



# The Homeownership Component of the Canada-Ontario Affordable Housing Program: Critical Analysis of Program Objectives

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## **Research Abstract**

Housing affordability has reached crisis levels in some jurisdictions, both in Canada and abroad. Meanwhile, funding for social housing has diminished or is sporadic. Homeownership appears to be a politically preferred means of housing provision in developed nations such as the United Kingdom, the United States, and Australia.

A recent Ontario program to subsidize the down payment to prospective homeowners who were low- to middle-income tenants in social housing, however, resulted in variable uptake. The Canada-Ontario Affordable Housing Program Homeownership Component policy guidelines will be analyzed to assess their effectiveness since the program aims to serve housing need and achieve social housing sustainability. Through secondary data analysis and qualitative interviews with housing managers in select Ontario jurisdictions and a sampling of housing specialists, the presumption that homeownership represents a positive trajectory for low- to middle-income Canadian households targeted by the Canada-Ontario Affordable Housing Program is examined. A review of the literature relevant to social, economic, and political aspects of homeownership is used in this case study.

## **Key Words**

Homeownership, affordable, Canada, Ontario, program, policy, low-income, asset-based welfare, transnational, housing markets

## Executive Summary

In April 2005 when the federal and provincial governments jointly invested a total of \$734 million in the Canada-Ontario Affordable Housing Program (COAHP), committing \$28.37 million to the Homeownership Component, the uptake was unexpectedly variable. The goal of the COAHP Homeownership Component was to help 20,000 low- to-moderate-income households transition from renting to homeownership through assisted down payments.

The homeownership program had some mandatory stipulations, but also gave housing service managers in Ontario discretion to impose additional criteria for applicants to qualify for down payment assistance. A suspended loan for five percent of a home purchase was available to qualifying households drawn from low-to moderate-income renters. Loans are forgivable after 20 years of residency or are repaid adding five percent of a capital gain upon sale. Repayments collect in a revolving fund to provide further down payment assistance.

Similar programs were found operating in other countries where homeownership was actively promoted politically. The evidence for sustainable homeownership in low-income households, however, is discouraging, and the social benefits are unproven. Homeownership is being promoted as a vehicle for asset-based welfare to free governments from open-ended financial payments. Housing wealth is becoming the expected source of provision for education, health care, unemployment, and pension income by governments. Financial literacy and post-purchase support have proved useful for low-income homeowners.

Research was conducted through personal and telephone interviews with service managers randomly selected from metropolitan, urban, and rural areas in Ontario, and with housing experts from public and private sectors and an academic/research environment. Service managers were asked about the Homeownership Component of COAHP, while housing experts were asked about homeownership issues.

In a neoliberal era of welfare reform, the political rationale behind the Homeownership Component of COAHP was important to assess. Given the lack of evidence, is homeownership too much of a risk for low-income households? Since social housing tenants are targeted, could such programs concentrate poverty, and is the program goal of reducing waiting lists for social housing realistic? Through the analysis of the COAHP Homeownership Component program guidelines, personal interviews, and a literature review, the program goals and government policy to increase homeownership in low-income households were critically analyzed.

Service managers welcomed government action and funding, finding the implementation very demanding, but rewarding. All service managers used websites to inform the public but differed in their approaches for other communication methods and focus for prospective applicants. The provincial government had a less active role than the federal government in policy formulation for the program. The developer and the academic researcher interviewed had divergent viewpoints on most aspects of homeownership, while their opinions converged somewhat where low-income households faced inferior alternatives such as an inadequate rental market and unaffordable housing in the private sector. The extension of homeownership to low-income households was a mutually agreeable goal arrived at through different reasoning by the researcher and the developer, but with reservations concerning sustainability and suggestions for needed support mechanisms.

Once Canada Mortgage and Housing Corporation moved to eliminate 100% mortgages, applicants turned to the program for down payment assistance. The program was popular in rural areas and successful in all settings. Initially, the maximums set for income and purchase prices for homes were low, especially in metropolitan housing markets.

The targeting of prospective applicants for the Homeownership Component was somewhat subjective, but did identify households in need of assistance and freed some spaces in social housing units. The Ontario model is similar to other programs in other international settings. Globalization and the deregulation of financial markets have moved housing prices and interest rates in the same direction globally. Neoliberal policies and a move toward asset-based welfare are also apparent in Ontario. Low- to moderate-income households are unfairly burdened with the responsibility of funding future homeowners through participation in the COAHP Homeownership Component. Program funding is sustained only by homeowners who repay the down payment assistance under terms of the program when a home is sold prior to 20 years of owner occupation. The recommendations made in this report call for program-related enhancements, facilitation of asset accumulation in low-income households, income-related supports for low-income homeowners, and government leadership to improve the quality of housing policy within the wider economic context.

# The Homeownership Component of the Canada-Ontario Affordable Housing Program: Critical Analysis of Program Objectives

## 1. Introduction

The Homeownership Component of the Canada-Ontario Affordable Housing Program (COAHP) has a dual purpose. The program encourages low- to moderate-income renters to become homeowners by receiving government assistance for a down payment for the purchase of an affordable home. As the subsidy must be paid back if the home is sold before 20 years of occupancy, this provides renewable funding of social housing. The program has the potential to be a win/win situation for future homeowners and housing authorities alike, since spaces in the existing stock of social housing could become available and reduce waiting lists. As reported by *Maclean's* in April 2008, the program did not tempt the expected number of people to take advantage of the opportunity to own their own home (Taylor, 2008). This result begged the question of whether the federal and provincial governments understood the housing needs of low- to moderate-income households, whether they were single individuals, single parents, or families. Unfortunately, the delivery of this program also coincided with an unfolding recession.

The starting point of this research is the recognition of issues arising from the program guidelines of the Canada-Ontario Affordable Housing Program Homeownership Component (COAHPHC), such as its political foundations, the power relations involved in program delivery, the question of affordability, and the limitations of the program rules. A number of important debates come together in the policy analysis of housing programs such as the COAHPHC.

## 2. Program Summary

The overall COAHP has four parts, but this study's focus is only on the Homeownership Component and its guidelines. The program aims to reduce demand for rental housing by encouraging renters to buy homes, to encourage social housing tenants to buy affordable homes to ease waiting lists, and to "provide low and moderate-income individuals and families with an opportunity to move up the socio-economic ladder through homeownership" (Government of Ontario, MMAH, 2009). To deliver the Homeownership Component, the 47 service managers in Ontario must also pair the program delivery with another component of the COAHP, such as the Rental and Supportive portion or the Northern Housing portion. Partnerships with developers are allowed in order to produce affordable units. Service managers participated in this program by choice, but the program administration reverted to the province if they chose not to participate. Funding of \$28.37 million was provided to assist an estimated 3,470 low- and moderate-income households to become homeowners. The groups targeted in this program are recipients of social assistance, senior citizens, first-time home buyers, single-parent households, recent graduates, and new immigrants. Potential homeowners may be identified through municipal needs assessments by an area service manager. The program set maximum purchase prices for homes for each municipality, but increased the \$62,600 maximum for an interest-free loan to \$75,800 as the maximum for down payment assistance in July 2008 (Government of Ontario, MMAH, 2008).

The financial assistance was for five percent down payments of housing purchases, which must be repaid if the home is sold before 20 years of ownership (the affordability period) along with five percent of any capital gain resulting from the sale. An eligible unit must be the sole and principal residence for the homeowner receiving assistance from the program. While upper income limits were established by the province and could be adjusted downward by service managers, applicants did not have to declare any savings or other financial assets they might have had to use toward the purchase of a home. Homeowners do not have to repay the down payment if a property sale results in a capital loss, so long as the sale is genuine and the home is sold at fair market value.

The funds distributed for down payments plus five percent of capital gains will eventually be returned and held in a revolving fund controlled by each area service manager. It is at this point that service managers have an increase in decision-making power. The revolving fund accounts are intended to sustain the program to promote homeownership on an indefinite basis for low- and moderate-income households, but the Homeownership Component of COAHP can be phased out if a service manager so decides. If the program is phased out, funds already in and returning to the revolving fund in the future would be returned to the province, possibly for reinvestment in affordable housing within the area losing the COAHPHC. Service managers report program progress and financial information annually to the province, and then the province reports to the Canada Mortgage and Housing Corporation (CMHC). The program was voluntary. Anecdotally, at least one area chose not to participate due to the inadequacy of the administrative fee for the command of resources involved.

## **2.1 Program Extension**

As part of an economic stimulus, the COAHPHC was extended in June 2009. Of the three stated objectives for the program, one of the earlier ones – to “free up social housing stock to address waiting lists” – was replaced by this objective: to “encourage developers to build affordable housing by fostering demand.”(Government of Ontario, MMAH, 2009). In this extended version of the program, only newly built units were eligible for the down payment assistance, conditional on unit qualification under the Tarion new home warranty. Non-residential use buildings converted to housing also qualified, so long as the development met requirements in the *Canadian Environmental Assessment Act*. As with the previous program, homes must be in an area designated by the service manager for each area as a neighbourhood for revitalization.

The extended version of the program operates with similar procedures until funds are fully disbursed or until March 31, 2011, whichever comes first. Service managers are free to make partnerships with non-profit or private developers to help deliver homeownership assistance. Furthermore, such partnerships may also be entrusted with administration of the revolving loan fund to provide a renewable source of funding for homeownership.

In the extended program, service managers may provide less than five percent down payment assistance, but the maximum assistance could be \$50,000 for eligible units. Overall, the total funds advanced by each service manager cannot exceed 10% of the total home purchase costs to eligible buyers; this does not apply to homes purchased from affiliates of Habitat for Humanity, however. Buyers must contribute toward a minimum five percent down payment if the forgivable

loan is less than this amount. The most significant difference in the extended COAHPHC is the income level for purchasers, which were raised to the 60th percentile of income levels within each service manager's area, as compared with the 50th percentile that applied in the earlier program. Income levels will be updated annually, while home price maximums will be updated on a quarterly basis. The maximum income of \$73,500, however, is lower than the maximum income of \$75,800 that was updated in July 2008 for the first COAHPHC.

Further flexibility is given to service managers as they are encouraged to give greater assistance to households with dependants, as defined in the 1997 *Ontario Works Act*, regulation 134/98. Both the earlier program and the extension allow for a homeowner to repay the loan before 20 years while retaining ownership. The extended program, however, requires payment of "the proportionate percentage of any notional capital gain as of the date of repayment," which would be calculated at fair market value (Government of Ontario, MMAH, 2009). When prepayment rights are exercised, accrued interest and a penalty of three months' interest must also be paid. This situation may occur when a homeowner ceases to use the property as the sole residence. The extended program states that the COAHP down payment loan will be recognized by CMHC as owner's equity when underwriting the mortgaged property for insurance purposes.

### **3. Literature Review**

#### **3.1 International Political Support**

Homeownership may be seen to fit well with a neoliberal<sup>1</sup> (right-wing) political agenda, so that many welfare needs are shouldered by individuals, thus eliminating government "intervention." People may use housing wealth or home equity for a number of personal needs, so long as the financial sector has the capacity to cater to this arrangement. In Britain, where the welfare state is being remodelled constantly, reliance on private ownership of housing is the "cornerstone" of the state, which has essentially transferred significant welfare needs in pensions, education, and health care costs to homeowners. As a result, waning commitment to social housing makes social housing the "wobbly pillar" in a welfare state, meaning that its significance is declining where the state's agenda is concerned (Malpass, 2008: 1). The issue of framing is particularly important, and we know that certain words like "choice" and "responsibility" are the language preferences of market-driven societies and neoliberal politics (Malpass, 2008: 9).

