

A REVIEW OF FAMILY PUBLIC HOUSING IN WINNIPEG:
THE ACHIEVEMENTS, THE CONSTRAINTS, THE ALTERNATIVES

A Thesis

Submitted to the Faculty of Graduate Studies
in Partial Fulfillment of the Requirements for the Degree of
Master of City Planning

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BY

JANE MARIE ELLIOTT

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TABLE OF CONTENTS

Acknowledgements	v
Abstract	vi
List of Tables	iii
 <u>Chapter</u>	
I The Introduction	1
II The Context	
Introduction	10
Housing Problem: Canada	13
Housing Problem: Winnipeg	23
Some Solutions: A Theoretical Perspective	32
Conclusion	49
III The Intergovernmental Policy Environment and The Impact on Public Housing Development	
Introduction	53
Federal Housing Policy	55
Provincial Housing Policy	66
Municipal Housing Policy	75
Conclusion	77
IV Program Constraints	
Introduction	80
Structural Problems	
i Physical Aspects	81
ii Tenant Satisfaction	86

	iii	Financial Considerations	90
	iv	Rent Scale	98
		External Factors	
	i	Federal Government	104
	ii	Partisan Politics at the Provincial Level.....	109
	iii	Community Opposition	112
		Conclusion	117
V		The Performance of Public Housing Against the Alternatives	
		Introduction	119
		Public Housing	121
		Rent Supplement Program	133
		New Non-Profit Program	143
		Conclusions	151
VI		Conclusion	
		Synthesis	153
		Policy Directions	158
		Appendices	165
		Bibliography	177

LIST OF TABLES

<u>Table</u>		<u>Page</u>
II.1	Housing Conditions (Canada).....	14
II.2	Impact of Two Affordability Indicators on Twelve Household Types, C.M.A.'s Only, 1974.....	17
II.3	Percentage Distribution of Total Income by Population Quintile for Selected Years (1967-76).....	19
II.4	Proportion of Expenditures Spent on Shelter Eight Major Cities, 1969-76.....	21
II.5	Proportion of Households Exceeding Poverty Line Contribution Rate by Total Household Income.....	25
II.6	Estimated Number of Households Experiencing Affordability Problems (Winnipeg 1977).....	26
II.7	Dwelling Units in Poor Condition (Winnipeg).....	28
II.8	Poor Quality Housing by Income, Household Type and Tenure Status.....	29
III.1	Housing Assistance Under Sec. 40 and 43 of N.H.A. (1960-78).....	60
III.2	Manitoba's Share of Federal Capital Allocation to Public Housing (1950-78).....	67
III.3	Public Housing Activity in Manitoba.....	71
IV.1	Distribution of Family Public Housing Units Winnipeg (1970-77).....	84
IV.2	Average Project Size for Family Public Housing.....	85
IV.3	Construction Costs vs Subsidy Costs.....	93
IV.4	Funds Authorized Under the N.H.A. (1974-78).....	95
IV.5	Estimated Distribution of Benefits for Major Housing Related Programs.....	97

<u>Table</u>	<u>Page</u>
IV.6	Comparison of Selected National Poverty Lines, Canada..... 100
IV.7	Income Distribution of Public Housing Tenants (1970-78). 102
IV.8	Distribution of Public Housing Tenants by Household Type and Source of Income July 1979. 103
IV.9	N.H.A. Commitments: Capital Budget (1974-78)..... 106
V.1	Family Public Housing Income Distribution by Bedroom Size and Family Type (Winnipeg 1978). 123
V.2	Income Distribution by Bedroom Size..... 124
V.3	Distribution of Family Public Housing by Area. 127
V.4	Distribution of Family Public Housing by Unit Type and Size - Winnipeg. 128
V.5	Distribution of Applications for Public Housing by Household Size - Winnipeg. 129
V.6	Family Public Housing Subsidies by Year of Commitment (1975-78). 131
V.7	Income Distribution by Program - Winnipeg..... 137
V.8	Unit Size Distribution by Program 138
V.9	Distribution of Rent Supplement Units by Type and Size - Winnipeg. 140
V.10	Subsidies by Program and Unit Type. 142
V.11	Cost Implications of Non-Profit Funding Arrangements. 149

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ABSTRACT

This thesis evaluated the Family Public Housing Program in the Winnipeg context in light of some of the common criticisms surrounding the program, some of the program's constraints and more generally, the program's performance relative to the alternatives put forward by government to date.

The study also examined in some detail the exact nature and extent of the housing problems being faced by low income households and reviewed the pros and cons of the basic program options (i.e. income supplementation, housing allowances and public housing) available to government in dealing with these problems. An analysis of past government intervention in the housing market was also provided illustrating the impact evolving housing policy has had in addressing the housing needs of the poor.

In general, the study revealed the important role Public Housing has played in housing policy for low income families in the past and the need for a similar, if not expanded, role in the future. It illustrated the inadequacies of the program options now being emphasized by Government, in the form of Rent Supplements and Non Profits, as "substitutes" or "replacements" for the assistance to low income families now provided through the vehicle of Public Housing.

Finally, the thesis offered some recommendations for future policy development with respect to housing for low income families. Specific policy directions were outlined by way of a recommended overall policy thrust for the public sector; suggested roles and responsibilities for the three levels of government and recommendations for the improvement and enhancement of the Public Housing Program.

CHAPTER I
INTRODUCTION

Despite the often repeated pledge of our country's senior governments to assure a decent home and suitable living environment to every Canadian family, "perhaps as many as one-third of all Canadian households are badly housed, in the sense of living in housing in need of substantial repairs, in neighborhoods with inadequate community services, in overcrowded dwellings (or) in housing which is too expensive for their means."¹ This statement was made in 1972, yet today the situation remains much as it was in the past. While housing quality and quantity have improved somewhat over the last number of years, the issue of affordability is rapidly becoming a problem to an even greater number of households. Thousands of families just simply cannot afford decent housing. Not unexpectedly, this problem is particularly acute for those families on the lower end of the income scale. Economics make the housing situation for them intractable.

The extent of the housing problem of this group is well documented, yet the question of how best to resolve it remains a foremost social problem.

In the past, the major thrust of government assistance to low income households has been the public housing program. In fact, public housing has been the only program amongst the proliferation of housing and housing related subsidies advanced by governments to date, which specifically

1. Dennis, M. and Fish, S., Programs in Search of a Policy, Hakkert Press, (Toronto: 1972), P. 29

addresses the housing needs of the poor.

Despite this fact, the program has been under repeated pressure to justify itself since its inception. Governments too, have been hesitant to make a massive commitment to its application. More recently, parliamentary scrutiny, concern about "spiralling" government expenditures and the emerging policies of "restraint" and "privatisation" at the political level have virtually put an end to the program.

Unfortunately, the motive underlying this shift away from Public Housing appears to be based, for the most part, on a desire to rationalize existing levels of assistance rather than on a search for more direct and effective measures to deal with the housing problems of low income families. The abandonment of the program, then, represents a deliberate move on the part of the government to back away from the high cost subsidies involved in housing programs serving the very poor.

This move is indicative of a more fundamental shift in housing policy, away from direct intervention in the market in favor of private sector initiatives. The recent program directions respecting low income housing, which involve interest write-down grants for non-profit corporations and rental supplements in private housing, reflect this policy emphasis.

Before a complete withdrawal of Public Housing is consummated, or even further, withdrawal of government housing initiatives generally, some basic questions require examination. It is important to ask, "what impact evolving housing policies within the intergovernmental sphere have had on housing problems of the poor and what these latest developments might mean?" It is also pertinent to question "whether direct government intervention

in the housing market on behalf of low income families is necessary and whether the Public Housing Program, being the major policy instrument in this regard, has been at all successful?" Further, it is relevant to ask "what the major criticisms and constraints facing Public Housing have been and can we learn from them?" And finally, "can the alternatives put forward by government thus far effectively meet the need served by the Public Housing Program?" These are the research questions with which this investigation is concerned.

These questions are especially pertinent at this time because housing policy generally is undergoing fundamental revision. At the national level, housing programs are emerging in keeping with the Federal Government's policy of "disentanglement" and "privatisation". Provincially, restraint and an almost sacred belief in the private market appear to be the influencing factors. At the municipal level, the City of Winnipeg is similarly struggling with its role, given the limiting structure of its revenue sources.

The decade of the 1980's will undoubtedly bear witness to, not only an overall contraction of government interference and initiative in the housing market, but further to a reordering of responsibilities and priorities between the three levels of government. Within this general policy environment then, this examination is particularly important, if any amount of public sector policy and programming respecting the housing needs of low income families is to be preserved.

More specifically, Manitoba is currently negotiating a Global Funding Agreement for housing with the Federal Government. Any contribution that can be made to this process which may result in a more effective policy package for low income families is, therefore, relevant.

4.

Given that the Public Housing Program represents the only major housing initiative put forward by the public sector to date, which seriously addresses the needs of low income families, it is essential that the program be examined before its complete withdrawal is mandated in favor of possibly less adequate alternatives. It is the purpose of this thesis, then, to review the Public Housing Program, according to the Winnipeg experience, with a view to examining the criticisms, the constraints, the program's potential and its performance relative to the alternatives, in an effort to assign the program its proper place in housing policy for the poor.

HYPOTHESES

Essentially, this thesis evaluates three basic hypotheses:

(1) For the most part, evolving federal-provincial-municipal relations in the field of housing, have impeded the development or exploitation of programs such as Public Housing which target their assistance towards the housing needs of the poor. Most government intervention in the housing market in the past has been on behalf of moderate and middle income groups, rather than lower income families.

(2) In the Winnipeg context, Public Housing is a relatively effective program in addressing the housing needs of low income families; however, several factors have contributed to the situation where today the program is largely disregarded by policy makers as an appropriate tool in this regard. Political and economic considerations have acted as major determinants in the direction of the program and have, to a great extent, overshadowed the program's potential.

(3) Public Housing has been the only major public sector initiative which successfully assists low income families obtain decent housing in accordance with their means, yet today, the program is being supplanted by somewhat less adequate alternatives.

OBJECTIVES

In order to properly evaluate these hypotheses, it becomes necessary to follow a somewhat broader line of inquiry than what is initially implied by a strict reading of the three hypotheses on their own. Consequently, the guiding hypotheses have been refined into a number of more specific objectives which more adequately outline the structure and parameters of the investigation.

Hence, the objectives of this thesis are:

(1) To examine the nature and extent of the housing problems facing low income families generally, together with a review of the specific market situation facing these households here in Winnipeg. The intent is to provide a broad perspective on the appropriateness of supply-side strategies, such as Public Housing.

(2) To examine the relevant intergovernmental policy environment to determine what impact this had on the development of policies and programs directed at the needs of low income families.

(3) To examine the Family Public Housing Program in Winnipeg, with a view to identifying those factors which either have contributed to the body of criticism now surrounding the program or, more specifically, have constrained the program from meeting its objectives.

(4) To examine the effectiveness of the Family Public Housing Program in dealing with the needs of low income families, relative to the program directions now being emphasized.

(5) To provide some policy direction, in light of the above considerations, for dealing with the needs of low income families in Winnipeg.

The scope of this thesis has been limited to the Winnipeg experience with Public Housing for low income families since the dynamics involved in that portion of the program delivering elderly persons housing relative to family housing and rural versus urban housing vary greatly and for the most part are mutually exclusive. Except where it is relevant to the background discussions, program comparisons are limited to those programs developed up to the present time. Since there is no indication within government that any serious consideration is being given to further program options for dealing with the problems of low income families, such a discussion would be somewhat superfluous to the overall exercise.

OUTLINE

This first Chapter has outlined the major hypotheses and objectives of the thesis. The balance of the thesis, then, attempts to achieve these objectives, basically in the following sequence.

Chapter II starts out by outlining the nature and extent of the housing problems being faced by low income households. Initially, they are discussed in a national context, highlighting the impact of the inequality of the income distribution of the market place and the inequities embodied in our tax system. This will illustrate the fundamental nature of some of these problems and the inadequacies of not only housing policy, but income and taxation policy as well, in dealing with these issues. In reviewing the housing problems facing households in Winnipeg, more attention is paid to local market conditions, particularly within those sub-markets normally catering to low income families. This will identify the specific forces at work in the low income rental market and clarify

the impact this is having on the supply side of the question. The housing problems, as they are presented, will highlight the need for government intervention in the market on behalf of low income households, in particular, single-parent households, large families and the single elderly. The review that follows, of the basic program options available to government, provides an understanding of the relative merits of supply versus demand strategies in theory, as a means of dealing with the housing problems of the low income. Together then, with the specifics regarding the situation in Winnipeg (i.e. in terms of need groups and market conditions), the information presented in the Chapter will lend support to an argument for some supply-side initiatives if the housing problems of low income families are to be adequately addressed.

Chapter III goes on to review the nature and extent of past government intervention in the market, particularly as it affects low income families. In order to understand what impact governments have had, either individually or as a system, in ameliorating the housing problems of the poor, an overview of housing policy at each level of government is presented. This discussion will illustrate how evolving intergovernmental relations in the field of housing have helped to frustrate the housing needs of the low income. Another important finding will be that, with the exception of the Public Housing Program, past government intervention in the housing market has been on behalf of middle and upper income groups rather than the lower income. This will also serve to highlight the importance of the Public Housing Program in low income housing policy over the years.

Chapter IV examines Public Housing in some detail, in particular the experience with the program here in Winnipeg; thereby providing a more

credible view of the program's potential as a housing vehicle for the low income in this locational setting. The review of some of the more common criticisms of Public Housing will illustrate that existing perceptions of the program are, for the most part, carry-overs from some of the first projects built under the cost-sharing arrangements. The discussion will also serve to indicate that Public Housing is generally quite an acceptable housing vehicle for low income families (at least from the perspective of the program recipients). A review of the program constraints goes on to suggest that the factors overshadowing Public Housing's effectiveness to date are not inherent to the structure of the program at all, but rather external, often political considerations.

Chapter V follows up with an examination of the effectiveness of the Public Housing Program in meeting the housing needs of the lowest income families here in Winnipeg, relative to the program directions now being emphasized. By comparing the nature and extent of the subsidy, the characteristics of the program recipients and the program's overall impact, the performance of each of the programs in channelling assistance to those families most in need of the assistance, will be illustrated. This analysis will demonstrate the relative ineffectiveness of these program options as "substitutes" to the assistance provided to low income families through the vehicle of Public Housing. This will also serve to illustrate the importance of a program, such as Public Housing to public sector policy, if any serious effort is to be made to address the housing needs of this group of consumers.

Chapter VI summarizes the conclusions of the previous Chapters with the objective of bringing into focus the overall performance of the Public Housing Program and the importance of such a policy instrument in meeting the housing needs of low income families here in Winnipeg. In light of the major findings, this Chapter also offers some policy direction.

CHAPTER II

THE CONTEXT

Abstract: This Chapter documents the nature and extent of housing problems that remain to be addressed by public policy. It also provides an overview of the basic options available to government in addressing these problems.

INTRODUCTION

"Housing is a universal need. Yet the private market on which Canadians have relied is anything but universal in its present scope and application"².

This statement and many similar pronouncements over the years form the rationale underlying governments increased level of activity and intervention in the housing market. Initially, governments limited their role to enhancing the functioning of the market. Later came the recognition that, even when private markets functioned well, there were many things they could not be expected to do. Left to themselves, they could not guarantee a decent home and suitable living environment to everyone. Neither could they meet the many and varied housing needs of all persons within the population. The housing conditions of numerous low income Canadians remained an obvious case in point. For these households, it became evident that the most efficient private housing industry and market mechanism could not meet housing needs which were not backed up with purchasing power. As a result, the previous dependence on the market place, as the most efficient medium for the distribution of society's resources began to be called into question and not without justification. For, as many economists have pointed out, markets do not seek equity among participants, merely equilibrium between effective demand and effective supply.

2. Federal Task Force on Housing and Urban Development, The Report January, 1969, P. 14.

Concurrent with this general acceptance of the inadequacies of the market, came the search for alternative means of delivering housing assistance to needy low income Canadians, in essence those not being well served by the traditional market mechanisms.

Until recently, the country's policy makers accepted the theory of filtering³. This meant that governments, for the most part, relied upon the policy of stimulating the production of housing, under the misconception that as the supply available at the top of the user cycle was expanded, housing would "trickle down" to lower income families. Unfortunately, the filtering process has not worked that well, largely because of some of the imperfections and rigidities inherent in the housing market. For example, older housing stock sometimes appreciates in value relative to new housing due to its desirability among middle class professionals. Also a great deal of older housing is often demolished in favour of apartment construction. Both cases effectively prevent the housing from "filtering" down to lower income households. This enhanced knowledge of the workings of the market has further prompted the search for more appropriate policy instruments, capable of addressing the housing needs of lower income Canadians, in a more direct and effective fashion.

It is the purpose of this chapter then, to review some of the basic strategies which from time to time have been debated by housing theorists as potential "solutions" to the country's housing problems. Specific program or policy devices will not be considered, but rather only some

3. Filtering refers to the conception that as housing ages, its desirability and hence price relative to new housing often declines sufficiently that the structure becomes available to successively lower income groups.

of the more common approaches considered in the literature. The pros and cons of the various alternatives will be outlined, basically from a theoretical perspective, although some discussion of their practical application is included.

This review is important to the overall exercise in that it will provide useful policy direction when married with the information presented in subsequent sections on the prevailing market conditions in Winnipeg and the household groups identified as being most in need of public sector assistance. Such an overview will also serve to outline the general thinking in the area prior to the more detailed examination, in subsequent chapters, of the performance of the Public Housing Program in meeting the needs of the low income.

As a necessary preamble to such an investigation, the chapter starts out by outlining the nature and extent of the housing problems these strategies are expected to address. This line of inquiry is important not only because it provides the justification for public sector intervention in the housing market but further because it begins to build the case for the precise form that intervention should take, given the situation.

Initially, housing problems are discussed in a national context. This provides an appropriate frame of reference within which to examine the housing needs of family households in Winnipeg; to a certain extent, local housing needs are a reflection of the housing problems which prevail in the country as a whole.

The inequality of the income distribution system operating in the market place and the inequities existing in our income tax system receive some consideration as well, to illustrate the causal interrelationship

between the existing housing situation and housing policy, income policy and non housing policies such as taxation. Certainly, no single housing program or housing strategy can properly be examined without first understanding the fundamental nature and source of the needs and problems it was intended to address. This discussion will also illustrate the potential for change in some of these areas. This is important because, in turn, it provides some insight and direction to subsequent discussions on the feasibility or appropriateness of specific policy instruments in dealing with the housing problems of low income families in the Winnipeg context.

In summary, then, the Chapter sets out first to document the nature and extent of the housing problems faced by low income households and then proceeds to review some of the more general approaches put forward by policy analysts as ways to deal with such problems. Overall the chapter provides a useful context from which to begin examining the performance of the Public Housing Program in meeting the needs of low income families here in Winnipeg.

THE HOUSING PROBLEM: CANADA

There has been considerable debate over the last few years as to the exact nature and extent of housing problems in Canada. While most housing analysts would argue that there is no general housing crisis, significant issues remain to be addressed by public policy. There are clearly serious problems in specific sectors of the housing market - problems related to individual sub-markets, to particular geographical areas and to certain groups of consumers.

A quick review of some of the more common indicators of housing need expands on this statement. As can be seen from the following table, housing conditions have improved dramatically over the past 25 years.

TABLE II.1
HOUSING CONDITIONS (CANADA)

<u>Suitability</u>	<u>1951</u>	<u>1961</u>	<u>1971</u>	<u>1974</u>
More than one person per room	18.8	16.5	9.4	6.0
Families not maintaining own household	9.4	5.2	2.9	N.A.
<u>Adequacy</u>				
No central or electrical heating	52.0	32.5	18.9	10.9
No piped hot and cold water	43.1	19.9	7.3	4.2
No exclusive use of flush toilet	35.9	21.0	6.9	3.0

Source: 1951, 1961 and 1971 Census of Canada and 1974 Survey of Household Income and Family Expenditure.

Despite limitations to these measures of housing need, it seems evident that, by and large, the traditional housing problems of inadequate quality and quantity of housing no longer apply. For the most part, the focus of Canada's housing problems seems to have shifted to the high cost of housing services.

This affordability problem has two distinct but closely related dimensions, expectations and income. A significant portion of those

experiencing a "housing crisis" have had expectations which were not being met quickly enough. For example, Canadians, historically, have preferred to own their own single family home, yet recent statistics indicate that more than 40% of the households in Canada are now renters. Increasing house prices, coupled with high interest rates, have pushed the ownership of a single family home beyond the reach of many Canadians⁴.

If some families suffer from an expectation gap in the face of increasing housing costs, a great many others suffer from an income gap. Each year a growing number of households face a choice of either spending a large portion of their income to obtain adequate and suitable housing or paying lower rents and residing in inadequate and/or unsuitable housing. Two principal techniques are used in attempting to measure the magnitude of this affordability problem. The conventional approach measures the ratio of actual shelter expenditure to actual household income and defines the affordability problem in terms of those households experiencing contribution rates in excess of socially acceptable norms. Shelter to income ratios, however, make no provision for important factors such as quality of housing, consumer preferences, or household size. Nonetheless, they are useful in that they provide a rough indicator of the magnitude of the problem. A more sophisticated technique has been developed by C.M.H.C.

4. The total consumers' price index for Canada rose from 100 in 1971 to 175.2 in 1978. During the same period, the rental index rose to only 134.4. The home ownership index, on the other hand rose to 196.1 in 1978 - significantly above the other two indices. These figures, while not that conclusive on their own, begin to illustrate why more and more Canadians are unable to have their housing preferences met. (Canadian Housing Statistics, 1978, Table 108, P. 90).

in metropolitan areas of Canada using the information available from their 1974 Housing Survey. It is called the "market value" approach⁵. It provides a more refined measure of housing problems because it recognizes the interrelationship of adequacy, local market conditions, unit size, and the household's ability to afford accommodation which is both suitable and adequate.

Estimates from the 1974 Survey, of the number of households within the Census Metropolitan areas, who face an affordability problem are presented in Table II.2. The findings using the conventional rent-to-income ratio are compared to those using the market value approach.

5. With this approach, average rents are determined for different sized rental units in adequate condition on a market by market basis. When rents exceed 25% of a household's gross income or what might be considered an acceptable contribution rate, the households are defined as being in need.

TABLE II.2

IMPACT OF TWO AFFORDABILITY INDICATORS ON TWELVE
HOUSEHOLD TYPES, CMAs ONLY, 1974
(NUMBERS IN '000)

Household Category	All Households in CMA's		Need at 25% Contribution Rate			
			Conventional Approach		Market Value Approach	
	No.	%	No.	%	No.	%
Own Fam ¹ 35	305	9	80	10	13	2
Fam 35-59	909	28	123	16	44	7
Fam 60+	270	8	55	7	48	8
NF ² 35	13	-	4	1	1	-
NF 35-59	51	2	14	2	5	1
NF 60+	101	3	47	6	43	7
Rent Fam 35	479	15	96	13	93	15
Fam 35-59	394	12	77	10	97	16
Fam 60+	140	4	47	6	52	8
NF 35	280	9	89	12	71	12
NF 35-59	149	5	45	6	38	6
NF 60+	167	5	94	12	108	18

1. Fam = Family Households

2. NF = Non-Family Households

Source: J. Scheu, Projecting Long Term Housing Requirements and Assessing Housing Needs: The Canadian Experience, (C.M.H.C. April, 1978), P. 24.

Regardless of the approach taken, the numbers are impressive. Almost one quarter of all households in metropolitan areas are identified as having affordability problems. The market value approach is able to highlight those household groups encountering the greatest pressure and in this data, attention focuses on the needs of middle-aged family and

elderly non-family rental households. This examination suggests quite clearly that within certain socio-economic groups, housing problems can be much more acute than rent-to-income ratios might initially indicate.

Undoubtedly, the housing problem has the greatest impact on those households at the lower end of the income spectrum - namely the poor. Their housing needs are simply not backed up with the necessary purchasing power to compete in the market place. For these households, today's housing problems can best be described in the context of the distribution of housing supply in relation to the distribution of income. Ultimately this leads to an investigation into the broader questions of low income if the underlying cause of housing affordability in our country is to be understood.

Examination of the structure of our country's income distribution lends a great deal of focus and understanding to the discussion of housing problems in Canada. It begins to illustrate the causal interrelationship between housing problems and income policy and other non-housing policies, such as taxation.

There are vast inequalities of income between the "rich" and the "poor" in Canada. In 1976, the lowest income 20% of Canadians received 4.1% of the total national income, in contrast to 43.4% received by the highest income 20%. The inequity of this distribution is compounded, too by the fact that the relative shares have remained virtually unchanged since 1967, as shown in Table II.3. This picture is bleak indeed in light of the millions of dollars Canada is spending on social programs predicated on the need to redistribute income.

TABLE II.3

PERCENTAGE DISTRIBUTION OF TOTAL INCOME OF FAMILIES
AND UNATTACHED INDIVIDUALS
BY POPULATION QUINTILE FOR SELECTED YEARS 1967-1976

ALL FAMILIES AND UNATTACHED INDIVIDUALS									
Population	1967	1969	1971	1972	1973	1974	1975	1976	Average 1967-76
Lowest Quintile	4.2	4.3	3.6	3.8	3.9	4.0	4.0	4.1	4.0
Second Quintile	11.4	11.0	10.6	10.6	10.7	10.9	10.6	10.4	10.8
Middle Quintile	17.8	17.6	17.6	17.8	17.6	17.7	17.6	17.3	17.6
Fourth Quintile	24.6	24.5	24.9	25.0	25.1	24.9	25.1	24.8	24.9
Highest Quintile	42.0	42.6	43.3	42.9	42.7	42.5	42.6	43.4	42.7
FAMILIES									
Lowest Quintile	6.4	6.2	5.6	5.9	6.1	6.3	6.2	5.9	6.1
Second Quintile	13.1	12.6	12.6	12.9	12.9	13.1	13.0	12.5	12.8
Middle Quintile	18.0	17.9	18.0	18.3	18.1	18.2	18.2	17.9	15.1
Fourth Quintile	23.6	23.5	23.7	23.7	23.9	23.6	23.9	23.8	23.7
Highest Quintile	38.9	39.7	40.0	39.1	38.9	38.8	38.8	39.9	39.3

Source: Based on Statistics Canada, Income Distributions by Size in Canada. (Cited in Canadian Fact Book on Poverty, Canadian Council on Social Development, Ottawa: 1979, P. 21.)

Canada, clearly, has an income distribution, or poverty problem. Although this discussion does not tell us the precise magnitude of the poverty problem in Canada, it does begin to give us an impression of the poverty-induced hardship that underlies some of the housing problems plaguing our country today. More specific investigation is required to identify who suffers the most from this unequal distribution of income.

In the last 10 years, incomes on average have increased more than the overall increase in the consumer price index. It is true too, that the country has experienced a decrease in the overall incidence of poverty. A closer examination suggests, however, that not all Canadians have enjoyed the same rate of increase in incomes. The averages conceal enormous differences of experience among the population.

The effects of this unequal distribution of income seem to weigh most heavily on families, in particular those that are single parent and mother-led. For example, family units, in contrast to the average for all households, showed a slight increase in the incidence of poverty from 10.3 in 1967 to 12.5 in 1976⁶. For mother-led family units, not only has the incidence of poverty been consistently much higher, but its ranks are also growing more rapidly, showing an increase in incidence during this same period, from 36.3 in 1967 to 41.6 in 1973 and finally to 42.8 in 1976⁷.

Similar inequities are revealed in an examination of housing expenditures by quintile groups. As can be seen from Table II.4 while the proportion of income spent by families on shelter increased for all income quintiles from 1974 to 1976 (the most recent year for which data are available) the increase was greatest for the lowest quintile. This serves to illustrate the plight of the poor in the search for adequate and affordable accommodation.

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6. Caskie, D. F., Canadian Fact Book on Poverty, Ottawa: 1979, Table 15 (b) (Proportion of Families within low income in cities with a population of 500 000 and over).
 7. *ibid.*, Table 15 (b) (Proportion of Families with a low income by Sex of Head).

TABLE II.4
 PROPORTION OF EXPENDITURES SPENT
 ON SHELTER - EIGHT MAJOR CITIES, CANADA
 1969-1976 (PERCENT)

Year	QUINTILES				
	Lowest	Second	Middle	Fourth	Highest
1969	21.9	17.9	16.3	14.7	13.1
1972	22.9	18.4	15.9	14.7	12.8
1974	20.8	16.5	15.4	14.3	11.8
1976	22.1	16.8	16.1	14.8	12.2

Source: Statistics Canada "Urban Family Expenditures", 1969, 1972 and 1976. Table 34 Catalogue 62-547; Table 35 Catalogue 62-544.

Unfortunately, this does not tell the complete story either, of the inequities between the "rich" and the "poor" in Canada today. There is another, yet often overlooked mechanism affecting the equality of the distribution of income and actual spending power among Canadians, our tax system. While most of the taxes in Canada are thought to be progressive in the sense that the rate increases proportionately with income, the total tax system in practice (including exemptions and deductions) is not progressive⁸.

