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**AFFORDABLE HOUSING IN ONTARIO: CHALLENGING THE CURRENT PARADIGM**

**By**

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**Abstract:**

Currently municipalities in Ontario lack the necessary legal and financial powers to secure a wide selection of affordable housing types, ranging in price and tenure. In other provinces in Canada, such as British Columbia, municipalities possess a greater degree of authority and flexibility to meet the housing needs of local residents. One mechanism which has proven quite successful is inclusionary zoning—a land use planning ordinance which attempts to secure a certain amount of affordable housing units at every new development. This paper advocates for a philosophical shift in the way affordable housing is conceptualized in Ontario. Since affordable housing is an increasingly complex issue with no simple solution, all tools and options must be surveyed and utilized to lessen the affordability squeeze.

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## 1) Introduction:

There is no single way of defining affordable housing. In Canada alone the concept and approaches used to address it continue to vary from province to province and municipality to municipality. In short, affordable housing is an umbrella term. It refers to those housing units where some sort of 'subsidy' has been provided to make the unit financially accessible to a family or individual. Generally speaking, housing is considered affordable when it "does not cost too much in relation to the household's ability to pay" (Toronto City Planning, 2006, p. 4).

In Canada senior levels of government have traditionally shouldered the majority of the responsibility for improving affordability. That being said, neither federal nor provincial levels of government have exclusively claimed constitutional authority in regard to its provision (Springer, 2010). In recent years greater emphasis has been placed on municipalities throughout Canada to both fund and administer affordable housing programs at a more local level. For example, in the province of Ontario efforts to centralize and simplify management of the social housing stock through a process of downloading and convergence were undertaken in the late 1990's under the Harris government (Sousa & Quarter, 2003, p. 593).

Since municipalities are the level of government closest to the individual, the province felt it fitting that services, such as affordable housing, be provided by those that best understand the needs of local community members. While this is unequivocally true, municipalities in Ontario remain extremely restricted in their revenue generating capacities making it increasingly difficult to finance these operations. In other parts of Canada, most notably British Columbia, greater powers have been extended to municipal governments to assist in the delivery of affordable housing. Not only has this allowed municipalities to secure a diverse range of affordable housing tools, but has also fostered a much more thorough and comprehensive definition of affordability in their respective provinces.

This paper will argue for a philosophical change in the way affordable housing is defined and addressed in Ontario. Currently municipalities in Ontario lack the necessary legal and financial authority to ensure that a diverse range of housing options (both ownership and rental) are made available to all residents, contradicting the guidelines outlined in the Provincial Policy Statement (PPS). At the present time, the PPS states that municipalities in Ontario “shall provide for an appropriate range of housing types and densities to meet projected requirements of current and future residents... (Ministry of Municipal Affairs and Housing, 2005, s. 1.4)”. Given the current housing climate in Ontario and the limited capacity of traditional approaches, proper execution of this vision continues to be a challenge.

The paper will begin by highlighting the complex nature of affordable housing provision and related definitions. It will also begin the process of disentanglement, deciphering between its various forms and models. Close attention will be paid to the distinction between affordable housing and social housing—two terms which are often used interchangeably or synonymously. This will be followed by an in depth explanation into the notion of ‘subsidy’ as well as the various forms of subsidies used in North America and the United Kingdom to help finance affordable housing, some of which could be potentially used in the province of Ontario. Finally, the paper will provide an objective analysis of the applicability of inclusionary zoning in Toronto. A case study will examine other municipalities such as Whistler British Columbia, where inclusionary zoning has been applied with, arguably, a large degree of success. The rationale for these explorations is rooted in a recommendation put forth by the Ontario Professional Planners Institute (OPPI) in 2001, which stated that affordable housing is an increasingly complex issue with no simple solution and therefore “must be addressed from a variety of different directions using a wide range of ideas, tools and resources (Star & Pacini, 2001, p. 4)”.

## 2) Methodology:

The paper examined pre-existing qualitative and quantitative findings in an effort to objectively explain the complexity of affordable housing and the need for a much more holistic and multifaceted approach in regard to its provision within the context of Ontario. Initially, a search was conducted to check for the existence of patterns in an attempt to identify consistencies (if any) and to define best practice (if possible) based on these patterns. This required a literature review of the major works pertaining to the field of study. The findings from the literature were then coalesced and synthesized.

A major component of this paper is a case study, which examines the applicability of inclusionary zoning in Toronto and by extension Ontario. Unlike previous sections of this paper which focused exclusively on reviewing existing academic works, the case study pulls on previously completed interview data (to which access has been granted) as well as one key informant interview, which helped guide and direct further forms of research. The completed interview data refers to face to face interviews conducted during a field placement with the Whistler Housing Authority in Whistler British Columbia in the summer of 2009. In Whistler, inclusionary zoning has proven instrumental in generating affordable housing for resident-employees of the municipality with the community emerging as a leader in this field of practice. Over a span of two months, twenty interviews with local politicians, councillors, and officials were conducted as a part of a research training exercise. For the purposes of this paper, the information collected will be treated as secondary interview data.

The key informant interview refers to a meeting with Professor Eileen Costello of Aird and Berlis Barristers and Solicitors. Since Professor Costello is a faculty member of Ryerson's School of Graduate Studies and the questions asked were strictly 'fact checked', ethics approval was not required. Being a specialist in the area of municipal and land use planning law, questions regarding the use of zoning to secure affordable housing in Ontario were explored.

While the paper will focus on the need for a wider range of affordability tools in Ontario, its scope remains quite broad assessing other tools used throughout North America and the United Kingdom in the 20th and 21st century.

### 3) Defining Affordable Housing:

In 1991 the United Nations produced a memorandum discussing the qualities of adequate housing. Central to the document was the concept of affordability. According to the UN, affordable housing is that which satisfies an individual's personal needs without comprising or threatening their financial well-being (Office of the High Commissioner for Human Rights, 1991). In other words, it is a measure of cost relative to individual resources. According to Stone (1993) affordability highlights the specific tension between the housing and labour market.

The general rule of thumb is that housing that costs more 30% than thirty percent of a household's income, is said to be unaffordable. In Canada the Canada Mortgage Housing Corporation (CMHC) identifies those households which spend more than thirty percent of their income on housing as being in 'core housing need'. In 2006 24.9% of all households in Canada were said to be living in core housing need (Statistics Canada, 2009). This was a marginal increase from 2001 where only 24.1% of households were said to be paying more than 30% for shelter (Statistics Canada, 2009). Recently, there has been a growing body of literature which has begun to challenge the conventional understanding that households can only afford up to a fixed percentage. The purpose of this section is to explain both of these definitions in an effort to pinpoint the controversy and complexity surrounding the topic.

#### 3.1) *Core Housing Need:*

It is not hard to understand why an affordability threshold was initially established. Take, for example, a household in Ontario which is currently making the hourly minimum wage. At the present

time, minimum wage is \$9.50 per hour resulting in an annual income of roughly \$18,240.00 per year (before taxes and assuming the employee is working forty hours a week). If the household in question was forced to spend 50% of their annual income (\$9,120.00) on housing, there would be very little left over to cover the costs of non-shelter amenities such as food and clothing. However, if the cost of housing was less, a significantly larger degree of the household's income could be dedicated to those other needs.

Core housing need was first established by CMHC to help identify those households facing affordability issues. In order to determine if a household is in core housing need a two step process must be undertaken. The first step investigates if the housing unit fails to satisfy any of the three basic housing standards. These standards are:

- An adequate dwelling with basic plumbing which is not in a state of disrepair.
- A suitable dwelling with enough bedrooms for the size and make-up of the residents occupying it.
- An affordable dwelling that costs less than thirty percent of the household's pre-taxed income. (Source: Toronto City Planning, 2006, p.12)

In the case that a household fails to meet any of these principles, a second step is undertaken. The second step determines if the household possesses the financial resources to find housing, which meets the above standards, on the open market. If the household is unable to do so, they are identified as being in 'core housing need' (Toronto City Planning, 2006, p.12).

The preferred metric to determine if a household is spending more than thirty percent of their pre-taxed income is the Shelter to Income Ratio (STIR), which compares average household incomes to average shelter costs. In 2001 the average Shelter to Income Ratio in Canada and Toronto was 15% and 15.9%, respectively (Toronto City Planning, 2006, p. 3). Despite possessing some of the highest shelter costs in all of Canada, Toronto also has the highest incomes. For this reason, Toronto ranked fourth next to Victoria, Vancouver and Oshawa when comparing average shelter to income costs in 2001 (Toronto

City Planning, 2006, p. 3). It is important to note, that there exists a growing divergence between renters and owners in regard to housing affordability In Canada, particularly when using STIR as its determinant. Since renters generally have lower incomes and pay more for the cost of housing, the affordability squeeze is said to be much larger for this particular group.

In other parts of the world such as the United States, similar metrics revolving around the thirty percent threshold continue to be employed to this day. The U.S. Department of Housing and Urban Development (HUD) and Millenia Housing Commission continue to base several reports and policies upon this numerical figure (Glaeser & Gyourko, 2008, p.16). The biggest flaw with this measure is that it factors in high income households which choose to spend more than thirty percent of their income on housing.

### *3.2) Shelter-Poverty: A New Measure of Affordability*

The idea that households can only afford a fixed percentage is overly problematic. This is partly because what constitutes an appropriate affordability threshold continues to be challenged and debated. At one point in the United States 25% of household income was the agreed upon norm, with some policymakers advocating that 20% was even more appropriate (Stone, 1993, p. 34). For a brief stint during the 1980's, 30% was the standard, only to lie dormant and then be reintroduced in later years (Stone, 1993, p. 34). Similar fluctuations have also been commonplace in Canada, with different provinces applying competing interpretations at different times.