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<sup>1</sup> Neoliberalism: An ideology rooted in economic theory. Applied to politics, government intervention is not welcome in a free market system, yet is important to enforce economic reforms. Deregulation and privatization are hallmarks of neoliberal capitalism. Principles of individualism and competition permeate society at all levels. Economic principles applied to natural resources do not consider consequences. The profit motive is associated with exploitation, rather than responsibility, rationalized by economic values only (Von Werlhof, 2008; Rösch, n.d., see website given in Bibliography).

### **3.1.1 Norway**

In Norway, where the 2001 homeownership rate was nearly 77% (versus about 65% in Canada), a residualized social housing sector of three to four percent is quite “wobbly” because it is much smaller than in neighbouring countries in Europe. Tenant turnover is desired in the social housing as it is considered a resource for those experiencing temporary adversity, rather than a right of housing for low-income households. Also, 60% of the private rental stock in Norway can become owner-occupied without legal recourse to convert the tenure status of the housing units. Norway has a national housing policy that provides “a system of grants for first-time buyers with consistently low income,” housing allowances for owners and renters, and programs to encourage supply of both private and public rental housing (Aarland and Nordvik, 2009). US housing policy has also been a series of various efforts to promote homeownership to reduce state responsibilities for welfare (Santiago and Galster, 2004).

### **3.1.2 New Zealand**

New Zealand presents an interesting case of housing policy reform as it, too, applied neoliberal policies such as creating an agency – Housing New Zealand Ltd. (HNZ) – to manage social housing on a profitable basis, and left the supply of housing to market forces (Murphy, 2004). Welfare restructuring had begun in the mid-1980s in New Zealand and accelerated in 1990 with a change of government. Market rents were imposed on social housing tenants, and an accommodation supplement became the singular housing benefit for eligible low-income renters. The supplement subsidized 65% of housing costs above 25% of a qualified applicant’s net income, but capped at limits determined by region. To counter the outcry from the sale of prime social housing to private investors, HNZ promoted the “Home Buy” program, which was similar to the CAOHPHC, involving assistance with a suspended loan of 10% down payment. The program was targeted to social housing tenants and was so successful that, in less than a decade, 33% of home sales were to purchasers using the “Home Buy” program.

The market-oriented reforms did not alleviate the affordability problem in New Zealand, caused hardship for many, and destroyed neighbourhood cohesion through resulting tenant turnover. Furthermore, the accommodation supplement cost NZ\$350 million at the outset in 1993/94, but escalated to NZ\$867 million by 1990/00. Although increased uptake of the housing benefit contributed to costs, 38% of recipients would have faced housing costs of more than 60% of income without the supplement. Costs of the supplement were also inflated due to rents that rose faster than house prices and the consumer price index in the 1990s.

Tenant challenges of market rents in the courts and political challenge of reforms led to a return to more socially based values for housing in a “businesslike manner” through a new corporation (Murphy, 2004: 125). The social housing sector in New Zealand has re-legitimized government involvement, but the sector remains residual as a resource for those worst off in society. Of note is the fact that programs to promote homeownership to low-income households have been extended (Murphy, 2004). The 2007/08 annual report from the Centre for Housing Research, Aotearoa New Zealand – Kāinga Tipu (CHRANZ) reports a disconcerting fall in homeownership rates that was perhaps “part of a structural shift in housing markets” (CHRANZ, n.d.). The pattern of redistributed housing equity has further disadvantaged low-income, single-parent, and

young households (CHRANZ, n.d.). In this most recent report, CHRANZ considers the access and sharing of up-to-date housing research as a matter of some urgency.

### **3.1.3 Germany**

At first glance, Germany, with its low homeownership rate of about 43%, would appear to be radically different than other countries where housing markets are concerned. Voigtländer, (2009) describes the history and policy background in Germany that accounts for current differences in housing markets and homeownership rates. Poterba's 1984 theory on the "user cost of housing," whereby the decision to rent or buy is determined by mortgage products, taxation policies for homeowners, the state of rental market housing, and house prices, illustrated Voigtländer's assertions that terms within the rental market and access to mortgages were pivotal to the demand and opportunity for homeownership, in addition to tax issues (Voigtländer, 2009: 357). The post-WWII housing shortage in Germany was addressed by legislated government intervention to introduce social housing of high quality. High standards of construction that improved over time, unit size, and quality fittings ensured that social rental housing was not stigmatizing to tenants. Generous income thresholds for renters of social housing and the absence of clawbacks for improved financial circumstances after qualifying for tenancy encouraged middle-class tenants to stay and not opt for homeownership.

Germany has not experienced inflationary housing prices in the past, as the government home buyer incentive – an allowance discontinued in 2006 – was given, at most, twice in a lifetime and was designed to encourage the purchase of lower priced properties. These factors helped maintain affordability as buyers waited longer before entering the market and may only ever own one home (Voigtländer, 2009). With a smaller percentage of homeowners than in other countries, the German government does not engage in policies to increase housing gains to secure votes because the voting majority lies with renters (Voigtländer, 2009). Under a decentralized planning system, German municipalities competing for business and citizens also help to keep house prices affordable and stable (Voigtländer, 2009).

Construction of German public housing was achieved through public, non-profit, and privately owned companies so that government guarantees, subsidies, and other concessions to owners were exchanged for restricted rent practices and limits on the selection of tenants. The housing shortage was almost fully resolved by 1962, but at the cost of limited housing for owner occupation that was produced by private sector financing alone. The paradox is that private investors in housing did not lose out, but the establishment of a rental market based on the free market system was delayed. Legislation in 1956 promoted the construction of privately owned homes, but, due to the lag in mortgage financing innovation, prospective buyers needed large down payments of 35% to 40% to secure a mortgage. Since the German housing shortage ended in the early 1960s, housing supply for owner-occupation became the dominant form of housing.

In Germany, an underdeveloped financial market for mortgages impacted homeownership rates, leaving renting as the only alternative to residents. Voigtländer (2009: 368) describes the mortgage market in Germany as "not an obstacle to homeownership, but as a market outcome determined by the tax rules and the conditions on the rental market." In other countries such as Spain, however, where rental agreements across generations were in place, the fragmented, uncompetitive

rental market that was in great disrepair due to a lack of incentive for landlords reduced choices for tenants and drove them to homeownership. Spain has a homeownership rate of 80% or more, according to 2006 statistics from the European Mortgage Federation (Voigtländer, 2009).

### **3.1.4 The Republic of Ireland**

Turning to the Republic of Ireland, analysis of the effectiveness of Low Income Home Buyer Support (LIHBS) schemes presents a discouraging outlook in current economic times. Reasons for the falling appeal of LIHBS in the Republic of Ireland may have parallels with flaws in the COAHPHC (Norris, Coates, and Kane, 2007). One of the schemes that began in 1999 is similar to the COAHPHC in that a mortgage is subsidized but a percentage is repaid when, and if, a capital gain is realized, if sold before 20 years of residency. The scheme is for new homes sold by local authorities at below market rates. Norris, Coates, and Kane (2007) cited inadequate awareness of the schemes, a residualized social housing sector, and upper limits for incomes of eligible buyers set at rates too low in relation to house prices and increases in average incomes. According to Fogel, Smith, and Williamson (2008: 119), from the US perspective, “home ownership for low-to- moderate income individuals and families remains an untested policy strategy.” Shlay (2006: 527) agrees, finding that homeownership for low-income householders lacks the convincing foundation of “hard-nosed analysis of what works for families, communities and local economies.”

Malpass (2008) draws on UK government publications to support the fact that housing is being promoted as asset-based welfare that people are expected to rely on, including those with low incomes. In Ontario, the strength of commitment to homeownership may be clear from the decision by the Ministry of Municipal Affairs and Housing (MMAH) allowing Toronto and London to convert funds for Housing Allowance/Rent Supplements (HARS) to “a capital component” to build or redevelop for affordable rental/supportive housing. Toronto was also given greater flexibility for determining amounts for down payments, and the City allocated \$2.87 million of HARS funds to the Homeownership Component of COAHP (City of Toronto, 2007). This is consistent with findings by Basolo (2007), who found that cities are likely to prefer the funding of homeownership programs for the economic benefits derived by the municipality. Affluent cities with high housing costs tend to have the capacity to house very low-income households because the alternative option of assisted homeownership would require deep subsidy (Basolo, 2007).

## **3.2 Housing in Post-Welfare States**

Jarvis (2008) considers the US path for housing policy as extremely neoliberal and examined how closely Britain was following the commodification of homes. In 2005, Britain stated the goal of 75% homeownership following the launch of “Homes for All,” a partial rent and buy form of shared equity targeted to first-time buyers. The United States had been pleased to announce a 70% homeownership rate in 2006 (Jarvis, 2008). Part of the US agenda was to use homeownership to revitalize urban areas (Jarvis, 2008). Behind Britain’s high homeownership rates are households with multiple jobs, 45-year mortgages, and record levels of debt. Due to these factors, opponents of neoliberal housing policies consider it unlikely that current homeownership rates will be maintained (Jarvis, 2008). Neoliberalism shifts the responsibility for

many needs directly to the individual, and privately owned housing together with deregulation in the finance sector has facilitated state withdrawal from welfare provision. As such, housing determines the amount and quality of welfare that can be forthcoming for health, education, and pension needs for an individual or family (Jarvis, 2008). In Germany, government changes to the pension scheme brought attention to the privatization of provision for retirement and of homeownership as the means of such provision. Compared with earlier practices, the German financial sector responded openly by offering 100% mortgages, but withdrew these loan offerings when the sub-prime housing crisis in the United States unfolded (Voigtländer, 2009).

### **3.3 Transnational Policy Transfer**

It has long been acknowledged that non-governmental organizations share ideas and develop policy frameworks that build on successful ways to influence governments. The extent of knowledge exchange and transfer among governments, however, is an emerging area of study and may not be fully recognized or well understood at present. Common approaches to reducing government spending are the most obvious examples of policy transfer between countries, as many welfare states continue to disengage from welfare services that now are for the minimal needs of anyone who might qualify (O'Hara, 2008).

Germany's initiative to build social housing was adopted by the United Kingdom, where construction was similarly subsidized heavily. Several differences, however, contributed to the legacy status of social housing as we know it in Canada. The United Kingdom did not include private interests in the housing construction of social housing, preventing private sector enterprises from access to government funding. The UK government also predetermined rent and construction costs, so compromises were made in unit size, fittings, and overall quality. The inferior look and style of social housing stigmatized tenants and the housing form itself.

Stigma for tenants and an inadequate private rental market also restrained by rent control policies paved the way for homeownership as a popular alternative in the United Kingdom. The expectation that individuals make provision for retirement is expected to be the main cause of a rise in homeownership rates in Germany, which has had balanced housing opportunities and a general reduction in house prices up to now (Voigtländer, 2009). In the 1960s, politically motivated short-cuts failed to establish co-operative style housing in the United Kingdom in the attempt to transfer Swedish housing policy (O'Hara, 2008). Ontario also experimented with co-operative housing and also abandoned it.