8. In a Canadian study of relative tax burdens the Economic Council of Canada concluded that it is regressive at the lowest income levels, mildly progressive to middle income levels, and then proportional until the highest income levels are reached. (Maslove, Allan, M., The Pattern of Taxation in Canada, Ottawa: Economic Council of Canada, 1972).

In fact, our tax system as a whole appears to contradict the ability to pay principle, to the extent that it has had and will continue to have, little effect in tempering the overwhelmingly unequal income distribution of the market place.

This review suggests quite clearly, that despite the general improvement in housing affordability that has occurred in the last few years, the housing problems faced by some household groups have become much more acute. On the basis of the above discussion, it would seem fair to say too, that those bearing the brunt of these housing problems are the low income households, particularly the single parent mother-led families and elderly person renters. This situation undoubtedly reflects two basic problems - the inequality of the income distribution of the market place and the failure of the income tax system to function equitably as an income redistribution mechanism.

This examination illustrates the fundamental nature and underlying source of a great many of the housing problems facing households today. Unfortunately, the rigidity of this situation over time poses a number of problems for the policy makers in designing an appropriate solution. Clearly, the more aggressive the government is in its income redistribution policies, the less it need intervene in the housing market. The more cautious its income distribution policies, the more radical its housing policies will have to be if the needs of the low income households are to be met.

THE HOUSING PROBLEM: WINNIPEG

When viewed in a national context Winnipeg's housing problems seem to take on alarming proportions in some respects. While affordability does not seem to be a problem for Winnipeggers on the whole, with average contribution rates falling within the same general pattern as other Canadian cities, the difficulties faced by certain household groups appear extreme by comparison. For example, in the rental submarket, C.M.H.C. in its 1974 Survey of Housing Units estimated that almost 40% of households in Winnipeg spent more than 25% of their income towards shelter, while 1 in 5 households were forced to spend more than 40% to rent accommodation (higher proportions than those experienced by almost any other major centre in Canada).

Winnipeg's housing stock does not measure up well against Canadian norms either. With the exception of Montreal, Winnipeg has the highest percentage of poor quality housing (13%)⁹, almost twice that of any other city. Even more significant is that most of this poor quality housing falls within the boundaries of Winnipeg's inner city, an area characterized by a much higher incidence of poverty (18% vs. 4% in the total city); a much higher proportion of tenant occupied housing (70.3% vs. 32.8% in the outer city); a slow yet constant erosion of the housing stock and extremely low vacancy rates¹⁰.

9. C.M.H.C., Survey of Housing Units, Cross-Tabulation of Dwelling Units and Households, 1974.

10. Institute of Urban Studies: Housing: Inner City Type Older Areas, July, 1979.

Quite clearly, there are significant problems in the Winnipeg context. Despite the fact that on average, Winnipeggers do not appear to have an affordability problem, a significant number of households remain unable to afford adequate and suitable accommodation. This general situation has been well documented in several recent studies. In a study of housing conditions in Winnipeg completed in March of this year, Social Planning Council estimated that approximately 17% of all households were experiencing contribution rates above the poverty line contribution rate. Using the more refined "market value" approach, they estimated only 13% of Winnipeg Households could not afford adequate and suitable housing. Others¹¹ using this same approach, suggested this figure was closer to 20%.

Irrespective of the source the findings illustrate that the affordability problem is concentrated among certain consumer groups. As indicated in Table II.5 it is primarily those households whose income is under \$5 000/year which are most likely to be experiencing high contribution rates. In fact, as many as 65% are paying more than standard. This is quite significant when you consider this group constitutes only 13% of all households, yet they account for almost 50% of the total number of households defined as being in need. In the \$5 000 - \$10 000 income group, almost 80% of the households are identified as having an affordability problem.

11. Peter Barnard and Associates, Housing in Winnipeg, July, 1979 and Institute of Urban Studies, Background Paper to Development Plan Review, February, 1979.

TABLE II.5

PROPORTION OF HOUSEHOLDS EXCEEDING POVERTY LINE
CONTRIBUTION RATE BY TOTAL HOUSEHOLD INCOME

	<u>Under 5000</u>	<u>5000- 9999</u>	<u>10000- 14999</u>	<u>15000- 19999</u>	<u>20000+</u>	<u>Total</u>
Below	8651 (35%)	31742 (76%)	27692 (86%)	29616 (94%)	61693 (99%)	159344 (83%)
Above	15904 (65%)	10099 (24%)	4439 (14%)	1910 (6%)	840 (1%)	33192 (17%)
Total	24555 (13%)	41841 (22%)	32131 (17%)	31526 (16%)	62533 (32%)	192586

Source: Social Planning Council, Housing Conditions in Winnipeg, March, 1979, Table 30.2.

Using the same survey data, the Institute of Urban Studies did a similar analysis of affordability in relation to eight different household categories, for the total city, the inner city and the rental sub-market. An examination of Table II.6 suggests that problems of affordability are most severe amongst single-parent families and the elderly, in particular, those who also have to rent accommodation. In fact, affordability problems, in the rental sub-market are generally much more acute, not only with the single parent families and elderly renters, but among some of the larger family households as well. The information also suggests that affordability problems for all household types are most severe in the inner city with one in every three households encountering difficulties.

TABLE II.6
ESTIMATED NUMBER OF HOUSEHOLDS EXPERIENCING AFFORDABILITY PROBLEMS
(WINNIPEG - 1977)

Household Category	Total City		Inner City		Rental Market	
	Number	Percent	Number	Percent	Number	Percent
Age of Head 65 yr						
Size						
1	7 295	22	3 585	20	6 920	26
2	8 815	17	2 310	30	6 525	26
3	3 940	12	660	19	3 055	27
4	3 310	10	545	20	2 490	39
5+	2 815	13	830	22	2 010	39
Single Parent	9 195	57	2 765	65	8 885	69
Age of Head 65 yr						
Size						
1	5 705	37	3 915	62	4 700	50
2+	1 170	9	690	12	230	8
TOTAL	42 245	-	15 300	-	34 815	-

Source: Institute of Urban Studies, Op. Cit., Table number 2, P. 18.

This information clearly reveals the extent to which Winnipeg's housing problems are concentrated among those least able to cope with this hardship. Although, as we might expect, most of the households are poor the evidence indicates that those households forced to rent accommodation, in particular single-parent families, large families and the single elderly are without doubt bearing most of the burden.

As discussed in the previous section, for these households the magnitude of their housing problems stems largely from the relationship between two key factors -- income levels which dictate one's ability to compete in the market place and local market conditions which dictate the supply of housing in the market place (by both price and quantity). Low levels of household incomes in Winnipeg¹², alone cannot be blamed for these affordability problems, since availability of low cost housing is as inherent to the problems as are levels of income.

It is essential then to also examine the supply side of the question. In comparison to other major urban centres, Winnipeg enjoys some of the least expensive housing. This is due in part to the large quantities of poor quality housing. As noted earlier, Winnipeg has a large proportion of accommodation, particularly rental housing, in a serious state of disrepair. In 1974, C.M.H.C. estimated that 13% of Winnipeg's housing was in poor condition. More recent sources¹³ support this finding as well (see Table II.7).

12. The Winnipeg Tribune, "Winnipeg Incomes Ranked 84th in 1977", Thurs. September 13, 1979. The article notes that residents of Winnipeg ranked 84th in terms of average income in 1977 according to latest figures from the revenue department, which listed incomes in 100 cities.

13. Social Planning Council, Op. Cit.

TABLE II.7
DWELLING UNITS IN POOR CONDITION
 (WINNIPEG)

<u>Structural Type</u>	<u>% in Poor Condition</u>	<u>% of Total Stock</u>	<u>Age of Building</u>	<u>% in Poor Condition</u>	<u>% of Total Stock</u>
Single Detached	7%	64%	1961-77	2%	29%
			1941-60	3%	34%
Row/Duplex	18%	7%	1921-40	17%	13%
			1901-20	28%	23%
Multiple	<u>17%</u>	<u>29%</u>	Pre-1901	<u>36%</u>	<u>1%</u>
	11%	100%		11%	100%

Source: Social Planning Council, Op. Cit., Table 4.1

The importance of this older and often poorer quality housing, beyond its mere quantity, lies in the fact that it represents a major source of housing accommodation for Winnipeg's low income population. In fact, the findings in Table II.8 suggest that those groups most likely to be occupying poor quality housing once again tend to be the low income, single-parent renters.

TABLE II.8
POOR QUALITY HOUSING BY INCOME
 HOUSEHOLD TYPE AND TENURE STATUS

	<u>% Occupying Poor Quality Housing</u>	<u>% of Total Population</u>
<u>By Income</u>		
\$9 999	15%	34
10 000 - 19 999	14	33
20 000 +	4	33
<u>By Household Type</u>		
Owner/2P ¹	5	50.3
Owner/SP ²	6	2.2
Owner/NF ³	9	9.2
Renter/2P	20	15.7
Renter/SP	34	4.2
Renter/NF	17	18.4

1. 2P denotes Two Parent Family
2. SP denotes Single Parent
3. NF denotes Non Family Household

Source: Social Planning Council, Op. Cit., Table 7.3 and 8.

Given that the great majority of households in Winnipeg identified as having an affordability problem are tenants, (i.e., 82% according to the Institute of Urban Studies) it is reasonable to focus the supply side of the affordability issue on this rental sub-market. From this perspective, the situation becomes much clearer.

Apartment starts have slowed considerably in the last few years, to the extent that the limited construction currently taking place is all government assisted. Until the program was phased out, virtually all privately initiated apartment starts were under the Assisted Rental Program¹⁴, which builders argued presented the only viable economic justification for new apartment construction. These ARP units, however, did not in fact add to the supply of housing available to our low income households or "high need" groups, from either a price or location perspective. The program characteristics, and in particular, the nature of the subsidy/loss relationship, made it unlikely that builders would opt for the type of housing that ultimately could cater to low income households.

This situation is occurring, too, at a time when dwelling units are being removed from the market in increasingly substantial numbers. The City has experienced a loss of over 1 600 units since 1972¹⁵, primarily as a result of by-law enforcement, demolition and fire. Evidence from the City's recent Apartment Loss Study indicates as well that most of these units had been occupied by low income households, which lends credence to

14. The original ARP Program provided interest free loans over a 10 year period to owners of new rental accommodation to cover the difference between costs and revenues.

15. City of Winnipeg, Apartment Loss Study, 1978, P. 27. This figure understates the problem as well, since it does not include rooming house units or units in older hotels which have been demolished.

the argument that the supply of housing normally available to "needy" households in Winnipeg is continually being constricted. For those low income households living in the inner city, the situation is even worse. Some of these units being taken off the market are not being replaced at all, not even by higher rent units. From 1976 to 1978, the City in fact documented a net loss of housing units in some areas¹⁶.

Without doubt, these losses will continue to increase, given the age of the stock and the aggressive attitude towards by-law enforcement in the city. The likelihood of replacement housing being built, and particularly at rents low income households can afford, seems remote as well. The number of rental units built by or with public sector assistance is sure to drop, with the changes to the Assisted Rental Program and the recent freeze on Public Housing announced by the provincial government¹⁷. Further, the private sector is unlikely to pick up the slack because of the inherent unattractiveness of this sub-market due, of course to the lack of purchasing power¹⁸. Underscoring the seriousness of this supply problem is the

16. In Midland and Centennial Community Committee Areas, losses of low rent accommodation exceeded replacements in those years by 376 (Source: Dept. of Environmental Planning, City of Winnipeg).

17. The Winnipeg Tribune "Government Puts Freeze on Public Housing", September 21, 1979.

18. In a recent article in the Free Press (September 8, 1979), the President of HUDAM was quoted as saying that Winnipeg's house building industry would not build in the inner city despite the package of tax freezes and financial incentives being proposed to the Council Environment Committee by the City's Planning Department.

traditionally low vacancy rates within the inner city or more accurately, in the older cheaper inner city rental stock.

This kind of market affords little flexibility or choice for the low income tenant. As the supply normally available to this group shrinks from deterioration and demolition, the rents will inevitably become higher, exacerbating housing problems even further.

Faced then with the possibility of an accelerated rate of demolition within this rental sub-market and little likelihood of low cost replacement housing being built, there are few grounds for optimism that the affordability problems discussed earlier will be anything but more serious, without a conscious change in government policy. The information illustrates that public sector intervention is needed in this low income rental sub-market, either to facilitate net additions to the stock or to prevent further deletions.

SOME SOLUTIONS: A THEORETICAL PERSPECTIVE

Whereas the first part of this Chapter documented the nature and extent of the housing problems to be addressed by public policy, this section goes on to outline the basic range of alternatives available to government to deal with these problems. By reviewing the options from more or less a theoretical perspective, this overview will provide a useful context or foundation from which to then examine the Public Housing Program.

Over the last several years, there has been a growing debate among housing policy analysts as to the relative merits of supply versus demand subsidies in dealing with the housing problems of low income Canadians.

Past intervention in the housing market has been manifest in a variety of subsidies - some direct, some hidden; some functioning as "carrots", some as "sticks"; some operating through the private sector, some through the public sector.

Whatever the final program structure, policy makers generally approach the problem in one of two ways. They can provide supply side incentives by stimulating increases in the supply of housing directly or they can affect the demand side of the market. Demand stimulating policies assist the household by reducing the cost of housing through increasing purchasing power or incomes. In the context of low income households, the most popular, or certainly the most frequently discussed demand side incentives, are shelter allowances and general income assistance. Supply side incentives, on the other hand, directly affect the provision of housing such as is achieved through the construction of public housing.

Because the subject of this investigation relates to the housing problems of low income households, only the three broad alternatives of income assistance, housing allowances and public housing will be considered.

GENERAL INCOME ASSISTANCE

It has frequently been argued that general income assistance, such as a guaranteed annual income or a negative income tax, would obviate the necessity of government housing aids. This argument alleges that housing problems are essentially poverty problems and as such, can best be attacked by some form of income maintenance program. This formulation

of the problem assumes that once the constraint of an inadequate budget is removed, households will then proceed to correct their housing problem, whether it be physical, financial or some combination of the two.

The University of British Columbia investigation into this area in 1976 put forward a similar case. In fact, in their final report they argued that "any lasting cure for the problem must lie in some form of income redistribution". They went on to suggest that

" . . . it is poor economics to try to cure housing poverty . . . by shackling the housing market's ability . . . to offer the best opportunity of choice among alternatives. If money income is what the poor lack most, then their housing condition could best be improved . . . by giving them additional spending power. This would leave households free to make their own choices within their improved budgets. It would also leave the housing market free to respond to the expression of those choices".¹⁹

Some critics of existing housing programs advocate this approach because of the greater freedom provided consumers to choose their own housing and set their own spending patterns. Others argue "an incomes policy" approach avoids the costly administration and difficulties often associated with unit-tied subsidies.

19. Pennance, F. G. Hamilton, S. W. and Baxter, D., Housing: It's Your Move, U.B.C., Urban Land Economics Division, August, 1976 P. 63.

Other proponents list its major advantage as its efficiency. It is often argued that an income subsidy put directly into the hands of the households with the housing problem, is much more efficient than "in kind" subsidies. To a large degree, "leakage" is avoided in the sense that the cost to the government closely proximates the benefit to the recipient. Another factor often attributed as a positive aspect of this approach is that the role of resource allocation is left in the hands of the market place, rather than with government.

In theory, an "incomes policy" approach gets a favorable rating from an equity perspective as well. Households with approximately the same income receive the same treatment, while households with greater income receive less. Supposedly, goals of both horizontal and vertical equity are therefore achieved.

Despite all these ascribed advantages, some policy analysts have quite a different view. Downs, for example, argues that exclusive reliance on an income support program to provide decent housing for the poor would be both unsuccessful and inefficient²⁰. From his vantage point, this approach to the problem fails to recognize the degree to which local market conditions can thwart the intent of an income support program. He argues that income problems of a family cannot be divorced from the supply of housing available to them (in both kind and amount). To deal satisfactorily with the possible impact of an income subsidy requires consideration of questions of timing, allocation, distinction

20. See Downs, Anthony, Federal Housing Subsidies: How Are They Working, D. C. Heath and Company, Lexington, Mass., 1973.

between new and existing housing stock and different housing sub-markets.

Certain rigidities in the housing market can keep it from responding in a "pure market" sense to the increased demand fostered by an income support program. The responsiveness of the supply side of the housing market, or more particularly, of certain income sub-markets, is therefore an important determinant. For example, if the supply of housing within the sub-market normally catering to low income households is relatively inelastic, then increased income in the hands of the poor will merely drive up rents. One could argue too, that in the context of this target group, the supply of housing is by nature much less elastic because of the almost exclusive reliance on older units within the existing housing stock. Experience with welfare housing allowances certainly supports this conjecture²¹. In the short run, then, it seems almost certain that increased purchasing power will produce higher rents unaccompanied by improved housing standards.

The massive scale at which a program of this nature must be administered tends to reinforce this outcome as well.

Implicit in any discussion of the effectiveness of an income support program is the whole question of goals. If the aim is to ensure every household consumes some "adequate" standard of housing, then an income support program by itself will not necessarily achieve the desired result.

21. See MacMillan, J. A. and Plesniarski, G., Housing Conditions of Social Allowance Recipients in Winnipeg: The Qualitative and Economic Aspects, 1971, Department of Health and Social Development, Manitoba.

Financial housing needs constitute the focus of the "incomes policy" approach, relegating consideration of physical housing problems to a possible spin-off effect of meeting financial needs. There is no guarantee that housing standards for low income households will be improved; that substandard dwellings will be eliminated; or that rehabilitation or new construction in this sub-market will be stimulated in any way. Quite clearly, amelioration of unacceptable housing conditions receives only secondary consideration.

Not to be overshadowed by theoretical arguments, are some of the more practical concerns voiced by some policy analysts. It is quite likely that the Canadian public would support a subsidy "in kind" program rather than an across the board income support program. They are apparently willing to support things they believe are important such as elimination of substandard dwellings, decent housing for the poor and so on, but general income support seems to run counter to society's overall work ethic. There is no doubt that an "incomes policy" approach has a very fragile political foundation and given the current mood of government expenditure restraint and economic doom and gloom, it is unlikely to move beyond the realm of proposal in the foreseeable future.

HOUSING ALLOWANCES

There is a substantial and growing body of support for the concept of housing allowances. Its popularity from a public policy stance reflects its attractiveness as an alternative to more direct income redistribution programs.

A system of housing allowances is similar in nature to an income support program except that the amount of assistance provided is determined

on the basis of income and shelter costs rather than on the basis of income and the amount required to obtain basic necessities such as food and clothing in addition to shelter. Essentially, a "housing allowance" is the provision of direct cash assistance to lower income households for the specific purpose of obtaining adequate housing. Under such a program, a household selects housing of its own choice and receives assistance payments if the unit meets the housing requirements established for the program. In most cases, the housing allowance is earmarked for housing in one of two ways: by minimum standards or by minimum rents²². Without such standards, a housing allowance becomes merely another form of income support.

The merits of housing allowances in relation to the other two approaches put forward in this Chapter can be assessed from several perspectives. From a client's perspective, it offers freedom of choice in deciding on housing types and locations, although not to the same extent as under an income support program, because of the additional housing related requirements.

22. Under Minimum Standards earmarking a household receives an allowance payment only if it rents a housing unit which meets minimum housing standards. Such standards may be based on locally defined codes or on national codes. The requirements can be enforced either through certification by the recipient or landlord or through inspection. Under Minimum Rent earmarking, a household receives a payment only if it spent at least a specified minimum amount for housing. This approach assumes that there is a close correlation between rent and housing quality.

Like the "incomes policy" approach, a system of housing allowances has the advantage of anonymity, thereby avoiding the social stigma often associated with conventional social housing. Apart from the identification aspect, it is sometimes argued as well that this approach avoids some of the difficulties caused by excessive concentration of the poor - a criticism frequently attributed to public housing.

Unlike supply side incentives, housing allowances are able to respond to the housing problems of low income immediately and without the extensive time lags associated with new construction. This is seen as a more direct and efficient way to tackle the problem, at least in the short run. Some of the literature suggests that housing allowances, because they are also normally available on a mass basis, are more equitable, at least in relation to public housing. This does not hold true when compared to an income support program though, because under a housing allowance scheme, the amount of assistance relates to the cost of housing as well as income levels. Thus, equal treatment for all recipients in the same income category may not be achieved.

From a public policy perspective, some of the arguments in favour of a housing allowance scheme include statements that it saves the government from the long term commitment and large capital outlays associated with public housing; that it reduces the costs of administration; and perhaps most importantly, that it diverts mounting pressure from social welfare groups for a more direct income redistribution program.

The cost effectiveness of housing allowances is sometimes cited as a positive factor as well, but this largely depends on the schemes to which it is being compared. For example, housing allowances are generally

thought to be less cost effective than direct income support because the housing requirements attached to the assistance limit recipients' freedom of choice somewhat. On the other hand, in the case of public housing, recipients have even less choice about the amount of housing they consume, and as such are felt to "benefit" considerably less than the full amount of their assistance. In this comparison, then, housing allowances indeed get the favourable rating.

Like other demand-side incentives, the basic flaw of a housing allowance scheme lies in its sole reliance on the private market to respond appropriately to the needs of low income households. Evidence indicates that this is not always the case²³. Increased purchasing power in the hands of the poor leaves unchanged the numerous imperfections of the market place, which can severely hamper their efforts to obtain decent housing. The use of housing allowances ignores the existence of bias and prejudice in the housing market, which can ultimately distort the allocation process. The mere ability to pay by no means guarantees that a consumer will be able to obtain accommodation which he feels is both adequate and suitable. The housing allowance approach also pays insufficient attention to the peculiar circumstances of each local housing market and its various sub-markets. Like the "incomes policy" approach, it assumes

23. See MacMillan, J. A. and Plesniarski, G., op. cit. and U.S. Department of Housing and Urban Department, A Summary Report of Findings from the Experimental Housing Allowance Program, April, 1978.

the sole cause of housing problems is inadequate incomes. No consideration is given to the supply situation, which in the case of the low income housing market is characteristically plagued by shortages, low vacancy rates and little or no new construction. Again, as it was suggested in the discussion of the income support approach, demand subsidies are not seen as the most suitable response when people are living in substandard housing and alternate vacant accommodation is in short supply. Generally, when there is an inadequate supply of housing available to the target group or during what might be termed a "tight" market period, the provision of housing allowances would simply increase rents, put more money in the hands of landlords and lead to no improvement in housing standards. In fact, under most market conditions, elimination of substandard housing and expansion of supply will have to be dealt with outside the scheme.

Lastly, from an administrative point of view, a major disadvantage of the housing allowance approach, or for that matter any demand subsidy plan, is the lack of control of costs over time. This is due in part to the total reliance on private market housing. It is also argued for this same reason, that most schemes involving the private sector fail to provide any long term security for the recipient.

Hartman sums it up quite well.

"The housing allowance is only part of a good idea. It fosters the principle of individual choice in the housing market . . . , but it takes no steps to ensure that market conditions will be such that the low income consumer can truly have free choice or satisfaction. With the present realities of housing conditions and the housing market . . . , unless the government is, in fact, willing to intervene forcefully in the workings of the private market, the housing allowance program will prove to be no more than yet another subsidy program for the private sphere - the poor will benefit only marginally and the near poor will likely be harmed"²⁴.

PUBLIC HOUSING

Public housing represents a useful focus through which to discuss the pros and cons of supply side subsidy programs, at least as they relate to low income housing. Although public housing refers to a specific program in the context of the National Housing Act²⁵, an examination of its program structure and past performance has useful application to other publicly assisted housing programs. By and large, most programs involving provision of housing for the poor have common approaches and tend to impact on the market place in a similar fashion. Also, public housing for the most part, has been the only program advanced to date which truly provides housing for low income Canadians and as such, it seems appropriate that it serve as the frame of reference for this review.

24. Hartman, C. W. Housing and Social Policy, Prentice-Hall Inc., N.J., 1975 P. 159

25. Sec. 40 and Sec. 43 of the N.H.A.

Generally, public housing has been a useful vehicle for providing housing for the poor. It is relatively good quality housing, allowing low income families to live in much better accommodation than they could find or afford on the private market. It helps fill the void left by the market's inability to respond to the needs of certain household groups, namely the low income, whose needs are just not backed up by the necessary purchasing power to compete.

Most supporters of the program inevitably point to its performance on the supply side of the housing question to lend credence to their argument. For example, units not normally existing in the housing stock, or at least in the quantities required by low income households, can be provided through the construction of public housing. Being dwelling specific, this form of intervention into the market has the added advantage of being able to be geographically targeted, providing much needed accommodation in the core area and other neighborhoods where the poor tend to reside. Development of public housing can also provide lasting aid to some of these areas that private industry, by its very nature, ignores because of the lack of profitability. Government intervention, then through the direct provision of housing could much more effectively meet the physical housing needs of the population and in particular those household groups not normally well served by the traditional market mechanisms.

On a more macro scale, this approach to the housing problem has the advantage of expanding the total housing stock, which in most market situations can have a dampening effect on rising prices. It is sometimes argued that during periods of short supply and high prices, the provision of public housing units could help alleviate serious shortages and in less

tight markets, could encourage the maintenance and rehabilitation of marginal units.

Another ascribed advantage of a supply-oriented strategy such as public housing, relates to the effect the addition of a number of new units can have on the market. Certainly, in the low income housing sub-market, it can be argued that even small increments to the supply can begin to counteract or relieve the pressure created by deletions to the stock. This is especially significant in markets where a large percentage of the stock is very old. As the housing stock ages, demolitions and closures increase in frequency, and place a great deal of pressure on what can be seen as a fixed supply. Most deletions take place in the low income housing sub-market (i.e., being the older and often cheaper stock, these units are often occupied by the poor), whereas most additions to the stock occur in the middle and upper income sub-markets. If the private housing industry does not see this market as economically viable, then the onus must fall on the public sector to intervene with supply stimulating measures if serious shortages are to be avoided. Clearly, under some circumstances replacement housing, such as is achieved through a public housing program, becomes a necessity.

One undeniable argument in support of some form of public housing relates to its income penetration. It is the only housing vehicle launched to date which has deep enough subsidies to reach down to the lowest income groups and serve those households with the greatest need. Public housing is allocated on the basis of need and subsidies are provided in inverse proportion to income. In this context, then, having the capacity to provide decent accommodation to the poor at rents they can afford is

perhaps the program's greatest benefit.

Although somewhat less convincing, the case for public housing has on occasion been advanced from a financial perspective. One might argue that during periods of higher than average inflation rates in the housing sector, it might be more beneficial to government in the long run to use the vehicle of public housing to house the nation's poor, rather than other forms of assistance which must rely on the private sector. Through the public provision and ownership of housing, the public sector can retain the benefits of any capital appreciation to the asset, rather than having it accrue solely to the private sector. In the latter case this appreciation may ultimately translate into increased subsidy demands which must then be borne by the government in order that the same number of people be housed.

Housing policy has often been used as an instrument to support national economic policy²⁶. In the past, public housing or other supply oriented strategies have been used to stimulate the construction industry and help pull the economy out of a cyclical downturn. According to some analysts, using supply stimulating measures such as the funding of public housing, is a far more effective way to meet this objective than alternate demand stimulation measures. Supply strategies "encourage increases in residential construction, just as does stimulating demand, but it has the added advantages of promoting price, rent and supply stability"²⁷.

26. See Chapter III.

27. Shaffner, R., Housing Policy in Canada, C. D. Howe Research Institute August, 1975, P. 21.

The concept of public housing and its manifestation has been the subject of great controversy over the years. A great deal of the existing information on the subject contains a negative bias, originating back with some of the large scale urban renewal projects in the States. These hi-rise monstrosities are by no means characteristic of public housing and, in fact, are unheard of in the Canadian experience with the program, but still they remain a dark shadow hanging over the program's credibility.

Before public housing had progressed beyond the infant stage in some parts of the country, two federal task forces²⁸ had recommended against its continuation. The reasons were numerous: "poor locations. . . ; problems of design caused by cost cutting or attempts to build outstanding housing for the poor; high density, hi-rise housing dictated by cost concerns; insensitive management. . . ; the negative attitudes of administrators, surrounding neighborhoods and the public generally"²⁹.

Public Housing has been characterized as ghettos for the poor. It has been blamed for "undesirable" social effects on the neighborhood. Property owners claim it will lower their property values (although the evidence does not support such a claim)³⁰. Clearly, the most frequent criticism of the program centres around this argument that housing produced solely for the poor carries with it an inevitable stigma.

28. Report of the Federal Task Force on Housing and Urban Development January, 1969 and Dennis, M. and Fish. S., Low Income Housing Study Group Recommendations, April, 1972.

29. Dennis, M. and Fish. S., Op. Cit., P. 218.

30. Mostoway, T., Impact of Public Housing on Real Estate Values (3 reports) and Nourse, H., "The Effect of Public Housing on Property Values in St. Louis", Land Economics, November, 1963

To the negative reactions of the community must be added the concern of governments with what they view as the long term "staggering" costs of the program subsidies. As C.M.H.C. argued in their evaluation of the program in 1977, "When the subsidy per unit was modest, the public housing program presented an array of benefits. Now that the annual subsidy for each additional unit is so high, the program is probably less attractive to taxpayers and policy makers"³¹.