The inability of any threshold, regardless of the percentage attached to it, to account for households which choose to spend more on housing is also troublesome. In 2001 CMHC concluded that 16.3% of all Census Metropolitan Area (CMA) households in Toronto were paying more than 30% of their income on housing (Toronto City Planning, 2006, p. 13). At this time, the city of Toronto was conducting a similar investigation and concluded that 25.5% (an additional 9.2%) of all CMA households

were paying more than thirty percent of their income on housing (Toronto City Planning, 2006, p. 13). The difference in figures, lead many to infer that the additional 9.2% are potentially those high income households which consciously choose to pay more.

The rigid and somewhat arbitrary nature of the threshold, combined with the inability to account for 'choice' in the equation has encouraged exploration into other more contextual metrics. In an effort to introduce a more comprehensive understanding of affordability, Stone (1993) developed the shelter-poverty concept. The purpose of the shelter-poverty concept is to account for a much larger degree of variance in household composition which previous measures underestimate or exclude entirely. For this reason, the shelter-poverty concept is said to illustrate a sliding scale of affordability (Stone, 1993, p. 32).

Take for example; a household in the suburbs (where the cost of housing tends to be cheaper) and the residents dedicate less than 30% of their income on housing. Using conventional definitions and interpretations, the household would not be classified as living in unaffordable accommodation. After much more careful consideration of their expenses, it could be argued that the household is shelter-poor (shelter-poor is a term devised by Stone (1993) to identify those dwellings which are unaffordable). With living in the suburbs come a slew of other costs, such as the cost of running and maintaining an automobile (i.e. fuel, insurance, repairs etc.). These expenses are often excluded from monthly shelter costs. In this case, the costs accrued from living in a car-dependent suburban environment may leave little to cover basic non-shelter amenities, rendering the dwelling unaffordable.

To further strengthen the argument, take a household of the same size and stature living in downtown Toronto. As mentioned previously, Toronto has some of the highest shelter costs in Canada. Although the household may be paying more than 30% of their income on housing, the benefits of living in a compact urban form, with subsidized public transit and pedestrian-oriented streetscapes reduces

monthly transportation fees and provides enough money to cover basic non-shelter amenities. As a result, the household is not shelter-poor.

Depending on your definition of 'affordability' each of the examples above could be classified as such. Therefore, affordable housing can come in a variety of different shapes and forms. The next section will breakdown and deconstruct the various affordable housing models currently employed in Canada. Limitations to the current affordable housing regime in Ontario will also be discussed.

#### 4) Forms of Affordable Housing:

In Canada, the housing continuum recognizes two subsets of affordable housing: market and non-market. Affordable market housing is defined as those units produced by the private sector which are sold or rented at a price considered affordable to a broad segment of the local population (Wake, 2007, p. 9). Affordable non-market housing on the other hand, includes units "rented or sold at a price not set by market forces but set and controlled over time by some other means" (Wake, 2007, p. 12). These units have also been alternatively labelled non-equity housing types, since their intended purpose is for 'use' only and not to yield any financial return to the occupant(s) residing in them (Sousa & Quarter, 2003, p. 591). Excluding emergency and transitional shelters, there are traditionally three non-market rental housing models in Canada<sup>1</sup>:

##### 4.1) *Co-operative Housing:*

The co-operative housing sector was introduced by the federal government in 1973 under section 61 of the National Housing Act (CMHC, 1990a, p. 5). The origins of the co-operative housing movement can be traced to Cape Breton Nova Scotia and the creation of the Arnold Housing Co-op in

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<sup>1</sup> It is important to note that this classification does not include housing made affordable by any of a set of "rent supplement" programs that subsidize the cost of the tenant of otherwise unaffordable market units.

1937—Canada's first housing co-op (CMHC, 1990a, p. 12). Prior to 1985, co-operative housing units were funded almost exclusively by CMHC, Canada's federal housing agency. After 1985, all new co-operative units would be subsidized by the province (Sousa & Quarter, 2003, p. 596). In recent years provincial co-operatives, as opposed to federal cooperatives, have faced greater restrictions in regard to funding (Sousa & Quarter, 2003, p. 596).

Part of the success of co-operative housing can be attributed to their small size and diverse mix of residents. Generally, co-operatives have less than 100 tenants with many residents paying full market price for their units and the remaining paying only what they can afford (Sousa & Quarter, 2003, p. 597). For this reason, co-operatives are the beneficiaries of two forms of subsidies: rent-geared to income (RGI) subsidies and bridge subsidies (Sousa & Quarter, 2003, p. 597). In the case of RGI subsidies, residents dedicate 30% of their income on housing with the government subsidizing the remaining costs.

Bridge subsidies refer to government income transfers used to help 'bridge' the gap between the co-operatives direct income and its actual costs (CHF, n.d.). Sources of direct income for a co-op can include rent, parking fees as well as revenue generated through coin operated washers and dryers (CHF, n.d.). Bridge subsidies are typically used to help with mortgage payments. They are sometimes referred to as mortgage subsidies, interest reduction grants and operating subsidies.

#### *4.2) Not-for-profit:*

In Canada there are two types of not-for-profit housing: private-not-for profit's which are owned and run by private institutions such as churches, unions or senior's clubs and municipal not-for-profits which are administered by an arm's length municipal agency (Sousa & Quarter, 2003, p. 597). Similar to co-operatives, not-for-profits are the recipients of both RGI and bridge subsidies with some residents also paying full market price for individual units. Some not-for-profits receive additional funds to support the elderly as well as physically and mentally handicapped persons (ONPHA, 2010).

All not-for-profits are corporations managed by a professional staff and administered by a volunteer board of directors (ONPHA, 2010). A board of directors performs five major functions: decision making, advisory, trusteeship, ensuring the sustainability of the organization and leadership responsibilities (BC Housing, 2002, p. 14). Tasks and responsibilities are usually divided up among committee members.

The purpose of a board is to prepare a vision and make important decisions pertaining to its individual welfare and the well-being of the residents it is meant to serve (BC Housing, 2002, p. 14). According to Sousa & Quarter (2003) residents of not-for-profits have less of a voice when compared to co-operative housing types. While some not-for-profits do allow for resident representation on their board of directors, board members are not necessarily accountable to their local constituents (Sousa & Quarter, 2003, p. 598).

#### *4.3) Public Housing:*

Public housing caters exclusively to low-income individuals. The units are managed, owned and funded by the government with all residents being the recipients of an RGI subsidy. Publically supported housing was first introduced in 1938 following the introduction of Canada's first National housing Act (CMHC, 1990b, p. 5). That being said, it was not until 1949 that the first program officially labelled as "public housing" was developed (CMHC, 1990b, p. 6). Through section 79 of the Federal/Provincial Public Housing Program, both provincial and federal governments entered into a cost sharing agreement to assist in the provision of low income housing (CMHC, 1990b, p. 6).

Over the years, cost sharing arrangements involving federal and provincial governments for the provision of low income housing have evolved quite significantly (CMHC, 2010.). In 2001, a multilateral housing agreement was established between federal, provincial and territorial governments requiring provincial and territorial governments to cost-match federal investment (CMHC, 2010). More recently, in 2008 the federal government announced that it would be spending 1.9 billion dollars over the next

five years to assist in building more affordable housing for low-income families and the homeless (CMHC, 2010).

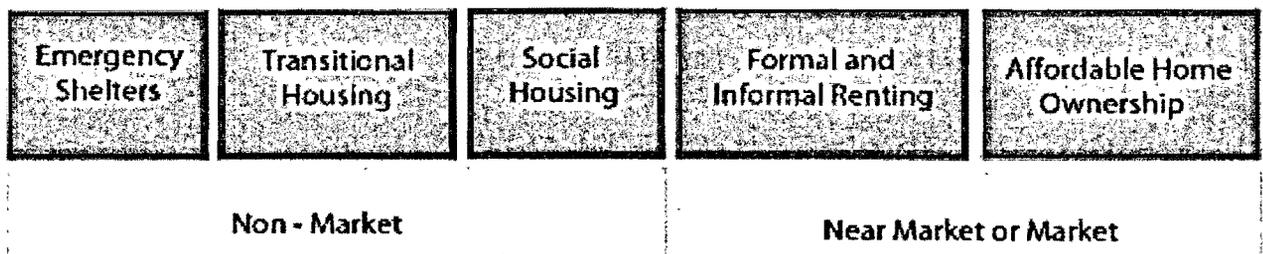
Residents of public housing are selected from a centralized waiting list. In some cases, residents with special needs are offered preferential treatment and thus shorter wait periods. Depending on the size of the household, individuals can wait up to several years before an appropriate unit is made available.

The governance of these units stands in sharp contrast to both co-operatives and not-for-profits. While there has been an effort to increase the participation of local residents in public housing units in Toronto, creating two seats on the board of directors for members from the public, residents generally have the least amount of say in the decision making process of all non-market housing models (Sousa & Quarter, 2003, p. 599).

#### 4.4) *The Affordable Housing Continuum:*

Collectively the rental housing types discussed above are commonly grouped under a single title known as 'social housing'. Social housing is a subset of the affordability housing continuum (see Table1).