### **3.4 Issues for Low-Income Households**

- Homeowners are less mobile, and the resulting residential stability is beneficial to children (Gagné and Ferrer, 2006).
- While homeownership is not the right path for all low-income individuals, this segment of society is where higher rates of homeownership can be nurtured. Differences in income between low- and high-income individuals would seem to be an obvious barrier to homeownership. Based on this assumption, policies to boost, supplement, or subsidize income levels would facilitate homeownership.

- Recent research by Aarland and Nordvik (2009), however, refines our understanding of the relevance of income to the choice to rent or buy in low-income households. Findings revealed a subtle difference between low- and higher-income groups. For low-income groups, having savings was more likely than better income to lead to homeownership choices (Aarland and Nordvik, 2009).
- The problem with using housing wealth to fund consumption, whether for consumerism or welfare needs, is that it reduces the amount of home equity that may be temporary, based on market value, whereas a loan taken out against home equity remains as real, additional debt (Malpass, 2008).
- Attempts to maintain the housing ladder through debt means high financial risks for low-income households and probably more social exclusion, rather than an exit from poverty (Jarvis, 2008).
- Low-income households are more disadvantaged, should they experience negative home equity if market conditions change for the worse.
- The attribute of housing, enabling the spending of future worth, is precisely what makes it “*de facto*, an asset base for welfare” (Smith, Searle, and Cook, 2008: 90).
- A recent study looking at a small sample of low-income women entering the housing market found that there was a great need for teaching prospective buyers financial literacy skills and for providing post-purchase counselling to help with asset management of the home. Financial adversity proved very difficult and stressful for one-parent households, so sustainable homeownership, as is envisaged through the COAHPHC, calls for complementary supports to help similar homeowners to access training and education that would improve income prospects (Fogel, Smith, and Williamson, 2008).
- Homeownership can limit mobility considerably, which makes for difficult decisions in periods of unemployment, especially when part of a broader recessionary cycle (Voigtländer, 2009).

### **3.5 Affordability**

In countries with advanced economies, innovative mortgage products have been used to counter problems of affordability and have increased the market share of escalating mortgage debt through interest-only type loans or very long-term loans of 50 years or more (Scanlon, Lunde, and Whitehead, 2008). Declines in interest rates and the control of inflation from 1995 to 2005 led to similar economic paths for housing markets, but variation in housing markets occurred due to regulations and the legislative framework within each country (Scanlon et al., 2008). Table 1 shows the historical differences between several countries when comparing affordability outcomes.

**Table 1. House Price Affordability since 1970 in Europe\***

Country	1970	1980	1990	2003
Germany	129	114	95	80
Spain	147	127	199	289
Ireland	–	136	110	201
United Kingdom	97	109	137	156

\* Change in ratio of house prices to disposable income per worker. 1985 = 100.

Source: International Monetary Fund as cited in Scanlon, Lunde, and Whitehead (2008).

Under the initial delivery of the COAHPHC, the maximum income for either an individual or a family in the Greater Toronto Area, for instance, was \$61,400 to purchase a unit at the maximum affordable price of \$204,000, while the corresponding values were not much different (\$59,000 and \$196,000, respectively) for the City of Windsor; yet these two urban areas are quite different in terms of current economic viability as reflected in real estate prices (City of Toronto, 2007; Government of Ontario, MMAH, 2009). Affordability has been pursued through different occupancy arrangements, partnerships with private sector developers, flexibility and co-operation from financial institutions, concessions from municipalities, and upgradeable housing (Teasdale, 1999; Anonymous, 2005). Each initiative to achieve affordability involves some sort of trade-off that is ultimately economic in nature. The differences between incomes and housing costs over time in different places are, therefore, relative to making fair assessments about affordability.

The political character of a country may determine housing affordability more than is appreciated. In Canada, for instance, we have two strong political parties (as is the case in the United States and the United Kingdom), and these parties are very divided, usually, on their viewpoints of the free market and government intervention policies. Where housing is concerned, this boils down to one party generally being tolerant of social housing and one, very much opposed, although this is a simplification. This results in extremely different outcomes, as one style of managing the economy is “command” involving intervention and control, while the other style is “laissez faire” and puts trust and faith in market forces to shape housing affordability to what it fairly “should” be according to supply and demand. Based on the *social market*, or the “Third Way” – an economic philosophy originating from German lawyers and economists – several other countries, such as Switzerland, Sweden, Denmark, The Netherlands, and Austria, use social market policies to promote an integrated rental market. Integrated rental housing markets that consist of a strong non-profit sector are important because housing is not vulnerable to complete commodification by private interests, leaving people the choice to rent or buy. This approach would preserve good quality housing over the long term for the members of society who are not ready for homeownership or for whom renting remains the best housing option (Kemeny, 2006).

Oppositional political strategies of managing the economy in Britain and elsewhere has led to critical affordability issues in urban centres such as London, UK, and Paris, France, for instance, where lack of affordability has made it difficult for “key” service workers such as civil servants, police, and teachers to live remotely close to where their skills are needed (Papagni, 2008).

Solutions are complex, ranging from affordable housing programs to changes in the way cities and communities are planned, and intense focus on transportation issues (Papagni, 2008).

Dalton (2009) suggests that the power struggle to retain affordable public housing has been lost by civil and state agencies due to poor framing of the affordability issue, although it could be recaptured with better use of research findings. In the absence of a policy issue expressed in terms acceptable to government, a solution from the opposite side of the spectrum succeeded in capturing government attention, namely, homeownership (Dalton, 2009). In his comparison of housing policy retrenchment in Canada and Australia, Dalton (2009) shows that opportunities to influence housing policy have been controlled by professional associations rather than by lobbyists for low-income populations or a national representation for renters. With reference to Sewell's 1994 work, Dalton (2009) identifies lack of civic engagement as the reason for housing policy in the two countries that excludes consumers of housing from making housing issues an important part of political agendas.

### **3.6 Pitfalls and Perks of Homeownership**

Housing wealth achieved through homeownership will benefit all levels of government and the economy in general, but Boehm and Schlottmann (2008) found that owners guided into owning went back to rental housing and that minority households were unable to re-enter the private real estate market following this transition. For low-income households to secure homeownership over the long term, additional supports may need to be in place. The amount of housing wealth is related to the amount of time a household spends in rental housing and also the speed of trading up to housing of greater value (Boehm and Schlottmann, 2008). Low-income households are more likely to buy condominium units rather than houses because of the cost differential and will probably not see as much increased value in the condominium unit, as compared with a house, because the land value will be less (Burbidge, 2000).

Looking at capital gains from the Australian property boom in the 1980s in Melbourne and Sydney, Burbidge (2000) found that, for many homeowners, particularly low-income households, renting would have been a better financial alternative because the cost of high interest rates negated the capital gains made. The COAHPHC guidelines work against the accumulation of housing wealth possible from trading up, as the entire down payment must be repaid if the home is sold before 20 years of ownership. For a homeowner to make any personal gain from a sale when five percent of the capital gain, realtor commission, and other fees must also be paid may depend on a long time of market appreciation to work its magic. In a nine-year study of over 40,000 households, however, Boehm and Schlottmann (2008) found that housing was essentially the only source of wealth for low-income homeowners, thereby supporting policies to promote homeownership to low-income households that rent.

Homeownership is credited with desirable effects that benefit children, families, individuals, and the communities and neighbourhoods in which they live (Grinstein-Weiss, Greeson, Yeo, Birdsong, Despard, and Quercia (2009). Grinstein-Weiss et al. point out, however, that most of the research on this topic has not examined effects by income levels. The rosy image associated with homeownership is based on high- and middle-income households. The body of research also falls short of explaining how the positive effects emerge. For low- to moderate-income

households, therefore, there is essentially no evidence of similar outcomes for this class of homeowners (Grinstein-Weiss et al., 2009).

Grinstein-Weiss et al. (2009) addressed a research gap in studying the impact of homeownership status on parental characteristics, namely, child supervision, volunteering activity, and educational expectations for children by parents, comparing home-owning parents to parents who rented their housing. To avoid mistaken conclusions, which the authors claim have been common in the literature, the study also examined financial and demographic differences between parents who owned and those who rented. The final analysis of this study “found there were no overall differences between the low to moderate-income owners and renters on any of the three outcome variables” (Grinstein-Weiss et al., 2009: 28). As a baseline study, neighbourhood influences were not disentangled, but the researchers urged a number of neighbourhood improvement policies to improve the odds of low- to moderate-income renters becoming homeowners (Grinstein-Weiss et al., 2009).

### **3.7 Globalization**

Globalization is not the headline news it once was, but increasing income polarization and growing levels of poverty are outcomes of this process (Bunting, Walks, and Filion, 2004). Women have suffered the worst effects economically and, due to the precarious nature of their livelihoods, may be excluded from COAHP participation. Lack of wage parity with men and discrimination encountered in the housing market are two factors burdening households headed by women (Bunting et al., 2004). In addition to moving women and other vulnerable populations from dependence on the state to self-sufficiency by eliminating barriers to opportunities of homeownership, support mechanisms are needed for the considerable demands of such a transition. Santiago and Galster (2004) investigated perceived barriers to homeownership, concluding that addressing negative perceptions before implementing a homeownership program was a very worthwhile investment of resources.

Since the mortgage market has become more complex, it is understandable that people with limited financial literacy rely on advice and help from professionals to navigate mortgage terms and types. Due to the risks involved, however, in mortgages with low or no equity, it is important that borrowers understand the terms that lenders offer (Scanlon et al., 2008). In their study of mortgage innovation in 13 developed countries, Scanlon et al. (2008) reported that the Financial Services Authority (FSA) in the United Kingdom found that low-income borrowers were the borrowers with the least financial knowledge and were persuaded to take out interest-only mortgages by financial advisers (FSA, 2006, as cited in Scanlon et al., 2008).

The need for financial literacy is so great that the Organisation for Economic Co-operation and Development (OECD) urges education within school systems to prepare citizens for a market-oriented world where one’s quality of life depends on informed financial decisions. To this end, the OECD has undertaken major projects in the United Kingdom, the United States, and Australia. Due to the convergence of Canada with these countries in the adoption of asset-based welfare approaches by government, financial literacy is important for all, but a critical skill for low-income individuals to learn (Orton, 2007).

Affordability, especially for first-time buyers, has been called an income-related problem. Globalization has moved us to a service-oriented economy where many service jobs are not only unstable but also low paid. Income issues are a greater concern for low-income households because changes in their income over the year can be as drastic as 50% less from one time to another, compared with 25% in the 1970s, as reported by Gosselin in 2004 (as cited in Quercia, Gorham, and Rohe, 2006). Due to the fact that low- to moderate-income homeowners may be close to foreclosure action by lenders in the early years of their mortgages, the fear that this generates in the imaginations of hopeful homeowners may deter entry into the housing market. Effective post-purchase support could make homeownership less intimidating, and other measures could prevent the high social and financial costs of foreclosures (Quercia et al., 2006).