High construction costs, land costs and financing costs have increased the basic cost of providing new public housing with the result that subsidies per unit have escalated dramatically in recent years. It is hardly fair to argue, though, that this is a problem peculiar to public housing, because it is not. If there is any commitment at all to providing shelter to the nation's poor at rents they can afford, then subsidies in this order will be necessary regardless of whether the housing is public or private, if the units have to be built at today's costs. On the other hand, the implication that government is spending too much to house these people should be examined in relation to the housing related subsidies going to middle and upper income groups through our tax system.

A frequent criticism of public housing, or more generally, unit-tied subsidies, is that the program fails the test of horizontal equity; that is, they fail to treat individuals in similar circumstances equally. The

31. Black, D. M., The Public Housing Program: A Preliminary Analysis, February, 1977, p.vi.

contention is that because of the structure of the delivery mechanism, some households are unable to gain access to a public housing unit and are, therefore, being denied not only the use of the capital facilities, but access to the ongoing subsidies attached to the unit as well. These same critics argue that such resources could be more effectively used if they were thinned out and shared among all eligible households, although the amount might be so infinitesimal that access to decent housing is denied everyone. This kind of argument fails to recognize that the inability to house all needy households adequately is a result of limited funding levels, not the structure of the program itself. Any program which is not fully funded or attempts to deal with the housing problem incrementally, can be attacked in this regard.

In the same way that housing allowance schemes were criticized because they forced households to consume a level of housing they may not have otherwise chosen, public housing, too, is seen as not particularly cost-effective. Again, the cost to government may technically be higher than the benefit to the subsidy recipient, when looked at in these terms.

Like the other schemes, there are pros and cons to using the public housing approach in dealing with the housing problem of low income Canadians. For the most part, an evaluation of the effectiveness of such an approach can only properly be done in the context of a given market situation and a particular set of housing problems. Different strategies are naturally appropriate under different conditions.

CONCLUSIONS

This Chapter has documented the nature and extent of the housing problems that remain to be addressed by public policy. In addition it has provided an overview of the basic options available to government in the development of such policy.

The section on housing problems suggests that, for the most part, the focus of Canada's housing problems has shifted from the traditional concerns related to inadequate housing quality and quantity to the issue of affordability. And as one might expect, in this context, the greatest hardships are suffered by the poor.

Although it was not possible or practical to generate a thorough discussion of "need" in an exercise of this kind, the information presented in this Chapter clearly suggests housing pressures are most severe in the rental market and more particularly for certain consumer groups such as the single parent households, middle-aged families and elderly non-family units. For a number of these low income households, the situation has gotten worse too. Not only have the country's housing policies failed to fully meet their needs, but the inequality of the income distribution of the market place and the inequities embodied in our income tax system, have also worked against them.

In Winnipeg, while the dimensions of the affordability problem, for the most part, appear to be similar to that at the national level, Winnipeg's local market conditions appear to make the situation here somewhat unique. The supply of low cost rental housing is under tremendous pressure, due in part to the large quantities of poor quality housing, the increasing rate of demolition and abandonment and the recent freeze on public housing

which is essentially the only real source of replacement housing in this income sub-market. With these kind of dynamics operating in the market place, coupled with Winnipeg's comparatively low income levels, it seems a certainty that the affordability problems of low income households here will get even more extreme. Quite clearly, it is the housing problems of low income households, in particular single-parent households, large families and the single elderly that require government assistance the most.

Generally assistance for these household groups can be provided via income transfers, income assistance specifically targeted for shelter or through direct provision of housing units at subsidized costs.

The overview provided in the latter half of the Chapter, of these basic options reasoned that the appropriateness of one approach over the other could not properly be examined in isolation from what was happening in the market place or in government. Different and often changing conditions in any given market situation would dictate different responses by governments.

The most appropriate form of intervention at any particular point in time is therefore, primarily dependent on two factors: the objectives and priorities of the government in power and the prevailing market conditions.

According to the information presented in this Chapter, general income assistance or alternately, housing allowances, can be contrasted to a public housing approach chiefly by their laissez-faire attitude toward the market supply of housing services. Housing theorists argue that where the supply of housing is in reasonable balance with the demand, such demand

stimulating measures can indeed work. However, they are clearly inappropriate in market situations characterized by shortages, sub-standard dwellings or low vacancy rates. In these circumstances, sole reliance on supporting demand would undoubtedly put intolerable pressure on an already constricted supply of housing and would do little to improve overall housing conditions. Housing supply programs, on the other hand, provide a way to prevent such market distortions.

Overall, the Chapter builds a case for public sector intervention on behalf of low income rental households, in particular single parent households, large families and the single elderly. The Chapter also provides some direction as to what form that intervention should take.

For example, the discussion on the structure and rigidity of our income distribution system and its apparent resilience over time to social policy intervention, suggests that solutions to these housing problems at least in the foreseeable future, will have to include some form of housing initiatives if the needs of the poor are to be adequately addressed. Mere income transfers through housing allowances or income supplements may not be enough.

The examination of the specific market situation facing low income households in Winnipeg also lends support to an argument for some supply-side housing initiatives.

The low income rental sub-market for families³² seems faced with the prospects of an accelerated rate of deletion from the stock through demolitions and abandonments, together with little likelihood of any low cost replacement housing being built, because of changes in Federal programming and the Manitoba Government freeze on family public housing. In turn the discussion on policy options suggests that income transfers through housing allowances or income supplements in this kind of market would merely put additional pressure on an already shrinking supply.

In the Winnipeg market then, this review suggests that some supply-side initiatives are required (although not necessarily sufficient) if the housing problems of low income families are to be adequately addressed.

32. The pressures facing the low income elderly do not appear nearly as great as for families primarily because of government initiatives such as SAFER and the ongoing funding of the Elderly Persons Housing Program and the Non Profit Program which result in continual additions to the housing stock on their behalf.

CHAPTER III

THE INTERGOVERNMENTAL POLICY ENVIRONMENT AND THE IMPACT ON PUBLIC HOUSING DEVELOPMENT

Abstract: This Chapter provides an overview of governments' past intervention in the housing market and analyzes the impact this has had on the housing problems of the poor.

INTRODUCTION

The last chapter documented a need for public sector intervention in the housing market on behalf of low income households. This Chapter now goes on to examine governments' record in this regard. An overview of housing policy at each level of government is presented, in an effort to document what impact governments have had, either individually or as a system, in ameliorating the housing problems of the poor.

This investigation is critical to the overall exercise because it will serve to illustrate that with the exception of the Public Housing Program past government intervention in the housing market has been on behalf of middle and upper income groups rather than the lower income.

Further, since today's Public Housing Program is part of a broader evolution of housing strategy, it is important that any examination or analysis of the program place it into this historical context. This will provide a basis for understanding the development of Public Housing here in Winnipeg as well as provide an insight into the very real constraints the program was facing in public policy terms.

The evolution of housing policy at the two senior levels of government seems to have gone full circle, with policy emerging now that closely resembles the posture taken by the public sector back in the 1940's and 50's. Housing policy can be traced from governments' first perceived mandate of supporting and enhancing the functioning of the market; to the role of governments intervening directly into the operation of the market in the late 60's and early 70's; through to the present time which bears witness to the withdrawal of government interference in favor of a private or free market system again.

One indicator of this shift in government policy is (as some describe it), the "rise and fall" of the Public Housing Program. The program got off to a slow start, then during the late 60's and early 70's there was a very rapid expansion in the program and then more recently, government has served notice of the program's discontinuance. An analysis of housing policy as it relates to low income households then is critical, if only to illustrate the impetus or rationale behind this apparent "rise and fall" of the Public Housing Program as an effective policy instrument for meeting the housing needs of the poor.

A review of government housing policy is complicated by the federal system and its evolution. Although housing is interpreted to fall within provincial jurisdiction according to the B.N.A. Act, in practice all three levels of government have accepted some responsibility in the area. Economic limitations of the Government of Manitoba and in turn, the City of Winnipeg have magnified this dependancy relationship with the Federal Government.

The discussion of housing policy at the different levels of government then will also serve to illustrate how evolving federal-provincial-municipal relations in this area have helped to frustrate the housing needs of the low income.

Overall, the Chapter provides some appreciation of the context in which the Public Housing Program was conceived and the problems it was expected to address. It also highlights the role played by governments, functioning as a system as well as individually, in the development and application of programs such as Public Housing, which target their assistance towards the needs of the poor.

FEDERAL HOUSING POLICY

The role of the Federal Government in the field of housing dates back to the 1930's. At the time, the country was suffering from the economic ills caused by the Great Depression. In part to provide some relief from these difficulties, the government passed the Dominion Housing Act in 1935, which was subsequently replaced by the National Housing Act in 1938. This legislation was intended to counteract some of the difficulties of the day, by providing loans jointly with financial institutions for the construction of new homes for middle and upper income groups³³. Stimulating housing construction was seen as a method of combatting unemployment. There was no doubt that "The fundamental intention of the legislation was more economic ... than social"³⁴, and this theme was to remain the primary thrust of federal housing policy for many years into the future. In fact, since these first incursions into the housing field, economic objectives have always played a prominent role in federal housing policy.

Again in 1944, the legislation was amended and assistance substantially widened to offset the threat of high unemployment and continuing housing congestion following demobilization of the armed forces after the war.

33. Loans were limited to between 70% and 80% of lending value and were provided 1/4 by the federal government, 3/4 by the lending institution. Only those individuals who could afford the 20% downpayment could benefit by the provisions.

34. Wheeler, M., The Right to Housing, Montreal: Harvest House, 1969 P. 78.

Another amendment in 1945 provided for the establishment of a crown corporation, Central Mortgage and Housing Corporation, on January 1, 1946, to administer the National Housing Act. This marked the beginning of a significant federal presence in the field of housing. C.M.H.C. assumed the direct lending role implied in its Act and its activities as a residual lender in the mortgage market, confirmed the growing federal interest in stimulating private production of housing. The philosophy though, was clearly to assist rather than replace the traditional market mechanisms.

It was not until 1949 that the government deviated from this thrust somewhat and introduced the first provisions enabling subsidized public housing for low income people to be constructed under a federal/provincial partnership. The new partnership arrangement (Sec. 35 of the National Housing Act - now Sec. 40) provided for 75 - 25% cost sharing between the two senior governments in the construction and operation of the low income units. For a couple of reasons, the take-up of this particular program was very low. First, the requirement that a clear and definite local initiative precede the utilization of the federal/provincial partnership prevented the building of public housing in many communities. Some municipalities were not able, or in some cases willing, to raise their required financial commitment which ranged from a low of 7 1/2% in Ontario to the full 25% in provinces such as Alberta, Manitoba and Nova Scotia. The long and cumbersome approval process imposed by the Corporation also hampered the program's take-up rate. Predictably, the program's achievements were rather unimpressive. By 1960, the country had less than 15 000 units available to house low income households. Some argued, however,

that "under these conditions, it was indeed remarkable that any public housing accommodation was built at all"³⁵.

This vague response to the housing needs of the nation's poor represented the first hint that the federal government was beginning to view housing as more than an economic lever, but in certain instances as a social need.

Basically, federal involvement in the housing field remained relatively minor until the mid 1950's when C.M.H.C. shifted its role from that of a joint lender to primarily that of an insurer. This had a tremendous expansionary effect on the mortgage market resulting in a corresponding increase in the flow of assistance to middle and upper income families through the additional supply of mortgage money. In 1957, the government also substantially extended its direct lending activity, with the chief objective of bolstering the sagging housing construction industry. This move was significant in that it represented the first use of housing as a major stabilization tool.

The real turning point in federal housing policy, however, came with the 1964 amendments. Most of the social provisions of the National Housing Act were rewritten and for the first time since the introduction of federal housing legislation, the needs of the poor were given serious consideration.

New sections were introduced and old provisions broadened. Under a

35. Wheeler, M., op. cit. p. 84.

new provision (Sec. 16A - now Sec. 15), the Corporation was able to make long-term low interest loans to non-profit organizations for the construction of low rental housing. For the purposes of this section, a non-profit corporation included those owned by a province or a municipality, as well as a charitable organization. This provision substantially broadened the previous Section 16, the so-called limited dividend section, which provided for loans to be made at favourable interest rates to limited dividend companies who agreed to restrict themselves to a 5% return on investment. In retrospect, the program was only marginally successful in producing "low rental" housing. Essentially, private builders were only induced to get involved in such projects during slow construction periods. Even then, the housing could not accurately be called "low rental" housing since rents were set at full recovery levels. Because rents were not subsidized beyond the implicit subsidy resulting from the advantageous interest rate charged on the mortgage, in reality the units were accessible only to moderate or middle income households (i.e., those not eligible for public housing). The extension of this activity to government and other non-profit corporations was important, then, in only one respect. It increased the supply of modest income housing. Certainly in the case of elderly persons housing, the amendment was a key factor in sponsoring the development of a number of projects.

The most significant amendments respecting housing for low income were the changes to the public housing provisions. The original 1949 federal/provincial partnership arrangements, with the 75-25 cost-sharing of capital costs and operating losses, were retained and a second vehicle was introduced to build and operate public housing. This new loan

arrangement substantially broadened the scope of the public housing section. With the enactment of these new provisions (Sec. 35D and E - now Sec. 43 and 44), the Corporation was allowed to make 90% loans to provinces, municipalities, or their agencies for the construction or acquisition of public housing accommodation for low income individuals or families and to make contributions of up to 50% of operating losses on such accommodation. Provision was also made for a program of land acquisition for public housing purposes, with the Corporation permitted to make loans of up to 90% for this purpose (sec. 35C - now Sec. 42).

Although the new loan arrangement provided for a decrease in the maximum federal subsidy for operating losses in comparison to the partnership technique, the 15% increase in capital contributions towards public housing served to promote provincial and municipal initiative in the long run. It also gave the provinces greater freedom of operation by restricting C.M.H.C.'s participation to that of a banker.

In some ways, the enactment of these 1964 provisions served to mark a new level of commitment by the provinces to the housing of low income people. There is no doubt that the intent of the federal government was to induce the provinces to take a more active role. At least in part, they responded. By 1968, virtually every province had created a provincial housing corporation. Varying financial capabilities and political philosophies, however, resulted in different perceptions among the provinces as to their responsibilities in this area. The subsequent initiatives of these provincial corporations, in taking advantage of federal funding, in turn reflected this diversity of interpretations. Demands for federal funds did increase significantly, though, with

provincial involvement in the area, as can be seen from the following table.

TABLE III.1

HOUSING ASSISTANCE UNDER SEC. 40 AND 43 OF THE NATIONAL
HOUSING ACT (1960-78)

<u>Year</u>	<u>Sec. 40</u>	<u>Sec. 43</u>	<u>Total</u>
1960	6 221	-	6 221
1961	6 009	-	6 009
1962	4 215	-	4 215
1963	10 763	-	10 763
1964	8 246	-	8 246
1965	4 566	15 747	20 313
1966	7 404	42 881	50 285
1967	15 070	99 467	114 537
1968	16 248	93 995	110 243
1969	15 151	189 094	204 245
1970	24 916	217 906	242 822
1971	27 532	270 072	297 604
1972	26 779	216 872	243 651
1973	40 915	194 687	235 602
1974	52 843	206 455	259 298
1975	24 730	282 942	307 672
1976	47 539	284 272	331 811
1977	31 664	131 481	163 145
1978	44 344	133 855	178 199

Source: Canadian Housing Statistics, 1978, Table 59 and 62.

With the 1973 amendments to the Act, housing policy underwent yet another transformation. Inflation, coupled with the adoption of the belief that housing was no longer "simply an economic commodity.. but a social right", resulted in a significant expansion of government housing expenditures along with a new set of priorities. While production levels for low income people did increase, a number of new subsidy arrangements were introduced for those of moderate or average income. Program initiatives seemed to emphasize the production of moderately priced home ownership and rental units.

Mortgage subsidies, through a system of interest-free loans and grants, were introduced under an Assisted Home Ownership Program (Secs: 34.15 and 24.16) to help lower income families purchase homes. Unfortunately, the program was primarily of benefit to young moderate income households, who for the most part, also seemed likely to have the greatest prospect of income increases in the future³⁶. The incomes of poorer families were simply too inadequate or unstable to take advantage of the assistance.

Additional Non-Profit Housing Assistance (Sec. 15.1) was announced through the introduction of 100% loans, "start up" funds and a contribution of up to 10% of the cost of the project. The provisions for co-operative

36. In 1976, 85% of A.H.O.P. loan recipients had incomes over \$14 000 per annum and 80% were aged below 35, according to An Evaluation of Federal AHOP (1976), done by Irwin Lithwick for CMHC in February, 1978. See Table 2.3.

housing were also extended. Urban renewal was abandoned in favor of neighborhood improvement and land assembly was promoted into a major program. Again, for the most part, the benefits accrued to those of average incomes rather than the households with truly "low incomes".

A change of interpretation of Section 44 (which provided for operating subsidies for public housing projects built under Sec. 43) extended rent-gear-to-income subsidies to units leased from private entrepreneurs. This resulted in the emergence of the private rent supplement program. At the same time, new provisions were added to allow for the attachment of a rent subsidy program to housing co-operatives.

It was clear that with the exception of the rent subsidy initiatives, there was a definite tendency on the part of the government to focus assistance on moderate and middle income families, rather than the poor. This new proliferation of housing program subsidies seemed to reflect a discrete but conscious move on the part of the federal government, away from the high cost of providing housing for those of truly low incomes.

This same general trend continued through later amendments to the Act as well. The introduction of cash grants in 1975 to first time home buyers clearly stepped up the level of assistance going to average income households, with little or no regard for the problems faced by the low income households. The same was true of the Assisted Rental Program which was developed in 1975 to replace the Limited Dividend Program. Through the provision of interest free loans and preferential income tax treatment, entrepreneurs were induced to build "moderately priced" rental housing. Because of the nature of the subsidy/loss relationship and the tax treatment, the developers found that they were better off

building more expensive units, with the result that while the program was indeed successful in increasing supply, the developments primarily served to satisfy only middle and upper income demand.

Again in May of 1978, the Minister responsible for C.M.H.C. announced some "New Directions" for federal housing policy and programming. The objectives of the proposed amendments seemed to focus on the provision of modest and affordable housing via private initiatives and public non-profit corporations. Virtually all social housing was to be financed through private lenders instead of the federal government in order to make "fullest possible utilization of private sector capital"³⁷. Under the realignment of programs, Sec. 43, the Public Housing Program, and Sec. 44, (1). (b), which provides rental subsidies in co-operatives and non-profits were terminated and replaced by a new non-profit program. In fact, this new vehicle was to replace the previous funding arrangements for non-profits and co-operatives as well. The new program, involving loan insurance and an interest write down provision for a privately secured loan was to represent the full extent of future federal subsidies towards the housing of low income people. The intent was that the non-profit format, applying to both private and public corporations, would in fact, serve as the central element of the new Federal social housing package. A.R.P. and A.H.O.P. were both discontinued in favour of a graduated payment mortgage scheme³⁸, although these programs were never really intended

37. C.M.H.C. News Release, Hon. Andre Quellet, May 5, 1978

38. A Graduated Payment Mortgage (GPM) is simply a mortgage whose payment schedule has been rearranged so that monthly payments start at a relatively low level, gradually increase and then level out. There is no subsidy involved, either in an interest write down or grant.

to be low income programs in the first place. Funds previously available through the N.I.P. and R.R.A.P. Programs were channelled through a block funding arrangement called the Community Services Contribution Program.

The basic principle underlying this rather dramatic shift in federal policy is clearly one of federal disentanglement. While this may sound like a major break-through at first glance, the real motivation seems to be to get out of some of the open ended subsidies inherent in some of the old programs such as public housing. In essence, this shifts the responsibility for housing to lower levels of government who must in turn seek the assistance of the private sector. In this respect it appears that evolving federal-provincial relations, rather than facilitating the development of housing programs for the poor have served as a constraint. As a result the housing needs of the poor are sacrificed in the process.

Finally, to properly round out the picture of federal housing policy, it is important to mention some of the non-specific housing policies that either were introduced or already in existence during this period, which ultimately exercised influence over the behaviour of the housing market. For example, some of the provisions of the Income Tax Act such as the exemption of one's principal residence from capital gains tax; no tax on imputed rents; the non-taxable Registered Home Ownership Savings Program for future homeowners; and the favourable capital cost allowance provisions for multiple unit residential buildings, all tend to reinforce the governments overriding emphasis on home ownership. Generally, the distribution of benefits arising from these provisions is consistent with the apparent emphasis embodied in the National Housing Act on the middle and upper income groups.

In summary, it appears that the fate of low income households in their search for decent and affordable housing has, to a large extent, been at the mercy of the policy and programming decisions of the Federal Government.

Prior to the late 1960's, Federal influence was focused primarily in the mortgage market and could be characterized by a clear bias towards home ownership and a preoccupation with maintaining low unemployment and improving conditions in the economy. It was not until the mid 1960's and particularly since 1970 that the government began to treat housing as an instrument of social policy. In fact, only with the legislative changes to the National Housing Act in 1964, which introduced a new vehicle for delivering public housing, was any serious consideration given to the provision of housing for low income Canadians.

The establishment of provincial housing corporations in the late 60's reinforced this policy shift and expenditures on low income housing began to increase. For the first time, the needs of the poor were given some recognition and priority. Since the mid 70's though, we have witnessed a marked return to policy thrusts and program emphases which channel benefits primarily to the middle and upper income groups. Mounting concern about the rising costs of home-ownership, the recent obsession with "spiralling" government expenditures and the negative political reaction to public housing are partly to blame. Whatever the reasons, the influence of the Federal Government in the field of housing is obvious. In fact, given the dominant financial role played by the Federal Government it is fair to say that the current and future viability of low income

housing, and more particularly public housing, in large part rests with the Federal Government.

PROVINCIAL HOUSING POLICY

While it is clear that the Federal Government has figured prominently in the shaping of policy and program responses to the housing problems of the poor in Manitoba, the role played by the Provincial Government should not be underrated. Utilization of federal programming was clearly contingent on provincial initiative and as such, provinces ultimately could be seen in one of two ways - as part of the solution or as part of the problem.

Different political parties have quite different philosophies on government intervention in such aspects of the economy as the housing market, with the result that the commitment to housing for low income households varied with changing provincial administrations. Certainly in Manitoba, the particular ideology of the government of the day became an influencing factor in the extent to which federal funding opportunities for low income housing were taken advantage of.

From the following Table, it is quite clear that very few federal dollars came to Manitoba for the construction of public housing, prior to 1971. In fact, up until 1969, the extent of the public housing program in the province consisted of 568 units, initiated by the City of Winnipeg under the Federal/Provincial partnership arrangement.

TABLE III.2

MANITOBA'S SHARE OF FEDERAL CAPITAL
ALLOCATION TO PUBLIC HOUSING
(1950-1978)

<u>Year</u>	<u>Units</u>	<u>\$(000)</u>	<u>Manitoba \$ as % of Total Allocation</u>	<u>Manitoba Population as % of of Total Population</u>
1950-69	568	7 301	4.1	5
1970	864	10 423	4.6	4.5
1971	3 743	43 361	15.9	4.5
1972	2 356	31 054	13.9	4.5
1973	222	1 687	1.3	4.5
1974	708	14 293	7.3	4.5
1975	1 210	30 449	11.9	4.4
1976	1 975	49 609	18.8	4.4
1977	888	21 971	16.7	4.4
1978	500	13 869	10.3	4.3

Source: C.M.H.C. Canadian Housing Statistics, various years.

The minimal role played by the Province in the provision of low income housing up to this point in time, was in large part of a reflection of the priorities and attitudes of the government in power. For the most part, housing was not viewed as a provincial responsibility. Up until 1967, with the passing of "The Housing and Renewal Corporation Act", the only housing legislation on the books in the province was enabling legislation, permitting municipalities to participate in federal programming under the National Housing Act. The legislation itself was quite clear in its absence of any provincial commitment. Referring to the

75/25 cost sharing involved in the construction of public housing under the 1949 N.H.A. partnership arrangement, the provincial Act specified that "The twenty-five per centum share of the Government of Manitoba to which reference is made in subsection (2) shall be assumed by the municipality entering into an agreement under Section 4..."³⁹.

Under another provision of the 1950 Act (Sec 6 (1)), municipalities were required to submit to their rate-payers any proposals for constructing public housing units⁴⁰. Quite clearly then, the extent of provincial involvement in the provision of low income housing during this period was rather limited. In fact, if the province was seen to play any role at all, it was that of a constraint.

On June 21, 1967, "The Housing and Renewal Corporation Act" was officially proclaimed. According to the legislation, the purpose and objectives of the Act were "to improve standards of living accommodation in the Province and to assist residents of the Province to obtain living accommodation of reasonable standards". To accomplish this, the newly formed Provincial Housing Corporation was authorized to enter into agreement with Manitoba, Canada, municipalities or with any or all of these. Such a broad approach clearly gave the Corporation the potential to play a meaningful role in

39. "The Housing Act, 1950", Sec. 3 (3).

40. Since rate-payers were home owners, it was unlikely that they would approve a money by-law designed to finance the construction and operation of subsidized rental public housing projects.

dealing with the housing problems faced by the poor here in the Province.

That potential was not utilized, though, at least not in the first two years of the Corporation's existence. The Conservative Government of the day saw the role of M.H.R.C. as primarily one of providing information and assistance to municipalities regarding programming and funding opportunities available from the Federal Government. The initiative remained clearly with the municipalities.

Few municipalities, however, showed any interest in public housing, primarily because of the requirement in the legislation (Section 21) that they contribute one-half of the provincial share of the capital costs and operating losses⁴¹. This policy void was underscored by M.H.R.C. in the Corporation's second annual report in 1968. The Chairman of the Board noted that,

"Although the activities of the year both in Manitoba and the rest of Canada indicate a growing need for adequate housing, it is becoming apparent that very little public housing will be built as long as municipal initiative is required . . . (further) . . . Before an equitable housing program can be evolved, it will be necessary for one agency to set the priorities and take the initiative"⁴².

41. For Sec. 35D (NHA) projects, this meant the municipality has to contribute 5% towards the capital costs and 25% of the annual operating losses. Under 35A projects, it meant a contribution of 12 1/2% on both capital and operating.

42. M.H.R.C. Annual Report, 1968-69.

Under the N.D.P. Government, the Corporation did assume this lead role. In fact, the Government felt the provision of low income housing was enough of a priority that in 1970 the requirement for municipal financial participation in public housing projects was dropped altogether.

The activities of M.H.R.C. were then stepped up considerably. By 1971, Manitoba had increased its share of the total Federal allocation to public housing from 4% (in the pre 1969 period) to almost 16% (see Table III.2). This was quite significant, given that Manitoba did not even comprise 5% of the country's population.

The extent of the Government's commitment to the housing problems of the poor can best be exemplified though by the magnitude of the program request submitted to C.M.H.C. for the five year period beginning in 1971. M.H.R.C. had prepared a housing program which received Cabinet approval calling for the construction of 21 800 units of public housing in the five year interval from 1971-75. Manitoba Housing ran up against a number of difficulties in attempting to implement such a massive program and by 1975 they had fallen short of the target by more than 12 000 units. In fact, as Table III.3 indicates, only slightly over 12 000 units have been built in the province to date.

TABLE III.3
PUBLIC HOUSING ACTIVITY IN MANITOBA

	<u>Winnipeg</u>			<u>Rural</u>			<u>Total</u>	
	<u>EPH¹</u>	<u>FPH²</u>	<u>Total</u>	<u>Total</u>	<u>EPH</u>	<u>FPH</u>	<u>EPH</u>	<u>FPH</u>
Pre 1969	105	463	568	-	-	-	105	463
1969	-	-	-	100	-	100	-	100
1970	474	353	827	395	214	181	688	534
1971	2 049	1 016	3 065	718	369	349	2 418	1 365
1972	613	100	713	880	507	373	1 120	473
1973	313	67	380	313	120	193	433	260
1974	97	23	120	445	202	243	299	266
1975	314	340	654	447	164	283	478	623
1976	823	669	1 492	430	215	215	1 038	884
1977	-	283	283	449	373	76	373	359
TOTALS	4 788	3 314	8 102	4 177	2 164	2 013	6 952	5 327

1. EPH - Elderly Persons Housing

2. FPH - Family Public Housing

Source: Compiled from M.H.R.C. and W.R.H.A. statistics.

This data also suggests that M.H.R.C. encountered a number of difficulties in delivering the public housing program in Winnipeg. While there has been a fairly even and continuous level of activity in rural Manitoba, in Winnipeg the program has suffered from tremendous fluctuations. More particularly, the delivery of family public housing

12.

seems to have posed the greatest problem. In fact, from 1972-74, very few family units in Winnipeg received approval. No doubt this was partly a reflection of M.H.R.C.'s inability to acquire enough suitably zoned land on which to construct the units. The inadequate supply of quick start vacant land in the inner city, and the degree of concentration in the land holding pattern in the suburbs were certainly impeding factors. Resistance from local residents to public housing in their neighborhoods, along with the resultant opposition in the City of Winnipeg to rezonings anywhere in the suburban areas also tended to exacerbate the problem.