Table 1: The Affordable Housing Continuum

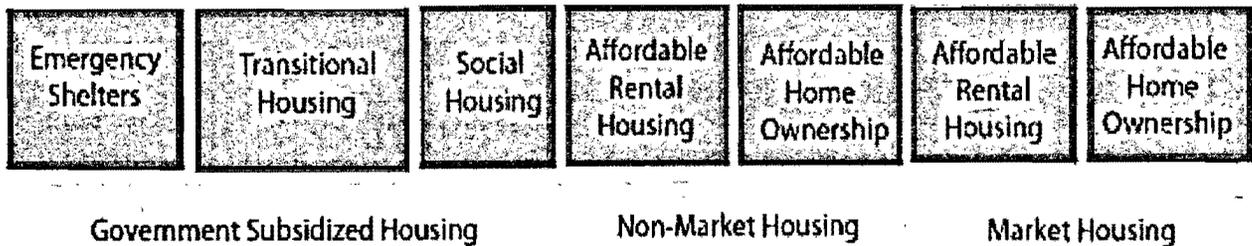


Source: Wake & Curran, 2008, p. 3.

In many provinces such as Ontario, social housing remains the dominant form of non-market housing. The main distinction between social housing and other affordable housing models is that social housing is managed and owned by a government agency or not-for-profit and largely reliant upon some form of recurring government subsidy. In other provinces such as British Columbia, municipalities have begun expanding upon the notion of non-market housing, building affordable units which are not are not reliant upon recurring government subsidies and therefore not categorized as social housing, but still non-market by definition.

This has led to a new affordable housing continuum (see Table 2). In the new affordable housing continuum, housing units which are the beneficiaries of government income subsidies are distinct from other market and non-market housing types. The role of affordable home ownership is also emphasized.

Table 2: New Affordable Housing Continuum



*Source: Wake & Curran, 2008, p. 3.*

According to Wake & Curran (2008), a properly functioning non-market housing inventory, includes the provision of both rental and ownership units. In most cases, government subsidized housing is restricted solely to renters. Wake & Curran (2008) define affordable home ownership as:

“Housing with a purchase price which is affordable to households of low to moderate incomes, which are households within the lowest 60<sup>th</sup> percent of the income distribution for a region, as determined by Statistics Canada. In this context, affordability means monthly housing costs (i.e. mortgage principal and interest payment amortized over 25 years and assuming a 25% down payment, and taxes) do not exceed the average monthly rent for a region, by unit type, as reported annually by the Canadian Mortgage Housing Corporation. Affordable ownership price includes the Goods and Service Tax and any other mandatory costs associated with purchasing the unit (p. 4)”

The purpose of this paper is to explore the potential for greater forms of non-market housing (both ownership and rental) in Ontario beyond the conventional social housing paradigm. Part of the reason provinces such as British Columbia began to develop new non-market housing models is because they can be developed through more financially independent means. Instead of relying upon funding from senior levels of governments, these alternative non-market housing units are the product of public-private partnerships, with the public sector, in most cases, providing the land and development rights and the private sector bearing the brunt of the cost in regard to their finance. Typically, these non-market units are intended for low to modest income earners rather than those in need of substantial government assistance.

This practice has grown increasingly more commonplace following the withdrawal of senior levels of government from funding social housing programs. The unreliable and unsustainable nature of government funding coupled with limited revenue generating tools outside of the conventional property tax base has forced municipalities across Canada to find alternative methods for financing affordable housing. Before profiling these different methods, it is imperative to first discuss and critically examine the devolution of social housing in Canada and its impact on provinces such as Ontario.

##### **5) The Devolution of Social Housing:**

The withdrawal of senior levels of government from the provision of affordable housing in Canada dates back to 1985 with the “Consultation Paper on Housing” (Springer, 2010). The paper was a follow-up to a previous document released by the Minister of Finance in 1984 entitled “A New Direction

for Canada: An Agenda for Economic Renewal" (CMHC, 1985, p. 1). The purpose of the second consultation paper was to stimulate fruitful and focused public discussion on the topic of housing and the specific role of government (CMHC, 1985, p. 1). The paper identified three major challenges: firstly, it sought to more clearly define the role of different levels of government in the provision of housing (Springer, 2010). Secondly, it questioned whether the federal government should be involved in the social aspects of housing (Springer, 2010). Finally, it recommended that housing programs become more effective in meeting their intended target audience (Springer, 2010).

The impacts of the paper were profound. In 1986, the National Housing Act was amended to introduce a new federal/provincial cost sharing arrangement for social housing (Springer, 2010). In addition, income mixing approaches in federal social housing units ceased, with the government now focusing exclusively on those individuals which demonstrated the most need (Springer, 2010). In 1993, less than a decade after the release of the paper, the federal government withdrew from financing new social housing units, devolving the responsibility to provincial governments (Sousa & Quarter, 2003, p. 600).

In and around this time, the province of Ontario was witnessing the rise of a new rightwing conservative government led by Mike Harris. The Harris Government was also questioning the province's role in the affordable housing sector. Following the election, a freeze was instituted on the construction of new social housing units (Sousa & Quarter, 2003, p. 600). The belief was that the private-sector would fill the void. This was not the case (Sousa & Quarter, 2003, p. 600).

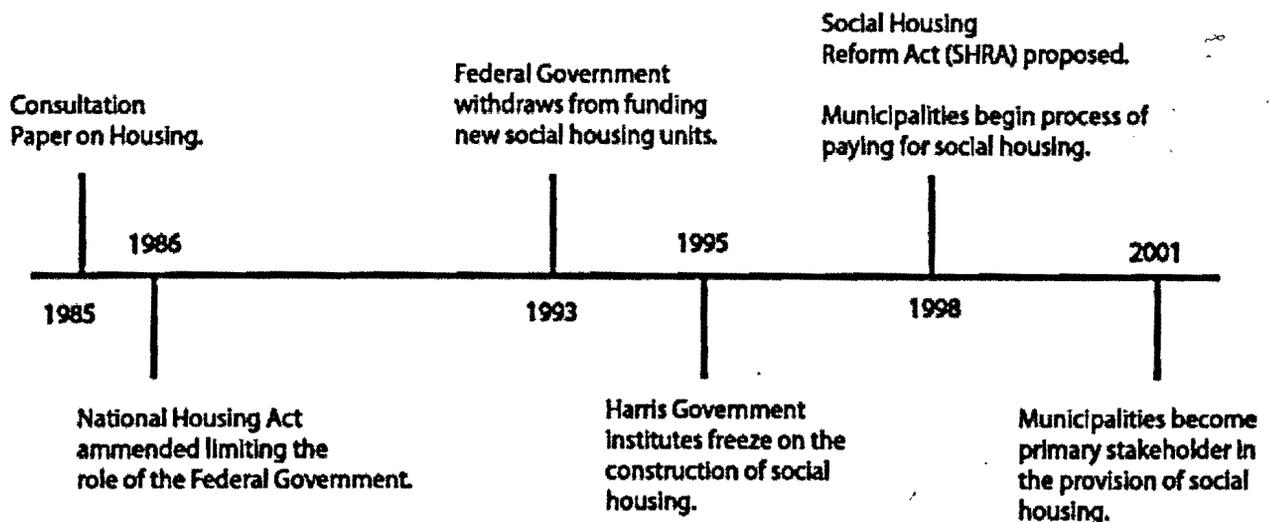
In 1998, the province proposed the Social Housing Reform Act (SHRA) which sought to download the financing of social housing to municipal governments (Sousa & Quarter, 2003, p. 600). In exchange, the province would take on half of the cost of education, which had previously been funded through municipal property taxes. The rationale for the switch was rooted in the contention that "social housing

is best administered by local governments who are closest to the people they serve and who best understand the needs of their communities" (Sousa & Quarter, 2003, p. 600). While this is true, municipalities were extremely ill prepared for a shift of these proportions and continue to lack the proper fiscal capabilities to adequately finance an operation of this magnitude and scale.

Between 1995 and 2003, it was estimated that Ontario lost 23,000 social housing units as well as an additional 59,000 due to construction freezes (Shapcott, 2003). This has resulted in a serious infrastructure deficit, increasing wait times for social housing applicants and further exhausting an already depleted municipal property tax base (Shapcott, 2003)

In 2001, municipalities in Ontario emerged as the primary provider and administrator of social housing in the province, replacing the role previously filled by provincial and federal governments. In particular, SHRA sought to simplify and centralize the social housing stock in an effort to become more cost-efficient and develop a more unified system. As of January 1<sup>st</sup> 2001, municipalities would assume responsibility of all public housing units, with co-operative and not-for-profit units following the same route over the course of the next 18 months (Sousa & Quarter, 2003, p. 600).

Figure 1: Timeline of the Devolution of Social Housing



In other municipalities throughout North America, affordable housing units have been built independent of government subsidies. In their place, a variety of different subsidies from the private sector and other non-governmental groups are used. This has grown increasingly more attractive given the current housing climate in Canada. The purpose of this next section is to explore this idea of 'subsidy' in greater depth as well as the various subsidies or tools that are being employed across North America and the United Kingdom to build affordable housing units. In doing so, it will expand upon the conventional understanding of the word 'subsidy' and how it can be best utilized within this particular context.

#### **6) The Issue of Subsidy:**

The one consistent and defining feature in common with all affordable housing units is that they are reliant upon some sort of subsidy, broadly defined, to make the unit more cost-efficient. The word subsidy derives itself from the Latin word 'subsidium' meaning "support, assistance or aid" (Global Subsidies Initiative, n.d.). In medieval times subsidy referred to a payment made to the king, royal family or head of state. Today, subsidy is commonly understood as the opposite—a payment made from the government to an individual, company or group of individuals (Global Subsidies Initiative, n.d.).