### 3.8 Neoliberal Urban Sorting

Housing policy is intrinsically tied to welfare reform and the reorganization of labour markets for the benefit of a globalized, capitalist economy. In the guise of helping the poor, both homeownership policies and social housing are used to situate human resources for new configurations of economic order. Rather than constrain the housing market, we find ways to provide affordable, lesser cost housing that we must insist is minimalist in style, size, and functionality. To resolve the need to strategically house key workers and others with currently desirable skills, we convert social housing sites to mixed income developments (Crump, 2003; Raco, 2008). Such sites would likely be designated revitalization areas in the COAHPHC.

Comparing individual resources invested and the security of tenure between owners and renters, it is clear that the onus to maintain social order at these mixed income residential sites rests largely with homeowners. By default, the poor or large groups of low-wage earners can be distributed over a larger geographical area. It is in this manner that both policies advancing homeownership and policies for social housing serve to change labour markets and also opportunities for low-income households in urban settings (Crump, 2003; Lipman, 2008).

Presented as something that is equitable to all neighbourhoods and an opportunity for social housing tenants, the popular policy of *demolishing* (social housing), *deconcentrating* the numbers of those in poverty, and *dispersing* social housing tenants has been successfully discredited based on serious flaws in the evaluation of the Gautreaux project (Crump, 2003). Arising from a 1976 Supreme Court ruling against the Chicago Housing Authority and the US Department of Housing and Urban Development (HUD), public housing was demolished, and residents and family members of those who launched the lawsuit citing discrimination in housing policies were dispersed. Housing vouchers and relocation restricted to areas of less than 30% minority residents were meant to encourage social mixing with white, middle-class role models in suburban locations (Crump, 2003). Significantly, wages did not improve for those who relocated, and the 80% who did not find housing were excluded from the program evaluation results (Crump, 2003). The demolish/deconcentrate/disperse policy is also being used in Ontario where the neoliberal basis of such revitalized developments may be protected by careful public relations and planners' acceptance (August, 2008). In the United States, the practice is supported by legislation called the "Quality Housing and Work Responsibility Act of 1998" (Crump, 2003). The destruction of social housing has led to more privatization of housing.

### **3.9 The Problem of Poverty**

While there may be debate about whether homeownership is an asset generator as opposed to a means of poverty reduction, homeownership is seen, nonetheless, as a way to escape ongoing poverty (Anonymous, 2005; ONPHA, 2009; Fogel, Smith, and Williamson, 2008). Jarvis (2008), however, in a qualitative analysis of the housing careers of households in the United States and Britain, found that homeownership in post-welfare states transitioning to neoliberal policies exposed homeowners to increased levels of social exclusion through the debt and greater financial risk involved.

Extension of homeownership to low-income or otherwise disadvantaged populations is part of the “stealth” in post-welfare states. The use of a housing asset such as space rented to a lodger or to accommodate a caregiver, for instance, “can be cynically viewed as part of a damaging privatization of survival rather than efforts to combat social exclusion” (Jarvis, 2008: 213-214). Social benefits flowing from homeownership are popularly believed to include civic engagement and greater stability for neighbourhoods (Fogel et al., 2008). Additionally, homeownership may improve self-esteem in individuals, leading to greater overall capacity and resilience (Waldegrave, Stephens, and King, 2003). Housing prices do not rise evenly across towns or cities, however, and where prices rise the most is unlikely to be the area where homeowners experience great need for some type of welfare (Malpass, 2008). Since social disadvantages may predict greater health care costs for low-income householders in their retirement years, the geographical distribution of housing wealth is an important consideration for governments (Malpass, 2008).

Outcomes from Ontario’s poverty reduction strategy may matter significantly in future homeownership initiatives as low-income households are unlikely to have confidence in their economic future if they have experienced long-term poverty (Santiago and Galster, 2004). Long wait times to access social housing and an understanding that mortgage rates can rise substantially over time may make homeownership a daunting step for anyone to take. There must be a focus on housing, however, to eradicate poverty in current low-income households, requiring a collaborative approach rather than well-meaning policies made within a silo mentality (Waldegrave et al., 2003).

## **4. Methodology**

This research is primarily a case study of implementation across jurisdictions. The policy document for the COAHPHC policy guidelines for Ontario service managers was analyzed to generate the basis of semi-structured interviews with housing service managers in three jurisdictions (urban, lower-rank urban, and rural) selected as a convenience sample. A literature review was conducted to review the topics of homeownership, affordability, and the social and economic aspects of housing.

Key informant interviews using semi-structured questionnaires (appendixes 1, 2, and 3) were conducted over two months to gather viewpoints on the importance of homeownership from social, economic, and political perspectives and on the features of a sustainable model to maximize

federal and provincial funding. Key informants were sought from housing specialists in government (federal and provincial), the private sector, and the research community in Ontario for a maximum of four interviews of approximately one hour each. A sampling of three service managers from Ontario jurisdictions of varying urban rankings was randomly selected using an Excel function. The service manager areas were separated into three groups based on the number of units allocated under the program: one group consisted of a unit allocation of 200 or more, a second group consisted of over 100 units but fewer than 200, and the third group was areas with an allocation of 100 or less. The groups represented metropolitan, urban, and rural areas. The service managers were then contacted and interviewed concerning the Homeownership Component of the Canada-Ontario Affordable Housing Program to learn about their experience of the program and to evaluate how the amount of control given to service managers could impact program implementation and efficacy. Interview data were collected in handwritten notes for reasons of trust and privacy.

Investigation of differences in the way guidelines are interpreted for implementation was also made through consultation with service managers. These semi-structured interviews were about one hour long. Once key informants were recruited, informed consent was obtained from participants after an introductory letter was given.

## **5. Research Questions**

1. What are the risks of homeownership that may deter low- to middle-income households from leaving social housing tenure?
2. Would the movement of middle/moderate-income households from social housing tenure further concentrate poverty? That is, would low-income applicants on waiting lists be selected for vacated spaces before moderate-income applicants?
3. Can the program have a meaningful impact on the waiting list for public housing?
4. What is the political rationale behind the homeownership program? Is the program good policy in the long-term, or will there be greater risks to governments and homeowners alike?

## **6. Objectives**

The research aims to convey an understanding of the positive values currently attributed to homeownership and the possible range of underlying motivations to promote homeownership, especially to low-income households. By analyzing the COAHPHC guidelines, several lines of inquiry emerged, leading to qualitative data providing indicators of the program's quality, relativity in the current housing market, and ease of implementation. Analysis of gathered data from various sources will be used to generate ideas to suggest desirable components for a successful, sustainable model of homeownership and to describe the strengths and weaknesses of the current approach to implementation.

## **7. Study Strengths and Limitations**

This study gathers data from a variety of perspectives, drawing on the expertise and experience of professionals in the housing field. The literature review brings forward issues that informed the in-depth interviews on aspects that are not obvious in the analysis of documents. As an evaluation, the qualitative approach provides a recall of information in recent memory of the participants interviewed. Information gathered, therefore, is more reliable than information gathered long after a program has ended, which might involve recall bias where memories are revised subconsciously. The literature reviewed concerning homeownership policies aimed at low-income households has been drawn from a number of international sources to show parallels in housing issues and the political economy of asset-based welfare.

A survey of program applicants and clients who chose not to access the government funding could have provided insight into the decision-making process of low- to moderate-income tenants of social housing faced with an opportunity to step onto the real estate ladder, but obtaining a meaningfully sized sample was beyond the scope of this study. This study does not address the ethical debate of whether a successful model of homeownership targeted to low-income households sacrifices social justice. Without data over the long term or a strong body of evidence in the literature, this study cannot assess housing wealth generated by homeownership or the racial stratification possibly enmeshed in such issues. The federal side responsible for the evidence base for the COAHPHC and policy foundation was approached for an interview, but did not respond. Canadian inclusion in an asset-based regime is therefore based on observations such as explicitly stated goals to reduce dependence on state welfare as part of the COAHPHC and tax-free savings accounts recently introduced, for example.

## **8. Interview Outcomes**

### **8.1 Rural Area Service Manager (RSM)**

The service manager of a rural area created a brochure and published on the organization's website to inform the public about the Homeownership Component of COAHP. The program was also advertised in local media. Although additional criteria could have been added by the service manager, none were, so applicants qualified according to the program guidelines. In this area, the program was also introduced through presentations to real estate agents, bankers, and the general public. The service manager reported that these presentations were all well attended. Generalizing about the group who benefited most from this program in this area, the service manager responded that it was the working poor as opposed to, for instance, seniors or Aboriginal people. With regard to the revolving fund, the service manager anticipated "difficulty with that" because the administration of the fund would demand considerable administration. The service manager felt that it was a pity that not many people would receive similar down payment assistance as the revolving fund was repaid over the years compared with the number of people who had been turned away and might be waiting for an opportunity again. The service manager did not have information on the percentage of buyers who had educational sessions regarding the program and the home-buying process. One comment summed up the overall experience of this program for this service manager: "excellent." With regard to the extended

program, the rural service manager felt that it might be less useful to the area as it was for new builds, and the new housing being built locally was not intended for the local residents, was priced extremely high, and was not a modest form of housing (RSM). In essence, the area was experiencing the effects of de-urbanization.

The service manager was uneasy about the extended program because it had “tight timelines” and was introduced at a time in the summer when councils take a break from municipal business for several months. Since there were no new home purchases from the successful delivery of the earlier version of the program, the service manager had doubts that the extended version would help buyers in the area, but was nonetheless anxious to sign an agreement with the Ministry of Municipal Affairs and Housing to have access to a share of the funding and had the authority to do so (RSM).

## **8.2 Metropolitan Area Service Manager (MSM)**

The service manager for a metropolitan area surveyed market rent residents in municipal housing for their interest in the COAHPHC, finding that over 91% of these tenants said that they were definitely interested. The service manager set up a website outlining the program that was linked to the region’s website. Notices were posted in public housing buildings, and the program was advertised in two local newspapers for three weeks in the weekend edition. Around 2,000 applications were sent out, and 1,100 applicants represented the total response rate over an 11-month period when the program ended. This service manager had about 300 applicants who might be ready to participate in the extended version of the program. The service manager for the metropolitan area said that some of these applicants had a preference for resale homes, but that most were concerned about getting the financial assistance. At the time of our interview, this key informant had just signed an agreement with the province, but could not review the extended program with Council until September. The service manager anticipated issuing a request for proposal (RFP) in a few weeks’ time, although the housing director had already been approached by an interested developer to form a partnership for new home delivery (MSM).

The heavy administrative workload led this service manager to hire a temporary assistant, and the service manager felt that the fee allowance to deliver the program was inadequate, but the municipality was pleased that the program presented the means to help some tenants out of public housing. The service manager mentioned one area that did not participate in the program based on the anticipated stress on their resources. For this metropolitan area, the service manager lowered the maximum price for resale housing from the maximum level increased by the province in June 2008. The service manager arrived at a different level after going to the real estate board for information on median and average resale home prices. The service manager reported that many lenders and lawyers were unaware of the program, so approaching these professionals in the community worked well to establish a liaison. Those interested came to public information sessions to answer questions, and prospective homeowners were given referrals if requested. This co-operation reduced work for the service manager in responding to inquiries. Two educational sessions for prospective homeowners were held in May 2008 for about 65 interested people. A representative from CMHC joined the sessions, and the CMHC Power Point presentation was posted on the website set up by the service manager. Advice for

qualified homeownership applicants amounted to a discussion of closing costs, how to prevent mould in the home, and information about a program to subsidize home repairs (MSM).

