often inadequately maintained. Tenants have aged too, with the skilled and unskilled worker client groups of three decades ago maturing to retirement, many in situ, and being replaced by households with more difficulties in their lives. And the organisations have matured, but not much evolved. Older staff and older attitudes, defending times past, lead individual organisations and dominate much of the wider institutional/organisational framework for housing policy debate in Canada. Age and experience does bring wisdom to organisations, but it also brings tiredness and the sector needs new ideas and new people to succeed. This is hard for the sector, but to survive, even thrive, social housing has to lead the argument for change, and not sit back and wait to be told to change by the provincial or Federal governments. The new model has to be built from below. How should this happen?

The existing fragmented ownership and representation of the social housing sector has failed to convince the people and the politicians of Ontario to engage with their case. A new approach is required. The social housing provision system within Ontario has to unanimously support reviewing the role and performance in the sector in Ontario, and of

setting out key prospects for the future. It might be appropriate to consider the formation of a high level Commission with the mandate of clarifying the roles for non-profit housing in the Province, suggested routes towards them, and the scale of resources that such actions would require. The Commission should be independent of any government and should seek members not just from major provision groups but from business, finance, environmental, health, immigrant sectors, and seek members or support of international standing from outside of Ontario as advisers and reviewers. What should its key concerns be?

3. Questions for Change

Any change delivery model or mechanism for social housing in the Province has to start by asking what it has to do, whilst maintaining independence, to secure, post-review, a seat at the key policy tables for the sector, both nationally and provincially. To do this, at the very least, it will have to articulate a new strategic vision for change, not just a set of housing needs figures; it will need a convincing statement of objectives and a modern understanding of the instruments that will be needed for change. Questions for the social sector abound around all of these topic areas.

Strategic visions

How should we think about the future? Planning and innovation are much more than demographic projections with economic adjustments, and we need to understand so much more about how lives change and places change.. What futures are there for communities and cities in the province and how does more or less housing, better or worse outcomes, influence the attainment of the futures that we desire and can afford (collectively and individually).Asking these questions is both necessary and worthwhile because of the singular failure of city and housing planning in parts of the Province to link housing discussions and decisions to other sectors of activity (for example the recent transit plan discussion for Ottawa that seemed to be devoid of any sense of how traffic and housing and lifestyle choices are related).

The approach should not be about ethereal forward forecasting, but about assessing key dimensions of change in a strategic audit framework; where are we going, what do we want to achieve, and what do we need to do differently, or better, to improve outcomes. And that framework has to embody clear principles for decision taking too (efficiency, fairness, sustainability, inclusiveness etc). The assumptions, principles and desired outcomes of the sector should be clear for all to see, not just within the provision system but for politicians, and the people too. We need to move on from unattainable needs figures and questionable affordability estimates as the basis for the conversation(s) with the wider world.

Objectives: Roles

Social housing providers, in these new times, have to think differently about its objectives, and to reconsider whether it is offering too limited a product range and using too few mechanisms to secure affordable homes. Key questions include:

- Should providers now think of themselves as diverse local housing providers rather than as deep, rental subsidy providers
 - There are emerging new markets for younger households, often saddled with education debt, who cannot quite make it into home ownership: should providers emulate European not-for-profits, such as UK housing associations, that provide equity sharing routes into home ownership for younger households and those with recovering labour market incomes?
 - Should the sector, offer new choices for elderly households who wish to unlock housing equity to pay for their old age; could there be reverse equity sharing?
 - Should social landlords mix near-market renting with social renting to secure scale economies and cross-subsidies in provision?
- Should, with a growing concern for the renewal role of housing, providers move, in disadvantaged areas, from being simply housing providers to providing more integrated services, including neighbourhood management, credit unions, day care for single parents?
- Should there be more explicit standards to be achieved for the size and quality of homes, as well services and neighbourhoods?
- In all areas, but particularly where there is growth in property values and population, can housing providers have a more active role in land management and extracting gains through the planning system (in Europe, and indeed in US cities, significant volumes of new social housing are now provided by inclusionary zoning in growth contexts); why has planning throughout Ontario not espoused this technique for housing provision and community mixing?

Objectives: Management and Governance

To command support, the not-for-profit housing sector has to be seen to be innovative and cost effective in service provision and renewal. Governments in Canada have failed to put in place the supervisory, scrutiny and incentive systems that reward effective landlords and penalise those who do not perform adequately. In Europe, in France and the Netherlands, for example, the national federations for the sector do have self-regulatory reviews and they do encourage mergers and rationalisation where it is required, and assist adjustments too. To create a modern housing governance and management system for the province a number of steps are possible:

- Whilst there is much merit in extending the community ownership of social housing, there are growing scale economies in most forms of service provision; this may either require mergers, where appropriate and desired, or it may require smaller ownership groups to buy in almost all of their management services; the structure of housing ownership and the service provision industries needs to be reviewed

- There needs to be a systematic attempt to develop a new cadre of younger staff
- New efforts in housing education are essential- and at four levels
 - Universities should be encouraged to develop housing policy options within general courses on public management and public affairs so that bright and engaged graduates will have some introduction to the sector
 - Public policy and business schools should be encouraged towards relevant high level finance and management courses that will foster continuing professional development for those entering or progressing within the sector
 - All management staff require appropriate technical skills in the jobs that they do and this may require more liaison with local colleges
 - Committees and boards, not least in the co-operative sector, need to better understand modern governance roles and should have appropriate training for them
 - Should these educational efforts be part of a wider cross-national effort?
- Can the sector, from a self-monitoring basis, put together a best practice centre for housing management, planning and development that ensures that all providers in the Province have ready and easy access to what works best and where?

Instruments

A multitude of questions then arise about the instruments that providers should use to better deliver their objectives, for instance:

- How much of the resources available need to be devoted to renewal of homes and neighbourhoods rather than new construction?
- How should housing be priced to attain long term quality as well as fairness objectives, and does there need to be more rational cross- sector pricing?
- What are the most appropriate partnerships to develop in renewal and growth management

4. Persuading Governments to Change

Reviewing aims, roles, objectives and instruments will develop a list of challenges for governments that are likely to include:

- A better local, provincial and national understanding of how and why housing outcomes matter
- Agreeing on the key local dimensions of housing provision, with provinces and municipalities in the lead, and the importance of good housing outcomes to achieving Federal as well as Provincial goals that relate to competitiveness, environmental quality and social progress
- Federal governments ensuring accountability to their taxpayers when they put housing support into Provinces, so that unconditional supports should be withdrawn and there are clear accountabilities between governments; there also needs to be an improvement (up to normal international standards) in the timely expenditure of committed budgets

- Developing long term support to match long term vision so that organisations and employees can plan, and imagine, effectively for the future - any Commission should challenge Provincial governments to benchmark their housing policy performance and capacities against equivalent kinds of organisations, for instance the Australian states or the devolved administrations in the UK. Similarly, the federal government should review how effective its housing policy and delivery arrangements are and how Canada has become such a poorly housed nation
- Enabling a translation of clear standards for homes and affordability into investment requirements and real targets for production, renovation and the roles of different sectors; words needs to be replaced by bricks and mortar

None of these requirements is beyond the capacities of Canadian communities and bureaucracies. And international experience of recent years suggests that a community-owned, stable non-profit housing sector can, where appropriately designed, be an effective route to not just local housing goals but to big national objectives for the economy, society and environment.

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