Traditionally, government subsidies have been the preferred method of finance in the affordable housing realm. That being said, there are numerous non-governmental subsidies which have been just as successful in building and developing affordable housing. The following section will provide a sample of the various government and non-government subsidies that have been used throughout history to do just that.

## 6.1) Government Subsidies

### *6.1.1) General Income Redistribution:*

General income redistribution refers to any broad measure or policy which attempts to redistribute purchasing power in favour of lower income households (CMHC, 1978, p. 6). In Canada, the federal government has implemented a variety of different economic measures and support maintenance programs which seek to maintain a certain quality of life for those, who for some reason or another are unable to do so on their own. Examples of General Income redistribution policies in Canada include old age pensions, the Canadian Pension Plan (CPP), family allowances and child tax credits (CMHC, 1978, p. 6). Although these measures are not directed specifically towards reducing the cost of housing, the assumption is that those low income families, who are living in unsatisfactory housing conditions, will dedicate a portion of the redistributed income towards finding adequate accommodation (CMHC, 1978, p. 6).

While helpful in upholding and maintaining a certain quality of life for recipients, it is proven that general income redistribution alone will not resolve the affordability issues of all households. However, many households which receive large income redistribution grants have found it extremely beneficial in improving their quality of life, enabling them the flexibility and purchasing power to find accommodation that would have otherwise been unavailable to them (CMHC, 1978, p. 6).

### *6.1.2) Shelter Allowances:*

Unlike general income redistribution policies, which allow households the freedom and discretion to choose how their money should best be spent, shelter allowances transfer income to individuals for the sole purpose of reducing the cost of rental housing (CMHC, 1978). Shelter allowances are traditionally administered at the provincial level. In Canada Saskatchewan, Manitoba, Quebec and

B.C have provincial shelter allowance programs (CMHC, 2006). In 2004, the province of Ontario experimented with the 'Strong Communities Housing Allowance Program' nominating Toronto as its pilot city (Ministry of Municipal Affairs and Housing, 2004). Over the course of the next five years, the McGuinty Government would commit 3.6 million dollars to 400 low income families in the city to help reduce the cost of housing (Ministry of Municipal Affairs and Housing, 2004).

In addition to being assured that the transferred money is being used appropriately and as it should be, there are several other benefits to shelter allowance programs. Most important, recipients are not obligated to reside within nor dedicate their transferred to income to a specific dwelling or social housing unit for that matter (CMHC, 1978, p. 7). Instead, the choice of housing is left up to the recipient. Shelter allowances or housing subsidies which tie recipients to a specific dwelling are overly problematic, forcing residents to remain in neighbourhoods which are far from satisfactory or desirable (CMHC, 1978, p. 7). Shelter allowances are also quite easy to administer and provide low income families with the immediate support they need to improve their otherwise substandard housing conditions.

Despite these comparative advantages, shelter allowances do suffer from some limitations. Firstly they are less likely to be as successful in dense urban areas, particularly when the vacancy rate is low (CMHC, 1978, p.7). When there is a surplus of affordable rental housing in the housing market, rents tend to be lower in an effort to appear more attractive. Alternatively when the percentage of vacancies lessen the cost of housing increases, leading to bidding wars between prospective occupants and squeezing out those recipients of shelter allowance subsidies that simply do not possess the same resources to compete (CMHC, 1978, p. 7). Secondly, they are also less likely to be as effective, on their own, in regions characterized by high levels of poverty. In these environments, issues regarding affordability are not restricted to a minority population but are rather much more widespread. Due to

low incomes or the excessive cost of housing, a large segment of the population is forced to address affordability problems (CMHC, 1978, p.7). In this context, the use of shelter allowances could actually be detrimental, providing opportunity to some and removing it from other equally needy applicants (CMHC, 1978, p.7).

In other parts of the world, programs similar to shelter allowances have been implemented. The United States for example, has a fairly successful voucher system, which also redistributes purchasing power to lower income groups for the sole purpose of reducing the cost of housing. It is fair to say that the program has been met with its fair share of challenges over the years and is constantly striving to better affordable housing choices for needy households.

#### *6.1.3) Housing Choice Voucher Program (HCVP):*

In the early 1980's the Housing Choice Voucher Program was established in the United States. HCVP is the country's largest federally funded rental housing assistance program. The origins of HCVP can be traced back to the creation of the Wagner-Steagall Housing Act of 1937, which laid the foundation for the public housing system in America (Varady & Walker, 2007, p. 7). Originally housing policy in the US encouraged project-based housing assistance, where recipients of federal housing subsidies were tied to a specific dwelling. Prior to and after the Second World War, many developers began building public housing units in geographically concentrated neighbourhoods. The effects and implications of this decision were profound with unemployment, drug abuse and high levels of poverty soon coming to characterize these communities. Since HUD restricted public housing to only low-income households, income mixing was also strongly discouraged (Varady & Walker, 2007, p. 7).

At this time many critics such as William Julius Wilson began actively speaking out against the concentration of poverty in the American public housing system (Varady & Walker, 2007, p. 7). A growing body of research began emerging which argued that one's neighbourhood environment was

critical in determining their individual 'life chances' and overall measure of success (Varady & Walker, 2007, p. 7). In an effort to try and disperse or decentralize increased levels of poverty, housing advocates began turning towards the private sector for solutions.

In 1970, the US House of Representatives introduced the Experimental Housing Assistance Program as an alternative to project-based housing (Varady & Walker, 2007, p. 7). Through this new program the government began exploring and testing the benefits of tenant-based assistance programs which allow public housing residents greater freedom and flexibility to choose where they would want to live, while still being the recipient of a federal housing subsidy (Varady & Walker, 2007, p.7).

In 1974 Section 8 of the Community Development Act was passed which allowed participants to find and rent any private housing unit within the jurisdiction of their local housing authority (Varady & Walker, 2007, p. 7). By the 1980's Section 8 was further amended to incorporate the use of housing vouchers. Finally, in 1998 the Housing Choice Voucher Program was established further entrenching and solidifying the role of tenant-based assistance programs (Varady & Walker, 2007, p. 7).

Through HCVP low income households are able to find and rent their place of residency either inside or outside the boundaries of their local housing authority. Housing vouchers are monitored and administered by local public housing agencies. Subsidies are paid directly to the landlord/owner of the unit, with the occupying household paying the remaining difference (HUD, n.d.). As HUD explained in 2009, the success of Section 8 can be attributed to its emphasis on mobility and choice (Varady & Walker, 2007, p. 8).

#### *6.1.4) The Community Reinvestment Act:*

The last and final form of government subsidy that will be explored in this paper is the Community Reinvestment Act in the United States. Introduced in 1977, the Community Reinvestment

Act was implemented as a response to banks practicing 'redlining' (Garrison, Lawrence, & Leavell, 1995, p. 2). Banks were accused of drawing lines both figuratively and literally around those neighbourhoods painted as undesirable, denying credit and financial support to areas pitted as 'high risk'(Garrison et al., 1995, p.2).

During the early 1960's many wealthy inner city residents began moving into the suburbs; critics argued that the banks followed suit (Garrison et al, 1995, p. 3). In subsequent years, remaining inner city neighbourhoods and residences began to deteriorate with banks offering little in way of financial credit to ensure their survival. For example, In Chevy Chase Maryland the Chevy Chase Federal Savings bank was charged 11 million dollars for failing to provide financial credit and assistance to African –American Communities (Garrison et al., 1995, p. 4). Through the introduction of the Community Reinvestment Act, banks were now legally required to help meet the credit needs of all communities and neighbourhoods including those of low to moderate incomes (Garrison et al., 1995, p. 4). As a result of this new policy, greater forms of affordable housing were developed for residents in inner city neighbourhoods. In the case of Chevy Chase Maryland, residents were offered cut rate housing mortgages as a form of reconciliation to atone for years of discrimination (Garrison et al., 1995, p. 4).

To some, the practice of 'redlining' was drastically overstated (Garrison et al., 1995, p. 6). To others, elements of redlining are still evident in the contemporary lending practices of modern day banks in the United States (Garrison et al., 1995, p. 6). Regardless, the Community Reinvestment Act is one of many unique cases where the provision of more affordable housing was made possible through the participation of numerous different stakeholders. For this reason, it is commonly referred to as the precursor to public-private partnerships (Triple P) in the provision of affordable housing.

## 6.2) Non-Government Subsidies:

### *6.2.1) Public-Private Partnerships (Triple P):*

Public-private partnerships rely on a combination of government and non-government subsidies and for that reason, do not fit easily into either of the two classifications outlined in this paper. Since a large degree of emphasis is put on the role of the private sector in this particular arrangement, it will be categorized as a non-government subsidy for the purpose of this discussion.

Despite public-private partnerships increasing in popularity in recent years, there remains some debate as to how they should be properly defined. The Canadian Council for Public-Private Partnerships defines them as “a cooperative venture between the public and private sectors, built on the expertise of each partner that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards (Moskalyk, 2008, p 12).” The fundamental flaw with this definition is that it fails to mention the role of the not-for-profit sector in these arrangements, which can sometimes be quite significant (Moskalyk, 2008, p. 12).

In practice, public-private partnerships are dynamic and complex arrangements involving public, private and not-for-profit sectors where each party contributes something and also accepts a portion of the associated risk (Moskalyk, 2008, p. 12). Around the globe, public-private partnerships are being utilized to deliver a variety of different public services and amenities. In addition to roads, water services and hospitals, Triple P arrangements are also proving handy in the construction and delivery of social housing.