The province arranged for monthly teleconferences where service managers could discuss the program, but this service manager also went directly to other service managers to learn from them even though many were smaller with differences in local need. The service manager from this metropolitan area reported that the program benefited working poor couples and single parents least. Another issue was that, although new immigrants were a target group and eager for homeownership, many did not have a long enough credit history to qualify under CMHC rules for mortgage insurance where five years in Canada and two years of continuous employment were needed for approval. Many immigrants who did qualify had previously been housed in basement apartments for five to 10 years. Assets of applicants did not need to be considered, but some local rules applied to cap assets at \$20,000. Most applicants, however, were struggling to make their rent and had no savings. The service manager had received numerous cards of thanks from tenants who transitioned to homeownership. For this area, no particular revitalization zone needed to be specified, so buyers had an open market to find a suitable home to buy. This particular metropolitan area offers a wide range of housing types and prices, whether new or resale (MSM).

The metropolitan area service manager considered 20 years as rather long for the loaned down payment assistance to be forgiven. About half of the new homeowners from this program in this area did not mind the 20-year deal, and about 50% of homeowners were confident that the market would continue to increase housing values. With regard to the revolving loan fund, the service manager was not comfortable taking the option to “partner with private or non-profit home ownership developer(s) to assist in program delivery and administration,” feeling that less control might impact due diligence for the service manager’s responsibility as sole trustee of the fund (Government of Ontario, MMAH, 2009). Overall, this service manager’s experience of the COAHPHC was “very good” and generated feelings of satisfaction knowing that the program helped people. The strengths of the program were considered to be the flexibility to deliver and modify the program, receiving funding from the province, and having access to people at the MMAH who were knowledgeable about the program. The weaknesses of the program were the reporting requirements, the lack of closer partnership with CMHC, the absence of separate allocations for individual service managers in the extended program, and the lengthy approval turnaround time for applications (MSM).

### **8.3 Urban Area Service Manager (USM)**

In the urban area randomly selected, the service manager selected prospective homeowners to receive down payment assistance by holding a series of lotteries, drawing for 50 to 60 households at a time. Applications to the COAHPHC were collected until the lotteries were held in March, June, July, September, and December 2008. Supporting documents from a mortgage broker or lender to prove applicants had been prequalified for a mortgage were needed to be eligible for the lottery. The response to the program built up gradually until December 2008. The service manager cited several reasons for low initial interest in the program. At the outset, bankers and real estate professionals either did not know about or were not familiar with the program. Particularly significant, however, was the change in policy by CMHC to eliminate the

100% financing of a mortgage recently introduced. The return to the traditional financing model was made in response to the collapse of the sub-prime mortgage market in the United States. Low- to moderate-income households without liquid financial assets then turned to the COAHPHC to secure the minimum down payment required for a mortgage (USM).

To publicize information on the Homeownership Component to the public, the service manager from this urban area compiled a list of real estate brokers and mortgage brokers within the area and then mailed out a notice for an information session around the end of January; the meeting attracted about 140 people. The service manager also advertised in local newspapers and contacted reporters about success stories, promoted the program through local television shows, and met with representatives from two local real estate boards who relayed information about the program by bulk email. The service manager used email to provide regular updates about the lotteries. A flyer was sent to housing providers such as non-profit groups, co-ops, and community housing throughout the region in addition to bulletin boards at some grocery stores. The website dedicated to the program explained the program in layperson terms. The service manager also tried to direct interested applicants to appropriate sources regarding the home-buying process. As for the suggested target groups, the service manager from this urban area targeted younger families rather than seniors and single parents, for instance, promoting the program at drop-in centres for parents with young children, community centres, and social service agencies for recent immigrants. Applicants selected through the lottery system consisted of young families, some single and older single people, and a good representation of recent immigrants. Roughly 20% came from community or social housing. By the end of the program, most of the units had been allocated, with a wait-list of 55 applicants still hopeful for an opportunity for assisted homeownership (USM).

The service manager for this urban area commented that the level of interest in the COAHPHC was largely unknown, but the CMHC change in policy had a big impact on the demand for the program. From December 2008 until the first version of the program ended in March 2009, this area proceeded on a first-come, first-served basis for applicants. The service manager added that the program was administratively demanding and that the fee allowed to compensate the area for program delivery was used up in the first two months of implementation. The service manager networked with other service managers to discuss the main issue of getting the word out about the program. Implementation models from other areas where service managers placed caps on the amount of assets were looked at but not replicated in this urban area. No limits were applied to any savings that applicants may have had at the time of application to the COAHPHC (USM).

The service manager from this urban area saw the role of managing the revolving fund account as an opportunity to help some people through the housing continuum, a policy goal echoed by the government housing specialist key informant. The service manager expected a gap of about five years before the fund would make funding available to a list of waiting clients. Delivering an educational component to successful applicants drawn from the lottery was not a requirement, but this urban area made attendance mandatory at a two- to three-hour session delivered with the help of a representative from CMHC. Participants were provided with this support and workbooks for the homeownership process at no cost to them. Surveys taken after the educational sessions rated the presentation very highly. The service manager added that this area was working on provision of post-purchase support to homeowners to cover issues such as home maintenance.

This presentation will be delivered about one year after the end of the program, but it is not mandatory and no incentives to attend are planned; CMHC will deliver the presentation (USM).

In summary, the first COAHPHC was found to be very successful, but a few more months would have made a greater impact to transition renters to homeowners. The program was found to be very intensive for municipal staff in the finance and legal departments. The service manager estimated that each purchaser drew on 10 hours of municipal staffing resources. As strengths of the program, the service manager appreciated the flexibility to set the maximum purchase price according to local market conditions and liked the concept of the revolving fund to regenerate funds for down payment assistance to other households in future years. The service manager reported some complaints that the assistance was not a grant, but remarked that, as a loan, the financial assistance was more acceptable from a political standpoint. This service manager considered the COAHPHC goal to free spaces in social housing as a realistic goal, but added that no one on the Ontario Works program applied to the program (USM).

Regarding the extended COAHPHC, the service manager said that the program would be helpful for the urban area because housing construction starts were down. In the earlier version of the program, about 10% of buyers bought new properties. The service manager added that, in the condominium market, buying new often meant that longer lead times were needed for purchases, yet deposits were required early, often before construction began. The service manager anticipated that townhomes would be the most common purchase under the extended program, with pricing ranging from \$200,000 to \$250,000 excluding luxury developments, and added that the area had a number of active builders and developers who built housing that was affordable to many. Soon after the extended program was announced, the service manager for this urban area was looking at builders for potential partnerships (USM).

Table 2 summarizes the methods used by the service managers interviewed to inform targeted groups about the COAHPHC, whether they added qualifying criteria for prospective applicants, whether the program helped social housing tenants transition to home ownership, and how the service managers rated the program based on their experience administering it.

**Table 2. Service Managers (SMs): Interview Data Matrix**

SM Area	Education	Local Media	Television	Community Professionals	Website
Metropolitan	✓	✓	X	✓	✓
Urban	✓	✓	✓	✓	✓
Rural	Unknown	✓	X	Unknown	✓

SM Area	Added Criteria	Social Housing Impact	SM's Rating of Program
Metropolitan	✓	Some	Very good
Urban	X	20% approx.	Very successful/very demanding
Rural	X	Unknown	Excellent

#### 8.4 Government Housing Specialist (GHS)

A representative from the Ontario provincial government advised that the program was driven from a federal source, citing the size of CMHC as an important repository of housing expertise and research leading to policy formation. The provincial key informant did not perceive the COAHPHC as contributing to the rebuilding of the middle class in Canada. Asset-based welfare was not a familiar term to this key informant, but the informant did convey the sentiment that sparing the government costs was important, recalling the research about “million-dollar Murray” where the social service costs associated with a homeless man over time were shown to be extremely costly compared with more direct interventions such as housing provision (GHS, personal communication, July 16, 2009). This informant stressed that the province’s approach was to help people to move along the continuum of housing, with sustained homeownership being the ideal end goal. The informant stated that even subsidizing housing was less costly for the government because there were other benefits, citing the lesser likelihood of getting sick among well-housed individuals (GHS).

When asked about one of the expressed objectives of the COAHPHC – to lessen public housing waiting lists by assisting low- to moderate-income renters either in or eligible for social housing to buy a home – the key informant from the province admitted that this was not realistic. The number of allocated units compared with the size of wait-lists, particularly in metropolitan areas, would have a minimal impact, even over many years, if the extent of assisted homeownership remained consistent. CMHC decides on the allocation of units per area and assesses the size of the low- to moderate-income sector of the population using information from Statistics Canada. The Waterloo region asked for and received funding for an extra 75 units, and the deadline for the program was extended to December 2009 for Toronto to allow for new construction to be completed. Through the guidelines and criteria communicated to service managers, the province aimed to discourage urban sprawl. This key informant advised that the MMAH had no involvement in developing educational content for prospective homeowners (GHS).

With regard to a discussion of the extended program, it was clear that the focus was on leveraging the economic nature of housing by concentrating on homeownership of new housing units only in order to stimulate revitalization and jobs directly related to construction. The government housing specialist considered need, continued investment, retrofitting of social housing, enhanced social policy legislation and regulations (including zoning), and making administration easier for service managers as the most important factors for ensuring a supply of, and access to, affordable housing. While the reduction of silos in provincial government is an ongoing concern, this informant did not feel that there had been any major convergences where housing was concerned. The government housing specialist was uncertain about the evidence base specific to the COAHPHC and deferred questions related to the policy development of the program and its extension. The informant from the provincial government mentioned that assisting seniors was probably the next order of the day (GHS).

### **8.5 Private Sector Interviewee (PS)**

A developer who specializes in the provision of affordable housing considered the risk of losing one's home through either eviction or foreclosure to be similar. In other words, the type of tenure, whether rental or ownership, makes no difference to the risk facing an individual. Additionally, this informant commented that ownership does not allow for a household to spend 50% of its income or more on housing as rental tenure might, due to common lending restrictions used to qualify buyers. Risks associated with the loss of housing are related more directly to household income, rather than category of tenure, according to this key informant. The developer considered the appropriate balance of ownership to rental housing in Canada would be an ownership rate of between 75% and 85%. From this informant's viewpoint, there is no financial sense in spending money for rent for 20 to 30 years. A quote from a New Democratic Party Minister was recalled: "Ownership is the greatest protection against destitution." The case for homeownership was further supported by the developer's stating that society could not afford to subsidize all who might need it to have housing costs limited to approximately 30% of income. The developer asserted that carrying costs to own one's home were approximately 25% less than what it costs to provide rental housing (PS).

