Canadian Housing Programs:
A Different Approach

"Housing starts are at the lowest levels in decades, and housing sales across the country are down from last year by significant percentages, a major shift from the average trend of the past three years," according to the Canadian Association of Housing and Urban Development. "Housing starts have fallen over the past two years, with the result that the Canadian housing market is experiencing a slowdown." The report notes that the housing market is also experiencing a slowdown in the United States, with housing starts falling over the past two years.

The Canadian Setting

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Public Housing Programs

The federal government provides funds for public housing under two different mechanisms. The original (Section 43) program provides 75 percent of the capital federally, the balance being financed provincially. The operating losses of the projects are shared on the same 70:30 ratio. The alternative terms (Sections 43 and 44) provide for a 50 percent federal contribution toward operating subsidies and 95 percent federal loans. Under both schemes, loans are made for extended amortization (up to 30 years) and the interest rates are set according to the rates at which CMHC borrows the money from the federal treasury, plus a margin for loan administration. There is little difference between the housing provided under these different terms.

### Canadian Federal Family Rental Assistance Programs

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<td><strong>Program Elements</strong></td>
<td><strong>Federal-Provincial Partnership</strong></td>
<td><strong>Public Housing</strong></td>
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<td><strong>STATUS PURPOSE</strong></td>
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<td>Direct capital and operating costs to provide affordable housing for low-income households.</td>
<td>Direct mortgage loans for capital costs to provide affordable housing for low-income households.</td>
<td>To assist low-income tenants to acquire suitable housing.</td>
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<td>Sponsor</td>
<td>Provincial governments and public housing agencies.</td>
<td>Provincial or municipal governments and public housing agencies.</td>
<td>Province, municipality or public housing agency operating a public housing project.</td>
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<td>Occupant</td>
<td>Lower-income household in need.</td>
<td>Lower-income household in need.</td>
<td>Any qualified lower-income household.</td>
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<tr>
<td>Basic</td>
<td>Federal government contributions (15% of capital costs): 25% is borne by province which may require municipality to participate in its share.</td>
<td>90% low interest, long-term mortgage loan for capital costs.</td>
<td>50% federal contribution towards operating costs (rent subsidy) for project life. The province provides the other 50%.</td>
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<tr>
<td>Other</td>
<td>Annual operating deficits borne on a 75 federal-25 provincial (or provincial-municipal) basis.</td>
<td>Federal government assumes 50% of annual operating losses.</td>
<td>None</td>
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### RELATED FEDERAL PROGRAMS

- Section 42: 90% low interest mortgage loan for capital cost of acquiring and servicing land for public housing. Term is 50 years if land is leased, and 25 years in all other circumstances.
- Section 43: Public Housing.
- Private rental projects (block leasing of 25% of units).
- Co-operative Housing Assistance—Section 34.18.
- Non-Profit Housing Assistance—Section 15.1.
- Entrepreneur Low-Rental Housing—Section 15.
- Section 44 (1)(b) Rent Supplement.
- Section 34.9 contributions or loan towards payment of 1st mortgage or project’s municipal taxes.
- Community Resource Organization Program.
- Replaced by Assisted Rental Program.

The evolution of Canadian housing policies must be viewed in the context of the changing political jurisdiction between federal and provincial governments. Historically, the federal government has taken a leading role in developing policies and programs, some of which involve unilateral federal activities, but many of which require joint federal and provincial action. The emergence of provincial interest and agencies during the late 1960s and 1970s, more responsibility for housing having been transferred to the provincial level. As programs have increased in complexity, so have the intergovernmental agreements required to implement them. In addition, many important interest in housing increased in the 1970s to such an extent that now some of the major urban governments are in a position to undertake direct administrative responsibility for housing within their jurisdictions. The changing intergovernmental context, together with factors such as declining production levels in traditional low-income housing programs, growing capital requirements at the federal level, and increased local interest in nonprofit and cooperative housing, led to the federal announcement in May 1978 of a basic shift in housing policy. Using existing legislative provisions, the federal government has sought to consolidate its low- and moderate-income housing programs into a single, simplified program.