In Britain, social housing programs have relied heavily upon private funds. Since 1988, the Housing Corporation has worked in collaboration with private firms and investors to expand their affordable housing stock (Moskalyk, 2008, p. 16). The government has also introduced the Housing

Private Finance Initiative (PFI) to encourage greater partnerships between public and private sector groups (Moskalyk, 2008, p. 16).

Similar examples are also evident in Canada. Unbeknownst to many, several municipalities in Canada are currently building social housing units through private investment. The city of Toronto for instance, is in the process of redeveloping the community of Regent Park—Canada’s first and largest social housing project—through a public-private partnership. In conjunction with Daniels Corporation, all three levels of government and the Toronto Community Housing Corporation have agreed to assist in the redevelopment of the neighbourhood in this multi stakeholder project. In addition to replacing the existing social housing units, the completed neighbourhood will also contain several new market mid-rise and high-rise units for sale to the general public, some of which will be sold below market value for low to moderate income earners (Moskalyk, 2008, p. 30). Over the course of the next fifteen years, the population of Regent Park is expected to grow from 7,500 residents living in 2,083 social housing units to almost 12,500 residents living in over 5,100 homes ranging in affordability (“Revitalizing Toronto”, 2010).

#### 6.2.2) *Five Cent Philanthropy:*

The provision of affordable housing by municipal governments in Canada is not a new phenomenon. Prior to the entrance and subsequent withdrawal of senior levels of government from the provision of housing, the city of Toronto sought to provide affordable accommodation for modest income earners. In 1912 the Toronto Housing Company (THC) was created with the intention of providing better housing for Toronto’s working class (Lorn, 1984, p. 28). At the turn of the twentieth century, there was a growing sense of communal responsibility among Canadians. According to Lorn (1984), the urban environment had come to be recognized as an organic whole or mutually interdependent spider web—“pull on one thread and you pull on them all” (28).

In recognition of this, urban reformers began advocating for greater support of Toronto's diminishing and somewhat slum like housing stock. Searching for solutions, Torontonians began exploring other approaches used in Europe which had previously been used to build affordable housing. The model finally settled upon and instituted by THC was five cent philanthropy (Lorn, 1984, p. 28). First introduced in Britain during the 19th century, five cent philanthropy relies upon private investors to build affordable housing. In particular, individuals would buy shares in a company, with the combined equity being used to build, finance and maintain affordable accommodation for city workers (Lorn, 1984, p. 29). In return, investors would receive a dividend of up to five percent (Lorn, 1984, p. 28). Since this is typically lower than a normal investment, investors were limited to strictly philanthropists (Lorn, 1984, p. 28).

Like in Britain, five cent philanthropy was met with mixed results in Toronto. The extent to which THC and five cent philanthropy aided the average working man in finding affordable accommodation is still highly debated (Lorn, 1984, p. 29). The arrangement lasted for roughly ten years, with senior levels of government assuming the responsibility of affordable housing in ensuing decades.

### *6.2.3) Density Bonusing:*

In British Columbia density bonusing has been helpful in building affordable housing units for some municipalities. Under Section 904 of the Local Government Act, developers can voluntarily opt to provide community amenities such as affordable housing units in exchange for greater allowances in density (Wake & Curran, 2008, p. 31). This scenario tends to work best in high density neighbourhoods, where greater allowances do not negatively affect or alter the pre-existing character of the area (Wake & Curran, 2008, p. 32). The amount of affordable housing built, tends to vary from municipality to municipality and is usually explicitly stated in their individual official plans and zoning by-laws (Wake &

Curran, 2008, p. 32). The units built, cater towards individuals of low to moderate incomes and are considered a form of affordable non-market housing.

In 1997, the City of Burnaby BC implemented a Community Benefit Bonusing (CBB) program (Wake & Curran, 2008, p. 33 ). To date, the program has been quite successful, building 19 affordable housing rental units and contributing close to 8 million dollars to a local amenity housing fund (Wake & Curran, 2008, p. 35). Through density bonusing other important community amenities beyond the provision of affordable housing have also been secured such as recreation centres and playgrounds (Wake & Curran, 2008, p. 35).

In Toronto, Section 37 of the Ontario Planning Act allows developers to receive greater height and densities in exchange for certain 'facilities, services or matters'. Amenities secured in the past have included community parks, green spaces and public art installations and on occasion, affordable housing. According to the most recent Official Plan, the first priority community benefit to be secured in exchange for greater allowances in height and density is the provision of 20 percent affordable housing (Toronto City Planning, 2007, s. 3.2.1). In agreement with the developer, the units can be built directly on site or elsewhere in the city (Toronto City Planning, 2007, s. 3.2.1). Alternatively, cash-in-lieu may also be provided to build affordable housing units at a later date. However, the collection of money to build affordable housing more closely resembles what is known as a linkage fee rather than height and density bonusing.

#### *6.2.4) Linkage Fees:*

Simply stated, "Linkage fees are a means for local governments to collect monies to help support the construction of affordable housing" (Ross, 2000, p. 1). Often confused or conflated with inclusionary zoning, linkage fees require commercial developers to make a monetary contribution or cash-in-lieu to a housing fund which is then used to build affordable housing units on their behalf. The

use of linkage fees has been extensively explored in the State of Florida as well as other jurisdictions across the United States.

In Canada, programs which closely resemble linkage fees have been implemented by municipalities such as the Resort Municipality of Whistler (RMOW). In 1991, the Employee Housing Service Charge was introduced by the RMOW requiring commercial developers to build affordable housing units or make a monetary contribution to a designated housing fund. Over the course of the next five years, close to six million dollars would accumulate in a housing fund, which would be put towards the creation of a housing authority and many of Whistler's first resident-restricted affordable housing complexes.

In addition to the acquiring funds from private developers, the RMOW has also relied heavily upon inclusionary zoning to help build affordable housing units. In Whistler, inclusionary zoning has been instrumental in building affordable housing for local residents. In the next section, the history of inclusionary zoning will be explored in an effort to understand whether or not the same success can be transferred to the city of Toronto as well as other municipalities in Ontario.

## **7) Inclusionary Zoning: A History of its Application**

Inclusionary zoning refers to municipal by laws, ordinances or policies which assist municipalities in meeting their legal obligation to provide affordable housing under their respective planning acts and housing elements (Gladki & Pomeroy, 2007, p. 3). Despite varying in use, inclusionary zoning attempts to secure a certain amount of affordable housing units during the process of rezoning for new developments. Since it requires the involvement of both public and private sectors, subsidies are provided by both government and non-government agencies.

There are traditionally two approaches to inclusionary zoning: voluntary and mandatory. While in the case of voluntary programs, developers can opt to provide a certain amount of new affordable units in exchange for zoning approval, mandatory programs legally require the private sector to finance and build affordable housing units at every new development (Gladki & Pomeroy, 2007, p. 10). Traditionally, incentives are given to developers where voluntary programs have been implemented to encourage this form of development (Gladki & Pomeroy, 2007, p. 10).

Inclusionary zoning was first introduced in the early 1970's in the United States as a response to the increasingly poor housing conditions, racial segregation and poverty which had come to characterize urban life (Malone Given Parsons, 1991, 4). As Mallach (1984) notes, "During the 1970's...in almost all cases the economic disparity between central cities and their suburban ring widened, the cities becoming poorer and the suburbs more affluent, at least in relative terms" (p. 5). The source of this segregation was argued to be embedded within exclusionary zoning policies enacted at the time (Malone Given Parsons, 1991, 4).

'Zoning'—as a land use planning instrument—is inherently exclusionary in nature. First developed during the industrial revolution to help distinguish between compatible and incompatible land uses', zoning is one of few police powers afforded to professional planners which provide the basis for exclusion and separation on the grounds of public health and societal well-being. For decades in the United States, land use zoning ordinances were introduced which attempted to not only limit incompatible land uses but also restrict certain groups deemed 'undesirable' from pervading more affluent communities commonly situated in the suburbs (Danielson, 1976, p. 24). Black suburbanites were the most frequent targets of these policies. In The "Politics of Exclusion", Danielson (1976) pulls on several examples from around the US where African-Americans were segregated through the enforcement of exclusionary land use planning controls. Rockland County for instance—a suburb of

New York City—attempted to explicitly limit the amount of apartments that could be built in the municipality during the 1970's (Danielson, 1976, p. 54). As the New York Planning Board would later explain, "there often goes the fear that the apartments will be occupied by members of a minority group..." and potentially spur the development of subsidized social housing, which was considered anything but desirable at this time (Danielson, 1976, p. 54).

In 1971 the County of Fairfax Virginia (one of the wealthiest counties in the United States) introduced the first mandatory inclusionary zoning land use ordinance which required developments of 50 or more multifamily residential units to include that a minimum 15% of the units be within an affordable range (Malone Given Parsons, 1991, p. 5). At this time, households in the 60<sup>th</sup>-80<sup>th</sup> percentile of median household income were considered a part of this (Gladki & Pomeroy, 2007, p. 3). Since this was the first land use ordinance of its kind, inclusionary zoning is heralded as largely an American phenomenon, prevalent in low to medium density suburban neighbourhoods, with the intended purpose of achieving greater social and economic inclusion (Malone Given Parsons, 1991, p. 4). In the case of Fairfax County, the ordinance would be rejected by the Virginia Supreme Court after a period of two years, with the County later opting to negotiate with developers on a more informal level to secure affordable housing units (Gladki and Pomeroy, 2007, p. 3). In addition to being considered inconsistent with the patterns of Euclidean zoning, the courts ruled that the ordinance could not be implemented because it constituted 'taking' (Gladki & Pomeroy, 2007, p. 3). Future attempts at inclusionary zoning would provide incentives to developers in an effort to limit this perception.