Since not one rental-based housing model had worked as a solution to the affordable housing problem in the last 40 years and government deficits will likely worsen, then help for renters must be based on ownership, the developer argued. The paternalism evident in assumptions about low-income people and their level of intelligence and potential capacity was frustrating to this developer, who commented that many low-income people without debt were some of the best money managers he knew. As for housing policy, the developer felt that government involvement should be limited to monitoring and regulating the market and producing statistics, rather than devising policies to manipulate or control supply. Given the extensive documentation on the benefits of homeownership referred to by the developer, some form of emergency funding for low-income homeowners was considered worthwhile to sustain homeownership when income improvement might be insufficient. The developer believed that home ownership is highly underused at present, especially in urban and metropolitan centres. The developer sees the transformation of cities through mixed income communities as a real possibility. Although not seeing homeownership as contributing to a class change, the developer did acknowledge the utility of home equity to draw on in retirement. The larger implication of homeownership to

society was seen as the reduction in youth crime and improved outcomes for youth from low-income households (PS).

The developer stressed that the private sector, by nature, is mandated not to produce affordable housing, so it is only possible through non-profit companies. The future for social housing was imagined to be plodding, incremental growth over time, at best. Although there may be protection of current social housing stock, an alternative model of housing provision by non-profit companies exists, but capital funding is needed to sustain development. The developer noted that the abrupt end of government funding of social housing coincided with a focus on reducing the government deficit, adding that, now, the deficit was even larger. The availability and cost of land is a major constraint to non-profit developers, as typically, private sector developers can close a land purchase within a municipality's requirement of 120 days, whereas the ability of non-profit groups to respond may be as long as one year. The small part of the housing market occupied by affordable housing was estimated to be one percent, so making room for affordable housing should not be a burden to municipalities, especially when provided through "infill," the development of existing sites, perhaps rezoned as residential and often the path for non-profit developments (PS).

## **8.6 Academic Researcher (AR)**

For this researcher, housing has multidimensional properties but is first and foremost shelter that is a right of everyone. Housing is also a source of social status and may or may not provide access to desirable amenities and local services. There is no denying, however, that housing is being seen increasingly as a financial asset, a "new" emphasis acquired by this commodity since World War II. The key informant stressed that the differing roles of housing have different weightings for different people. Fundamentally, this researcher does not believe that land should be owned by anyone and that homeownership is unduly promoted in society. With societal expectations to strive for achievement throughout the life course, homeownership has become tied to measures of personal success. An increasing emphasis on homeownership has narrowed the rental market and the social housing percentage of housing stock even more so. The rental market fails to offer variety and certainly does not provide particularly secure tenure, in the opinion of this researcher. The narrow focus of the rental market where many immigrants begin "housing careers" in Canada is often inadequate, so homeownership is the only option, but not necessarily the preferred one. Minimizing the rental market and concentrating on the production of detached, single-family homes also becomes an overt message that a particular jurisdiction does not welcome low-income residents, according to this key informant (AR).

As far as an evidence base to support homeownership as a better form of tenure than rental housing, this informant said that nothing in the Canadian context came immediately to mind. Some research on retirees did find that owning one's home was an advantage but, at the same time, did not account for the sacrifices made to pay for the home, nor the context of range in rental tenure options. This informant added that, in much of Western Europe, much of the housing stock was government-owned and rental. The researcher credited economic expansion for the growth of the middle class in the post-war era up to the 1970s, rather than homeownership rates alone, but agreed that homeownership contributed to the ranks of the middle class. People with secure jobs created demand for housing and the goods and services needed for that lifestyle

choice. The key informant noted that, since 1985, there was no increase in median wages and that income distribution had definitely polarized in Ontario and elsewhere. In short, the labour market and housing supply were synergistic, and a frequent tool to move a sluggish economy was to increase the housing supply (AR).

Commenting that housing can contribute to social goals, the researcher noted that promoting social housing over homeownership allows more control to achieve neighbourhoods of mixed income levels rather than areas highly stratified by income. An example of housing need unmet by the private sector was the proliferation of high-rise condominiums in downtown Toronto not designed for families wanting to raise children in an urban environment. The researcher also commented that if we don't have a vibrant rental market, lower cost homeownership as provided by a few developers is a good thing, but it does lead to rental tenure becoming altogether the residual form of housing. Although the last government budgets provided funding for rent allowances and the rent bank program, the researcher observed that any new social housing was very targeted to particular populations in need and very stigmatized. The key informant added that the future for social housing was not hopeful because it continued to be underfunded even though government was struggling to provide better funding and the housing remained expensive (AR).

The researcher thought that all three levels of government needed to be involved in the provision of affordable housing as developers had a valid point that they could not provide housing for the bottom 20% of the market given the high cost of land. Essentially, government intervention in the form of different policies for different income groups is needed to facilitate access to housing. Legalizing and regulating basement apartment suites was one example cited to expand affordable rental housing instead of promoting homeownership to low- and middle-income households. The researcher reported that, in some municipalities, political tension exists over the affordable housing issue, as there is no desire to attract nor to accommodate people who have trouble affording prevailing housing costs in such municipalities. Overall, if there are no policies to promote less expensive rental housing in a wider variety of forms, this key informant supports accessible, inexpensive routes to homeownership, but expressed concern about the sustainability of this tenure when the Bank of Canada decides to raise interest rates. That said, the key informant asserted that the consequences of high interest rates, as seen in the early 1980s and the recent sub-prime mortgage disaster, made low-income homeowners highly vulnerable financially. As a route out of poverty, the researcher considered homeownership as a risk because this outcome would depend on timing, market conditions, and a secure job and would also be conditional upon a low down payment for entry and low interest rate stability. Regarding the uncertainty of interest rates, a final comment was that professional mortgage analysts say that it is a no-win situation in the long run for the homeowner (AR).

## 9. Analysis

Research prior to the launch of the COAHPHC to identify where homeownership demand lay and how much existed would have helped service managers to focus program delivery, but the suggested populations gave service managers considerable scope. Although the service managers all agreed that the administration fee was insufficient for the work involved to implement the program, they were pleased that governments were doing something to deal with the problem of housing unaffordability. Use of the local media can be appreciated, but the local newspaper may not be delivered everywhere for free, some people may choose not to buy it, and some people may dismiss it entirely as a useful media source. Use of television to communicate to the public was a good idea and would have been better if more widespread on popular television programs. Internet use was common and consistent to all areas, but some low-income households may not own computers or have access to the Internet at home or at work. The fact that many professionals were unaware of the program also indicates that the program was unexpected.

### 9.1 Risk Perception of Homeownership

In the study by Fogel, Smith, and Williamson (2008), most of the interviewees had not realized that a condition of accepting a government grant for a down payment meant that they would have to repay the assistance if they moved before 10 years of ownership had passed and might not have chosen to buy if they had realized this obligation. The 20-year condition in the Ontario program may, therefore, deter people from this assisted route to homeownership. Several researchers agree that to generate wealth through housing or to be upwardly mobile on the socio-economic ladder through housing depends on the ability of low- to moderate-income homeowners to profit from homeownership (Shlay, 2006).

Trading homes would build equity or actually convert capital gains to cash to diversify assets and invest in something other than housing. In essence, the COAHPHC is unlikely to create long-term affordability in the housing market *and* enable low- to moderate-income homeowners to build real wealth due to the terms of repayment. A secondary program to assist low-income households to trade up at least once by providing some of the costs involved, such as a moving allowance and overlapping housing expenses, would increase the likelihood of low-income householders accumulating housing wealth (Boem and Schlottmann, 2008). The housing market will polarize inequality in wealth as those with more wealth to begin with will benefit considerably more than those who start on the housing ladder with nothing or a small down payment (Watson, 2009; Muellbauer and Murphy, 2008). Badcock concluded that “homeownership is undoubtedly helping to create a more unequal society” after studying 206 detailed housing histories (as cited in Burbidge, 2000: 262).

Due to the expectation that home purchases were modest under the COAHPHC, low-income homeowners may not have surplus housing space that might be useful to smooth out housing costs in times of financial difficulty (Jarvis, 2008). Government provision for some form of interest relief to low-income homeowners could help sustain homeownership and local economies when mortgage payments become unaffordable due to rising interest rates (Aarland and Nordvik, 2009). A finding from the interview data was that, in the largest area, the service manager noticed a 50/50 split between applicants who saw a home as a utility and were

unconcerned with the 20-year residency requirement to not repay the loan, and those who leaned toward seeing their owned housing as an investment that they were confident would increase in value. The demonstration of faith in the market may represent successfully “financialised” citizens primed for participation in asset-based welfare (Watson, 2009: 2). The flexibility of down payment assistance in the extended program can be interpreted as a determination to move households with dependants from social housing.

As a policy tool, the COAHPHC gave service managers considerable discretion within the program under general guidelines. Service managers are free to develop additional requirements governing unit selection and additional criteria for households to qualify for assistance. A service manager is the one who decided what constituted community norms with regard to the size and included amenities for a home to be purchased in the first program. In the extended program, modesty in size and amenities is to be determined by the province and/or the service manager, indicating closer oversight by the province for qualifying appropriate units. In the extended program, however, service managers were “encouraged to set local guidelines outlining a definition of ‘modest’ in the context of the local housing market and AHP parameters” (Government of Ontario, MMAH, 2009: 3). Given that there are absolute maximums for incomes and purchase prices, imposing a standard of modesty rather than allowing the homeowners to maximize what they can buy for their money seems unnecessarily paternal, adding a layer of intrusion to a buyer’s self-determination. This adds the dimension of someone asking for permission to buy that could definitely affect an applicant’s sense of autonomy and dignity. The findings by Norris, Coates, and Kane (2007) regarding unrealistic income limits when considering urban housing prices is also apparent in the COAHPHC, since the uppermost income limits were increased after the program launch.

In both versions of the program, the service manager had the authority to decide which units are/were eligible for purchase because they are/were to be situated in an area of revitalization selected by the service manager. None of the service managers in the selected areas specified an area in need of revitalization, but this might easily affect a prospective buyer’s decision to apply to the program. When people decide to buy a home, many factors shape the decision, known as the “housing bundle.” It is one thing to revitalize an area by populating it, but people often need more than shelter. For families, schools are a major consideration since school boards place restrictions as to who can attend, depending on home location. Safety is another factor that revitalized areas may not offer immediately.

Different buyers have different kinds and levels of service needs. The fact that housing is affordable, whether new or resale, means it may not offer social amenities often labelled “extras.” This means that the nearness of services is a big consideration where the quality of everyday life is concerned. Daycare, in particular, is one service that is not easily replaced when provision is interrupted. In the first development of this program, some areas were surprised at the poor uptake of the down payment assistance offered, which may have been due to the housing bundle being unsatisfactory because of the location of eligible housing units; however, the CMHC move to disallow 100% mortgages appears to have had an immediate impact.

The provincial government housing specialist affirmed government sensitivity to large and open-ended costs for social welfare and the benefit of alternative intervention such as homeownership support to limit such costs, even though the concept was not labelled “asset-based welfare.” Working in the largest metropolitan area with the largest waiting list for social housing, this interviewee recognized that the current scale of the COAHPHC would not significantly alter social housing needs in the city. The intended future direction of housing assistance to seniors may be an outcome from the analysis of COAHPHC applicants because this was a group underserved by the program, according to general data from the service manager interviews. In fact, seniors, single parents, and Aboriginal people may warrant highly tailored, comprehensive programs to make homeownership possible and sustainable, judging from these limited research findings.