Despite these frustrations, M.H.R.C. has taken great strides in tackling the housing problems faced by the Province's low income households, both inside and outside the City. There is no question but that the public housing program has provided a significant number of people with decent housing at affordable rents and at a pace and scale unlikely to be attained by other programs.

The program's achievements, at least in quantitative terms are largely a result of the priority attached to the housing problems of the province's poor during the term of the N.D.P. Government. Apart from that which is implied in a review of program emphasis, the enunciation of this priority in policy terms was clearly stated in a Government Policy document: Guidelines for the Seventies. At that time the Government indicated that one of their primary objectives was:

"the provision of adequate housing for all Manitobans by 1980... adequate housing in an acceptable residential environment and costing a reasonable proportion of ... income"⁴³.

The election of the Conservative Government on October 11, 1979 marked a dramatic shift away from the policy and program emphasis of the previous administration. Several government pronouncements shortly after the Conservatives assumed office indicated there would be a sharp break with the public housing program. Early in 1978, the Minister responsible for M.H.R.C. indicated that "the government was definitely getting out of construction of new public housing units for low income groups"⁴⁴. Even further, he was quoted as saying that, "(he) would ... like to get out of providing the rental subsidies on existing units, but (that) it seem(ed) to be impractical"⁴⁵.

On March 2, 1978, in a speech to members of the Housing and Urban Development Association of Manitoba, the Minister disclosed that "The government housing agency was going to shift its orientation from subsidized housing to incentives for the private sector to meet all housing demands". Even before the election, the Conservatives were

43. Province of Manitoba, Guidelines for the 70's, March 1973, Vol. 2, P. 53 and 78.

44. The Winnipeg Tribune, "Government to Pull out of Housebuilding", March 3, 1978.

45. Ibid.

advocating "a variety of housing options with a strong emphasis on the promotion and facilitation of home ownership"⁴⁶ indicating a likely shift of priorities away from the needs of the lower income rental population, should they be elected.

More recently, the government has in fact pulled out of building subsidized housing. In September, the Minister cited "increasingly high vacancy rates" as the reason for the governments decision to stop construction of additional public housing for families within Winnipeg. In its place, he was suggesting an expansion of the Rent Supplement Program which "supplies rent subsidies ... in private housing and housing co-operatives"⁴⁷. This approach not only fits neatly with the government's ideological preferences for the private housing market but has the added benefit (from their perspective) of helping developers and landlords who are currently experiencing low demand and high vacancies.

Later in the year, stating that "there (was) no evidence of any need for further assistance to low income families ... (the Minister announced)... For the first time in more than ten years, the Province ha(d) no plans to build public housing in Winnipeg"⁴⁸.

46. Manitoba Progressive Conservative Party, An Urban Strategy: Programs and Policies for Addressing the Problems of the City of Winnipeg, October 5, 1977, P. 1.

47. The Winnipeg Tribune, "Government Puts Freeze on Public Housing", September 21, 1979

48. The Winnipeg Tribune, "Government Halts Housing Construction" November 14, 1979.

What this discussion suggests is that ideological preferences have played no small part in the development and ultimately, the fate of the public housing program here in Manitoba. While the Federal Government effectively sets programming parameters through manipulation of the funding structure, the province ultimately dictates the policy priorities and program emphasis to be employed here in Manitoba. In the final analysis, then, the government's perception of the Province's housing needs and their ideological preferences as to how these needs are best met, determine the nature and extent of provincial participation in the Federal Government's offer of program funding.

MUNICIPAL HOUSING POLICY

Traditionally, municipal participation in low income housing programs has been minimal. For the most part, local governments "service to property" orientation and the limiting structure of their revenue sources make involvement in social housing activity difficult. Winnipeg is no exception. Apart from an annual budget of slightly over \$100 000⁴⁹ to cover their share of operating losses on the old Federal/Provincial projects built in the 60's as part of an urban renewal scheme, Winnipeg's involvement to date has been negligible. Their impact on the public housing program has emerged primarily through the City's land use and zoning powers and as a result, has tended to focus on questions of site selection. In fact, it was M.H.R.C.'s difficulties in obtaining rezonings

49. Winnipeg Housing Authority Audited Statements for 1977 showed an operating loss of \$953 159 on the three projects built under Sec. 40 of the N.H.A. Municipal contribution equals 12 1/2%.

through the City that virtually put a halt to the construction of family public housing in Winnipeg from 1972-74.

For some time now, the City has been under a lot of pressure to get into the housing business in a direct way. The debate has been going on for a few years now, but so far Council has effectively sidestepped the issue. The recent comments of the Chairman of Council's Environment Committee, are without doubt, reflective of at least the majority ICEC vote on Council:

"There are all those pressure groups running around saying the City should do something. Why? Constitutionally, the City has no responsibility over health and welfare"⁵⁰.

For the time being, then it seems local government is unlikely (or unwilling) to get involved in the delivery of social housing programs of any kind⁵¹.

50. The Winnipeg Free Press, "Core Area Homes not in Demand: Builders", September 8, 1979.

51. Since the time when this document was originally drafted, the Province has breathed some life into the very controversial Winnipeg Housing and Rehabilitation Corporation. On March 20, 1980, the Minister Responsible for M.H.R.C. announced a commitment for this year of \$210 000 in capital funds (to be used as equity and interim financing on a revolving fund basis) to the City's W.H.R.C., to aid in the acquisition and renovation of older units in the inner city. These units are to be sold or rented to low income families. The Corporation's original intentions were to renovate approximately 30 units/year although targets for this year are set closer to six units.

The City of Winnipeg has now been drawn into the housing field directly. At this point in time, it is not entirely clear what impact this will have on the housing problems of low income families. However, given the low level of activity anticipated by the Corporation, this move may do nothing more than divert pressure that would otherwise be on the province to accept responsibility in this area.

CONCLUSION

This Chapter has provided an overview to governments' past intervention in the housing market. Essentially, what the review has illustrated is that, despite a stated willingness to solve the housing problems of low income households, governments overall have failed to measure up to the challenge required to seriously address the housing needs of the poor.

For its part, federal involvement in the housing market has essentially only served to smooth the workings of the economy and to satisfy middle class demand. Apart from the policy rhetoric of the 60's and early 70's, very little federal programming went to improving the plight of low income households in their search for adequate accommodation. In fact, public housing was the only federal program advanced to provide for the housing needs of low income Canadians. Although the legislation had been around for some time, the Federal Government never seriously facilitated its use until 1964 and by 1973; public housing had already lost favour at the federal level. More recently, the mood of restraint has accelerated this policy shift even further to the "right", away from the highly visible high cost subsidies involved in providing adequate housing to those households who need it the most.

In contrast, here in Manitoba, after the N.D.P. were elected in 1969, the public housing program received a great deal of priority. In 1970, the program took off dramatically in Winnipeg and the pace continued for almost a decade, tempered only by the availability of federal funding and appropriately zoned land.

1977 saw a change in government with a perceived mandate of restraint in government expenditures. The Public Housing Program, as a result, was immediately called into question (at least that portion of the program delivering housing for families). The government more recently has announced a halt to any further expansion of the program in Winnipeg, so it appears, at least for the moment, that all levels of government have now all but abandoned Public Housing as a method of meeting the housing needs of the poor.

Unfortunately, this policy shift away from programs such as Public Housing, does not appear to be prompted by a search for more direct and effective measures to deal with the housing problems of the very poor but rather by a desire to rationalize even the existing levels of assistance.

Commenting on government policy towards housing and the poor is made more complex by the ongoing controversy surrounding the whole issue of federalism. Ottawa has withdrawn from any direct involvement in housing on the pretense of getting out of fields constitutionally within the province's jurisdiction. The Province is backing away because of fiscal constraints and an over zealous faith in the private market. And finally, the Municipal level of government is now being drawn into the arena ever so discreetly.

Generally, it appears that evolving federal-provincial-municipal relations in the field of housing, have only served to impede the development and exploitation of programs such as Public Housing which target their assistance to the housing needs of the poor. The entire inter-governmental policy environment appears to have clouded not only

governments' response to these housing problems but also governments' recognition of these needs as requiring public sector assistance.

Overall the Chapter demonstrates that with the exception of the Public Housing Program, past government intervention in the housing market has been on behalf of middle and upper income groups and not the poor. The recent policy shift away from even the assistance provided under Public Housing, is yet another indicator of the inadequacy of public sector housing policy in meeting the needs of low income families.

CHAPTER IV

PROGRAM CONSTRAINTS

Abstract: This Chapter examines the Family Public Housing Program in Winnipeg in light of those factors which have either contributed to the body of criticism now surrounding the Program or alternately, constrained the program from meeting its objectives.

INTRODUCTION

The previous chapter provided a great deal of support to the proposition that Public Housing has been the only significant public sector initiative which seriously addresses the housing needs of the poor. Despite this fact, there has never been general acceptance of the program as a viable housing solution.

The program did not receive any real commitment from government until the mid 60's, despite the fact that the legislation had been on the books since 1949. Expenditures on public housing increased greatly during the late 60's and early 70's, but almost as quickly, the emphasis shifted away from the direct provision of housing for low income households to incentive-based supply and demand strategies providing benefits to a broader cross-section of income groups. The initial enthusiasm for Public Housing had waned quickly and with it badly needed political support.

Criticisms levelled against the program over the years are numerous. In contrast, little is known of the benefits of Public Housing or of the many improvements implemented as a result of early experience with the program. Public Housing evokes images of high cost, high rise ghettos with rampant social problems, where people live only because they have no other choice.

It is the purpose of this Chapter, then, to examine some of the more common criticisms of Public Housing and expose them against the realities of more than a decade of experience with the program here in Winnipeg. At the outset, it should be emphasized that this investigation is not intended to be comprehensive, but rather is focused on only those major factors

which have either contributed to the body of criticism now surrounding the program, or alternately, constrained the program from meeting its objectives. This examination is critical to the overall investigation in that it will provide a more credible view of the Public Housing Program and in turn provide a great deal of insight as to the appropriate role for the program in housing policy of the future.

In the first section, those factors internal to the structure or delivery of the program are reviewed. The second section goes on to highlight the external factors the writer believes have played a part in the policy shift away from the Public Housing Program.

While it is recognized that some of the information presented in the chapter may appear somewhat subjective, the discussion is seen as important in broadening the base from which to examine the relative effectiveness of the Public Housing Program in meeting the housing needs of the poor.

STRUCTURAL PROBLEMS

Physical Features of Public Housing

Some of the most frequently expressed objections to Public Housing relate to its physical structure - specifically, the inappropriate design, the excessive density and the marginal site locations. It is critical to the overall exercise then to explore some of these concerns in more detail if a fair evaluation is to be made of the program's performance in this respect.

For a variety of reasons, some of the first public housing projects built in Winnipeg were, in fact, frequently located on the periphery of

the City or in neighborhoods where objectionable features (such as obnoxious industries, railway tracks, run down houses) tended to preclude use of the property for prime residential development.

In addition, the design of the units often added to the negative perception of the housing. Sharp contrasts in architectural style between public housing and the surrounding neighborhood resulted in identifiable "projects" and considerable stigma being attached to the low income families tenanted within. The pressures resulting from high land costs and its availability put the emphasis on higher density developments, again drawing attention to the housing units.

In the program's infant stages, the emphasis in the planning process was clearly on numbers. As a result, very little attention was paid to some of the fundamental planning considerations involved in housing projects of this kind. Integration of the developments into the community was often ignored, resulting in situations where necessary facilities were either non-existent or seriously overcrowded.

For the tenants, peripheral locations often meant inconvenience and increased private transportation costs since the projects were often some distance from commercial and shopping services, places of employment, and recreational facilities. Public transportation to the developments was oftentimes poor, which also caused problems for the program, since a good majority of those requiring subsidized housing were also dependent on the public transportation system.

These first projects were clearly only filling one dimension of the housing needs of the low income. They were affordable, but certainly not

always suitable. Ultimately, this combination of poor planning and design, unit cost restrictions and the overriding push for numbers was to represent a major setback for the program.

The marginal site locations and sometimes inadequate features of some of these original program initiatives were the indirect result of the problems M.H.R.C. experienced regarding acquisition of land. The great emphasis given the program in 1969 created a situation where M.H.R.C. had to build large quantities of public housing in as short a time as possible. As a result they had to bypass their own tedious land acquisition process and search for alternatives to facilitate the construction process. The alternative chosen was the method of developers' proposals. This requires builders to bid on a public housing project and to supply their own land that has been properly zoned for residential purposes. There are certain drawbacks associated with this technique. For example, developers tend to unload marginal land which is not prime for residential. Interest in profits necessarily takes priority over any concern for quality in construction and design.

In the overview, it appears that M.H.R.C. faced with an expressed urgency to construct public housing during the initial stages of its operation, cut some of the quality from the projects in favour of quantity. For the most part, the details of locational setting, design and construction quality were given a back seat to rapid construction.

There is every indication, though, that these problems were merely symptomatic of a program in its infant stages. The experience gained in delivering and administering the program the first couple of years, along with the slowdown in the construction program in 1973 and 1974, gave the

Corporation an opportunity to look back, evaluate and move forward in a new direction.

For the most part, projects built since that time appear to have more adequately addressed the total dimension of the housing needs of the poor. Projects are no longer built on the periphery of the City, distant from the job opportunities and the many services needed by its occupants. As can be seen from the following table, since 1972 there appears to be a changing emphasis to inner city locations, despite M.H.R.C.'s problems with acquiring land in this area.

TABLE IV.I

DISTRIBUTION OF FAMILY PUBLIC HOUSING UNITS
WINNIPEG
(1970-77)

<u>Year</u>	<u>Inner City</u>	<u>Outer City</u>	<u>Total</u>
Pre 1970	209	254	463
1970	6	347	353
1971	11	1 005	1 016
1972	-	100	100
1973	17	50	67
1974	8	15	23
1975	42	298	340
1976	301	368	669
1977	<u>253</u>	<u>30</u>	<u>283</u>
Totals	<u>847</u>	<u>2 467</u>	<u>3 314</u>

Source: Compiled from the files of the Manitoba Housing and Renewal Corporation and the Winnipeg Regional Housing Authority.

There has been a deliberate effort on the part of the Corporation to build units in areas which more accurately match the preferences indicated by the applicants on the public housing waiting list. Given the lag time between initial demand and actual construction, this task has not always been easy.

M.H.R.C. has also made a conscious effort since those first program initiatives to reduce the density and size of projects in an attempt to make public housing fit in with the overall scale and character of a neighborhood. There are two methods of measuring project size, but as the following table illustrates both indicate a downward trend.

TABLE IV.2

AVERAGE PROJECT SIZE FOR FAMILY PUBLIC HOUSING
WINNIPEG (1970-78)

<u>Year</u>	<u>Total Project Number of Committed Projects</u>	<u>Total Units</u>	<u>Total RRA*</u>	<u>Average Units/ Project</u>	<u>Average RRA/ Project</u>
1970	5	362	1960	72	392
1971	19	1 018	5641	54	297
1972	6	159	785.5	27	130
1973	2	67	373.5	34	187
1974	1	8	46	8	46
1975	16	474	2 406.5	30	150
1976	21	481	2 455.5	23	117
1977	9	222	1 080	24	120
1978	5	108	532.5	22	107

R.R.A.* - (Rentable Rooms per Annum) - A factor which measures the rentable rooms in a project rather than the number of units, thereby neutralizing the effect different unit size compositions would have on project by project comparisons.

Source: Compiled from Winnipeg Regional Housing Authority Project Files.

88.

Since 1970 the average number of units per project has decreased by more than 69%. The R.R.A. factor (i.e. the rentable rooms/project) which is more a reflection of density, has gone down by more than 73%. Quite clearly then, the emphasis has been on both a reduction of project size as well as density. Also wherever possible, units have been scattered throughout neighborhoods rather than on one site. Quite evidently, more consideration has been accorded to the problem of project integration into the community in recent years.

What this information illustrates is that Public Housing (at least in the Winnipeg context) now appears to be more adequately addressing some of the broader aspects of the housing needs of the low income households it was intended to serve.

Tenant Satisfaction

Unfortunately, the concept of public housing has been the subject of a great deal of criticism over the years for providing what some have described as largely "unsatisfactory and inadequate" accommodation for its occupants. Despite all these charges, very few attempts have been made to conduct any scientific or empirical research to ascertain their validity. Most current literature on the viability of public housing is nothing more than subjective impressions of persons who have never lived there. For example, in 1969 the Task Force on Housing and Urban Development, in commenting on public housing, reported that, ". . . satisfied residents were a definite minority. In the larger projects in particular, the near-unanimous view was that public housing was anything but satisfactory. Projects were ghettos of the poor; people who lived in them were stigmatized in the eyes of the rest of the community;

social and recreational facilities were inadequate or non-existent; privacy was lacking and vandalism present"⁵².

They concluded this on the basis of talking to only a handful of tenants, on what amounted to courtesy calls to "close to twenty individual projects across the country"⁵³. I would suggest the validity of these findings is rather suspect. A casual visit to "close to 20" projects out of a total of 474 does not seem to be very "representative". Yet it is criticisms such as this that have influenced the development of the program over the years, to the extent that today its effectiveness as a vehicle to provide low income housing is largely in doubt.

The fact that nearly all of the opposition to public housing comes not from the beneficiaries of the program, namely, the low income, but the middle and upper income groups is regrettable. Despite this alleged information void, valid research on the views of the program's consumers remains rather meagre.

In 1972, Manitoba Housing and Renewal Corporation completed a comparison study of 22 developments in the City of Winnipeg, which included public, private and limited dividend town housing. Approximately four hundred tenants were surveyed with the objective of evaluating the physical and social aspects of public housing from their perspective as tenants, in comparison to the problems encountered in the other types of housing studied.

52. Federal Task Force on Housing and Urban Development, Task Force Report (Ottawa: January, 1969), P. 19.

53. *ibid*, P. 19.

While the survey is somewhat dated, I feel the results are still valid today. In any event, a brief review of some of the more pertinent findings is useful, in that it will contribute a dimension to this review otherwise not available (i.e., the perspective of the consumer).

Essentially, it would appear that public housing communities are satisfactory places to live, at least as far as the majority of tenant families surveyed were concerned.

Not surprisingly, the major satisfaction of families living in public housing centres around the physical accommodation. As families are given housing directly related to their family composition and size, physical overcrowding seldom occurs. It is generally good housing, allowing them to live in suitable homes at rents they can afford. In particular, the larger units provide accommodation rarely found on the private market. According to the survey data, when tenants were questioned, "why did you move from your last residence?", the most frequent response (i.e., 34%) was related to the inadequate size of previous quarters. Another 11% moved due to the poor condition of their former accommodation. When asked what they liked about the location of the public housing unit they now occupied, most noted such things as quietness, area, environmental amenities, convenience and housing conditions. Only 5% indicated total dissatisfaction.

There seems to be little question as to the improvement which has occurred in the immediate physical environment for most families after moving into public housing.

Documentation of the possible benefits of living in public housing, however, should necessarily extend beyond merely physical accommodation to social and psychological considerations as well. On this count, tenants'

positive responses to questions regarding their attitudes towards neighbors and generally, their feelings about public housing as a home and a place to bring up children, clearly did not lend any credence to the argument that people live in public housing only when they have no other options. In fact, public housing tenants showed a slightly higher level of satisfaction with their homes than their counterparts in the private or limited dividend projects (96, 88, and 85% respectively).

When residents were asked if they would consider buying their present unit, 31% of public housing tenants gave a positive response, compared to only 5% in limited dividend housing and 18% of those in private housing.

If nothing else, what the survey does illustrate is that the social problems often attributed to the public housing program are by no means peculiar to public housing and in most instances are equally characteristic of multiple family housing in the private sector as well.

To sum up, public housing appears to represent a vast improvement in the way of life of a great many people, despite all its alleged deficiencies. "When they are asked, the majority of families who live in public housing say they like it. They appreciate its facilities and in general their morale is higher than it was in substandard housing"⁵⁴.

54. Schorr, A., Slums and Social Insecurity, United States: Dept. of Health, Education and Welfare, (1963), P. 115

Financial Considerations

The costs of operating subsidies in public housing is without doubt one of the major criticisms of the program. In 1972, C.M.H.C.'s Low Income Housing Task Force highlighted rapidly rising subsidies as a major problem and then again in 1977, the C.M.H.C. staff evaluation of the program focused their critique almost solely on the subject of subsidy costs.

It is important then to examine this aspect of the public housing program not only because cost is a critical dimension in any thorough program review but also because it represents one of the major factors behind governments' current disinterest in the program.

Chapter V focuses on the absolute cost of providing public housing in comparison to other programs, while the intention here is to consider operating subsidies in the broader context of similar subsidies to other income groups. This kind of discussion is necessary in order to provide an appropriate frame of reference within which the cost of public housing can be more realistically examined.

The high visibility of the subsidies subjects them to continual public scrutiny and debate. For governments, it is not only the magnitude of the subsidies, but also the rate of increase, which has caused the current disinterest in the program.

Since 1972, the annual operating loss for the family public housing program in Winnipeg rose from \$708 246 to \$4 856 202⁵⁵ in 1978, an increase

55. These figures taken from Project Audited Statements. The true cost to government of public housing is not the capital cost but the ongoing operating subsidies which result from the shortfall of rental revenues compared to the total operating costs of the projects, including amortization, taxes, maintenance, renovation and administration.

of close to 600%. This rate of increase can appear rather alarming at first, particularly if one attempts to relate it to the kinds of increases considered appropriate in other areas of government expenditure. These sorts of comparisons are very misleading. Yearly subsidy costs in public housing do not depend on the annual rate of units committed, but rather on the total size of the public housing stock or the historical accumulation of past annual commitments. Allowing for the natural lag time between commitments and subsidy outlays and given that the program here in Winnipeg only began to gather momentum in the early 70's it is neither surprising nor inappropriate to see such a rapid escalation in subsidy levels during this period. As one housing official noted in reference to the level of federal subsidies: "The wonder is not that the subsidy outlays, for a sector as important as housing, are as high as they are in 1976, but rather that they were so inconsequential as late as 1970"⁵⁶. These comments are certainly relevant to the program here in Winnipeg as well.

Rising subsidy costs in public housing can partially be explained by the changing relationship between expenses and operating losses. Since government has had an explicit policy that public housing should serve the most needy (i.e., the lowest income groups), families move out as their income rises, to be replaced by families in greater need. In turn, this means a reduction in revenue for the unit. Effectively, this has resulted in a situation where revenues have remained fairly stable over time

56. Meeting of Federal and Provincial Housing Officials, Toronto, 1977. Comments of R. T. Adamson.

or grown only modestly, while expenditures have kept on climbing. Rental revenues are simply no longer capable of offsetting expenses in the same way, resulting in a more parallel movement between expenses and operating losses.

While the high rate of commitments in the early 70's and the lack of growth potential in rental revenues have been important, there is one other critical factor which has contributed to the rapid growth in subsidy costs. The majority of the public housing units were built during a period of high inflation and rapid escalation in labour, materials and land costs. In 1977, the average cost of building a family unit in Winnipeg was \$32 718, compared to \$15 812 in 1970, representing an increase of more than 100%⁵⁷. Quite clearly, as increased construction costs and financing costs drive up the basic cost of providing new units, parallel increases occur in the cost of operating these units and in turn inflate the annual subsidies. Table IV.3 illustrates what has happened to per unit construction costs in comparison to subsidy costs since 1971.

57. M.H.R.C. Files

TABLE IV.3

<u>Date of Construction</u>	<u>Number of Units Involved</u>	<u>Cost/Unit²</u>	<u>Subsidy/Unit²</u>
1971	673	\$238	\$165
1972	464	286	166
1973	326	216	147
1974-75	53	287	225
1976 ¹	1 298	355	298

Source: M.H.R.C. (derived from a number of family public housing projects in Winnipeg).

1. Figures Projected
2. Figures calculated on a monthly basis.

It can be recognized though, that what has happened to development and subsidy costs is not peculiar to the public housing program, but simply a reflection of what has been happening in the housing market in general.

It seems fair to conclude then that these subsidy levels are inescapable if the government is committed to providing affordable housing to the nation's poor and must do so through additions to the housing stock.

When examined in the wider context of other housing expenditures and housing related tax expenditures, the absolute amount or magnitude of the subsidy going to public housing, takes on slightly different proportions. It has been argued and I think quite correctly, that the most important source of housing subsidy is available through the income tax system and not the National Housing Act at all⁵⁸.

58. See Baetz, R. & Collins, K. "Equity Aspects of Income Security Programs" Canadian Public Policy, Autumn, 1975 & The Hidden Welfare System Revisited, National Council of Welfare, March, 1979.

For example, the exemption to homeowners from capital gains tax on their principal residence has been estimated at \$2.5 billion dollars annually⁵⁹. In addition, this provision can be termed as regressive in its distribution of benefits. Most of the benefits accrue to people at the upper end of the income scale, since they are the ones most likely to own larger homes. It also favours homeowners at the expense of those who rent accommodation.

The Registered Home Ownership Savings Plan (hereinafter noted as R.H.O.S.P.) is another example of a fairly costly tax shelter, accessible almost exclusively to middle and upper income earners. Low income households just simply cannot afford to participate in the scheme.

The tax shelter available through investment in M.U.R.B.s. (i.e., multiple unit residential buildings), the exemption on imputed income earned through homeownership and the special capital cost allowance provisions permitting owners to use rental losses against other income, are further examples of housing subsidies available through the tax system.

The full impact of taxation policy on housing is difficult to estimate because foregone tax dollars, unlike direct expenditures, do not appear in a budget. However, the following table has been included in an attempt to compare, at least some of these housing related tax "expenditures" to the direct housing subsidies administered under the National Housing Act. While the figures relating to the cost of tax subsidies are only estimates, they do help to provide a more relevant context within which to judge existing levels of support being channelled to the public housing program.

59. Tax Expenditure Account, Department of Finance, (Ottawa: December, 1979)

TABLE IV.4

FUNDS AUTHORIZED UNDER THE NATIONAL HOUSING ACT
(1974-78 MILLIONS OF DOLLARS)

	<u>GRANTS AND SUBSIDIES</u>					
	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
<u>C.M.H.C.</u> ¹						
A.H.O.P. (C.M.H.C.)	5.0	9.3	14.0	13.9	11.8	
A.H.O.P. (Private)	-	0.8	7.7	15.4	23.0	
Assisted Rental Program	-	0.2	2.6	9.9	17.7	
First Time Home						
Buyer Grants	5.6	37.5	4.0	.1	-	
Public Housing	63.4	87.0	117.2	141.1	179.0	
Non Profit	6.4	11.4	17.1	24.6	20.7	
Co-operative	-	1.8	3.9	5.4	6.2	
Rental & Native Housing	5.7	5.9	6.6	4.3	6.2	
Rehabilitation	<u>1.2</u>	<u>10.2</u>	<u>28.7</u>	<u>62.6</u>	<u>88.3</u>	
TOTAL C.M.H.C. Budgetary	87.3	164.1	201.8	277.3	352.9	
<u>Tax Expenditures</u> ²						
Registered Homeowners Savings Plan			105	*	*	115
Capital Gains Exemption			2 770	*	*	2 550
Non Taxation of Imputed Income on Equity			2 900	*	*	3 700

Source: 1. C.M.H.C. Canadian Housing Statistics, 1978, Table 29

2. Department of Finance, Tax Expenditure Account (Ottawa; 1979) p. 43.

* Estimates not available.

Even a crude analysis of the information indicates the order of magnitude of the housing subsidies being channelled through the income tax system. The amounts involved are clearly very large in relation to housing subsidies serving households in the greatest need. In fact in 1976, the cost of even one of the tax related exemptions cited was thirteen times that of direct housing subsidies administered under the National Housing Act and more than twenty-three times the federal share of public housing subsidies.

It is interesting to contrast the 1976 expenditure of \$117.2 million paid out to subsidize the provision of low income housing, to the estimated \$105 million of taxes foregone to people under the Registered Home Ownership Savings Plan. While public housing is under repeated pressure to justify its subsidy, both in terms of the absolute level and recent rates of increase, housing subsidies such as the R.H.O.S.P. available through the tax system, go virtually unnoticed.

The fact that these tax expenditures are regressive, in that the majority of the benefits fall to people who, in relative terms, are not in need, makes the situation even more ludicrous. The beneficiaries of these housing and housing related subsidies are presented below. As the information indicates, public housing appears to be the only program directing its assistance solely to households with the greatest need.

TABLE IV.5

ESTIMATED DISTRIBUTION OF BENEFITS
FOR MAJOR HOUSING RELATED PROGRAMS

<u>Income Classes</u>	<u>% of Population</u>	<u>Public HSG.</u>	<u>Non Profit & Coop.¹</u>	<u>AHOP</u>	<u>RHOSP</u>	<u>ARP²</u>	<u>NHA</u>
0 - 4 999	17.8	47.2	57.0	0	1.4	12	0
5 000 - 9 999	19.3	46.6	27.3	8.8	26.9	20	6
10 000 - 14 999	17.7	6.4	8.4	51.4	35.1	27	37
15 000 - 19 999	16.5	0	4.3	25.3	17.1	0	27
20 000 - 24 999	12.2	0	1.8	10.7	8.4	19	18
25 000 - 49 999	12.0	0	1.1	3.8	8.7	19	12
50 000 - 200 000	4.5	0	0	0	2.6	19	12

1. This reflects the heavy use of these programs by senior citizens. It is not possible to separate senior citizens and family benefits under these programs at this point in time.
2. Estimated on the basis of the income classes of tenants, on the assumption that the beneficiaries of these programs are tenants.