In 1973, the same year the inclusionary zoning ordinance in Fairfax was struck down, Montgomery County Maryland introduced a similar set of regulations which continue to remain in existence to this day (Gladki & Pomeroy, 2007, p. 4). In exchange for a density bonus of 20%, developments of more than 50 multifamily residential units required that at least 12.5-15% of the

dwellings were “moderately priced” (Gladki & Pomeroy, 2007, p. 4). Since incentives were offered, legal challenges on the grounds of ‘taking’ could not be upheld in a court of law (Gladki & Pomeroy, 2007, p. 4). Barring a few minor changes over the years, this particular inclusionary zoning ordinance has been considered one of the most successful affordable housing strategies in the history of the United States, building up to 10,000 moderately priced dwellings in the last twenty years (Gladki & Pomeroy, 2007, p. 4). The County of Maryland, as a result, is renowned as the official pioneer of inclusionary zoning.

In addition to individual municipalities and counties exploring the use of inclusionary zoning policies, HUD began dedicating a portion of Section 8 federal funds to the construction and redevelopment of affordable housing for low income families during the 1970’s and 80’s (Malone Given Parsons, 1991, p. 4). The Areawide Housing Opportunity Plans (AHOP) was established, which through government subsidies, helped construct low to moderate income housing units in new housing developments (Malone Given Parsons, 1991, p. 4). However, following cut backs to federal housing program during the Regan administration, inclusionary zoning would grow increasingly more attractive as an alternative to government funding (Malone Given Parsons, 2007, p. 4).

Currently inclusionary zoning polices are widespread in the United States and have been implemented by numerous municipal jurisdictions. The state of California has emerged as a leader in this field of work, with cities such as San Diego and San Francisco taking a much more hands on approach to the provision of affordable housing (Gladki & Pomeroy, 2007, p.4). In California municipalities are required to adopt a General Plan with a housing element that has been reviewed and certified by the Department of Housing (Gladki & Pomeroy, 2007, p. 4). Since 1980, the Department of Housing has required local governments to “zone affirmatively for regional housing needs” (Gladki & Pomeroy, 2007, p. 4). As of March 2003, over 1/5<sup>th</sup> of the state’s municipalities had implemented inclusionary zoning regulations, building an estimated 34,000 affordable housing units (Gladki &

Pomeroy, 2007, p. 4). Other states including Ohio, Oregon, Florida, Colorado and Massachusetts have also implemented similar policies.

Although inclusionary zoning has never officially existed in the province of Ontario, the closest example was the "Land Use Planning for Housing" policy statement outlined in the PPS in 1989 (Gladki & Pomeroy, 2007, p. 5-6). Under it, municipalities in Ontario were legally obliged to institute policies which would achieve 25% affordable housing at new developments (Gladki & Pomeroy, 2007, p. 6). The policy was short-lived and in 1996, was replaced with a more vaguely worded policy statement with no numerical figure attached to it. Since 2005 the PPS has stated that municipalities "shall provide for an appropriate range of housing types and densities to meet projected requirements of current and future residents... by: establishing and implementing minimum targets for the provision of housing that is affordable to low and moderate income households" (Ministry of Municipal Affairs and Housing, 2005, s. 1.4). Whether or not an inclusionary zoning ordinance could be implemented on the grounds that it constitutes as a 'minimum target' is still largely a matter of debate.

Many current city councillors across Toronto such as Cheri DiNovo and Giorgio Mammolitti are adamantly encouraging the adoption of inclusionary zoning policies to assist municipal governments in building more affordable housing for local residents. In September of 2009, members of the Ontario legislature debated Bill 198 proposed by DiNovo which would have amended the Planning Act to allow municipalities to require developers to build a certain amount of affordable housing units at every new development

To this day British Columbia and Quebec are the only provinces in Canada which have introduced policies which closely resemble inclusionary land use ordinances (Gladki & Pomeroy, 2007, p. 6). In Quebec the city of Montreal has developed a voluntary incentive based inclusionary zoning program with the purpose of securing private funds to build affordable homes and subsidized social

housing units (Gladki & Pomeroy, 2007, p. 7). Although inclusionary zoning is not traditionally used to build government subsidized housing, municipalities have begun applying it in such a manner. In 2004 the city of Montreal surpassed its affordability targets, with close to 40% of new residential developments containing some form of affordable housing for local residents (Gladki & Pomeroy, 2007, p. 7).

In British Columbia municipalities have instituted similar inclusive housing policies. On Vancouver Island the City of Langford adopted an affordable housing program in 2004 which requires developments involving the rezoning of ten or more units to include up to 10% affordable housing (Gladki & Pomeroy, 2007, p. 6). Covenants which restrict the resale price are also applied on title (Gladki & Pomeroy, 2007, p. 6). In Whistler inclusionary zoning has played an influential role in ensuring the economic and social sustainability of local residents and community members, serving as a potential model for other municipalities in Canada. The history of affordable housing and inclusionary zoning in Whistler will now be examined in greater detail.

#### **8) Whistler, British Columbia:**

Located roughly two hours north of the city of Vancouver in the Southern-Pacific ranges of the Coast Mountains is the Resort Municipality of (RMOW). While the community is renowned internationally for its world class skiing, breathtaking views and exciting attractions, few are as familiar with its progressive housing policies which have helped build affordable residential units for many local residents over the past several decades.

In 1975 the Resort Municipality Act was passed, raising the community to new and unprecedented heights as Canada's first resort municipality. Since its inception the RMOW has always struggled to provide affordable housing for local residents. Prior to the development of a local housing authority which presently oversees the acquisition and development of affordable housing for the entire

municipality, local residents attempted to finance and build their own affordable accommodation without any subsidy from the local government.

In 1979 eighty residents in a local neighbourhood by the name of Tapley's Farm banded together to form the Mountain Development Corporation (MDC) (Dickinson, Zucht & McKeever, 2009, p. 5). Their intention was to purchase 110 acres of land and build 80 affordable single family lots for resident employees. In total, MDC comprised 100 shares all of which were divided up amongst its 80 individual shareholders (some couples split their share in half) (Dickinson et al., 2009, p. 5). Each shareholder was entitled to a 1/80<sup>th</sup> interest in the company as well as one lot, from which they could then build his or her own home (Dickinson et al., 2009, p. 5). In order to be guaranteed a lot, each shareholder had to put up 1,000 dollars (Dickinson et al., 2009). Through the resulting 80,000 dollars in equity, MDC was able to acquire a loan and purchase the land. In addition to the initial 1,000 dollars, each shareholder was obligated to pay another 100 dollars each month to help service any of the debt that would accumulate on account of the loan (Dickinson et al., 2009).

In exchange for the necessary development rights to build the homes, the RMOW placed a restrictive covenant on the properties which required that all future occupants had to be full-time resident-employees of the municipality (Dickinson et al., 2009, p. 5). A covenant is a charge placed on a property which dictates or limits its terms of use. Eventually the covenants would be removed and the properties would be available for purchase on the open market. The event highlighted the need for a strong and authoritative housing authority to monitor the sale and acquisition of affordable housing for residents.

In recognition of this, local employers got together and formed the Whistler Valley Housing Society (WVHS)—a not-for-profit housing society eligible for funding from CMHC and BC Housing—in 1983 (Dickinson et al., 2009, p. 6). Within a year the WVHS in collaboration with CMHC would build

Whistler's first and only fully subsidized social housing units at Whistler Creek Court (Dickinson et al., 2009, p.7). The WVHS would also assist in the development of other affordable housing units at Eagle Drive, Whistler Lake Road, Eva Lake Road and Nordic court. While this was a step in the right direction, most members of the community were still in unanimous agreement that a greater number amount of affordable housing should be provided. While the RMOW and WVHS could have applied for more funding through CMHC this was not feasible nor appropriate for two reasons: firstly because Whistler wanted to be self-sufficient and build units independent of government subsidies and secondly, because the community was not considered the ideal CMHC candidate (Dickinson et al., p. 8). Typically, social housing is to be reserved for those that require substantial government assistance.

At this time, many American communities ha implemented inclusionary zoning ordinances. Under section 933(2.1) of British Columbia's Local Government Act, resort municipalities can impose development charges to build resident housing to assist in servicing its operations (Wake & Curran, 2008, p. 11). In 1990 the RMOW would enact the Employee Housing Service Charge (bylaw 811, 1990) which required developers of commercial, industrial and tourist lands to build affordable housing or contribute cash-in-lieu to a monetary housing fund which would then be used to build affordable housing on their behalf (Dickinson et al., 2009, 8). Between 1991 and 1996, close to six million dollars would accumulate in the housing fund and go towards the development of a more formal housing authority as well as many of the community's first affordable housing properties. While the WVHS had played an important role in previous years, it lacked the necessary professional capacity to ensure that the affordable housing would be created and preserved in Whistler.

In 1997, the Whistler Housing Authority (WHA) was created. The WHA is wholly owned subsidiary of the RMOW and performs the combined functions of two other agencies: the Whistler Housing Authority Ltd—a municipal corporation responsible for overseeing the development of new

affordable housing units and the WVHS (WHA, 2009). It remained a not-for-profit so that it could continue to be eligible for government funding from CMHC and BC Housing (WHA, 2009).