Informants from the private sector and academia had highly divergent viewpoints. The developer firmly believed in the benefits of homeownership and asset-based welfare by explicit reference to retirement provision from housing, while the researcher firmly believed in the need for a diversified rental market to suit different income levels rather than achieving as high a rate of homeownership as possible. The developer’s point that mortgage qualification disallows unaffordability only applies at the outset of a home purchase and does not protect a buyer from higher interest rates that may then claim more than 50% of income. Rising housing prices also serve to influence rents upward, so that those on the fringe of mortgage eligibility fall further away from the bottom rung of the housing ladder.

The developer’s comment about government involvement is quite topical, as increasing homeownership rates requires considerable government intervention rather than just the monitoring and regulation activities suggested. The suggestion for income support for low-income homeowners is a useful one, considering that interest rates may not be static or remain at record lows over the next 30 years. A company report stated that homeownership was closely associated with the middle class, who were foundational to the economy. The underuse of homeownership within cities mentioned by the developer at present may be due to inflated housing costs and the need for labour mobility. Toronto also has a significant student population consisting of students who may be transient for several years and largely unable to participate in the homeownership housing market.

The academic researcher recognized the commodification of housing and its potential as a tool for social goals, noting that privately owned housing gave no control to government compared with social housing that can be used to create mixed income environments. Planning and the tax system, however, can also be tools of social goals and used less openly, although planning systems are involved in mixed developments and new or redeveloped sites. This key informant’s assessment of homeownership converged with that of Burbidge (2000), who found that housing gains, on balance, were wiped out by the sacrifices made to own by many families in his study. In opposition to the developer’s view for government involvement, the researcher called for involvement from all levels of government for affordable housing provision. Comments regarding low-income households in the housing market strongly reflected those in the literature and reported here. Significantly, Aarland and Nordvik (2009) found that a steady income, rather than finding a down payment, may better predict the capacity of low-income households to transition to homeownership. The key informant stressed the importance of supports for low-

income homeowners, should the promotion of home ownership to low-income households become entrenched government policy, suggesting that adaptation to new modes of welfare is in order. In light of welfare reforms, even by socially biased governments, supports for low-income homeowners and renters are paramount (Shlay, 2006).

## **9.2 Asset-Based Welfare**

As social infrastructure and a market good, housing is important to a welfare state and market interests. The increasing privatization of housing represents an attempt to alter the balance of power between social and market interest groups (Kemeny, 2006). If homeowners assisted through the COAHPHC keep their homes 20 years, or more, they are unlikely to benefit from housing wealth until the home is sold, and only if it appreciates in value. In 20 years' time we may reach the point where the boomer generation sells their homes in large numbers, resulting in an oversupply of homes on the market that normally results in lower real estate prices. Under normal circumstances, such cyclical market corrections may serve to adjust inflated prices, restoring affordability. Ironically, housing policy may work to maintain home prices so that an asset-based welfare is possible for aging baby boomers (Myers and Ryu, 2008). In the first possibility, future housing wealth could be small or non-existent, but affordability would return, whereas in the other possibility, revolving fund accounts could renew down payment assistance, but affordability might be worse than it is at present.

Myers and Ryu (2008) describe the possible consequences of a growing age differential between homeowners as “grave,” adding that encouraging young households to enter the housing market is needed to establish balance between buyers and sellers. The impending demographic transition is common to many continents, so it is surprising that Ontario’s homeownership promotion has not sought to target young households more aggressively. Extractable funding for welfare needs may also be exhausted by the generation of owner-occupiers with little or no wealth for family inheritance, leading to housing affordability problems for subsequent generations (Jarvis, 2008).

Another negative outcome of neoliberal policy has been the high cost of college and university education, preventing students with high debt loads upon graduation from entering the housing market for a number of years (Jarvis, 2008). The COAHPHC did include recent graduates as one of the target groups for down payment assistance, but this group was not prioritized for help. Single-person households, female-headed households, and childless households represented a larger proportion of purchasers using LIHBS schemes in the Republic of Ireland in the periods 1992/93 and 2002/03 analyzed by Norris, Coates, and Kane (2007). This demographic profile highlights single-earner households, which may explain the levels of mortgage arrears among LIHBS homeowners.

From Norris et al.’s five case study areas, mortgage arrears of three months and longer for the affordable housing scheme participants ran to 44% in urban areas and 26% in rural areas among 33% of households whose housing costs were in excess of 35% of gross income. These levels of mortgage arrears suggest that sustainable homeownership rates have been breached in the Republic of Ireland (Norris, Coates, and Kane, 2007). By implication, similar efforts here in Ontario to promote homeownership to low-income households must be assessed in consideration

of constraints from changes in demographic patterns, market-driven housing prices, and labour markets affecting income stability, earnings, and income inequality.

If poverty exists in neighbourhoods of privately owned homes, are the negative consequences different than those of areas with concentrated poverty in social housing rentals? McClure (2008) cites limited evidence suggesting a threshold of 15% to 20% of poverty in a neighbourhood, after which negative impacts may significantly increase in likelihood. In the study of how effectively different US housing programs deconcentrated households in poverty, McClure stated that “homebuyer assistance programs can also help to deconcentrate poverty” (McClure, 2008: 91). Sustainable homeownership for low-income households requires government support in the absence of fundamental changes in laws to provide secure tenure when faced with foreclosure (Marcuse, 2004). Employment insurance (EI) in Canada, for instance, should not be reduced for claimants who held several jobs at the time of losing a main source of employment. Not only would the main source of income be less, but EI benefits would be reduced by income from any other employment source. Neither a renter nor a homeowner paying a mortgage would likely be able to maintain tenure under the condition of long-term unemployment with a drastic reduction in their low or moderate income, unless there is considerable equity or savings as resources.

### **9.3 Signposts for Homeownership**

If savings accumulation leads low-income households to consider homeownership, incentives to save should be developed in ways that do not punish people for saving. If governments truly wish to reduce the number of people needing social assistance, for instance, changes in means-tested policies such as rent-geared-to-income could be modified to allow for asset accumulation. The Ontario strategy to reduce child poverty, for instance, has recognized that allowing for ownership of modest assets such as a car can help people out of poverty, particularly if it widens their economic horizons. The fact that low-income householders cannot rely on their regular income to smooth out housing costs underscores the feeling of security that may have greater importance for low-income households than others. For this reason, perhaps homeownership programs could also take an early approach and give training in financial literacy skills to encourage saving.

Tax-free savings accounts, recently introduced in Canada, herald another means for taxpayers to save for their own welfare and retirement, but interest earned on deposit accounts is presently a fraction of the number one, barely above zero, so the appeal of low interest rates for mortgages and the promise of high returns from investments in housing is not surprising. In Norway, where “low-income homeownership is quite high,” Aarland and Nordvik (2009) suggest preferential interest rates for savings schemes designed for tenants saving for ownership of a home. The idea of a “shelter allowance” would directly help low-income households as the allowance would exempt a portion of a home’s value for municipal tax assessment. Since assessments are made on the market values of homes, a meaningful allowance would help to reduce the impact of unpredictable housing costs for low-income homeowners (Marcuse, 2004).

The taxation system is a cost-effective means of wealth distribution in society but currently disadvantages the working poor and works as a disincentive to labour market productivity. At the very lowest end of the taxation spectrum, the basic federal tax rate is 15%, but the next tax bracket is 22%, a difference of 7% more. The difference between one tax bracket and the next gets lower as the income rises. The difference between the third tax bracket for federal tax and the last bracket is three percent (Canada Revenue Agency, 2009). More frequent, smaller graduations of tax across incomes would alleviate the burden to low- and moderate-income earners who may experience small incremental pay raises over the years employed. Meaningful change to redistribute resources is necessary in countries moving closer to market dependence for allocations previously provided or complemented by state welfare (Jarvis, 2008). Being left with little in the way of actual disposable income also excludes participation in various asset-building schemes that also carry tax benefits.

#### **9.4 Aspects of the COAHPHC**

The COAHPHC possibly favours moderate-income applicants more than low-income applicants because the moderate-income earners may be positioned to increase their earnings after assisted ownership if they are in the early stages of a career, whereas less income growth is likely in low-wage jobs for low-income applicants. Affordability is central to the COAHPHC policy guidelines. The federal/provincial governments' interpretation of affordability may impact the appeal of the program to future homeowners and account for differences in responses to the program in rural versus urban settings. In rural settings, for example, newly constructed homes that are unaffordable in the local context are marketed to the generation ready and able to cash in their housing wealth from an urban property to purchase a luxury home or a second home and have assets left over to invest and finance retirement. Plans to increase public transportation in Ontario may also broaden commuting boundaries surrounding urban centres.

Interviews with service managers revealed that professionals directly and indirectly associated with homeownership, such as lenders, mortgage brokers, real estate agents, and lawyers, were not aware of the program or details of it. Some guidance or a prepared presentation for consistency for service managers to use would have been helpful in the homeownership kit for service managers provided to aid with the program's implementation.

My overall sense from interviewing service managers was that a greater degree of contact with CMHC and the MMAH would have helped to provide moral support to service managers during program implementation in addition to the remote expertise available by telephone or email. The fact that area service managers were responsible for the legal aspects of the program administration was essentially a downloading of an important cost of delivering the Homeownership Component of COAHP by CMHC and the MMAH. Future programs should either provide legal services or provide an allowance for such costs that ultimately impact a service manager's budget within a municipality. The educational presentation for prospective homebuyers needed to be available and presented before applicants were approved, as much of the material was about the self-assessment and pre-buying stage of homeownership. The suggested closing cost for legal fees also seemed rather low (CMHC, n.d.).

## 9.5 Homeowner Support

There is a saying that “owner-occupation contains the majority of the rich but more than half of the poor” (Smith, Searle, and Cook, 2008: 83). For this reason, even if assisted homeownership programs may be occasional and short-lived, buyer education should be of a high standard and informed by research for effectiveness in terms of usefulness and cost. Potential homeowners must also know their options or how to create them should they be faced with unexpected adversity after they commit to homeownership. While research gaps exist in what is known about post-purchase programs, there are enough examples to learn from to develop support programs to prevent foreclosures for low- to moderate-income homeowners. This kind of support may be critical to sustain the levels of homeownership achieved and maintain neighbourhood stability (Quercia, Gorham, and Rohe, 2006).

In the United States, recipients of homeownership assistance from the Department of Housing and Urban Development (HUD) programs must complete a counselling program before financial assistance is given. The public housing authorities (PHAs) in the United States would normally source the necessary counselling from agencies funded by HUD, and the small fee would be paid by the PHAs according to federal legislation in place. PHAs in the United States also have the leeway to structure the counselling to be appropriate for their local situations. Comprehensive homeownership counselling, as provided by such organizations as the Housing Partnership Network in the United States, includes financial literacy, homebuyer education, foreclosure prevention, and efforts to help homeowners or prospective buyers recognize and avoid predatory lending practices (Housing Partnership Network, 2009). The recent and ongoing crisis in the global economy has brought homeownership stability under scrutiny in the United States. Introduced by President Obama’s administration, the “Making Home Affordable” program offers qualifying homeowners with mortgages from Fannie Mae or Freddie Mac free foreclosure prevention advice and refinancing options (Making Home Affordable, 2009). Similar counselling and foreclosure prevention programs need to be made available in Canada on an ongoing basis.