This examination puts the whole question of scale and growth of public housing subsidies into proper perspective. The information in Table IV.4 has shown that while public housing costs have increased by almost 200% since 1974, other housing grants and aids to moderate or middle income persons have gone up by more than 600%. The amount of money being channelled through the tax system to benefit middle and upper income groups, makes the public housing expenditure appear largely inadequate. The question is quite

98.

clearly not whether the government can afford to continue the "spiralling open-ended" subsidies involved in a public housing program, but rather in social and equity terms whether they can afford not to.

Rent-To-Income Scale

The overall purpose of the public housing program is to provide adequate housing on a subsidized basis to needy Canadians who otherwise are unable to attain it on the private market, by virtue of low income, large numbers of children or an insufficient supply of housing. The tool used to deliver that subsidy is the rent scale. Unfortunately, the scale now being used is somewhat outdated. In its present form it severely restricts the program's ability to meet its overall objectives and reach its target group.

The current scale was last revised in 1970 and establishes rent according to a family's gross income, ranging from 16.7% at \$192/mos. (approx. \$2300/yr) to 25% at \$404/mos. (approx. \$4800/year)⁶⁰. Initially the scale was established on the basis of the cost of non housing items in a minimum budget devised by Toronto Welfare Council. The principles underlying the scale included:

- The adjustment of rent to family size,
- A graduation of subsidies such that the lowest income tenants receive the largest subsidy,
- Incorporation of a minimum standard of living,
- Adjustment of rent according to provision of service.

60. See Appendix A

While the logic of the basic graduation of the scale is sound, resulting in the allocation of subsidies in inverse proportion to income, an anomaly exists at its upper end. In effect, it incorporates a feature which essentially results in the economic eviction of families once their incomes reach a certain level. This threat of displacement effectively negates the long range objectives of the program by providing a disincentive towards self and income improvements. Also, because the scale operates independently from the private market place, it does not consider the availability of suitable accommodation elsewhere. This can mean a decline in the standard of living for the families affected if they are cast back into an extremely "tight" housing market. Uprooting families from a familiar environment could create certain social costs borne out by the whole of society, not just the individual families. Beyond this, it can result in a serious loss to the quality of life in public housing, since this group often represents some of the more capable and secure tenants.

A far more important implication for the program, though, is the fact that the scale has not been revised since 1970. Rapid price escalation and high inflation rates since that time have resulted in the situation where today the majority of tenants are now paying 25% of their income for rent. If it is assumed that the rent to income scale represents some desirable distribution of charges in absolute terms, then periodic revisions to the scale are necessitated by price changes. For example, in 1970 according to the scale, a family with a monthly income of \$300 could afford to pay 22.3% of that income towards rent. By the end of 1978, this same \$300 was worth considerably less (i.e., \$165 of goods and services in 1970 dollars). Following this argument then, if the ability to pay principle implicit in

the rental scale was to be maintained, the scale would have to be adjusted upwards to account for this income erosion. This would tend to restore consumption of non-housing items to their 1970 levels.

A review of the more commonly accepted poverty lines in Canada (see Table IV.6 below), also supports an argument in favor of adjusting the scale upwards.

TABLE IV.6

COMPARISON OF SELECTED NATIONAL POVERTY LINES, CANADA, 1978

Size of Family Unit	Statistics Canada				
	Updated	Revised	Revised (Cities 500 000 +)	CCSD	Senate
1 Person	3 527	4 459	4 855	4 549	5 096
2 Persons	5 878	6 281	7 036	7 572	8 481
3 Persons	7 051	8 015	8 977	9 089	10 179
4 Persons	8 226	9 531	10 678	10 605	11 876
5 Persons	9 403	10 656	11 936	12 121	13 575
6 Persons	9 403	11 696	13 103	13 638	15 209
7 Persons	9 403	12 824	14 369	15 154	16 972
8 Persons	9 403	12 824	14 369	16 660	18 660
9 Persons	9 403	12 824	14 369	18 176	20 357
10 Persons	9 403	12 824	14 369	19 692	22 055

Source: Based on Statistics Canada, Income Distribution by Size in Canada (cited in Canadian Fact Book on Poverty, Ottawa: Canadian Council on Social Development, 1979, D. Caskie).

In all cases, the poverty line for a family (by definition that means two or more persons), stands well above the current cut-off level at the upper end of the scale (i.e., \$4 800 - the point at which tenants start paying 25% of their income towards rent). If the rent scale was originally devised on the basis of some level of subsistence, one might argue that progressivity at the lower end of the scale should not come into effect until income reaches a level more closely approximating income levels at the poverty line.

Whatever the arguments, the effect of the rent scale on the public housing client has been dramatic. The program no longer effectively serves the working poor. Some of them can no longer afford public housing and maintain their current level of consumption of some of the more basic necessities of life such as food and clothing. Quite clearly, for some low income families, housing has become somewhat discretionary in their budget decisions. Although it is difficult to document it has been speculated that some families have opted for cheaper, albeit less suitable accommodation on the private market, because they can no longer afford the rents in public housing. This argument has some indirect support from the Minister's own comments back in September. He indicated that the stock of public housing was experiencing relatively high turn over rates (25% in 1978 and 35% in 1979)⁶¹. Undoubtedly, the rental scale has been a major influencing factor in this situation.

61. The Winnipeg Tribune, Op. Cit., September 21, 1979

As shown in Table IV.7, over the years we have witnessed a change in the tenant composition of public housing. Again this is an indirect result of the inadequacy of the current rent to income ratios used in calculating rents.

TABLE IV.7
INCOME DISTRIBUTION OF PUBLIC HOUSING TENANTS
(1970-78)

	<u>1970¹</u>	<u>1974²</u>	<u>1978³</u>
Social Assistance	NA	NA	39
Under 2 000	20.3	20.0	-
2 000 - 2 999	19.4	14.0	1
3 000 - 3 999	25.0	17.0	1.7
4 000 - 4 999	24.8	18.0	2.9
5 000 - 7 999	10.1	31.0	26.2
8 000 & Over	<u>.4</u>	<u>-</u>	<u>29.2</u>
TOTAL	100.0	100.0	100.0
Average	\$3 368	\$3 800	\$5 652

- Source: 1. C.M.H.C. Survey 1970 (cited in C.C.S.D., A Review of Canadian Social Housing Policy).
 2. Winnipeg Tenant Files, August 7, 1974 (IBID).
 3. Compiled from Winnipeg Regional Housing Authority Tenant Files, 1978.

Quite naturally the incomes of tenants has increased substantially since 1970, however, one slightly more unexpected shift has been the increase in the proportion of tenants in receipt of social assistance and the increasing concentration of single parent families. As the following

table illustrates, 65% of the family public housing units in Winnipeg in July of this year were occupied by single parent households. The proportion of tenants receiving social assistance totalled 39% compared to 27.2% in July, 1971⁶².

TABLE IV.8

DISTRIBUTION OF PUBLIC HOUSING TENANTS BY
HOUSEHOLD TYPE AND SOURCE OF INCOME (JULY, 1979)

<u>Type \ Income Source</u>	<u>Social Assistance</u>	<u>Pension</u>	<u>Student</u>	<u>Self Supporting</u>	<u>Totals</u>
Single Parent	726	1	4	721	1 452
Two Parent	109	1	1	552	663
Other	31	-	-	86	117
Totals	866	2	5	1 359	2 232

Source: M.H.R.C.

62. Macmillan, J. Op. Cit., P. 28, Table 5

For whatever reasons, the client group being served by the public housing program is clearly changing. Admittedly, the rent scale is not the only factor effecting this change, but it is far from insignificant in the process.

In summary then, it appears that the rental scale is in desperate need of an overhaul if public housing is going to properly meet its objectives of providing housing to needy families at rents they can afford.

EXTERNAL FACTORS

Federal Government

The performance of the Public Housing Program has also been influenced by other factors which can be described as "external" constraints when discussed in the context of the structural or basic considerations examined in the previous section. It is important to review the impact these external factors have had on the program because it will illustrate by way of comparison that outside influences, quite separate from the program itself, have figured prominently in the use and development of Public Housing and in the final analysis in its perceived effectiveness and nebulous future.

The review of Federal housing policy incorporated in Chapter III clearly highlights the pivotal role played by the Federal Government in the public housing program. For the most part, this role was assured through the structure of housing funding. C.M.H.C. developed the housing programs and then through a system of conditional grants and loans, cost-shared in their development. Federal priorities quite naturally dictated

the nature and extent of housing assistance available each year and in essence left the provinces in the position of merely selecting a mix of programs from this federal offering which best suited their perceived needs.

It would be fair to say that the first two decades following the inception of the public housing program were almost without consequence. Public housing received very little priority. Federal initiatives continued to display an overwhelming concern for economic stimulation, employment and home ownership. It has been suggested that it was not until 1964 that the federal government made any serious commitment to the provision of public housing. Quite clearly, then, up until that point federal policy was indeed a major factor in the program's unimpressive achievements.

The growing concern during the 60's for poverty, housing and other social issues undoubtedly contributed to this change of heart. Expanding government revenues during this period was also an important element. In fact, this presence of seemingly unlimited amounts of capital sparked a number of social programs, only one of which was the provision of low income housing.

This program emphasis was rather short lived. By the mid 70's, the rising cost of home ownership and the perception that the housing problem now extended to middle income families, resulted in a new set of policy thrusts aimed at this income group. Following is a table showing N.H.A. capital commitments from 1974-78, which illustrates more clearly the resulting program emphasis.

TABLE IV.9

N.H.A. COMMITMENTS: CAPITAL BUDGET (1974-78)
(MILLION OF DOLLARS)

<u>Section</u>	<u>ACTUAL</u>				
	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
Residual Lending	39.6	13.6	13.8	10.8	11.0
AHOP	435.2	458.2	80.0	23.7	1.8
IRL & Contribution	-	-	80.4	85.1	55.0
Entrepreneur	74.5	235.2	9.2	5.6	1.9
Assisted Rental Programs	-	-	137.5	320.8	96.2
Public Housing	177.4	296.2	350.4	153.4	176.1
Federal/ Provincial Housing	58.1	96.2	99.5	104.8	125.7
Non Profit	124.7	159.0	288.0	157.4	120.6
Coop	19.8	44.4	40.3	62.8	36.9
Other	<u>295.9</u>	<u>302.0</u>	<u>485.5</u>	<u>395.5</u>	<u>560.1</u>
TOTAL	1 225.2	1 604.7	1 584.6	1 366.1	1 185.3

Source: C.M.H.C., Canadian Housing Statistics, 1978, Table 29

It is interesting to contrast the amounts going to support such programs as the Assisted Home Ownership Program in 1974 and 1975 for example, in comparison to public housing. Also in 1977, you can see that more than twice the amount of capital funding went to support the Assisted Rental Program relative to Section 43 Public Housing.

These program changes marked the beginning of a shift in emphasis back to forms of assistance benefitting the middle and upper income groups, often at the expense of those more needy. Changes to the National Housing Act enacted earlier this year have similar implications for the poor. Direct federal subsidies for new housing have ended. The funding for public housing under Section 43 has been replaced by a new funding formula embodied in the non-profit provisions.

While the precise impact on low income housing is not yet clear, one thing is certain -- the previous levels of activity in rent-geared-to-income-housing will not be witnessed again. Under the new Non Profit Program, Manitoba received an allocation of 600 units in 1978, 616 in 1979, and 493 in 1980.⁶³ This allocation serves as the total federal commitment to social housing in the Province. It covers the whole of Manitoba. It serves as the allocation for elderly persons housing as well as family units. It is intended to meet the demands of not only the Provincial Housing Corporation, but housing co-operatives, non-profit organizations, and other community housing groups as well.

It is difficult to know whether this most recent move of federal disentanglement from housing was prompted by the continuing pressure from the provinces to get out of fields constitutionally within their jurisdiction or by a desire in these times of government restraint, to back away from

63. Source: M.H.R.C.

the ever increasing subsidies inherent in a number of the previous cost-shared programs. Whatever the real motivation, the outcome remains the same. The federal government has withdrawn from direct involvement in housing, in favour of increased provincial responsibility. The comments of one C.M.H.C. official make this quite clear: "Our official party line is that housing is a provincial matter. We were only in there by default before"⁶⁴.

With the Conservative Government⁶⁵ now in power, housing policies at the federal level will undoubtedly shift even further to the "right", away from needs of the poor. Since coming to office, their only housing related initiative has been the controversial mortgage deductability plan, which is now being debated in the House. This policy direction suggests that the needs of the poor are to be sacrificed yet another time. While many government housing programs which traditionally served low income Canadians have been seriously eroded or in some cases discontinued, housing subsidies to the middle and upper income groups through the tax system, are on the increase.

To sum up, it appears quite evident that the destiny of the public housing program is, in large part, merely a reflection of federal programming and policy. There is no doubt that the Federal Government has played a key role in the evolution and development of the program and ultimately in its downfall.

64. Winnipeg Tribune, "Wpg's. Poor: Where are They Going to Live, Jan. 31, 79.
 65. Since the date when this document was originally prepared, the Conservative Government suffered a defeat in Parliament and in the ensuing election the Liberal Party regained power. At this point, it is not entirely clear what implications this change of government will have on housing policy for low income households.

Partisan Politics at the Provincial Level

It has been suggested that one of the major factors affecting the development of a public housing program in Winnipeg prior to 1969 was the Conservative administration in office at the time. Their housing policies, or rather lack thereof, seemed to reflect an almost total reliance on the private sector and the theory of "filtering" to meet the housing needs of the lower income groups. There was a firm commitment to home ownership and the single family home, based on the belief that somehow it was inherently healthy for society. However, this preference for ownership housing had a fairly solid base in the 60's throughout Canada, so that one could argue that it was not solely ideology that constrained the development of a public housing program, but more generally a mood or sign of the times. This argument is rather suspect though, particularly now that we have had an opportunity to witness the actions of the present Conservative government (assuming, of course, that you can equate the ideology of the two administrations).

The emphasis of the current administration is quite clearly to switch development of low income housing from the public to the private sector. At the same time, the government has also shown some "commitment to reviving the principle of private non-profit, community and volunteer sponsored and managed developments in place of massive direct government involvement"⁶⁶

66. Legislative Assembly of Manitoba, Debates and Proceedings, April 24, 1979, P. 3067

a technique which over the years has proven quite successful in the development of elderly persons housing, but is somewhat unsuccessful in the initiation of family units. The only exceptions have been the initiatives of the Kinew⁶⁷ Corporation and the four housing co-operatives in the City.

The governments apparent ideological commitment to the "privatisation" of public activity is certainly evident in the Minister's comments to the Union of Manitoba Municipalities here last year:

"Conservatives do not believe governments should be building houses any more than they should be building airplanes"⁶⁸

On the other hand, if the Conservative administration can be criticized for allowing politics to affect the direction of the Province's Housing Corporation, one can also take the N.D.P. to task for similar reasons, even though the end result was somewhat different. The N.D.P. never really adequately addressed the overall policy direction of the Corporation through the development of a comprehensive provincial housing strategy, but rather merely engaged in available cost-sharing programs with the Federal Government.

67. Kinew Housing Corporation is a non profit organization which buys and rehabilitates older houses and rents them to Indian and Metis families on a rent-g geared-to-income-basis. The Corporation has an agreement with the Province and C.M.H.C. whereby rent supplement assistance is provided on 100% of their units.

68. Winnipeg Tribune, "Government House-Building to End", November 23, 1978.

In the long run, the N.D.P.'s commitment, particularly during its first term of office, to build public housing as quickly as possible with only secondary consideration given to location, has also seriously jeopardized the success of the program. Hastily chosen sites, very often on the periphery of the City, have to a certain extent, destroyed the very intent of the program which was to provide adequate shelter for low income persons in accordance with their needs.

Also, the political environment within which the Corporation was built up, during the N.D.P. administration, resulted in some internal problems which no doubt has affected the Corporation's ability to deliver the program. For example, in 1970, with a staff of 15 almost 1 300 units were approved, in 1971 with a staff of 24 close to 3 800 were committed, while in 1974 with a staff of 77 only 565 units were put on stream. Turnover of upper management personnel, changes in Ministers and consequent new board appointments hindered the consistent follow-through action necessary to any successful operation⁶⁹.

Quite clearly, then, insofar as planning and politics can be separated, politics appears to have been a determining factor in the direction of the public housing program here in Manitoba.

69. In one year the Chairman of the Board was changed three times and in another year the General Manager's position was changed three times. In fact, since 1969, the Corporation has had seven different General Managers. Source: M.H.R.C.

Community Opposition

Community Opposition towards public housing is still among the most basic causes of the program's inability to be a positive force in the provision of housing for the low income.

Local opposition to the construction of public housing has often resulted in rezoning approvals being withheld by the local authority or projects being cancelled or withdrawn by the Province. Often, this opposition comes not from justifiable negative criticism, but from emotional concerns bearing little relationship to reality. There exists an instinctive parochial view to protect one's neighborhood. Almost every proposal that brings an element of change into a neighborhood introduces suspicions and fears among local property owners. We have seen how these attitudes can influence action, favoring certain approaches, ruling out others and indeed often determining whether a problem such as housing for the poor is even recognized as such.

Manitoba is not alone in this regard. Many other public housing agencies over the years have been restricted from fully implementing their policies and programs by neighborhood opposition or other vested interests. During the late 40's and early 50's, housing officials in Chicago became embroiled in a struggle with the Chicago City Council over site selection for public housing. The opposition from the property owners' association there, was remarkably similar to the arguments voiced by community groups

here in Winnipeg against various public housing projects that have been proposed over the years⁷⁰. While little, if any, of these charges have ever proven correct⁷¹, the opposition to public housing continues, particularly in middle class neighborhoods. This opposition and resentment towards public housing appears to be simply a manifestation of the basic prejudices held by our middle class society towards the poor. A review of some individual situations during the early 70's supports this argument.

70. 1. Rezoning neighborhoods for row houses would lower resale value of existing houses; 2. The effect of public housing would be to create, rather than to clear slums in neighborhoods; 3. Property owners would have to bear higher taxes to support facilities for a project -- and would have to suffer from resulting crowded schools and other facilities; 4. A project would soon deteriorate because of the irresponsibility and negligence of the tenants; 5. Public housing would penalize thrift and the desire for home ownership, etc. (Cited in Meyerson, M. & Banfield, E., Politics, Planning and the Public Interest, New York: Free Press, 1955).

71. For example, M.H.R.C. commissioned an independent appraiser (T. Mostoway) to investigate the impact and influence of public housing on the neighborhood, with particular reference to the effect on real estate values of the private sector of the residential housing market. Areas adjacent to three public housing projects were studied (i.e., Carriage Rd., Keenleyside and Hartford). The conclusion was that public housing had no effect on the value of properties in the area.

Three Case Studies of Public Opposition to Public Housing

1. Heritage Park

In the summer of 1970, the residents of Heritage Park formed a Homeowners' Association to fight M.H.R.C.'s plans to build 75 units of public housing in their area on Carriage Road. The St. James-Assiniboia Council had already given approval-in-principle to the project in May. The site seemed to be ideal - close to shopping, schools, transportation, recreation, etc. The newly formed Homeowners' Association appeared before City Council (150 strong) on two occasions to protest Council's approval of the project, charging that such a development would devalue their property and severely overcrowd existing facilities. In the face of such strong opposition, Council decided to rescind their original decision approving the project and to recommend to the Provincial Government that the project be cancelled.

Ultimately, the Province did proceed with the project, but such a show of strength in the face of this kind of opposition was not to be witnessed again. One might argue that in this instance the political risks involved for the Province were not that high, since the incident occurred at the beginning of their term of office.

2. Charleswood

In late 1971, M.H.R.C. had put forward six different proposals for public housing in Charleswood. Area residents living close to the proposed sites appeared before Council in early December to fight M.H.R.C.'s plans, again charging that the developments would increase the traffic to dangerous levels, cause devaluations in adjacent properties and overcrowd the schools. Council decided to oppose M.H.R.C.'s request for rezoning

before Metro's Board of Adjustment, because it was felt "it was too good a property for that type of construction"⁷².

The Mayor advised area residents to petition the zoning board as well, suggesting that "a large number of people protesting carries a lot of weight"⁷³.

In the end, only two sites received rezoning approvals, providing for the construction of 151 elderly persons housing units on one and 53 town housing units for families on another.

3. Crestview

In the summer of 1972 a bitter conflict again arose over an M.H.R.C. proposal to build public housing on a piece of property bordered by Hamilton Avenue, Redfern Road and Kay Crescent in St. James-Assiniboia. The site was already properly zoned RM 3 allowing the construction of up to 54 units, as opposed to the 38 M.H.R.C. had proposed. At a public meeting in August, 175 persons came out, advancing the same old arguments of lower property values, crowded schools and non-existent recreational facilities. The superintendent of the School Division was there, however, and suggested that at least one of their arguments was false. He indicated that the three schools in the area were not, in fact, full and could accommodate many more students.

72. The Winnipeg Free Press, "Housing Sparks Charleswood Objections" December, 1971.

73. IBID

The Lakeridge Citizens Committee later appeared before the St. James Assiniboia Community Committee with a 500 name petition requesting that the property be downzoned for park purposes or alternately, single family dwellings. While their request was not met, they were successful in stalling the project for a period of time. However, at a later Community Committee meeting, the residents were told that nothing could legally be done to hold the development up any further. The project complied with existing zoning by-laws and a development agreement, so there was no basis on which to refuse M.H.R.C. a building permit.

Despite the fact that the matter was outside their jurisdiction, councillors decided to protest the Provincial government's handling of the affair, specifically their "lack of planning or liaison with the Community Committee, failure to listen to residents' complaints and failure to provide for adequate recreation facilities in the area"⁷⁴.

Ultimately the project was never built. In the end the development was cancelled.

In summary, then, an examination of just three case studies indicates quite clearly the extent of the resistance and prejudice surrounding the public housing program and even further, the degree to which political sensitivity to this public opposition, has obstructed the successful provision of public housing over the years.

74. The Winnipeg Tribune, "Housing Project Likely to Proceed Despite Protests". November 22, 1972

CONCLUSION

Earlier Chapters have documented the circumstances which gave rise to the development of public housing as a vehicle for housing low income households and subsequently, to the rapid expansion of the program during the late 60's and early 70's. On the other hand, this Chapter has attempted to explore those factors which have somehow contributed to the "fall" of the program in the eyes of the policy makers.

Many criticisms have been ascribed to the program over the years and it was the intention of this Chapter to examine some of the major ones more carefully, to determine whether they fit with the realities of the program as it exists today.

The review suggests that existing perceptions of the program are, in large part, merely carry-overs from some of the first projects built under the initial cost-sharing arrangements. Many improvements have been made since then. In fact, apart from some adjustments required in the rent scale, the evidence indicates that public housing is generally quite an acceptable housing solution for the poor (at least in the eyes of the program recipients). Quite clearly, the factors which have overshadowed the program's effectiveness to date are not inherent to the structure of the program at all, but rather external, often political considerations.

Community opposition and the political sensitivity of the governments responsible for implementing the program seem to have been the program's major stumbling blocks. Parliamentary scrutiny and the ever present concern about rising costs and the growth of government expenditures have also contributed to the precarious position the program finds itself in today.

In the final analysis, then, it is political and economic considerations rather than the program itself, which have determined the success and ultimately will determine the future of programs such as public housing which target their assistance to the poor.

CHAPTER V

THE PERFORMANCE OF PUBLIC HOUSING AGAINST THE ALTERNATIVES

Abstract: This Chapter examines the effectiveness of the Family Public Housing Program in dealing with the needs of low income families, relative to the program directions now being emphasized by government.

INTRODUCTION

The last chapter illustrated how today's Public Housing measures up against the large body of criticism which has surrounded the program for the last number of years. It also reviewed some of the factors which have affected the program's overall performance. As a logical follow-up, this Chapter now goes on to consider the relative effectiveness of the program alternatives that have been advanced by government to replace the assistance provided to low income families through the vehicle of public housing.

Only two programs are discussed in this context: the Rent Supplement Program and the Non-Profit Program. Essentially, these are the only two programs in existence, after the major realignment of Federal programs announced last year, which are capable of serving the housing needs of low income Canadians.

For the most part the assistance provided under other programs such as the old Non-Profit and Co-operative arrangements, the Assisted Rental Program, the Assisted Home Ownership Program and its most recent version called the Graduated Payment Mortgage Plan, while termed low and moderate income housing, quite simply cannot penetrate down to the low income households currently being served by Public Housing. In fact these programs were never really designed to cater to low income households. Some were intended merely to increase the supply of rental accommodation generally. Others were aimed at facilitating home ownership. In any event

this argument has been fairly well documented by others⁷⁵, so no attempt is being made here to debate the point.

Since the question is essentially whether the Rent Supplement Program and the new Non-Profit Program can properly be called alternatives to public housing, the focus of this Chapter has been limited to an assessment of their relative effectiveness in channelling assistance to those families who need it the most. For the sake of comparability, an attempt is made to examine each of the programs in relation to the nature and extent of the subsidy, the characteristics of the program recipients and the overall impact of the program in meeting the housing needs of the lower income groups. In the section on the Non-Profit package, since the program is not yet operational in providing housing to families in Winnipeg, the investigation is unfortunately limited to raising conjecture and questions regarding the likely impact of the new program structure on the housing needs of low income families.

75. See Lithwick, I., An Evaluation of the Federal Assisted Rental Program, (CMHC, February, 1978). Lithwick, I., An Evaluation of the Federal Assisted Home Ownership Program, (CMHC, October, 1977). Thompson, M. and McCulloch, R., Survey of Clients and Managers in Non Profit and Cooperative Housing in Canada (CMHC September, 1978).

PUBLIC HOUSING

•Program Components: In the past, the National Housing Act offered two forms of federal aid for the development of public housing. Under a Federal/Provincial partnership arrangement (Sec. 40), capital costs and operating subsidies were shared on a 75/25 basis, with each province passing on a varying share of their costs to the municipalities involved. The other vehicle consisted of long-term loans. Under this provision (Sec. 43), C.M.H.C. could provide loans for up to 90% of the capital cost of a public housing development, leaving the provinces to put up the remaining 10%. Sec. 44 (1) (a) also provided for 50-50 cost sharing in the annual operating losses of these projects.

Most public housing developments in Winnipeg have been financed under Sec. 43. In fact, Sec. 40 was only utilized back in the 60's in the construction of 463 family units in Lord Selkirk Park and Burrows-Keewatin. The balance of the existing stock, some 2 851 units has been built since 1970 utilizing Sec. 43 funding.

•Program Objectives: Public housing was offered as a program "to provide appropriate, well managed economical housing in a satisfying community environment, for families ... unable to obtain such accommodation at prices they could afford"⁷⁶.

76. C.M.H.C., A Catalogue of Housing Programs, October, 1976.

Program Recipients: The target population was described as families with low income. An issue of paramount importance then is clearly the extent to which the program has been successful in channelling such assistance to the intended target group. This issue is examined both from the perspective of the tenants occupying the units and from the perspective of the units themselves or rather the question of program supply. To a large degree, other measures of program performance were discussed in previous chapters, so the focus of this section has been limited to this one aspect.

In terms of who is served by the program, as expected, the majority of recipients are in the low income range and a relatively small percentage are found in the higher income brackets. Table V.1 provides the exact distribution of program recipients by income in 1978.

This information indicates that approximately 88% of the families in Public Housing could be termed low income, falling below \$10 000 income per year⁷⁷. Almost 45% fall into the lowest income category (i.e., less than \$5 000/year).

77. Families living on some form of social assistance have been included in this calculation, since for all intents and purposes, the minimum budget levels provided through the welfare system render these families low income regardless of the actual dollar amount of their assistance.