Through the six million dollars in the housing fund and a 13 million dollar bank loan, the WHA was able to purchase four properties at Beaver Flats, Nesters Pond, Nordic Drive and Lorimer Court. The properties would be transformed into 144 rental units for community members (Dickinson et al., 2009, p. 11). Keeping the units designated as 'rental' is fundamental to the success of the WHA and its long term financial independence. Through the 2.2 million dollars in revenue collected annually, the WHA was able to fund property management and capital replacement reserves, service any debt as well as cover their own remaining operating expenses (Dickinson et al., 2009, p. 11).

In recent years, the WHA has played an incredibly influential role in ensuring the sustainability of local residents. Presently, close to 80% of the Whistler workforce live and work within municipal boundaries. At Cheakamus Crossing—the athlete's village for the 2010 Olympic Games—85% of the new units built are affordable and are in the process of being retrofitted for local residents upon completion of the Games.

Central to Whistler's philosophy regarding the development of affordable housing, is the use of covenants to both restrict occupancy and resale price. The covenants and resale price controls are applied in perpetuity to ensure that the housing units remain a community asset for future generations. This has been met with controversy in the past. At one point, affordable home ownership units were linked to the Vancouver Housing Price Index (HPI) in an effort to allow residents the flexibility to move in and out of a similar priced housing market. Despite remaining fairly steady and consistent in the months leading up to its implementation, HPI would begin inflating at an unprecedented rate (Dickinson et al., 2009, p. 18). Currently affordable home ownership units are linked to the Core Consumer Price Index and for that reason, are not looked upon as an investment. In Whistler, there is a saying that affordable

housing is a “nest and not a nest egg”. For this reason, these units fall under the category of non-market housing since their intended purpose is for ‘use’ only and not to yield any sort of substantial financial return.

In the early 1990’s the City of Toronto investigated the application of inclusionary when the vacancy rate was at an all time low. Given the current state of housing in Ontario and Canada, it is imperative that a more recent study be undertaken in an effort to evaluate the potential role of inclusionary zoning in creating more affordable housing units.

#### **9) Inclusionary Zoning in Toronto: Increasing the Affordable Housing Stock**

Toronto’s current Official Plan (OP), outlines a list of policies aimed at securing forms of affordable housing for the city. In Ontario a system of rent controls with exemptions has been in place since the mid 1970’s, creating both a controlled and uncontrolled rental market in Toronto (Arnott, 1995, p. 99). On account of this, policies have been implemented at the local level which seek to preserve and build an adequate supply of rental housing, from which it can then be regulated.

Under section 3.2.1 of the Official Plan, policy 5a) stipulates that at significant new residential developments containing six or more units, existing rental units—particularly affordable and mid-range rental units—must be replaced. For this reason, affordable housing policy in Toronto is often regarded as ‘replacement housing’, since the emphasis is on restoring and rebuilding rather than developing new affordable rental units. In instances where new units are built, they are usually secured through Section 37 of the Planning Act.

According to Arnott (1995), most economists are unanimous in their opposition to rent controls. In addition to discouraging the construction of new affordable rental housing, rent controls tend to

exacerbate the discrimination of certain groups and generally slow down the maintenance and development process (p. 99).

As for affordable home ownership, the OP is fairly vague with no specific guidelines or policy recommendations. While it does state that measures such as fee exemptions and the sale of land below market value will be encouraged, there is no specific mention as to how affordable home ownership units can be created and be preserved over time. One way to increase the supply of both affordable rental and home ownership units is through the introduction of inclusionary zoning.

In 1991 Malone Given and Parsons Ltd. was hired by the City of Toronto of Planning Department to conduct an investigation into the application of inclusionary zoning. At this time, the vacancy rate was at an all time low, and inclusionary zoning was still very much in its infancy in Canada. While no Canadian municipalities had officially adopted it as a part of their housing strategy, its role in the United States was steadily building momentum and gaining recognition internationally (Gladki & Pomeroy, 2007, p. 3).

While the researchers concluded that a modest mandatory inclusionary zoning policy between 5-10% would not produce any severe market distortions, it was also noted that such an ordinance could not be implemented until greater legal powers were extended from the province to local municipal governments (Gladki & Pomeroy, 2007, p. 6).

### *9.1) Legal Barriers to Inclusionary Zoning:*

In October of 2007, Gladki and Pomeroy (2007) prepared a report for the Ontario Non-Profit Housing Association discussing the benefits of introducing an inclusive land use planning ordinance. Although the land use planning framework in Ontario is not based upon precedent, the authors argue

that a ruling dating back to 1979 under the then current Planning Act could restrict a municipality from enacting such a regulation today.

In the case known as *Bell vs. the Queen*, the then community of North York attempted to limit the use of single-family properties to no more than two persons (Gladki & Pomeroy, 2007, p. 15). However, the courts overruled on the grounds that municipally prescribed zoning powers do not extend to regulating the 'users' of buildings. Although the case does not deal specifically with the topic of affordable housing, legal experts who have reviewed it argue that "restrictions on regulating users would extend to instances where zoning requires affordable housing to be provided" (Gladki & Pomeroy, 2007, p.15). It is important to note though, that this body of legal opinion has yet to be tested in a court of law. According to Gladki and Pomeroy (2007) municipalities may be able to argue that under section 13(1) of the Ontario Human Rights Code, local governments are obliged to establish programs which assist the disadvantaged and provide equal opportunity for all Ontarians (p. 15).

In the United States no such legal precedents exist. In fact, the opposite has actually occurred, with the court's ruling in favour of inclusionary zoning on a number of different occasions. In the state of California, for example, the courts ruled in the *Home Builders Association vs. The City of Napa* that inclusionary zoning is a constitutionally valid mechanism for securing affordable housing units (Gladki & Pomeroy, 2007, p. 15).

### *9.2) The Pros and Cons of its Implementation:*

The purpose of this study is to objectively explore inclusionary zoning as a practical affordable housing tool within the context of Toronto. While there is seemingly many benefits which could be had as a result of its introduction, there also many repercussions which should be equally weighed and discussed. Assuming greater legal powers were extended to municipalities in Ontario, this next section

will examine the pros and cons of implementing inclusionary zoning at the local level. The various economic, social and environmental impacts which could potentially arise will be discussed.

### 9.2.1) Pros

#### *9.2.1.1) Smart Growth:*

Closely associated with the issue of inclusionary zoning is the concept of smart growth. Smart growth is a collection of land use principles and guidelines which seek to create and preserve a better quality of life by ensuring that new developments take place in a fiscally, environmentally and socially responsible manner (Wake and Curran, 2008, p. 4). In Canada, smart growth networks exist at both the national and provincial level. In British Columbia, Smart Growth BC was established out of a joint venture involving the Victoria Eco-Research Chair of Environmental Law and Policy and the West Coast Environmental Law Association (Smart Growth B.C., n.d.). The original aim of the organization was to assist a growing citizen movement which adamantly opposed sprawling land use patterns. Today, the organization has ten guiding principles (Smart Growth B.C., n.d.). Some of these principles include: fostering mixed land use developments, creating compact communities and building more affordable housing. Through the introduction of these principles, Smart Growth BC hopes to develop more complete communities which are less car-dependent, pedestrian friendly and affordable. In Ontario, the Ontario Smart Growth Network (OSGN) was developed as a part of the much larger smart growth movement across North America (OSGN, n.d.). Similar to Smart Growth BC, OSGN has a set of principles which seek to put an end to sprawl and foster more dense/liveable communities.

To some housing advocates, smart growth is an inherent and undeniable consequence of inclusionary zoning. In addition to ensuring that an abundance of affordable housing options is made available to local residents, inclusionary zoning is believed to assist in achieving higher densities and developing more compact communities. As Gladki and Pomeroy (2007) point out, this was an

unintended benefit of the 1989 Ontario Land Use Planning Housing Policy Statement which required municipal governments to build 25% new affordable housing. During the seven years the target was enforced, many suburban and rural municipalities in Ontario are said to have increased their overall density and level of compactness by a significant margin, inferring a direct correlation between the implementation of inclusionary zoning and the reduction of sprawl (Gladki & Pomeroy, 2007, p. 10).

Under the current "Places to Grow" legislation, intensification targets have been established which require municipalities in the Greater Golden Horseshoe to direct a minimum 40% of all new residential developments to existing built-up areas. It could be argued that through the introduction of an inclusionary land use zoning ordinance, municipalities would be able to better achieve this objective.

#### *9.2.1.2) Mixed-Income Housing*

Most housing advocates would agree that the concentration of low to very low income households in a single neighbourhood is neither desirable nor suitable (HUD, 2003, p. 2). As explained previously in this paper, the public housing system in the United States was initially predicated upon the assumption that income mixing should be largely prohibited and low income residents should be geographically concentrated in a particular community. The end result was the formation of 'ghettos' and neighbourhoods characterized by crime and low success rates. In recent years, income mixing has been called upon as a potential remedy and solution to this problem.

A mixed income neighbourhood can be defined as a development which is comprised of housing units ranging in affordability and which typically combine households of low to modest incomes with other market-rate units (HUD, 2003, p. 7). Since there is no exact formula or standard to determine a proper 'mix' or breakdown of affordable units to market-rate units, the ratio tends to vary from one community to the next (HUD, 2003, p. 7).

In 1993, the U.S congress developed the Hope VI Program with the intention of developing mixed-income housing neighbourhoods to replace previous public housing developments (HUD, 2003, p. 7). In Canada, neighbourhoods such as St. Lawrence and the soon to be completed Regent Park in the city of Toronto have been heralded on account of their ability to mix residents of different socio-economic backgrounds into a single neighbourhood.