## 10. Conclusion

The original COAHPHC has been well received in a rural area, but the extended program is less likely to be as popular. The extended program does present an opportunity for rural service managers, however, to develop partnerships to create new affordable housing to serve local need. The groups targeted for down payment assistance were all worthy groups, but the amount of funding available could not adequately serve all groups. Choices made by service managers based on a number of factors determined which social groups benefited from the program. Rural areas are particularly in need of programs such as the COAHPHC because it may not be cost-effective to build social housing. Increasing government deficits are encouraging governments to reduce their financial commitments, view housing wealth as the vehicle to deliver personal welfare needs to individuals, and transfer the responsibility of various costs such as pension income from government to the citizen. If government housing provision and welfare funding for health and pensions become unsustainable, assets such as an owned home become very important to a person’s well-being and financial independence.

The International Monetary Fund reported that roughly 40% of the fluctuations in house prices are determined by global synchronizations in interest rates, macroeconomic factors, and economic activity (as cited in Scanlon, Lunde, and Whitehead, 2008). Homeownership is linked to house prices even more closely now that asset-based welfare is a shared expectation among nations. Can Ontario have a housing sector balanced between varied rental options and varied housing for ownership, and an adequate social safety net for health, employment, education, and housing? The current convergence of homeownership programs, transnational neoliberal policies, and consequences of a globalized economy suggests a negative reply. While housing can help low- and moderate-income households to acquire assets by climbing the socio-economic ladder, on balance, there are many “snakes” or pitfalls in homeownership for low-income households.

Deregulation and the globalization of the finance sector did enable more households to access higher housing standards through new mortgage products. The price of this financial inclusivity involved more risk and the surrender of most, if not all, of one’s personal wealth to financial institutions (Scanlon, Lunde, and Whitehead, 2008). Housing affordability issues must involve all levels of government in Canada, but must also involve global collaboration. For governments to achieve asset-based welfare, however, the return of a housing bubble of inflated prices and worsening affordability is implicated.

Being similar to homeownership programs in other countries, the COAHPHC platform has proved to be effective in helping low- to moderate-income households transition from renting to homeownership. The program was very brief and seemed experimental, as Ontario is in the process of formulating an affordable housing strategy and funding was limited. The risks for low- to moderate-income households transitioning to homeownership from social housing are great if they are not already paying market rent and have little or no financial literacy skills. Unfortunately, financial literacy is also a vehicle to produce a “financialised citizenry” that can actively provide their own welfare (Watson, 2009: 13). Government campaigns encouraging financial literacy align themselves with family values and moral obligations to induce participation (Watson, 2009). Poverty concentration is not an issue if a portion of tenants in social housing who pay market rent is maintained, but as social housing stock is reduced, the limited number of units may be needed for housing the most vulnerable tenants only. Both the initial COAHPHC program and the extended version are too small to have a meaningful impact on the current waiting list for public housing.

The political rationale for the COAHPHC appears to follow the same agenda as similar programs in other English-speaking countries and plainly stated intentions by their governments. The nature of welfare has changed. The New Zealand example of retreat from overtly neoliberal welfare reform did not abandon the rejection of open financial funding obligations from government. Falling house prices threaten the form that welfare reform has taken and may destabilize the economy so that private wealth cannot provide for pension income and health care, for instance. The “right” to welfare in the way of some type of transfer payment from government is now in the form of some compensatory action when housing prices fall, subject to the government’s choice and fiscal capacity to respond.

Financial support for banking systems around the world are essentially support for the “financialised citizenry” and the welfare reform policies the home-owning citizenry has literally bought into (Watson, 2009: 13). Writing about the UK government, Watson (2009: 15) blames government and banking practices for “a credit glut” that caused housing to become unaffordable. Increasing house prices were useful in welfare reform to “use individual incorporation of asset price movements as the means of breaking the link between the social rights of citizenship and a welfare model based on transfer payments” (Watson, 2009: 15). Without reorganization of the financial system, the government is beholden to banking institutions to buttress welfare reform, as the current economic crisis could well be repeated (Watson, 2009). Muellbauer and Murphy (2008: 28) report that, in the United Kingdom, the Financial Services Authority “admitted to serious regulatory lapses” but have little faith that governments “grasp the nettle of reforms which would help both stabilize their economies and financial systems.”

## **11. Recommendations**

### **11.1 Program-Related**

The advantage of short-term programs is that evaluation will provide the basis for meaningful improvements, especially if this includes feedback from service managers and a survey of new homeowners. Based on research findings from this project, the following recommendations could strengthen another homeownership program similar to the COAHPHC:

- Within set income and purchase limits, do not restrict the amount and quality of housing bought.
- Allow for resale properties to qualify in rural areas, especially if the area is under pressure from gentrification.
- Broaden the donor source for the revolving fund to sustain the homeownership subsidy.
- Aggressively target young buyers.
- Deliver educational sessions to interested applicants, not just successful ones.
- Provide comprehensive post-purchase support with incentive for participation.
- Announce the program publicly through popular media sites.
- Promote financial literacy to social housing tenants and the general public, and include computer literacy and research skills for seeking government programs.

### **11.2 Income-Related**

To make homeownership a realistic possibility for low- to moderate-income households, policies must be scrutinized to eliminate financial barriers to income flexibility that make saving difficult. Supportive programs are also needed for these income groups once mortgages are assumed because of the greater likelihood of precarious income or inflexible income due to incremental wage increases. The following recommendations are a starting point for some redistributive policies:

- Reduce the magnitude of tax graduations at the low- to moderate-income levels.

- Relax rent-geared-to-income rules to allow for asset accumulation.
- Review and revise Employment Insurance regulations, removing punitive conditions.
- Develop a financial safety net for low-income homeowners facing the consequences of higher interest rates and/or mortgage default.

### **11.3 Government Leadership**

Housing wealth is a pivotal economic force in developed economies. As such, governments have an obligation to understand market forces and respond responsibly to them in the public interest. A number of housing-related issues require intervention from governments at all levels if high rates of homeownership remain a desirable goal. The following recommendations highlight critical areas for government to show leadership:

- Ensure that social and physical infrastructure complements residential areas, especially areas of revitalization, to minimize the disadvantage to low-income buyers and encourage the saleability of property.
- Develop policy for rental affordability as a precursor to the transition to homeownership.
- Actively promote and facilitate civic engagement to include the voices of housing consumers in policy formulation, especially in low-income populations.
- Enhance the understanding of financial markets and global forces affecting inflationary housing costs.
- Engage in local and global collaboration to address housing affordability problems.

The middle class cannot be recreated quickly, and low-income households may have a highly developed and unappreciated sense of risk compared with politicians and policy-makers (Taylor, 2008). Homeownership for low-income households has been called “the unexamined goal”; it is ethical and now timely to examine this goal to produce a sustainable homeownership policy with integrity that neither inadvertently prolongs nor postpones poverty (Retsinas and Belsky, as cited in Basolo, 2007). The concept of the revolving fund to regenerate and sustain a source of down payment assistance is sound, but squarely places the burden of affordable housing on the very people who need it and have the least assets. This bias is unjust and will be another economic factor contributing to rising social inequality within Ontario. Housing history, planning, and policy in the United States have implicated a future that is “foreboding for the disadvantaged and the communities in which they live” (Galster, 2007: 13). If the Canada-Ontario Affordable Housing Program Homeownership Component is modified and complemented with supportive programs, homeownership in low- to middle-income households would likely increase and prove sustainable.

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## **Appendix 1. Semi-Structured Interview Guide for Service Managers**

1. What is the 50<sup>th</sup> percentile income level for your area?
2. Please describe your process to select purchasers and how you developed it.
3. How did you publicize information about the Homeownership Component to the public?
4. How do you feel about the groups of people targeted for the Affordable Housing Program (AHP) by the province?
5. How do you feel about your role in allocating future funds from the revolving fund?
6. How are education and training sessions for recipients of down payment assistance organized?
7. What percentage of prospective homeowners received educational sessions?
8. Please relate your experience of the AHP so far.
9. What do you perceive the strengths and weaknesses of the program to be?
10. Does your role involve advocating for the best interest of the prospective buyer, especially vulnerable populations such as seniors and low-income households?
11. Tell me about the extended program.

Thank you very much for your time, today.

May I contact you if I need clarification of matters discussed today?

## Appendix 2. Semi-Structured Interview Guide for Housing Specialists

### As a housing specialist...

1. Tell me about your philosophy of/for housing.
2. What would be a good balance of owner-occupied housing in Canadian society in a) economic terms and b) social terms?
3. Tell me about the evidence base for homeownership in low- to moderate-income households – importance of asset-building, etc.
4. Would a larger middle class benefit Canadian society?
5. How can housing policy be used to positively shape our economy in view of intensification of urban areas and the demographic transition approaching as the boomer generation retires?
6. How do you foresee the future for social housing in Ontario?
7. What do you consider the most important factors to be, to ensure a supply of, and access to, affordable housing?
8. How do you estimate the scope of the low- to moderate-income sector ready for homeownership?
9. By creating demand, what impact/pressure does provision of affordable housing add to municipalities?
10. Do you think low-income homeowners are more vulnerable than middle- and high-income homeowners? Psychologically/financially?

## **Appendix 3. Semi-Structured Interview Guide for Government Housing Specialists**

### **Provincial Government Representative**

#### **Program 1**

1. Do I have all the program documents? (Govt. communications protocol)
2. Was the program devised with consultations with municipalities?
3. What are/were the indicators to show demand on the rental market?
4. How long would a program need to run in Toronto, for instance, to impact the wait-list for social housing?
5. What is meant by moving up the socio-economic ladder?
6. How large is the low- to moderate-income sector?
7. How was the number of unit allocations decided?
8. How much of the funding was committed by March 2009?
9. What is the 15-year commitment about?
10. What is the communications protocol?
11. Would you agree that this program supports gentrification?
12. What if a mortgage is paid before 20 years, but the owner still lives there? Must the service manager (SM) be petitioned?
13. Re: Household eligibility and selection – What additional criteria can SMs add under “mandatory”?
14. Have there been differences between the Homeownership Component and the Housing Delivery plan from SMs?
15. Where would funding come from to buy on the first refusal basis?
16. Is education and training standardized? Has it been evaluated?
17. Tell me about HARS conversions.

## **Program 2**

1. What input extended the program? Is this a pilot in the process of refinement?
2. Are there proven control procedures to protect SMs as trustees?
3. Do SMs have a timeline to implement the extended program?
4. How much discretionary power do SMs have to make additional criteria for household eligibility?
5. How much of a rental history is required (i.e. could have previously owned a home)?
6. For a prospective buyer, how long does an application/approval take?
7. Is the progress reporting of the Homeownership Component available to me?
8. Is the Ministry involved in consumer education/training?
9. Environmental assessment – who checks this?
10. By creating demand, what impact/pressure does this add to municipalities?
11. What served to reduce the upper income level?

## **As a housing specialist...**

1. What would be a good balance of owner-occupied housing in Canadian society in a) economic terms and b) social terms?
2. Tell me about the evidence base for the COAHPHC – importance of asset-building, etc.
3. How can housing policy be used to positively shape our economy in view of intensification of urban areas and the demographic transition approaching as the boomer generation retires?
4. How do you foresee the future for social housing?
5. What do you consider the most important factors to be, to ensure a supply of, and access to, affordable housing?



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