TABLE V.1
 FAMILY PUBLIC HOUSING INCOME DISTRIBUTION BY BEDROOM SIZE AND FAMILY TYPE
 (WINNIPEG - 1978)

Social Assistance ³	Two Bedroom		Three Bedroom			Four Bedroom			Five Bedroom			All Bedroom			Sizes		Total	
	SP ¹	TP ²	%	SP	TP	%	SP	TP	%	SP	TP	%	Total 43 Units	%	Total 40 Units	%	Sec. 40 ²	Sec. 43
< 2000	-	1	39	-	403	38	-	119	42	25	42	775	39	214	7	989	9	39
2000 - 2999	11	3	-	3	2	-	2	-	-	-	-	21	-	1	19	40	2	.5
3000 - 3999	10	6	3	11	3	1	1	-	-	-	-	32	2	1	65	97	4	4
4000 - 4999	15	8	4	16	13	3	2	2	-	-	-	57	3	9	9	66	3	3
5000 - 5999	23	18	7	39	22	6	3	6	6.5	1	3	115	6	24	4	139	5	5
6000 - 6999	55	26	14	72	34	10	8	12	1.5	-	4	208	10	45	8	253	10	10
7000 - 7999	50	16	11	64	43	10	6	11	12	3	4	197	10	43	8	240	9	9
8000 - 8999	32	20	9	54	56	10	13	19	3	2	2	196	10	27	5	223	9	6
9000 - 9999	9	17	4	30	50	8	4	20	10	-	6	136	7	27	5	163	6	6
10000 - 10999	3	8	2	16	35	5	5	14	5	-	3	84	4	14	3	93	4	4
11000 - 11999	-	7	1	8	27	3	3	14	6	-	3	66	3	19	3	85	3	3
12000 - 12999	-	7	1	1	29	3	13	4	3	2	7	52	3	11	2	63	2	2
13000 - 13999	-	5	1	2	13	1	2	2	4	1	2	23	1.5	5	1	28	1	1
14000 - 14999	-	2	.5	-	5	1	-	-	1.5	-	-	12	-	7	1	19	1	1
15000 - 15999	-	-	-	1	1	-	1	4	-	-	-	7	-	5	1	12	1	1
16000 - 16999	-	1	.5	-	2	-	-	-	-	-	-	4	-	3	1	7	3	.5
17000 - 17999	-	-	-	-	1	-	-	-	1.5	-	-	2	-	2	1	3	4	.5
18000 - 18999	-	-	-	-	1	-	-	-	-	-	-	2	-	2	2	4	1	.5
19000 - 19999	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20000 - +	-	-	-	-	-	-	-	-	1.5	1	1	1	-	-	-	1	1	-
Sub Total	208	145		317	337		53	122		5	30		1	992	547		2	539
TOTAL	581			1	057		294			60								

1. SP denotes Single Parent Family
 2. TP denotes Two Parent Family
 3. Social Assistance Recipients were not categorized by head of household although it is safe to assume the majority are single parent mother-led families.
 Source: Compiled from Winnipeg Regional Housing Authority and Winnipeg Housing Authority Tenant Files.

When income distribution is examined in conjunction with unit size, which can be used as a proxy for family size because of the way units are allocated, the results are even more revealing. As the following table illustrates, strictly speaking, income penetration is deepest in the smaller units.

TABLE V.2
INCOME DISTRIBUTION BY BEDROOM SIZE
 (WINNIPEG)

	<u>2 Bedroom</u>	<u>3 Bedroom</u>	<u>4 Bedroom</u>	<u>5 Bedroom</u>
Social Assistance	39	38	40	42
< 4 999	9	5	4	--
5 000 - 9 999	46	44	35	33
10 000 +	6	13	21	25

Source: Compiled from Winnipeg Regional Housing Authority Tenant Files.

Conversely, with the larger units, there is a slight upward shift in the income distribution of program benefits. This does not imply however, that this portion of the program is not as effective in reaching those households most in need. Rather, it is only a reflection of the fact that income levels as indicators of housing need are not readily comparable across household sizes. For example, the affordability problems of a family of 10 with an income of \$10 000 are much more severe than for a family of 2 with the same income. This argument gets some support from an examination of the income distribution within the 5 bedroom units. No families were recorded with an income of less than

\$5 000. Quite clearly, such a large family could not afford to live on that kind of income and in all likelihood would be forced onto welfare.

When comparing the income penetration of public housing to other programs then, some recognition should be given to the fact that public housing caters to all household sizes, and as a result, could show a corresponding upward shift in the income levels of program recipients. Again though, this is not a reflection of the program's ability to reach down to those households most in need.

Classifying program recipients by source of income has some interesting results as well. From Table V.1, it can be seen that 39% of tenants receive the majority of their income from some form of welfare, while the remaining 61% are termed as self supporting⁷⁸. From this table, we can also infer that approximately 66% of households tenanted at the time were single parent families, the majority of which undoubtedly were female-headed. The more recent survey done in July of this year, which showed that 65% of the family tenants were single parent households and 39% derived their income from social assistance tends to corroborate these findings as well⁷⁹.

78. By definition self supporting includes persons who derive their total income from earnings or two-thirds of their income from earnings plus income supplement or their total income from pension, bursaries, scholarships, etc.

79. See Table IV.8.

The program's tenant profile appears to be a close match to the high need groups identified in Chapter II (see Tables II.5 and II.6). This demonstrates that Public Housing has indeed been very successful in channelling program benefits to those households most in need of public sector assistance (i.e., single parent families and households earning less than \$10 000/year).

Program Impact: Another important measure of program performance relates to the number of units that have been made available to low income families as a result of the program. To a certain extent this reflects the degree to which the program has had an impact on the housing problems of the poor.

Activity under both Sec. 40 and 43 in terms of capital funding and units committed for family Public Housing has been discussed elsewhere and will be amplified here only where necessary to make a point. To date, 3 314⁸⁰ units have been built for low income families in Winnipeg. In the last 10 years, an average of almost 300 units per year have been built in the City.

Availability of units by itself though, does not necessarily indicate that public housing is meeting its objective of providing "appropriate housing", to needy low income families. In Chapter IV the appropriateness of Public Housing was reviewed from the client's perspective. Here appropriate will be discussed in terms of the element of choice. In this context, choice can be looked at in three ways:

80. Includes all units available for occupancy up to and including December 1979 under both Sec. 40 and 43.

in terms of location, unit type and unit size. Variety respecting the actual physical units allocated under the program is a useful criteria in measuring the success of Public Housing in meeting the many and varied housing needs of the poor.

The distribution of existing family units as to location is provided below. Units were categorized according to 14 different areas in the city and as the information indicates, there is a fairly broad range of choice in terms of project location.

TABLE V.3

DISTRIBUTION OF FAMILY PUBLIC HOUSING BY AREA
(WINNIPEG)

Fort Rouge-Osborne Area	148	St. Vital	399
Downtown	285	St. Boniface	49
West End, North End, Brooklands	516	Transcona	165
St. James	257	East Kildonan	278
Charleswood	53	North Kildonan	239
Tuxedo	147	West Kildonan	258
Fort Garry and Fort Richmond	334	Maples	186

Source: Compiled from Winnipeg Regional Housing Authority and Winnipeg Housing Authority Project Files.

The range of unit types existing in the public housing stock is also an important indicator of program performance. As a family progresses through its life cycle, the appropriateness of one unit type

over another will change. For example, a small family with an infant would probably find that an apartment adequately meets their housing needs, whereas a larger family with older children would not. The element of choice in this respect then is quite crucial. As the following table illustrates, the public housing program here in Winnipeg appears to meet this criteria of choice as well.

TABLE V.4
 DISTRIBUTION OF FAMILY PUBLIC HOUSING BY UNIT TYPE AND SIZE
 WINNIPEG
 (PERCENTAGES IN BRACKETS)

<u>Unit Type</u>	<u>2 Bedroom</u>	<u>3 Bedroom</u>	<u>4 Bedroom</u>	<u>5 Bedroom</u>	<u>Total</u>
Apartment	637	181	-	-	818 (25%)
Townhouse	375	1 272	367	103	2 117 (64%)
Single Family	<u>106</u>	<u>217</u>	<u>44</u>	<u>12</u>	<u>379</u> (11%)
	1 118 (34%)	1 670 (50%)	411 (12.5%)	115 (3.5%)	3 314

Source: Compiled from the Winnipeg Regional Housing Authority Files as of December, 1979.

There is a clear bias (i.e., 64%) towards townhousing, which is not all that surprising, given the cost considerations imposed on the program and the intended clientele. Also, in terms of "appropriateness", for obvious reasons a townhouse unit is generally preferable to an apartment unit when housing families.

A statistical review of the applications received for subsidized housing in Winnipeg during 1978 demonstrates the need for a good cross-section of unit sizes. Despite the obvious limitations in using household size to derive requirements for specific unit sizes, the inference can be drawn from the following table that the greatest demand is evidenced in the two and three bedroom category and to a lesser extent in the four and five bedroom unit sizes.

TABLE V.5

DISTRIBUTION OF APPLICATIONS FOR
PUBLIC HOUSING BY HOUSEHOLD SIZE - WINNIPEG
(PERCENTAGE IN BRACKETS)

<u>Persons/Household</u>	<u>No. of Applications</u>
2	567 (31%)
3	614 (34%)
4	356 (20%)
5	158 (9%)
6 +	109 (6%)

Source: M.H.R.C.

The unit size distribution of existing public housing (see Table V.4), while not a precise fit, does for the most part, reflect the apparent demand for the program.

Program Costs: Any evaluation of the Public Housing Program would be incomplete without some consideration being given to the cost of providing this form of assistance to low income families.

Essentially, the development of public housing involves two forms of government assistance: the initial capital financing and the ongoing operating subsidies. The capital costs, though, cannot properly be regarded as a cost to government since the mortgage is ultimately repaid and the carrying costs are reflected in the annual operating costs of the project. In other words, the true cost to government in the provision of public housing is the ongoing operating subsidies, which result from the annual shortfall between rental revenue and the total operating costs of the units.

There are two ways of examining these annual subsidy costs: on a per unit basis or on a per rentable room basis. As can be seen from the Table V.6, both show a similar upward trend.

TABLE V.6
FAMILY PUBLIC HOUSING SUBSIDIES BY YEAR OF COMMITMENT
(1975-78)

Yr. Units Committed/Included	Total RRA	1975			1976			1977			1978		
		Total Subsidy	Per Unit	Per RRA	Total	Per Unit	Per RRA	Total	Per Unit	Per RRA	Total	Per Unit	Per RRA
70	362	1 968	2 061	379	675 816	1 867	343	573 139	1 583	291	564 529	1 559	287
71	1 018	5 644.5	1 746	315	1 938 040	1 904	343	1 723 806	1 693	305	1 368 691	1 344	242
72	159	832.5	1 22 095	339*	325 018	2 338*	449*	355 598	2 236	427	358 220	2 253	430
73-74	108	508.5	1 384*	299*	221 289	2 050	435	259 825	2 406*	511*	193 713	1 794	381
75	359	1 876.5						560 267	3 524*	571*	1 270 990	3 540	677
76	277	1 395.5									831 073	3 000	595
Average			2 783 350	1 805	330	1 942	357	3 472 635	1 923	350	4 587 216	2 009	375
Overall Average:			\$1930/Unit	\$355/RRA									

* Figures adjusted to account for projects not open for full year in that period.

1. Figures include total subsidy (i.e., both Provincial and Federal government share).

2. The somewhat erratic movement of subsidy costs in some years (e.g., 1972) can partially be explained by the fact that all capital costs are financed out of the current budget and are not amortized over their expected life as is done in the private sector. These large extraordinary costs can appear to skew the subsidy cost pattern over the years.

Source: W.R.H.A. Project Files Audited Statements (1975-78).

Rising operating costs, the rapid escalation in development costs and the lack of growth potential on the revenue side explain these trends. While average subsidies per unit and per rentable room (i.e., RRA factor) have gone up 11% and 14% respectively since 1975, the dramatic increases show up when you compare per unit costs of older units to ones recently constructed. 1978 subsidy costs for units committed in 1976 average \$3 000/unit compared to \$1 559/ unit for housing committed in 1970, an increase of over 90%. On the other hand, subsidy costs/RRA have gone up 107% which reflects the fact that unit size has also changed over this period. This should not be all that alarming though given what has happened to construction and development costs generally over this period. In any event, average subsidy costs seem to have maintained a fairly reasonable level overall.

In summary, it appears that the public housing program has been working well towards satisfying the shelter needs of the low income population. Since the program's inception 3 314 family units have been provided. This compares to a shelter need population of some 42 000 households, of which almost 30 000 can be estimated to be families. (Refer to Table II.6). Also, when contrasted to the number and relative distribution of household groups identified in Chapter II as having the most serious affordability problems (i.e., single parent families, two person households and larger family rental households), the information illustrates quite clearly that public housing has made considerable inroads in addressing the problem, at an average cost of \$1 930 per family per year.

Rent Supplement Program

Since the program's inception, a substantial and growing body of support has evolved for the concept of rent supplements. This popularity undoubtedly reflects the perception that rent supplement offers an alternative to "traditional" public housing to both suppliers and consumers of subsidized low rental housing.

Program Components: Under Section 44(1)(a) of the National Housing Act, C.M.H.C. can subsidize up to 50% of the operating losses incurred by any provincial or municipal authority operating a public housing project. Initially, this was intended to cover only those units built under Section 43 of the Act (i.e., "traditional public housing"). However, in the early 70's the interpretation was broadened to include units leased by provinces from private landlords for use as rent-geared-to-income units.

The operating framework of the program essentially involves a federal-provincial agreement which in turn enables the provinces to enter into lease agreements with individual landlords for a specified number of units in designated developments. In theory, these units are then rented to low income families who otherwise would be eligible for public housing. The tenant pays rent to the landlord according to the public housing rent-to-income scale and the province reimburses the landlord for the difference.

In Manitoba, most of the rent supplement units have been obtained as a spinoff of other social housing programs such as the Limited Dividend Program. In 1973, the Province started picking up units under the 25% option clause included in all new projects financed under the

Limited Dividend provisions of the Act. A fair number of units were also leased in older Limited Dividend developments where the landlords were experiencing rent up problems. For the most part, then, the units subsidized under the program are similar to public housing in that they represent additions to the stock through new construction and generally can be described as "modest housing".

The rent supplement program extends to non-profit and co-operative housing as well. Beginning in 1973, under Section 44(1)(b), units within non-profit or co-operative housing became eligible for equivalent subsidies. Essentially, this has resulted in two distinct programs emerging from rent supplement provisions.

Program Objectives: According to C.M.H.C.'s Guidelines and Procedures Manual, the objectives of the rent supplement program are as follows:

- To provide an alternative to regular public housing financed under Section 40 or 43.
- To provide accommodation that will most effectively integrate public housing occupants into a community.
- To increase the housing stock available to low income...families... by increasing private market accommodation (related to 44(1)(a) only).
- To reduce provincial demands on the Corporation's capital budget fund and to provide the private sector with the means of competing in the public housing field (related to 44(1)(a) only).

Program Recipients: In order to assess whether or not the rent supplement program is indeed providing an alternative to public housing, it is important to determine the extent to which the program has been able to reach down and provide assistance to the low income families needing it the most. In theory, units are to be allocated on the basis of need, in the same way that public housing units are tenanted.

However, in practice the evidence indicates that this may not always be the case. It may be somewhat naive to assume that a private landlord will accord secondary consideration to profits and the smooth running of his project, to tenant a potentially problem family because that household has exhibited the greatest need for the unit.

An examination of the income characteristics of tenants in the family units (i.e., more than 1 bedroom) under the rent supplement program in the city in 1978 yielded some interesting results (see Table V.7). Whereas 45% of the tenants in public housing during that period were from the lowest income categories, with incomes below \$5 000/year⁸¹, only 39% of those in rental supplement units had incomes that low. Public housing also showed a slightly higher proportion of welfare recipients (i.e., 39% vs 33%).

At first glance, it may appear that the two programs generally serve the same clientele, with public housing achieving a slightly deeper income penetration; however, these comparisons can be somewhat misleading. While the private rent supplement program caters primarily to smaller and often younger families, due to the fact that almost 80% of the portfolio is made up of two bedroom units, public housing

81. For the purposes of defining low income, all tenants receiving social assistance were included in this calculation. Their minimum budget allocations, regardless of actual amounts render them low income for all intents and purposes.

caters to all household sizes. As it was pointed out during the discussion on the public housing program, this can reflect a seemingly higher income distribution than would normally be the case if the comparison was made on a unit size basis. When income penetration is compared on this basis, 48%⁸² of public housing tenants fell into the lowest income categories, a difference of almost 10% in relation to the rent supplement program. These findings could be interpreted as suggesting that a certain amount of "creaming" or "high-grading"⁸³ does in fact go on in the selection of tenants for the rent supplement program.

A clearer case can be made in support of this argument in a comparison of income characteristics of tenants in rent supplement units owned by private landlords to those tenants in rent supplement units owned by M.H.R.C. The only variable in this comparison is the element of ownership. Essentially, all other factors are the same (i.e., most of the units are apartments, most are two bedrooms, etc). One would expect that the lowest income need group should be similarly represented in either situation. As the following table illustrates, however, this is clearly not the case.

82. See Table V.2.

83. Creaming or high-grading refers to the process whereby problem-free and usually higher income tenants are "creamed off" and placed in rent supplement units, leaving regular public housing to cope with the poorer, often harder to house tenants.

TABLE V.7
INCOME DISTRIBUTION BY PROGRAM
(WINNIPEG)

	Private RS (Non Family)	Private RS (Family)	Co-op RS	MHRC RS	Family Public Housing
Social Assistance	37	33	7	40	39
< 4 999	17	6	-	17	6
5 000 - 9 999	42	52	40	37	43
10 000 +	5	9	53	6	12

RS: Rent Supplement Program

Source: Winnipeg Regional Housing Authority Tenant Files

57% of the tenants in M.H.R.C.'s rent supplement program fell into the lowest income categories, showing a deeper income penetration than the private rent supplement program by almost 20%. While only 33% of tenants in the private rent supplement units were on welfare, 40% of those in M.H.R.C.'s units were on social assistance.

What these findings begin to suggest is that for some reason the private landlord is not as willing as the public landlord to house families solely on the basis of need.

The information is even more revealing in the case of rent supplement units provided under Section 44(1)(b). As Table V.7 indicated, only three households or 7% of the tenants in rent supplement units in housing co-operatives could be termed as low income. 40% had incomes between \$7 000 and \$10 000/year and the remaining 53% showed incomes in excess of \$10 000/year. Quite clearly, this portion of the program has failed in its bid to provide an alternative to public housing. For the most part, the program benefits are channelled to a completely different need group.

• Program Impact: Availability of units is another important consideration in judging whether the rent supplement program can properly be considered an alternative to public housing. Three aspects of this shall be examined: the overall size of the program, the location of the projects, and the unit types and sizes generally available.

As the following table indicates, in relative scale alone, the program can hardly be viewed as an alternative to public housing.

TABLE V.8
UNIT SIZE DISTRIBUTION BY PROGRAM
(WINNIPEG)

Program	Unit Size					Total
	1	2	3	4	5	
Co-op		27 (20%)	94 (69%)	12 (9%)	3 (2%)	136
Private RS	108 (41.5%)	119 (45.5%)	34 (13%)			261
M.H.R.C. RS	15 (11%)	99 (73%)	22 (16%)			136
Family Public Housing	101 (3%)	1 118 (33%)	1 670 (49%)	411 (12%)	115 (3%)	533 3 415

Source: W.R.H.A., November, 1979

With only 533 units (less than 1/6 the size of the regular public housing stock), the program has hardly made a dent in the housing problems of low income households here in Winnipeg. It is unlikely too, whether

155.

the program can be expanded in any real way in order to more adequately address these needs.

This argument is certainly supported by the findings of a research report commissioned by C.M.H.C. earlier this year regarding private landlord participation in the program⁸⁴. They found that vacancy rates were the main impetus behind landlords entering the program and conversely, the critical factor in the decision to withdraw units from the program. Quite clearly, there is no obvious incentive for a landlord to enter into this kind of arrangement unless he is having trouble renting his units. This situation not only affords little continuity to the supply of low income housing but essentially only serves as a potential addition to the supply when the market is very "soft". This knowledge, together with the already apparent slow growth in the program seems to suggest that the program cannot seriously be considered as an alternative to the public housing program. Because of the way the program is delivered, it simply cannot be expected to have the same impact as the public housing program in addressing the needs of low income families.

Essentially, the private Rent Supplement Program is of only marginal interest to many landlords. As a result, it has been suggested that unless units are acquired under option, the program ultimately gets used as a

84. Ruston/Tomany and Associates, The Role of Landlords in the Rent Supplement Program, March, 1979.

sort of dumping ground for units. It seems obvious that if a large number of units leased under the program are ones that would otherwise be vacant, there is a greater possibility that they may be unsuitable in terms of space, unit type, location or even amenities.

From a location perspective, the Rent Supplement Program does not offer any area choices unavailable through the regular Public Housing Program. In fact, again because of sheer numbers, the Public Housing Program offers a great deal more choice in terms of neighborhoods and communities than is possible through the Rent Supplement Program. The following table illustrates that the program is also unable to provide the range of unit types and sizes now available under the Public Housing Program. 40% of the units leased under the program are not even available to families (i.e., 1 bedroom units).

TABLE V.9
DISTRIBUTION OF RENT SUPPLEMENT
UNITS BY TYPE AND SIZE
(WINNIPEG)

<u>Type\Size</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>
Apartment	158	174	50	382 (96%)
Townhouse	-	3	12	15 (4%)
Totals	158 (40%)	177 (45%)	62 (16%)	397 (100%)

* Figures do not include units under 44(1)(b).

Source. Compiled from Winnipeg Regional Housing Authority Project Files.

The large majority of the units are two bedroom apartments which limits the target population to essentially small, one-child households, who in all likelihood are also quite young. Quite clearly, the private Rent Supplement Program is not acting as an alternative to Public Housing at all, but rather as a complementary program, essentially serving different types of households at different stages in their life cycles.

For the most part, units leased in co-operative housing projects under Section 44(1)(b) provide similar unit types and sizes to the public housing program, but unfortunately as it was indicated earlier, they do not serve the same need group in terms of income.

Some of the other ascribed advantages of the program have not materialized either. For example, despite the intention to conceal the identity of rent supplement tenants, their presence is well known. Evidence gained from the Landlord Survey⁸⁵ supports this point. Also, since the program has not been extensively used as an alternative to public housing, it is difficult to evaluate the impact it has had on the capital demands of the Corporation.

The major issue, however, is clearly whether the program could serve as an alternative to public housing. Two conclusions can be drawn from the above discussion: the program operates on too small a scale to be called an alternative and for the most part, serves a different clientele.

85. See Ruston/Tomany and Associates, op. cit.

Program Costs: As the following table illustrates, the costs involved in the rent supplement program are not substantially different from those involved in public housing.

TABLE V.10
SUBSIDIES BY PROGRAM AND UNIT TYPE

	<u>Total Subsidy</u>		<u>Per Unit</u>		<u>Per R.R.A.</u>	
	<u>77</u>	<u>78</u>	<u>77</u>	<u>78</u>	<u>77</u>	<u>78</u>
Private Rent Supplement (apartment)	404 529	393 179	1 605	1 560	432	420
Private RS (Townhouse)	22 978	21 111	1 532	1 407	293	269
Co-op	N/A	134 845	-	1 532	-	284

Source: Winnipeg Regional Housing Authority Tenancy Agreements

In all cases, the per unit costs noted for the rent supplement program were lower than those incurred in 1977 and 1978 for public housing. This undoubtedly reflects the fact that the units are much smaller under the rent supplement program, with the exception of those units in co-operative housing, where per unit costs are lower because the program caters to a higher income group. When costs/RRA are examined (which equalizes different unit size compositions), the subsidies involved in housing families in the private rent supplement program appear somewhat higher than in public housing. In part this reflects the fact that a good number of the public housing units are somewhat older than the average rent supplement unit, resulting in lower break-even rents. In any event, the important point to be noted here is that subsidy costs are

generally on the same scale, which refutes the age-old argument that somehow using the vehicle of public housing is always more expensive.

New Non-Profit Program

Earlier this year the Federal Government enacted legislation which introduced a new vehicle for financing low and moderate income housing. The new technique utilizes a modified non-profit housing approach. Essentially, the new non-profit program (Sec. 56.1 of the National Housing Act) represents the central element in the Federal Government's revised social housing package, replacing not only the old Non-Profit and Co-op provisions, but the federal assistance to the old public housing program as well.

Program Components: Under this new arrangement, a non-profit corporation, whether it be a provincial, municipal or private corporation, secures loans from private lenders, and the Federal Government in turn provides annual contributions, which at the maximum level of assistance⁸⁶ would bring the effective interest rate down to as low as 1% on a 90% loan with a 35 year amortization. Where a N.H.A. loan of 100% is obtained, the grants could bring the loan repayments down to the equivalent of those when a 2% interest rate is charged.

These Federal subsidies are unilateral in the sense that they are not conditional on specified contributions being made by other levels of government. It should be recognized however that the provinces are, of course, free and indeed encouraged to add their own contributions to

86. The amount of Federal assistance provided to a Non-Profit project is determined by the agreed upon costs of the project, the market rate of interest and the target clientele.

144.

achieve deep enough income penetration to reach lower income households.

Non-profit, co-operative and public housing agencies will offer all units funded under this program to tenants on the basis of a 25% rent-to-income ratio or market rent, whichever is less. The intent is that through such a rental policy an income mix of families will be achieved. In fact, an "income mix" is necessary to achieve project viability. Without substantial provincial stacking, lower income households can only be accommodated to the extent that higher income people are taken into the project. Under this arrangement, Federal assistance then goes to help those families in the housing project with the lowest incomes.

Program Objectives: According to C.M.H.C.'s Informational bulletin on Non-Profits, the program is intended to:

- ensure that an adequate number of low-income housing units are created annually;
- make possible the delegation of responsibility to the province for the project review and approval process;
- provide for the fullest possible use of private sector capital to reduce the demand on government funds;
- encourage the application of provincial assistance in order to penetrate down the income range and provide rental assistance to those individuals and families who need it most, and,
- give provinces greater flexibility in planning and administering projects which best fill the needs of each community.

143.

●Program Recipients: While there have been no non-profit family projects built in the City to date, it is possible to estimate the potential income penetration of the program, on the basis of the Federal interest write down subsidy.

The application of Federal assistance to an average 100 unit family public housing project built in Winnipeg in 1977 is described in Appendix B. As the example illustrates, the break even rent, even with the generous Federal interest write down grant is \$233/month, which means that the minimum income level that can be reached without additional subsidies is \$11 280. This assumes that 100% of the tenants would be subsidized, which is a reasonable scenario in a program comparison involving Public Housing.

This illustration indicates quite clearly that if these units are to be allocated to lower income families, the province will have to stack additional subsidies onto the initial Federal grant. In fact, even under the most cost effective scenario whereby only 25% of tenants received subsidies, while 75% paid full economic rents, some provincial assistance was projected as being necessary if the 25% receiving subsidies were paying average Public Housing rents (a reflection of the average income of the Public Housing tenant).

What this suggests is that even using the economic integration approach, the new Non Profit Program is unable to serve the income groups now being served by Public Housing. Lower income households still experience an "affordability gap".

This illustration also understates the problem somewhat. It assumes that under the economic integration approach, some tenants would be paying full economic rents, which according to the program definition is not the case. Tenants pay 25% of income or market rent, whichever is less. If, as is presently the case, the full recovery rent is greater than the market rent, then some portion of the Federal assistance goes to benefit higher income households, clearly at the expense of the poor.

Also, if the experience of the Rent Supplement Program can be applied here, the economic integration approach will merely tend to frustrate the housing needs of the poor. Unless the units are provided through a public sector non-profit corporation, the practise of "creaming" or "high-grading" will mean needy families will often be by-passed in favour of higher income households.

One of the major factors which renders the program unattractive as a vehicle for low income housing in comparison to Public Housing is the program financing. Federal assistance alone is not sufficient to reach down to the lowest income groups, yet program funding is not conditional upon contributions being made by other levels of government. For family housing, there has been no commitment from the Province to date, to stack additional subsidies onto the initial Federal grant so that low income families could be served by the program (not even on units initiated by the provincial non-profit corporation). On the other hand, the province early this year announced a rent subsidy program as well as a capital assistance program (i.e., a 5% capital grant) in support of the private

non-profit program for the elderly. It is highly unlikely however, that similar assistance would be extended to non-profits building housing for families, since the freeze on Family Public Housing was predicated on the basis of an apparent slow down in demand and /or need for subsidized family units⁸⁷.

Program Impact

It is quite clear that the level of activity under this program is intended to be much less than under the previous federal public housing program. In fact, given that Manitoba's total allocation for 1980 is 493 units, down even from the 616 and 600 unit allocations in 1979 and 1978, it is obvious that the portion ultimately to be directed to non-profit family housing in the City will be minimal. Under these arrangements, family housing will undoubtedly lose out in favor of housing for the elderly.

The effectiveness of the private non-profit⁸⁸ technique in the delivery of low income family housing was alluded to in previous chapters. With one exception, it has proven to be completely unsuccessful as a vehicle for providing low income housing to families. This suggests

87. This is not supported by either the discussion of housing needs in Winnipeg presented in Chapter II or a review of Public Housing waiting lists since 1975. Overall, total application intake over the years has been fairly steady (1695 in 1975, 2069 in 1976, 2727 in 1977, 2475 in 1978 and 2450 in 1979).

88. For the purposes of this program, a private non-profit is a corporation constituted exclusively for charitable purposes.

quite clearly, that if the Non-Profit Program is to produce any family units at all, it must be dependent on the commitment of provincial and municipal non-profit corporations rather than private initiatives. Given the current policy environment in the public sector, this seems remote as well.

Overall, the program is unlikely to measure up to the impact of the Public Housing Program in addressing the housing problems of the poor. Given the program's structure and funding, the Non-Profit Program will undoubtedly make its greatest contribution in the provision of moderate income housing and housing for the elderly. The program as we know it today then, can not accurately be viewed as a substitute to Family Public Housing.

Program Costs- The St. Anne and Woodydell example illustrated what income penetration was possible with a given amount of federal assistance. The example unfortunately does not give an accurate perspective of what is possible at what costs since it merely represents a "snap shot" at a single point in time. As the project gets older and operating costs rise, income penetration would clearly have to be sacrificed without additional subsidization.