As one could presume, a major benefit of inclusionary zoning is that income mixing is an inherent feature, with affordable housing units being built in proximity to adjacent market units. In many states such as New Jersey and Maryland where inclusionary zoning has been in existence for decades, income mixing has been common practice. Not only has this helped silence NIMBY (Not in My Backyard) critics, but it has also assisted in eliminating land use policies which typically try to exclude certain groups. As Burchell & Galley (2000) notes, “inclusionary programs make possible the integration of populations that traditional zoning segregates—young families, retired and elderly households....(p. 1)” For this reason, communities which offer a mix of incomes on account of inclusionary zoning are also said to be more ‘age friendly’.

As we grow older, our needs change and so do our places of residency. Currently Canada’s baby boom generation is rapidly aging and beginning to placing greater demands on the social and public infrastructure of local communities. Those communities which offer a mix of housing types according to price and tenure are unquestionably more desirable since they allow for “aging in place’.

#### *9.2.1.3) A Consistent Planning Framework:*

Ontario has a unique planning system. One of its fundamental and defining features is the Ontario Municipal Board (OMB)—an independent quasi-judicial tribunal which hears applications and appeals on land use planning matters in the province (OMB, 2009). Originally named the Ontario Railway and Municipal Board, the OMB remains one of the longest standing adjudicative tribunals in

Ontario (OMB, 2009). Unlike other judicial boards however, the OMB is not based upon precedent, ruling instead on a case by case basis. While on the one hand, this is beneficial because rulings are more contextually specific, it has also led to the creation of a somewhat inconsistent and unpredictable planning framework.

For many private developers in Ontario, this lack of consistency can be frustrating even at the best of times. This is largely because developers are never fully certain as to what should be expected from them in order to gain necessary development rights. Through the introduction of an inclusionary land use zoning ordinance, it could be argued that there would be a greater degree of consistency in an otherwise inconsistent planning framework. Since inclusionary zoning policies clearly state what is to be provided prior to the development, the level of ambiguity and uncertainty in the system would lessen. Not only would this foster a more efficient and planning framework in Ontario, but also potentially reduce the amount of land use planning conflicts throughout the province.

### 9.2.2. Cons:

#### *9.2.2.1) Key Money:*

Keeping housing affordable long-term is challenging. In most instances, mechanisms are introduced to help keep units, both rental and ownership, affordable for a certain period of time if not indefinitely. Similar in some ways to Ontario's Rent Review, New York has an extensive history with more restrictive rent controls to help prevent "speculative, unwarranted and abnormal" rent increases (Gyourko & Linneman, 1988, p. 400). In the case of affordable home ownership, municipalities such as Whistler, British Columbia have implemented resale price controls to help keep the units affordable in perpetuity.

In the absence of a strong housing authority or body to oversee the sale, rent or purchase of affordable housing units, the threat of 'key money' or other more illicit monetary exchanges becomes ever more prevalent. In short, key money refers to 'off the books' financial agreements (usually cash) between landlords/owners and tenants. Fortunately for the RMOW, the local housing authority closely monitors the purchase and sale of affordable housing units between applicants, significantly reducing if not wholly eliminating the opportunity for such exchanges to exist. That being said, in the city of New York, key money arrangements have been fairly commonplace since the introduction of rent control legislation (Gyourko & Linneman, 1988, p. 400).

Through the introduction of an inclusionary zoning, the amount of affordable housing in Ontario would increase dramatically and force local authorities to closely monitor their rent, sale and purchase in an effort to avoid a similar set of events from occurring. Although the city of Toronto has never implemented resale-price controls, rent-control legislation is in effect. Similarly the community of St. Lawrence did experiment with option to purchase agreements (Urquhart, 1993, 47). During the construction of St. Lawrence, Frankel-Lambert Housing developed a series of affordable town homes which were sold well below market rate (Urquhart, 1993, 47-48. The only condition was that the units could not be resold within the first five years and the city had the option of purchasing them back (Urquhart, 1993, p. 48). Because the city did not establish a housing fund to raise the necessary funds to do so, the units were resold near or at market value, with occupants receiving windfall profits in return (Urquhart, 1993, p. 48)

While necessary in keeping housing affordable, rent and resale price controls must be closely monitored to ensure that 'key money' exchanges do not exist or are at least limited. In countries such as Israel where rent-control legislation is also enforced, key money agreements between tenants and land owners have been legalized. In Israel, the development of key money is seen as an inevitable part of the

process (Werczberger, 1988, p. 277). Discussion and public consultation regarding the proper course of action to keep rental and ownership units affordable long term must take place, prior to the introduction of inclusionary policies in Ontario.

#### *9.2.2.2) Developer Opposition and Implicit Taxation:*

Despite the benefits of a more consistent planning framework, many developers still adamantly oppose the introduction of inclusionary zoning. Recently, Toronto city councillor Adam Vaughan proposed introducing a ten percent family friendly condominium rule which would require private developers, to build family friendly units at every new condo development, The units themselves would consist of either three bedrooms or larger and would be sold for an estimated 320,000 dollars. The rationale for this policy is to try and attract more families and youth back to the urban core.

To say that this proposal was well received by the development industry would be largely inaccurate. In fact, most developers continue to oppose its approval to this day. This is honest foreshadowing of the tensions that could potentially arise between planners and the development industry if a more stringent inclusionary zoning land use ordinance was to be implemented.

Another argument put forth by the development industry in opposition, is that inclusionary zoning would encourage forms of implicit taxation. In a recent article in the Toronto Star entitled "Developers Balk at Affordable Unit-Idea", Michael Collin Williams of the Ontario Home Builders Association was quoted as saying that "it [inclusionary zoning] essentially does end up being a tax on development" (Lu, 2010). This is not a new argument. According to Burchell & Galley (2000), inclusionary land use policies can lead to 'implicit taxation', especially when there are no incentives offered to developers in return (p. 1). Since a developer makes little to no economic profit through the inclusion and provision of affordable housing units, the cost of building affordable housing is then said

to be passed on to consumers and landowners through increased housing prices (Burchell & Galley, 2010, p. 1).

While on the one hand, this is beneficial because it reduces misconceptions or fears that affordable housing will bring down the value of surrounding and adjacent market homes, it also places greater onus on market buyers to help alleviate some of the difference as a result of their provision.

#### *9.2.2.3) Expansion of the Suburbs:*

Although advocates of inclusionary zoning argue that it helps foster more dense/liveable communities, detractors can equally state that it encourages the growth and expansion of the suburbs. As explained previously, inclusionary zoning is largely a suburban phenomenon which originated in rural, low to medium density neighbourhoods, in the United States.

Since its inception, one of the major criticisms of inclusionary zoning is that it 'distils' or attracts the more upwardly mobile and economically able poor (who would have otherwise played an instrumental role in revitalizing downtown neighbourhoods) to the suburbs (Burchell & Galley, 2000, p. 1). Due to the significant reduction in the cost of housing, 'the best of the poor' as they have been labelled, may be more inclined to move to rural subdivisions where lots and homes are much bigger for less the price (Burchell & Galley, 2000, p. 1). Although this may assist in also making these communities more compact, part of their attractiveness to these environments is predicated on the fact that there tends to be a greater number of single-family and lower density homes.

#### **10) Conclusion:**

The purpose of this paper was to twofold: firstly to advocate for a philosophical change in the way affordable housing is conceptualized In Ontario and secondly to explain the complexity of

affordable housing as both a term and a product. The paper will not recommend whether or not inclusionary zoning should be adopted. Instead, it will provide a much deeper set of findings.

In 2001, the OPPI produced a handbook for municipalities to help assist local governments in building more affordable housing in their respective constituencies. The “Municipal’s Role in Meeting Ontario’s Affordable Housing Needs” as it was titled, outlines the various tools afforded to municipal tiers which could potentially assist in building a supplying a diverse range of housing options and complying with their legal obligation under the Provincial Policy Statement. The study was commissioned by the OPPI as a part of a new strategic solution to creative planning policies in the province (Star & Pacini, 2001, p. 3).

Central to the handbook was the idea that a holistic approach to the provision of affordable housing is critical. According to OPPI, “meeting affordable housing needs is a complex problem that cannot be solved with one simple solution. In actuality it must be addressed from a variety of directions, using a wide range of ideas, tools, and resources” (Star & Pacini, 2001, p. 4.). The findings of this paper not only support this argument but further entrench it as a part of Ontario’s approach to the provision of affordable housing.

While current tools and revenue generating capacities in the province remain limited, there is no shortage of ideas or examples to pull on which could potentially be utilized here as well. However, it is important to note that none of the subsidies listed earlier in this paper work effectively in isolation. Leveraging and incorporating as many of them as possible into the provision of affordable housing is integral to their individual success.

In “At the Edge: Sustainability in the 21<sup>st</sup> Century”, Dale (2001) reminds us that sustainability is a reconciliation of three imperatives: the economic, the social and the environmental. According to Dale (2001) part of the reason sustainability is so difficult to achieve, is because government groups and

other important affiliates have been 'siloed' and are forced to work in isolation from one another. The same logic can be applied to the provision of affordable housing. All too often municipalities such as Toronto rely too extensively on one particular stream of revenue (property taxes) or a particular tool (Section 37) to build a wide array of housing units. This is simply not feasible. If municipalities want to be sustainable and ensure that the needs of all local residents are met, the province must be open to new ideas and opportunities. If done so, the Ontario of tomorrow will surely have a much brighter future.

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