### Rehabilitation/Neighborhood Conservation

As might be expected, there are some parallels between the United States and Canada in rehabilitation and neighborhood conservation areas. As with public housing, the major difference is the role of the provinces. The provinces have been described as "middle men," negotiating with the federal government, competing for preservation and rehabilitation funds, and selecting the cities that will participate in housing programs. Although it was cancelled in the late 1970s, Canada's Neighborhood

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**September/October 1982**
Improvement Program was the basic federal effort aimed at revitalizing older neighborhoods. It emphasized rehabilitation and infill construction instead of massive demolition and new construction. NIP funds were allocated on a formula basis, using age of housing, income, and deterioration as factors. A unique feature was the requirement that the neighborhoods selected be fairly small in size to prevent diffusion of funds over too wide an area. Project budgets were required to have at least $100 for every person in the target area. The average NIP area contained 364 acres and only 831 dwelling units, of which 48 percent were owner-occupied and 45 percent were in need of rehabilitation.

NIP funds used for social or recreational facilities or land development for social housing received a 50 percent federal grant. Social programs and land for nonresidential use received a 25 percent federal grant. The provincial matching funding was on a varying basis, depending on the ability of the province to pay.

The agreement for each NIP program was made in an annual contract between the province and CMHC. These contracts included a description of the cities that would receive the funds, funding amounts for each city, and the criteria for neighborhood selection. The NIP program’s citizen participation requirements, as well as its eligible activities, were subject to interpretation by the provincial governments.

Also, Canadian rehabilitation and preservation programs operated under what Americans would consider greatly reduced planning requirements. Under the former NIP program, the guidelines stated:

“The planning process is one which does not contemplate the preparation of an elaborate plan before action commences. It emphasizes action along with planning as a continuous process and seeks to avoid the negative effects and consequent lethargy that results from a long period of study, analysis, and planning before action is taken. Consequently, implementation may proceed when a concept plan, which includes a budget, has been formulated and accepted. Generally, detailed planning of specific proposals should be undertaken during the implementation stage.”

Similarly, Canada’s citizen participation rules were much more lenient. NIP guidelines stated:

“Due to the wide variety in regional, historical, and cultural factors, it would be difficult to establish specific criteria for a model format of resident participation. What follows is therefore a set of general principles which should be considered when establishing the structure of participation.”

Finally, NIP was restricted to physical activities and there was a requirement for a local matching share. In general, NIP was regarded as a fairly direct support of housing rehabilitation, carried out under Canada’s Rental Rehabilitation Assistance Program.

The NIP program was consolidated with the Municipal Infrastructure Program and the Municipal Incentive Grant Program into a new effort called Community Services Contributions Program. The idea was to create a program with less federal involvement and wider use of funds in cities and provinces. The program was implemented through two-year “global agreements” with the provinces. In the first year of operation, about 60 percent of funding was used for water and sewer facilities and services. In November of 1980, the federal government abruptly cancelled the program due to increasing budget deficits.

The companion Rental Rehabilitation Assistance Program, however, continued to function rather well. By 1977, RRAP rehabilitated 23 percent of all substandard housing. Under RRAP, home owners now receive loans up to $10,000, of which up to $3,750 can be a grant. The grant amount is dependent on family income adjusted for dependents and nonwage income. To get the full amount of the grant, the owner must occupy the house for five years.

A component of RRAP also exists for rental properties. There, the maximum grant is $2,500 per dwelling unit. The program supplies a loan for up to 50 percent of the cost of rehabilitation, which is forgivable over a period of 10 years. In addition, insulation grants for properties of less than three stories are available. RRAP terms—as in the case of America’s Section 312 program—are national terms. However, program delivery may be made by CMHC directly, or by provinces, cities, or university extension services. Financing for program administration is paid to delivery agents by CMHC at $500 per case. The program itself is streamlined, having eliminated lengthy rehabilitation specifications in favor of a simplified scope of work that the owner uses to find and retain a contractor. The delivery agents monitor construction and quality control, and make the final payment upon satisfactory completion of the work.

In recent years, the average home owner’s loan has been about $4,000 per unit and loans to landlords about $5,100 per unit. In the case of home owners, loans covered about 90 percent of all rehabilitation costs. For landlords, the program sets limits on rent increases according to the size of the investment and the local rental market. This program operates essentially in a format designed at the federal level, but involves a lesser degree of federal administration during the delivery process. It is, however, functioning quite well for what, in the United States, would be a moderate level of rehabilitation.

To some extent, RRAP is representative of the approach of many Canadian housing programs. These programs are, essentially, federal initiatives supported by provinces and adapted to a very wide variety of local situations. Thus, the hallmarks of flexibility and cooperation in a variety of programs have resulted in a level of housing quality that ranks with that of the United States. There remains, however, the pressing and growing problem of housing affordability in a period of fiscal restraint—the same problem confronting the United States. Some of the housing issues confronting America, however, already are being addressed in Canada. It might be beneficial for American housing officials to monitor Canada’s future activities. Both countries are seeking answers to the same questions.