Given the fixed contribution of the Federal Government, the program's performance or viability over the long term is clearly the perspective of greatest concern. If operating costs escalated sharply, for example, then the provincial government might find itself forced to assume responsibility for all the additional subsidization that would be required to maintain even the same level of income penetration. The alternative would be an erosion of income penetration over time.

It is obviously not possible to determine with any amount of certainty precisely what the implications of this new funding arrangement will be over the longer term, but some comparative forecasts are possible.

Essentially, there are four major variables which will affect project viability and /or project costs overtime: the growth of household incomes, the growth of operating costs, the distribution or "mix" of household incomes and the level and growth of market rents.

Based on a number of assumptions about future events, Table V.11 outlines nine scenarios which were worked out for the St. Anne and Woodydell project using three sets of possible inflation rates and three types of possible tenancy characteristics.

TABLE V.11
 COST IMPLICATIONS OF NON-PROFIT FUNDING ARRANGEMENT
 (ST. ANNE AND WOODYDELL)

Inflation Rate	% of Tenants Subsidized	TURNOVER YEAR ¹		
		25%	50%	100%
Low	never		39	12
Medium	24		19	7
High	13		11	5

1. Turnover year: The year in which the subsidy required under the new funding arrangements exceeds the provincial subsidy under the original Sec. 43 financing or conversely, the point at which federal subsidies drop below existing subsidy levels under the old program formula.

Source: Manitoba Housing Renewal Corporation (See Appendix B).

The information presented in the scenarios where 100% of the tenants were subsidized, illustrates quite clearly that over the long term Federal assistance available under the new Non-Profit program is not comparable with the benefits under the existing Public Housing Program. Under the old funding formula, the Federal Government provided 50% cost sharing of operating losses for 50 years into the future. Applying any one of the inflation scenarios, federal contributions under the new Non-Profit Program were projected to drop below current federal subsidies anywhere from 5 to 12 years into the future.

Not unexpectedly then, the program has met with a great deal of resistance from provincial governments since its introduction, in particular those still interested in providing housing for the poor.

Annual funding agreements must be signed in support of these new federal housing initiatives and negotiations are now taking place for the 1979 global and operating agreements. Over the bargaining table, the Federal Government has now indicated a willingness to perhaps cost-share any operating losses on those projects the provinces agree to subsidize, after the point at which the Provinces have at least matched federal assistance⁸⁹.

89. Since this document was originally drafted, the 1979 global agreement has been finalized. Through the agreement the Federal Government did consent to cost share operating losses on those projects where the province has at least matched their grant. The agreement was signed towards the end of 1979; it has now lapsed. Another funding agreement is being negotiated for 1980.

Despite the possibility of a revised funding formula, in all likelihood the program will remain relatively ineffective in comparison to Public Housing in providing housing assistance to low income families, largely because of some of the impeding factors discussed earlier, not the least of which is the system of delivery.

Conclusions

This Chapter has examined the relative effectiveness of the public housing program in meeting the housing needs of the lowest income families here in Winnipeg, with the program alternatives and directions now being emphasized by the Government.

An examination of the rent supplement program indicated that rent supplement tenants are clearly different from those in regular public housing, suggesting that the program is not an alternative at all, but rather a complementary program serving quite different needs. The small scale of the program and the nature of the program take-up, indicated that rent supplements in their existing form could never be considered as a serious alternative to Public Housing.

The new Non-Profit program, without a commitment from the Province for subsidy participation at least matching the federal interest write down grants, will clearly be unable to reach down to the lowest income families in the same way the old public housing program did. Even then, there is some uncertainty as to whether the subsidies would be deep enough to serve this same clientele without some income mixing in projects. Given the current scale of the program, though, such a move would clearly be at the expense of households more needy. The structure and delivery of the program also appear to work against the objective of providing housing for

low income families. Over the years, private non profits have never demonstrated potential for delivering housing for families, only the elderly. At the same time, given the popularity of the concept of "privatisation" within government, the public sector is showing an increasing tendency to defer to private initiatives. Overall, the Non-Profit Program does not appear to be able to effectively replace Public Housing without substantial program modifications. Instead, it may only serve to mask the true need for and extent of government assistance to low income families.

For the most part, public housing appears to represent the only true form of low income housing being provided today. Essentially, it is the only program launched to date which appears capable of seriously addressing the housing needs of the lowest income families. Other programs, despite their ascribed successes are effective at providing housing for only a limited group within the low income ranks or in a somewhat restricted fashion. Because of the program scale and the system of delivery neither Rent Supplements nor Non-Profits, alone, are likely to emerge as a viable force in meeting the housing needs of our low income families now or in the future.

CHAPTER VI

CONCLUSION AND POLICY RECOMMENDATIONS

Abstract: This Chapter synthesizes the conclusions of the previous Chapters and offers some direction for future policy development in the area of low income housing

SYNTHESIS

Public housing to date represents the only major housing initiative which seriously addresses the needs of low income families. Clearly, then, rather than eliminating public housing government should be expanding the program, while at the same time enhancing and strengthening it from the perspective of making the program more acceptable to consumers, taxpayers and policy makers alike.

The overall intent of this thesis was to review the public housing program, particularly in the Winnipeg context, in an effort to assign the program its proper place in housing policy for the poor.

The housing problems of the poor do not, however, espouse a simple solution. Inadequate housing is merely one component of the all encompassing problems of poverty, the root cause of which relates directly to insufficient income. This does not mean to suggest, however, that more progressive income redistribution policies or income transfers on their own would ever completely resolve the housing problems of the poor. One need only examine the structure and rigidity of the country's income distribution system and its apparent resilience over time to social policy intervention to recognize the importance of allocation strategies such as public housing in easing the effects of these poverty-induced problems. Furthermore, given the complex realities of Canadian housing markets, even the most enlightened income redistribution policies would never completely remove the need for specific housing strategies and programs, targeted at certain need groups.

Certainly, this review suggests that while no single social policy or program can ever hope to meet the many and diverse housing needs of the poor, public housing clearly has a significant contribution to make,

particularly as part of a larger more comprehensive strategy.

This proposition is reflected throughout this investigation. In fact, the findings coming out of the review specifically highlight the important role Public Housing has played in housing policy for low income families in the past and the need for a similar, if not expanded, role in the future. Public Housing is the only government housing initiative to date that can be said to have targeted its benefits to those households most in need of public sector assistance. Almost all tenants in Public Housing have low incomes.

Despite this fact and in spite of the apparent need for such intervention, the Public Housing Program finds itself being disregarded as a viable program option for meeting the housing needs of the low income and most recently, being discontinued altogether.

Of even greater concern, this review suggests that the assistance to low income families now available through the Public Housing program is unlikely to be replaced in any real way. The evidence indicates that the program options now being emphasized by Government, in the form of Rent Supplements and Non-Profits, cannot effectively "substitute" or "replace" the assistance to low income families now provided under the Public Housing Program. This suggests even further that government housing policy is increasingly failing to meet the needs of low income families. In fact, the review argues that without a conscious change in government policy, the housing needs of low income families will indeed be sacrificed in the pursuit of the more general principles of government in vogue today, such as "restraint" and "privatisation".

Finally, while this is by no means intended as a complete solution, this investigation implies quite clearly that if the housing needs of low income families are to be adequately addressed, the path of change lies in more, not less, government intervention and certainly, in more not less, Public Housing.

Each chapter within the body of this thesis was structured to provide the reader with an overview of the findings as the review evolved in the form of a section entitled "conclusions". To avoid repetition, while at the same time achieving some refinement of the more generalized synthesis provided above, the specific findings of the review have been summarized and organized below around the objectives as outlined at the beginning of this investigation.

Objective 1 - To examine the nature and extent of the housing problems facing low income families generally, together with a review of the specific market situation facing these households here in Winnipeg; the intent being to provide a broad perspective on the appropriateness of supply-side strategies, such as Public Housing.

- Public sector intervention in the housing market on behalf of low income households is deemed necessary if their housing problems are to be seriously addressed. Housing pressures are most severe in the rental market and more particularly for certain consumer groups such as single-parent households, large families and the single elderly.
- In Winnipeg, the supply of low cost rental housing appears to be under tremendous pressure, due in part to the large quantities of poor quality housing, the increasing rate of demolition and abandonment and the government freeze on Family Public Housing, which is essentially the only real source of replacement housing in this low income sub-market.

These market conditions, coupled with Winnipeg's low income levels suggest that the housing problems facing low income families here, particularly over the longer term, will get even more extreme without a conscious change in government policy.

- Government housing initiatives, and in particular, supply-side initiatives such as Public Housing should remain an integral part of government policy, at least into the foreseeable future, if the housing problems of low income families are to be adequately addressed. The structure and rigidity of our income distribution system and the apparent failure of the income tax system to function equitably as an income redistribution mechanism suggest that income transfers through housing allowances or income supplements may not be enough to address the needs of this consumer group. At the local level, the specific supply situation facing low income families reinforces this argument.

Objective 2 - To examine the relevant intergovernmental policy environment to determine what impact this had on the development of policies and programs directed at the needs of low income families.

- Consistent with the proposition outlined in hypothesis #1 (refer Page 4), evolving federal-provincial-municipal relations in the field of housing have only served to impede the development and exploitation of programs such as Public Housing which target their assistance to the housing needs of the poor. Ottawa has withdrawn from any direct involvement in housing on the pretense of getting out of fields constitutionally within the Province's jurisdiction. The Province is now backing away because of fiscal constraints. And finally, the municipality is unable

to get actively involved because of the limiting structure of local government revenue sources. This has resulted in a reordering of responsibilities and priorities in the housing field, such that no level of government is now taking the lead role.

- With the exception of the Public Housing Program, past government intervention in the housing market has been on behalf of middle and upper income groups and not the poor.
- Evidence suggests too, that the recent policy shift of our senior levels of government away from the Public Housing Program is based, for the most part, on a desire to rationalize even existing levels of assistance targeted for the poor. Evolving government housing policy is, therefore, increasingly failing to meet the needs of low income families.

Objective 3 - To examine the Family Public Housing Program in Winnipeg, with a view to identifying those factors which either have contributed to the body of criticism now surrounding the program or, more specifically, have constrained the program from meeting its objectives.

- Existing perceptions of Public Housing are, for the most part, carry-overs from some of the first projects built under the cost-sharing arrangements.
- In support of hypothesis #2 (refer Page 4), the findings indicate that in the Winnipeg context, Public Housing generally has proven to be an effective vehicle for providing housing assistance to low income families (at least in the eyes of the program recipients).
- External factors, in particular, political and economic considerations, have acted as major determinants in the direction of the program to date and have to some extent, overshadowed the program's true potential.

Objective 4 - To examine the effectiveness of the Family Public Housing Program in dealing with the needs of low income families, relative to the program directions now being emphasized.

- In accordance with hypothesis #3 (refer Page 5) the findings demonstrate that Public Housing is the only government housing initiative advanced to date that can be said to have targeted its benefits to those households most in need of public sector assistance.
- The program alternatives and directions now being emphasized by government do not provide "substitutes" to the assistance provided to low income families through the vehicle of Public Housing. The Rent Supplement Program, in comparison to Public Housing, operates on too small a scale to be seriously considered an alternative and for the most part, also serves a different need group. Similarly, the new Non-Profit Program is unlikely to emerge as a viable alternative to meeting the housing needs of our low income families without some program modifications. The chief criticism of the program, relative to Public Housing, lies in the structure and delivery of the program, in addition to its funding.

POLICY DIRECTIONS

It was not the intention of this investigation to produce new and innovative solutions to what is clearly a complex and stubborn problem. Outside the academic milieu, it is probably far more important and relevant if the study simply provides a basis from which governments can begin to reexamine housing policy and programming, particularly as it affects low income families. The following recommendations attempt to give some direction in this regard.

Recommended Overall Policy Thrust

The housing problems of low income families are currently not being adequately addressed by either the country's housing policies, income policies or other non-housing policies such as taxation. The fundamental nature and underlying source of some of these housing problems seem to pose the greatest challenge for our policy makers. This investigation suggested that the housing problems being faced by the poor today, in large part reflected the inequality of the income distribution of the market place and the failure of the income tax system to function equitably as an income redistribution tool.

What is required in the long run then is the linking of housing assistance to income maintenance in a manner ensuring that all low income families achieve at least a basic standard of shelter. More progressive income redistribution policies should be developed. The government should maintain general income supplementation programs targeted at the poor in the form of tax credits, housing allowances or eventually some form of guaranteed annual income.

At the same time, because of some of the rigidities and imperfections inherent in housing markets, it is important for government to maintain effective supply-side programs which would add to the supply of housing in certain problem areas such as the low income rental sub-market.

In the short-run, supply-side initiatives could address those dimensions of the housing problem not necessarily related to affordability as well as possibly ease the effects of any market distortions resulting from demand-side initiatives such as income supplements or housing allowances.

In the long run, supply oriented strategies could help avoid shortages which undoubtedly would result in the low income rental sub-market, given the current rate of demolition and abandonment in this particular sub-market and the fact that publicly assisted units are clearly the only source of replacement units here.

Central to any future policy development, then, should be a dual policy thrust emphasizing general income supplementation as well as sector specific supply-side strategies in a complementary role.

Policies Specific to the Different Levels of Government

The roles and responsibilities of the three levels of government in the area of housing must be clarified and relationships worked out to ensure that respective roles are complementary. There seems to be a pronounced trend of late toward the devolution of responsibility in the field of housing to lower levels of government. This can and should take place but only when the respective roles are clear and adequate resources to deal with the problem have been passed along with the responsibilities from the senior governments. Only then will we have made any significant progress towards developing an integrated shelter support system for low income Canadians.

(1) Federal Government

- The Federal Government should assume responsibility for general income support measures aimed at the low income, since it is the level of government in the best position to finance these social programs, having access to the most progressive tax base.

- Funds should also be allocated for specific cost-shared housing and income support programs in conjunction with the other levels of government

and for unconditional grants to provinces towards the financing of locally initiated housing programs.

- Section 43 (which was the old Federal Government loan program for the financing of public housing) should be revived. If not, the Federal Government should modify the structure and delivery of the new Non-Profit Program to more closely approximate some of the program features of the old Public Housing Program.

- The Federal Government should undertake to study the magnitude and benefit distribution of all housing and housing related subsidies now in existence. Within that framework, such subsidies could then be prioritized and reallocated on a more equitable basis, focusing subsidies on those most in need of the assistance.

(2) Provincial Government

- The Province should assume the lead role in the development and co-ordination of an overall housing strategy for the Province. We appear to be in an era where strong provincial initiative and control is necessary if housing problems are to be adequately addressed.

- The Province should assume the responsibility for the design and administration of sector specific programs such as housing allowances which could be financed with Federal contributions.

- The Province should give top priority to housing for low income families, in particular single parent households. Resources should clearly be allocated to housing programs for these household groups rather than senior citizens who have always received the lion's share of housing assistance.

Programs such as SAFER (Shelter Allowance for Elderly Renters), the Elderly Persons Housing Program and the Sponsored Housing Program are obvious cases in point. Generally, housing assistance for senior citizens, whether it be in the form of actual units or income supplements, meets with much less resistance so more aid is directed towards these programs. However, it is difficult to see the justification for resources continuing to be channelled to senior citizens, at the expense of needy families.

- The Province should support the production and rehabilitation of low income housing stock through the use of public sector corporations. The concept of using private non-profits as a vehicle for providing housing for low income families should be disregarded. They have clearly never proven successful in this respect. Private non-profits can be utilized in the production of senior citizens housing, but public sector corporations must clearly be given the mandate in the area of housing for low income families.

(3) Municipal Government

- In recognition of local governments' responsibility for land use and planning, municipalities should promote the development of social housing wherever possible as well as support the upgrading of the existing housing stock through appropriate code enforcement, tax incentives and participation in rehabilitation programs with other levels of government.

Recommendations Specific to the Public Housing Program

There are a number of improvements which could be made to the Public Housing Program in an effort to create a public housing resource more

capable of meeting the housing needs of low income families.

- In an attempt to ensure that Public Housing fits in with the overall scale and character of a neighborhood, emphasis must be placed on the various aspects of project size, density and design. Consideration should also be given to the impact of and on the surrounding neighborhood.

- The Public Housing Program could be effected through new publicly constructed units, rehabilitated existing units or the purchase of new market units. Rehabilitation and market unit approaches should be employed wherever possible without putting undue pressure on specific markets, since these approaches are less costly than new public construction.

- The Public Housing rent scale should be revised to reflect current prices and past inflation rates.

- A policy of economic integration in Public Housing should be pursued. In addition to the social policy arguments, this would resolve the problem of economic eviction of tenants once they reach a certain income level, as occurs now under the 25% rent-to-income scale. It also allows a family to move up and down the socio-economic ladder without having to be displaced from their home. In implementing a policy of economic integration, some safeguards should be built in or caution exercised. In particular, so as to ensure the continued provision of the housing to the target group, (i.e. the low income), a maximum should be set on the number of units available at market rent.

- The structural participation in the management of Public Housing, of the people using the housing, is a desirable objective. Initially, to be successful any attempt at meaningful participation or true tenant

management would require a substantial commitment of time, money and skills. This type of investment would certainly pay off though in the form of a program more attuned to the needs and desires of the target population.

Concluding Comments

The housing problems facing Canada's poor will reach nothing short of critical proportions without a fundamental change in government policy. To date the apparent failure of public sector policy to deal effectively with their situation can only be blamed on the indifference of a vast majority of Canadians and a total lack of leadership on the part of our governments.

With governments entering into what could prove to be an extended period of restraint in government expenditures, resources for social housing programs will undoubtedly be increasingly restricted. The first casualties in a battle for limited resources are always those programs which channel benefits to the largely silent and unorganized lower income groups, for it is those programs which have the most fragile political foundation.

Under these circumstances, the odds are definitely working against the poor. Unless this income group develops sufficient political force or finds a way to effect a voice in the general process of reordering of priorities and reallocation of resources that is occurring within governments today, not only will their circumstances not improve, but they stand to lose some of the ground that may have been gained in the last number of years. For the poor then, this may definitely represent "the challenge of the '80's".

APPENDICES

THE MANITOBA HOUSING & RENEWAL CORPORATION

GRADUATED RENTAL SCALE FOR

FULLY SERVICED ACCOMMODATION IN PUBLIC HOUSING PROJECTS FOR FAMILIES AND ELDERLY CITIZENS

(FULLY SERVICED — supplied with heat, water, hot water, stove, refrigerator)

The monthly rent shown opposite income applies until the next income change shown

MONTHLY			MONTHLY			MONTHLY			MONTHLY		
Family Income	Rent		Family Income	Rent		Family Income	Rent		Family Income	Rent	
\$	\$	%	\$	\$	%	\$	\$	%	\$	\$	%
up to 192	32	16.7	266	56		340	80	23.5	416	104	
195	33		269	57	21.2	343	81		420	105	
198	34		272	58		346	82		424	106	25.0
201	35	17.4	275	59		349	83	23.9	428	107	
204	36		278	60	21.6	352	84		432	108	
207	37		281	61		355	85		436	109	25.0
210	38	18.1	284	62		358	86	24.0	440	110	
213	39		287	63	22.0	361	87		444	111	
216	40		290	64		364	88		448	112	25.0
220	41	18.6	293	65		367	89	24.2	452	113	
223	42		296	66	22.3	370	90		456	114	
226	43		300	67		373	91		460	115	25.0
229	44	19.2	303	68		376	92	24.5	464	116	
232	45		306	69	22.5	380	93		468	117	
235	46		309	70		383	94		472	118	25.0
238	47	19.7	312	71		386	95	24.6	476	119	
241	48		315	72	22.9	389	96		480	120	
244	49		318	73		392	97		484	121	25.0
247	50	20.2	321	74		395	98	24.8	488	122	
250	51		324	75	23.1	398	99		492	123	
253	52		327	76		401	100		496	124	25.0
256	53	20.7	330	77		404	101	25.0	500	125	
260	54		333	78	23.4	408	102		504	126	
263	55		336	79		412	103		508 and up		25.0

TO CALCULATE MONTHLY RENT FOR UNSERVICED ACCOMMODATION, subtract from the appropriate serviced monthly rent the estimated local cost of heat, water and hot water for the type of units in the project. Where a stove or refrigerator is not provided subtract an additional \$1.00 for each item.

DEFINITION OF INCOME

For the purpose of this agreement, "Income" shall refer to the aggregate gross income, in whatever form received, of all members of the family, or of an individual where applicable, EXCLUDING:

1. Earnings of children in regular attendance at recognized institutions of learning. Funds for tuition, such as scholarships, bursaries and contributions from non-resident family member.
2. Living out or travelling allowances of a family head.
3. Earnings of a working spouse up to \$900 per annum.
4. Income from any source other than social assistance payments of a one-parent family up to \$900 per annum.
5. Earnings in excess of \$75 per month of all members of the family other than the family head or spouse. (This will include persons related by blood, marriage or adoption or other persons who may reasonably be assumed to form part of the family).
6. Capital gains, such as insurance settlement, inheritances, disability awards, sale of effects.
7. Family allowance.

RENT REDUCTION FOR CHILDREN

The above scale provides the rental rate for a family or individual with no children. A reduction in this rent of \$2 per month is allowable for each child with a minimum rent of \$28 a month regardless of the number of children.

APPENDIX B

EXAMPLE OF THE COST IMPLICATIONS OF THE NON-PROFIT FUNDING ARRANGEMENTS

St. Anne and Woodydell, a 100 unit family public housing project which was built in 1977, was used as an example. The break-even rent under the new program (i.e. assuming 90% federal financing at 1% interest and 10% provincial financing at 10% interest) was calculated at \$233, as follows:

Example: 100 Units

Total Project COSTS were \$3 258 264 or 32 583/unit

Per Unit Costs*

Amortization Costs	110	
Operating Costs	30	
Taxes	44	
Maintenance	23	
Other	26	
	<u>\$233</u>	Break-even rent

* All costs are actual except amortization. Amortization payment was calculated on the basis of 90% of \$32 583 at 1% (i.e., 29 325) and 10% at 10% (i.e., 3 258), yielding a total monthly payment of \$110.00

Under the original Sec. 43 financing the full recovery rent was determined to be \$428.00 and the provincial share of the subsidy \$161.00.

Using J. Isitt's projection program, M.H.R.C. did nine forecasts of future subsidy costs under three possible inflation rates and three possible tenancy characteristics.

- Tenancy Assumptions:
- 1) 100% of the tenants receiving subsidies
 - 2) 50% of the tenants receiving subsidies;
50% paying full economic rents.
 - 3) 25% of the tenants receiving subsidies;
75% paying full economic rents.

Inflation Rate Assumptions:

- 1) Low Inflation Rate:
 - Revenues increase 5%/year
 - Operating Expenses increase 7%/year
 - Tax Expense increases 6%/year
 - Maintenance Expense increases 5%/year
 - Other Expenses increase 5%/year
- 2) Medium Inflation Rate:
 - Revenues increase 8%/year
 - Operating Expenses increase 12%/year
 - Tax Expense increases 10%/year
 - Maintenance Expense increases 9%/year
 - Other Expenses increase 10%/year
- 3) High Inflation Rate:
 - Revenues increase 9%/year
 - Operating Expenses increase 11%/year
 - Tax Expense increases 10%/year
 - Maintenance Expenses increase 20%/year
 - Other Expenses increase 17%/year

The cost projections appended here resulted from the following scenarios:

- 1) 100% of the tenants subsidized along with high inflation rates
- 2) 50% of the tenants subsidized along with high inflation rates
- 3) 25% of the tenants subsidized along with high inflation rates
- 4) 100% of the tenants subsidized along with medium inflation rates
- 5) 50% of the tenants subsidized along with medium inflation rates
- 6) 25% of the tenants subsidized along with medium inflation rates
- 7) 100% of the tenants subsidized along with low inflation rates
- 8) 50% of the tenants subsidized along with low inflation rates
- 9) 25% of the tenants subsidized along with low inflation rates

Source: Manitoba Housing & Renewal Corporation

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*****
*          CHANGE RATE ASSUMPTIONS          *
*****
* REVENUES          5.000 PER CENT PER YEAR *
* OPERATING EXPENSES 7.000 PER CENT PER YEAR *
* TAX EXPENSE        6.000 PER CENT PER YEAR *
* MAINTENANCE EXPENSE 5.000 PER CENT PER YEAR *
* OTHER EXPENSES     5.000 PER CENT PER YEAR *
*****

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YR	REVENUE	AMORT.PYMT	OPERATING	TAXES	MAINTENANCE	OTHER	PROFIT-LOSS
1	104.	110.	30.	44.	23.	26.	-129.
2	109.	110.	32.	47.	24.	27.	-131.
3	115.	110.	34.	49.	25.	29.	-133.
4	120.	110.	37.	52.	27.	30.	-135.
5	126.	110.	39.	56.	28.	32.	-138.
6	133.	110.	42.	59.	29.	33.	-141.
7	139.	110.	45.	62.	31.	35.	-144.
8	146.	110.	48.	66.	32.	37.	-147.
9	154.	110.	52.	70.	34.	38.	-150.
10	161.	110.	55.	74.	36.	40.	-154.
11	169.	110.	59.	79.	37.	42.	-158.
12	178.	110.	63.	84.	39.	44.	-163.4
13	187.	110.	68.	89.	41.	47.	-167.
14	196.	110.	72.	94.	43.	49.	-172.
15	206.	110.	77.	99.	46.	51.	-178.
16	216.	110.	83.	105.	48.	54.	-184.
17	227.	110.	89.	112.	50.	57.	-190.
18	238.	110.	95.	118.	53.	60.	-197.
19	250.	110.	101.	126.	55.	63.	-205.
20	263.	110.	108.	133.	58.	66.	-213.
21	276.	110.	116.	141.	61.	69.	-221.
22	290.	110.	124.	150.	64.	72.	-231.
23	304.	110.	133.	159.	67.	76.	-241.
24	319.	110.	142.	168.	71.	80.	-251.
25	335.	110.	152.	178.	74.	84.	-263.
26	352.	110.	163.	189.	78.	88.	-275.
27	370.	110.	174.	200.	82.	92.	-289.
28	388.	110.	186.	212.	86.	97.	-303.
29	408.	110.	199.	225.	90.	102.	-319.
30	428.	110.	213.	238.	95.	107.	-335.
31	449.	110.	228.	253.	99.	112.	-353.
32	472.	110.	244.	268.	104.	118.	-373.
33	496.	110.	261.	284.	110.	124.	-393.
34	520.	110.	280.	301.	115.	130.	-416.
35	546.	110.	299.	319.	121.	137.	-439.
36	574.	110.	320.	338.	127.	143.	-465.
37	602.	110.	343.	359.	133.	151.	-493.
38	632.	110.	367.	380.	140.	158.	-522.
39	664.	110.	392.	403.	147.	166.	-554.
40	697.	110.	420.	427.	154.	174.	-588.
41	732.	110.	449.	453.	162.	183.	-625.
42	769.	110.	481.	480.	170.	192.	-664.
43	807.	110.	514.	509.	179.	202.	-706.
44	848.	110.	550.	539.	187.	212.	-751.
45	890.	110.	589.	571.	197.	222.	-800.
46	934.	110.	630.	606.	207.	234.	-852.
47	981.	110.	674.	642.	217.	245.	-907.
48	1030.	110.	721.	681.	228.	258.	-967.
49	1082.	110.	772.	721.	239.	270.	-1031.
50	1136.	110.	826.	765.	251.	284.	-1100.

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*****
* SUM OF P-L STREAM * DISCOUNTED SUM OF P-L STREAM AT 6.000 P.C.A. *
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*          -10828. *          ~          -3743. *
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*****
*          CHANGE RATE ASSUMPTIONS          *
*****
* REVENUES          5.000 PER CENT PER YEAR *
* OPERATING EXPENSES 7.000 PER CENT PER YEAR *
* TAX EXPENSE        6.000 PER CENT PER YEAR *
* MAINTENANCE EXPENSE 5.000 PER CENT PER YEAR *
* OTHER EXPENSES     5.000 PER CENT PER YEAR *
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YR	REVENUE	AMORT.PYNT	OPERATING	TAXES	MAINTENANCE	OTHER	PROFIT-LOSS
1	165.	110.	30.	44.	23.	26.	-68.
2	173.	110.	32.	47.	24.	27.	-67.
3	182.	110.	34.	49.	25.	29.	-66.
4	191.	110.	37.	52.	27.	30.	-65.
5	201.	110.	39.	56.	28.	32.	-64.
6	211.	110.	42.	59.	29.	33.	-63.
7	221.	110.	45.	62.	31.	35.	-62.
8	232.	110.	48.	66.	32.	37.	-61.
9	244.	110.	52.	70.	34.	38.	-60.
10	256.	110.	55.	74.	36.	40.	-60.
11	269.	110.	59.	79.	37.	42.	-59.
12	282.	110.	63.	84.	39.	44.	-58.
13	296.	110.	68.	89.	41.	47.	-58.
14	311.	110.	72.	94.	43.	49.	-57.
15	327.	110.	77.	99.	46.	51.	-57.
16	343.	110.	83.	105.	48.	54.	-57.
17	360.	110.	89.	112.	50.	57.	-57.
18	378.	110.	95.	118.	53.	60.	-57.
19	397.	110.	101.	126.	55.	63.	-58.
20	417.	110.	108.	133.	58.	66.	-58.
21	438.	110.	116.	141.	61.	69.	-59.
22	460.	110.	124.	150.	64.	72.	-61.
23	483.	110.	133.	159.	67.	76.	-62.
24	507.	110.	142.	168.	71.	80.	-64.
25	532.	110.	152.	178.	74.	84.	-66.
26	559.	110.	163.	189.	78.	88.	-69.
27	587.	110.	174.	200.	82.	92.	-72.
28	616.	110.	186.	212.	86.	97.	-76.
29	647.	110.	199.	225.	90.	102.	-80.
30	679.	110.	213.	238.	95.	107.	-84.
31	713.	110.	228.	253.	99.	112.	-90.
32	749.	110.	244.	268.	104.	118.	-96.
33	786.	110.	261.	284.	110.	124.	-103.
34	826.	110.	280.	301.	115.	130.	-110.
35	867.	110.	299.	319.	121.	137.	-119.
36	910.	110.	320.	338.	127.	143.	-129.
37	956.	110.	343.	358.	133.	151.	-139.
38	1003.	110.	367.	380.	140.	158.	-151.
39	1054.	110.	392.	403.	147.	166.	-164.
40	1106.	110.	420.	427.	154.	174.	-179.
41	1162.	110.	449.	453.	162.	183.	-195.
42	1220.	110.	481.	480.	170.	192.	-213.
43	1281.	110.	514.	509.	179.	202.	-232.
44	1345.	110.	550.	539.	187.	212.	-254.
45	1412.	110.	589.	571.	197.	222.	-278.
46	1483.	110.	630.	606.	207.	234.	-303.
47	1557.	110.	674.	642.	217.	245.	-332.
48	1634.	110.	721.	681.	228.	258.	-363.
49	1716.	110.	772.	721.	239.	270.	-397.
50	1802.	110.	826.	765.	251.	284.	-434.

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*****
* SUN OF P-L STREAM * DISCOUNTED SUN OF P-L STREAM AT 6.000 P.C.A. *
*****
*          -6118. *          -1900. *
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*****
*                               CHANGE RATE ASSUMPTIONS                               *
*****
* REVENUES                       5.000 PER CENT PER YEAR *
* OPERATING EXPENSES             7.000 PER CENT PER YEAR *
* TAX EXPENSE                     6.000 PER CENT PER YEAR *
* MAINTENANCE EXPENSE            5.000 PER CENT PER YEAR *
* OTHER EXPENSES                 5.000 PER CENT PER YEAR *
*****

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YR	REVENUE	AMORT.PYMT	OPERATING	TAXES	MAINTENANCE	OTHER	PROFIT-LOSS
1	195.	110.	30.	44.	23.	26.	-38.
2	205.	110.	32.	47.	24.	27.	-35.
3	215.	110.	34.	49.	25.	29.	-33.
4	226.	110.	37.	52.	27.	30.	-30.
5	237.	110.	39.	56.	28.	32.	-27.
6	249.	110.	42.	59.	29.	33.	-25.
7	261.	110.	45.	62.	31.	35.	-22.
8	274.	110.	48.	66.	32.	37.	-19.
9	288.	110.	52.	70.	34.	38.	-16.
10	303.	110.	55.	74.	36.	40.	-13.
11	318.	110.	59.	79.	37.	42.	-10.
12	334.	110.	63.	84.	39.	44.	-7.
13	350.	110.	68.	89.	41.	47.	-4.
14	368.	110.	72.	94.	43.	49.	-1.
15	386.	110.	77.	99.	46.	51.	2.
16	405.	110.	83.	105.	48.	54.	5.
17	426.	110.	89.	112.	50.	57.	8.
18	447.	110.	95.	118.	53.	60.	11.
19	469.	110.	101.	126.	55.	63.	14.
20	493.	110.	108.	133.	58.	66.	17.
21	517.	110.	116.	141.	61.	69.	20.
22	543.	110.	124.	150.	64.	72.	23.
23	570.	110.	133.	159.	67.	76.	26.
24	599.	110.	142.	168.	71.	80.	29.
25	629.	110.	152.	178.	74.	84.	31.
26	660.	110.	163.	189.	78.	88.	33.
27	693.	110.	174.	200.	82.	92.	35.
28	728.	110.	186.	212.	86.	97.	36.
29	764.	110.	199.	225.	90.	102.	38.
30	803.	110.	213.	238.	95.	107.	39.
31	843.	110.	228.	253.	99.	112.	40.
32	885.	110.	244.	268.	104.	118.	40.
33	929.	110.	261.	284.	110.	124.	40.
34	976.	110.	280.	301.	115.	130.	40.
35	1024.	110.	299.	319.	121.	137.	39.
36	1076.	110.	320.	338.	127.	143.	37.
37	1129.	110.	343.	358.	133.	151.	34.
38	1186.	110.	367.	380.	140.	158.	31.
39	1245.	110.	392.	403.	147.	166.	27.
40	1307.	110.	420.	427.	154.	174.	22.
41	1373.	110.	449.	453.	162.	183.	16.
42	1441.	110.	481.	480.	170.	192.	9.
43	1514.	110.	514.	509.	179.	202.	0.
44	1589.	110.	550.	539.	187.	212.	-9.
45	1669.	110.	589.	571.	197.	222.	-21.
46	1752.	110.	630.	606.	207.	234.	-34.
47	1840.	110.	674.	642.	217.	245.	-49.
48	1932.	110.	721.	681.	228.	258.	-66.
49	2028.	110.	772.	721.	239.	270.	-85.
50	2130.	110.	826.	765.	251.	284.	-106.

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*****
* . SUM OF P-L STREAM * DISCOUNTED SUM OF P-L STREAM AT 6.000 P.C.R. *
*****
*                               132. *                               -102. *
*****

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 * CHANGE RATE ASSUMPTIONS *

 * REVENUES 8.000 PER CENT PER YEAR *
 * OPERATING EXPENSES 12.000 PER CENT PER YEAR *
 * TAX EXPENSE 10.000 PER CENT PER YEAR *
 * MAINTENANCE EXPENSE 9.000 PER CENT PER YEAR *
 * OTHER EXPENSES 10.000 PER CENT PER YEAR *

YR	REVENUE	AMORT.PYMT	OPERATING	TAXES	MAINTENANCE	OTHER	PROFIT-LOSS
1	104.	110.	30.	44.	23.	26.	-129.
2	112.	110.	34.	48.	25.	29.	-133.
3	121.	110.	38.	53.	27.	31.	-138.
4	131.	110.	42.	59.	30.	35.	-144.
5	141.	110.	47.	64.	32.	38.	-151.
6	153.	110.	53.	71.	35.	42.	-158.
7	165.	110.	59.	78.	39.	46.	-167.
8	178.	110.	66.	86.	42.	51.	-177.
9	192.	110.	74.	94.	46.	56.	-188.
10	208.	110.	83.	104.	50.	61.	-200.
11	225.	110.	93.	114.	54.	67.	-215.
12	242.	110.	104.	126.	59.	7.	-231.
13	262.	110.	117.	138.	65.	82.	-249.
14	283.	110.	131.	152.	71.	90.	-270.
15	305.	110.	147.	167.	77.	99.	-294.
16	330.	110.	164.	184.	84.	109.	-320.
17	356.	110.	184.	202.	91.	119.	-351.
18	385.	110.	206.	222.	100.	131.	-385.
19	416.	110.	231.	245.	108.	145.	-423.
20	449.	110.	258.	269.	118.	159.	-466.
21	485.	110.	289.	296.	129.	175.	-514.
22	524.	110.	324.	326.	141.	192.	-569.
23	565.	110.	363.	358.	153.	212.	-631.
24	611.	110.	407.	394.	167.	233.	-700.
25	659.	110.	455.	433.	182.	256.	-777.
26	712.	110.	510.	477.	198.	282.	-865.
27	769.	110.	571.	524.	216.	310.	-962.
28	831.	110.	640.	577.	236.	341.	-1072.
29	897.	110.	717.	635.	257.	375.	-1196.
30	969.	110.	802.	698.	280.	412.	-1334.
31	1047.	110.	899.	768.	305.	454.	-1489.
32	1130.	110.	1007.	845.	333.	499.	-1663.
33	1221.	110.	1127.	929.	363.	549.	-1857.
34	1318.	110.	1263.	1022.	395.	604.	-2075.
35	1424.	110.	1414.	1124.	431.	664.	-2320.
36	1538.	110.	1584.	1237.	470.	731.	-2593.
37	1661.	110.	1774.	1360.	512.	804.	-2899.
38	1794.	110.	1987.	1496.	558.	884.	-3242.
39	1937.	110.	2225.	1646.	608.	973.	-3625.
40	2092.	110.	2492.	1810.	663.	1070.	-4053.
41	2259.	110.	2792.	1991.	722.	1177.	-4533.
42	2440.	110.	3127.	2191.	787.	1294.	-5069.
43	2635.	110.	3502.	2410.	858.	1424.	-5668.
44	2846.	110.	3922.	2651.	936.	1566.	-6338.
45	3074.	110.	4393.	2916.	1020.	1723.	-7087.
46	3323.	110.	4920.	3207.	1112.	1895.	-7924.
47	3585.	110.	5510.	3533.	1212.	2085.	-8859.
48	3872.	110.	6171.	3881.	1321.	2293.	-9903.
49	4182.	110.	6912.	4269.	1439.	2522.	-11070.
50	4516.	110.	7741.	4696.	1569.	2775.	-12374.

 * SUN OF P-L STREAM * DISCOUNTED SUM OF P-L STREAM AT 8.000 P.C.A. *

 * -117920. *

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*                               *
*           CHANGE RATE ASSUMPTIONS           *
*                               *
*****
* REVENUES                8.000 PER CENT PER YEAR *
* OPERATING EXPENSES     12.000 PER CENT PER YEAR *
* TAX EXPENSE            10.000 PER CENT PER YEAR *
* MAINTENANCE EXPENSE    9.000 PER CENT PER YEAR *
* OTHER EXPENSES        10.000 PER CENT PER YEAR *
*****

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YR	REVENUE	AMORT. PYMT	OPERATING	TAXES	MAINTENANCE	OTHER	PROFIT-LOSS
1	165.	110.	30.	44.	23.	26.	-68.
2	178.	110.	34.	48.	25.	29.	-67.
3	192.	110.	38.	53.	27.	31.	-67.
4	208.	110.	42.	59.	30.	35.	-67.
5	224.	110.	47.	64.	32.	38.	-68.
6	242.	110.	53.	71.	35.	42.	-69.
7	262.	110.	59.	78.	39.	46.	-70.
8	283.	110.	66.	86.	42.	51.	-72.
9	305.	110.	74.	94.	46.	56.	-75.
10	330.	110.	83.	104.	50.	61.	-78.
11	356.	110.	93.	114.	54.	67.	-83.
12	385.	110.	104.	126.	59.	74.	-89.
13	415.	110.	117.	138.	65.	82.	-96.
14	449.	110.	131.	152.	71.	90.	-104.
15	485.	110.	147.	167.	77.	99.	-115.
16	523.	110.	164.	184.	84.	109.	-127.
17	565.	110.	184.	202.	91.	119.	-142.
18	611.	110.	206.	222.	100.	131.	-159.
19	659.	110.	231.	245.	108.	145.	-179.
20	712.	110.	258.	269.	118.	159.	-203.
21	769.	110.	289.	296.	129.	175.	-230.
22	831.	110.	324.	326.	141.	192.	-262.
23	897.	110.	363.	358.	153.	212.	-299.
24	969.	110.	407.	394.	167.	233.	-342.
25	1046.	110.	455.	433.	182.	256.	-391.
26	1130.	110.	510.	477.	198.	282.	-447.
27	1220.	110.	571.	524.	216.	310.	-511.
28	1318.	110.	640.	577.	236.	341.	-585.
29	1423.	110.	717.	635.	257.	375.	-669.
30	1537.	110.	802.	699.	280.	412.	-766.
31	1660.	110.	899.	768.	305.	454.	-875.
32	1793.	110.	1007.	845.	333.	499.	-1000.
33	1937.	110.	1127.	929.	363.	549.	-1141.
34	2092.	110.	1263.	1022.	395.	604.	-1302.
35	2259.	110.	1414.	1124.	431.	664.	-1484.
36	2440.	110.	1584.	1237.	470.	731.	-1691.
37	2635.	110.	1774.	1360.	512.	804.	-1925.
38	2846.	110.	1987.	1496.	558.	884.	-2190.
39	3073.	110.	2225.	1646.	608.	973.	-2489.
40	3319.	110.	2492.	1810.	663.	1070.	-2826.
41	3585.	110.	2792.	1991.	722.	1177.	-3208.
42	3871.	110.	3127.	2191.	787.	1294.	-3638.
43	4181.	110.	3502.	2410.	858.	1424.	-4122.
44	4515.	110.	3922.	2651.	936.	1566.	-4669.
45	4877.	110.	4393.	2916.	1020.	1723.	-5284.
46	5267.	110.	4920.	3207.	1112.	1895.	-5977.
47	5688.	110.	5510.	3528.	1212.	2085.	-6756.
48	6143.	110.	6171.	3881.	1321.	2293.	-7632.
49	6635.	110.	6912.	4269.	1439.	2522.	-8619.
50	7166.	110.	7741.	4696.	1569.	2775.	-9725.

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* SUN OF P-L STREAM * DISCOUNTED SUN OF P-L STREAM AT 9.000 P.C.A. *
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* -82981. * -1730. *
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***** CHANGE RATE ASSUMPTIONS *****

 * REVENUES 8.000 PER CENT PER YEAR *
 * OPERATING EXPENSES 12.000 PER CENT PER YEAR *
 * TAX EXPENSE 10.000 PER CENT PER YEAR *
 * MAINTENANCE EXPENSE 9.000 PER CENT PER YEAR *
 * OTHER EXPENSES 10.000 PER CENT PER YEAR *

YR	REVENUE	AMORT.PYMT	OPERATING	TAXES	MAINTENANCE	OTHER	PROFIT-LOSS
1	195.	110.	30.	44.	23.	26.	-38.
2	211.	110.	34.	48.	25.	29.	-35.
3	227.	110.	38.	53.	27.	31.	-32.
4	246.	110.	42.	59.	30.	35.	-29.
5	265.	110.	47.	64.	32.	38.	-27.
6	287.	110.	53.	71.	35.	42.	-24.
7	309.	110.	59.	78.	39.	46.	-22.
8	334.	110.	66.	86.	42.	51.	-21.
9	361.	110.	74.	94.	46.	56.	-19.
10	390.	110.	83.	104.	50.	61.	-18.
11	421.	110.	93.	114.	54.	67.	-18.
12	455.	110.	104.	126.	59.	74.	-19.
13	491.	110.	117.	138.	65.	82.	-20.
14	530.	110.	131.	152.	71.	90.	-23.
15	573.	110.	147.	167.	77.	99.	-27.
16	619.	110.	164.	184.	84.	109.	-32.
17	668.	110.	184.	202.	91.	119.	-39.
18	722.	110.	206.	222.	100.	131.	-48.
19	779.	110.	231.	245.	108.	145.	-59.
20	842.	110.	258.	269.	118.	159.	-73.
21	909.	110.	289.	296.	129.	175.	-90.
22	982.	110.	324.	326.	141.	192.	-111.
23	1060.	110.	363.	358.	153.	212.	-136.
24	1145.	110.	407.	394.	167.	233.	-165.
25	1237.	110.	455.	433.	182.	256.	-200.
26	1335.	110.	510.	477.	198.	282.	-241.
27	1442.	110.	571.	524.	216.	310.	-289.
28	1558.	110.	640.	577.	236.	341.	-345.
29	1682.	110.	717.	635.	257.	375.	-411.
30	1817.	110.	802.	698.	280.	412.	-488.
31	1962.	110.	899.	768.	305.	454.	-573.
32	2119.	110.	1007.	845.	333.	499.	-674.
33	2289.	110.	1127.	929.	363.	549.	-789.
34	2472.	110.	1263.	1022.	395.	604.	-922.
35	2670.	110.	1414.	1124.	431.	664.	-1074.
36	2883.	110.	1584.	1237.	470.	731.	-1248.
37	3114.	110.	1774.	1360.	512.	804.	-1446.
38	3363.	110.	1987.	1496.	558.	884.	-1672.
39	3632.	110.	2225.	1646.	608.	973.	-1930.
40	3922.	110.	2492.	1810.	663.	1070.	-2223.
41	4236.	110.	2792.	1991.	722.	1177.	-2556.
42	4575.	110.	3127.	2191.	787.	1294.	-2934.
43	4941.	110.	3502.	2410.	858.	1424.	-3362.
44	5336.	110.	3922.	2651.	936.	1566.	-3848.
45	5763.	110.	4393.	2916.	1020.	1723.	-4397.
46	6224.	110.	4920.	3207.	1112.	1895.	-5019.
47	6722.	110.	5510.	3528.	1212.	2085.	-5722.
48	7260.	110.	6171.	3881.	1321.	2293.	-6515.
49	7841.	110.	6912.	4269.	1439.	2522.	-7411.
50	8468.	110.	7741.	4696.	1569.	2775.	-8422.

 * SUM OF P-L STREAM * DISCOUNTED SUM OF P-L STREAM AT 8.000 P.C.A. *

 * -65799. *

***** CHANGE RATE ASSUMPTIONS *****
 * REVENUES 9.000 PER CENT PER YEAR *
 * OPERATING EXPENSES 11.000 PER CENT PER YEAR *
 * TAX EXPENSE 10.000 PER CENT PER YEAR *
 * MAINTENANCE EXPENSE 20.000 PER CENT PER YEAR *
 * OTHER EXPENSES 17.000 PER CENT PER YEAR *

YR.	REVENUE	AMORT.PYMT	OPERATING	TAXES	MAINTENANCE	OTHER	PROFIT-LOSS
1	104.	110.	30.	44.	23.	26.	-129.
2	113.	110.	33.	48.	28.	30.	-136.
3	124.	110.	37.	53.	33.	36.	-145.
4	135.	110.	41.	59.	40.	42.	-156.
5	147.	110.	46.	64.	48.	49.	-170.
6	160.	110.	51.	71.	57.	57.	-186.
7	174.	110.	56.	78.	69.	67.	-205.
8	190.	110.	62.	86.	82.	78.	-228.
9	207.	110.	69.	94.	99.	91.	-256.
10	226.	110.	77.	104.	119.	107.	-290.
11	246.	110.	85.	114.	142.	125.	-330.
12	268.	110.	95.	126.	171.	146.	-379.
13	293.	110.	105.	138.	205.	171.	-437.
14	319.	110.	116.	152.	246.	200.	-506.
15	349.	110.	129.	167.	295.	234.	-588.
16	379.	110.	144.	184.	354.	274.	-687.
17	413.	110.	159.	202.	425.	321.	-804.
18	450.	110.	177.	222.	510.	375.	-945.
19	491.	110.	196.	245.	612.	439.	-1112.
20	535.	110.	218.	269.	735.	513.	-1311.
21	583.	110.	242.	296.	882.	601.	-1548.
22	635.	110.	268.	326.	1058.	703.	-1830.
23	692.	110.	298.	358.	1270.	822.	-2166.
24	755.	110.	331.	394.	1524.	962.	-2566.
25	823.	110.	367.	433.	1828.	1126.	-3042.
26	897.	110.	408.	477.	2194.	1317.	-3609.
27	978.	110.	452.	524.	2633.	1541.	-4283.
28	1065.	110.	502.	577.	3160.	1803.	-5086.
29	1161.	110.	557.	635.	3791.	2109.	-6041.
30	1266.	110.	619.	698.	4530.	2468.	-7179.
31	1380.	110.	687.	768.	5460.	2908.	-8532.
32	1504.	110.	762.	845.	6552.	3379.	-10143.
33	1639.	110.	846.	929.	7862.	3953.	-12061.
34	1787.	110.	939.	1022.	9434.	4625.	-14343.
35	1948.	110.	1043.	1124.	11321.	5411.	-17061.
36	2123.	110.	1157.	1237.	13585.	6331.	-20297.
37	2314.	110.	1285.	1360.	16302.	7407.	-24150.
38	2522.	110.	1426.	1496.	19563.	8667.	-28739.
39	2749.	110.	1583.	1646.	23476.	10140.	-34205.
40	2997.	110.	1757.	1810.	28171.	11864.	-40715.
41	3267.	110.	1950.	1991.	33805.	13881.	-48470.
42	3561.	110.	2165.	2191.	40566.	16240.	-57710.
43	3881.	110.	2403.	2410.	48679.	19001.	-68721.
44	4230.	110.	2667.	2651.	58415.	22231.	-81843.
45	4611.	110.	2960.	2916.	70098.	26011.	-97483.
46	5026.	110.	3286.	3207.	84117.	30432.	-116127.
47	5478.	110.	3647.	3528.	100940.	35606.	-138353.
48	5971.	110.	4049.	3881.	121129.	41659.	-164955.
49	6509.	110.	4494.	4269.	145354.	48741.	-195459.
50	7095.	110.	4988.	4696.	174425.	57027.	-234151.

 * SUM OF P-L STREAM * DISCOUNTED SUM OF P-L STREAM AT 9.000 P.C.A. *

 * -1460640. *

* CHANGE RATE ASSUMPTIONS *

 * REVENUES 9.000 PER CENT PER YEAR *
 * OPERATING EXPENSES 11.000 PER CENT PER YEAR *
 * TAX EXPENSE 10.000 PER CENT PER YEAR *
 * MAINTENANCE EXPENSE 20.000 PER CENT PER YEAR *
 * OTHER EXPENSES 17.000 PER CENT PER YEAR *

YR	REVENUE	AMORT.PYMT	OPERATING	TAXES	MAINTENANCE	OTHER	PROFIT-LOSS
1	165.	110.	30.	44.	23.	26.	-68.
2	180.	110.	33.	48.	28.	30.	-70.
3	196.	110.	37.	53.	33.	36.	-73.
4	214.	110.	41.	59.	40.	42.	-77.
5	233.	110.	46.	64.	48.	49.	-83.
6	254.	110.	51.	71.	57.	57.	-92.
7	277.	110.	56.	78.	69.	67.	-103.
8	302.	110.	62.	86.	82.	78.	-117.
9	329.	110.	69.	94.	99.	91.	-135.
10	358.	110.	77.	104.	119.	107.	-158.
11	391.	110.	85.	114.	142.	125.	-186.
12	426.	110.	95.	126.	171.	146.	-221.
13	464.	110.	105.	138.	205.	171.	-265.
14	506.	110.	116.	152.	246.	200.	-319.
15	551.	110.	129.	167.	295.	234.	-385.
16	601.	110.	144.	184.	354.	274.	-465.
17	655.	110.	159.	202.	425.	321.	-562.
18	714.	110.	177.	222.	510.	375.	-681.
19	778.	110.	196.	245.	612.	439.	-824.
20	848.	110.	218.	269.	735.	513.	-997.
21	925.	110.	242.	296.	882.	601.	-1206.
22	1008.	110.	268.	326.	1058.	703.	-1457.
23	1099.	110.	298.	358.	1270.	822.	-1760.
24	1198.	110.	331.	394.	1524.	962.	-2123.
25	1305.	110.	367.	433.	1828.	1126.	-2559.
26	1423.	110.	408.	477.	2194.	1317.	-3083.
27	1551.	110.	452.	524.	2633.	1541.	-3710.
28	1690.	110.	502.	577.	3160.	1803.	-4461.
29	1843.	110.	557.	635.	3791.	2109.	-5360.
30	2008.	110.	619.	698.	4550.	2468.	-6436.
31	2189.	110.	687.	768.	5460.	2888.	-7723.
32	2386.	110.	762.	845.	6552.	3379.	-9261.
33	2601.	110.	846.	929.	7862.	3953.	-11099.
34	2835.	110.	939.	1022.	9434.	4625.	-13295.
35	3090.	110.	1043.	1124.	11321.	5411.	-15919.
36	3368.	110.	1157.	1237.	13585.	6331.	-19052.
37	3671.	110.	1285.	1360.	16302.	7407.	-22793.
38	4002.	110.	1426.	1496.	19563.	8667.	-27260.
39	4362.	110.	1583.	1646.	23476.	10140.	-32592.
40	4755.	110.	1757.	1810.	28171.	11864.	-38957.
41	5183.	110.	1950.	1991.	33805.	13881.	-46554.
42	5649.	110.	2165.	2191.	40566.	16240.	-55622.
43	6157.	110.	2403.	2410.	48679.	19001.	-66445.
44	6712.	110.	2667.	2651.	58415.	22231.	-79362.
45	7316.	110.	2960.	2916.	70098.	26011.	-94778.
46	7974.	110.	3286.	3207.	84117.	30432.	-113179.
47	8692.	110.	3647.	3528.	100940.	35606.	-135140.
48	9474.	110.	4049.	3881.	121139.	41659.	-161353.
49	10327.	110.	4494.	4269.	145354.	48741.	-192641.
50	11256.	110.	4988.	4696.	174425.	57027.	-229990.

 * SUM OF P-L STREAM * DISCOUNTED SUM OF P-L STREAM AT 9.000 P.C.A. *

 * -1410981. * -37000. *

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* CHANGE RATE ASSUMPTIONS *
*****
* REVENUES 9.000 PER CENT PER YEAR *
* OPERATING EXPENSES 11.000 PER CENT PER YEAR *
* TAX EXPENSE 18.000 PER CENT PER YEAR *
* MAINTENANCE EXPENSE 23.000 PER CENT PER YEAR *
* OTHER EXPENSES 17.000 PER CENT PER YEAR *
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YR	REVENUE	AMORT. PYMT	OPERATING	TAXES	MAINTENANCE	OTHER	PROFIT-LOSS
1	195.	110.	38.	44.	23.	26.	-38.
2	213.	110.	33.	48.	28.	30.	-37.
3	232.	110.	37.	53.	33.	36.	-37.
4	253.	110.	41.	59.	40.	42.	-38.
5	275.	110.	46.	64.	48.	49.	-41.
6	300.	110.	51.	71.	57.	57.	-46.
7	327.	110.	56.	78.	69.	67.	-52.
8	356.	110.	62.	86.	82.	78.	-62.
9	389.	110.	69.	94.	99.	91.	-75.
10	424.	110.	77.	104.	119.	107.	-92.
11	462.	110.	85.	114.	142.	125.	-115.
12	503.	110.	95.	126.	171.	146.	-144.
13	548.	110.	105.	138.	205.	171.	-181.
14	598.	110.	116.	152.	246.	200.	-227.
15	652.	110.	129.	167.	295.	234.	-284.
16	710.	110.	144.	184.	354.	274.	-355.
17	774.	110.	159.	202.	425.	321.	-443.
18	844.	110.	177.	222.	510.	375.	-551.
19	920.	110.	196.	245.	612.	439.	-682.
20	1003.	110.	218.	269.	735.	513.	-843.
21	1093.	110.	242.	296.	882.	601.	-1038.
22	1191.	110.	268.	326.	1058.	703.	-1274.
23	1298.	110.	298.	358.	1270.	822.	-1560.
24	1415.	110.	331.	394.	1524.	962.	-1905.
25	1543.	110.	367.	433.	1828.	1126.	-2322.
26	1682.	110.	408.	477.	2194.	1317.	-2824.
27	1833.	110.	452.	524.	2633.	1541.	-3423.
28	1998.	110.	502.	577.	3160.	1803.	-4154.
29	2178.	110.	557.	635.	3791.	2109.	-5025.
30	2374.	110.	619.	698.	4550.	2468.	-6071.
31	2587.	110.	687.	768.	5460.	2888.	-7325.
32	2820.	110.	762.	845.	6552.	3379.	-8827.
33	3074.	110.	846.	929.	7862.	3953.	-10626.
34	3350.	110.	939.	1022.	9434.	4625.	-12780.
35	3652.	110.	1043.	1124.	11321.	5411.	-15357.
36	3981.	110.	1157.	1237.	13585.	6331.	-18439.
37	4339.	110.	1285.	1360.	16302.	7407.	-22126.
38	4729.	110.	1426.	1495.	19563.	8667.	-26532.
39	5155.	110.	1583.	1646.	23476.	10140.	-31799.
40	5619.	110.	1757.	1810.	28171.	11864.	-38092.
41	6125.	110.	1950.	1991.	33805.	13881.	-45612.
42	6676.	110.	2165.	2191.	40566.	16240.	-54595.
43	7277.	110.	2403.	2410.	48679.	19001.	-65325.
44	7932.	110.	2667.	2651.	58415.	22231.	-78142.
45	8646.	110.	2960.	2916.	70098.	26011.	-93448.
46	9424.	110.	3286.	3207.	84117.	30432.	-111729.
47	10272.	110.	3647.	3528.	100940.	35606.	-133500.
48	11196.	110.	4049.	3881.	121129.	41659.	-159630.
49	12204.	110.	4494.	4269.	145354.	48741.	-190764.
50	13302.	110.	4988.	4696.	174425.	57027.	-227943.

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* SUM OF P-L STREAM * DISCOUNTED SUM OF P-L STREAM AT 9.000 P.C.O. *
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* -1396558. * -36300. *
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