



# Overcoming Challenges in Centralized and Decentralized Housing Models: Ontario and British Columbia Compared

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## **Abstract**

The early 1990s saw a devolution of social housing programs from federal to provincial governments in an effort to reduce federal budget costs. These services were further decentralized down to municipalities in Ontario in 2001, but remained centralized in other provinces such as British Columbia. Decentralization was promoted as a way to streamline housing programs and increase the efficiency of implementation through local governments addressing local housing issues. However, funding for housing programs became reliant on municipal revenues, primarily property taxes, thus straining limited revenue sources. In practice, this arrangement has placed the responsibility of implementation with the municipalities, while requiring them to continue to adhere to provincially developed priorities. By contrast, provincially centralized housing administrations provide housing service programs at the provincial level from which local non-profit housing service providers can draw on in an attempt to address their community's housing needs. This report will explore both centralized and decentralized housing models in British Columbia and Ontario and will examine how theoretical models have been adapted to overcome the trade-offs associated with them. Compared with more centralized approaches, do decentralized regimes experience fewer opportunities to generate economies of scale? By contrast, how do centralized models encourage local input toward policy and program development? Examining each province's best practices in addressing the trade-offs inherent to its housing model will provide fresh empirical insights into these questions.

## Executive Summary

Social housing in Canada has experienced substantial changes over the past two decades. In the early 1990s social housing devolved completely from federal to provincial governments. This devolution gave authority to the provinces to set social housing policies and the allocation of funding. Most provinces, except Ontario, continued to administer social housing in a centralized model at the provincial level. Soon after this initial decentralization occurred, Ontario moved to further devolve social housing administration, operation, and funding into 47 service management areas. This study is a preliminary high-level analysis that explores a centralized and a decentralized housing model in British Columbia and Ontario, respectively, in order to examine the trade-offs associated with each system and how they may have been adapted to address these challenges.

Centralization is typically characterized by hierarchical authority and limited levels of participation in policy and resource decision-making, whereas decentralization is typically characterized by lower hierarchical authority and increased participatory decision-making (Andrews et al., 2007). A common assumption of centralized models is that they can take advantage of economies of scale but perhaps at the cost of reduced local decision-making capacities. As suggested in theory, in British Columbia, municipalities and housing service providers feel that they have limited input into policy and funding program development at the provincial level. However, municipalities are not necessarily looking to be more involved. Nevertheless, there have been some attempts to address this situation. Local input is encouraged within this model through adaptations in the *Local Government Act*, local housing service provider proposals, and the use of representative organizations such as the Union of British Columbia Municipalities. Increasingly, BC Housing is working to build partnerships between itself, municipalities, and local housing service providers in order to encourage more active local involvement.

Decentralized models are promoted to encourage greater capacity for local decision-making, but perhaps provide fewer opportunities to build economies of scale. This is true in Ontario to a certain extent. One important consideration in devolution relates to funding, and in particular the property tax revenues to which municipalities are legislatively required to draw upon (i.e. no opportunity to use sales or income taxes) to fund programs. As recounted by key informants, this is a limited pool of resources that limits municipal financial resources for social housing. In addition, due to complications with the *Social Housing Reform Act* (SHRA) – the legislation passed to outline the transfer of social housing from the province to service managers – some local decision-making has been constrained in relation to administering the housing programs passed down from the province. However, service managers see this as a result of a transition period, and, as trust builds, more authority will be granted to them. Economies of scale have also been retained in some areas since devolution. The province has maintained a role in bundling mortgage rates for social housing developments and securing lower interest rates to retain cost savings across the province. The SHRA also outlined the establishment of the Social Housing Services Corporation, which provides group rates for insurance and also bundles reserve fund investments to encourage better returns. Service managers also have contributed to building economies of scale by working co-operatively with each other to make bulk purchases for social housing units across service management areas.

Both centralized and decentralized models have been adapted in practice to address the trade-offs inherent to them. In both models there is an increasing movement toward encouraging partnerships and co-operation both vertically and horizontally across levels of government. These types of relationships move practice away from rigid models of organization and administration and toward more fluid and responsive frameworks.



# Overcoming Challenges in Centralized and Decentralized Housing Models: Ontario and British Columbia Compared

## 1. Introduction

The degree to which decision-making is centralized or decentralized is a key indicator of the manner in which an organization allocates resources and determines policies and objectives (Andrews et al., 2007: 57).

Social housing in Canada has gone through substantial changes over the past two decades. While provinces were always involved in housing through cost sharing agreements with the federal government, in the early 1990s social housing administration (and most financing as well) devolved completely from federal to provincial governments. This devolution gave authority to the provinces to determine social housing policies and the allocation of funding as they saw fit. Most provinces continued to administer social housing in a centralized model at the provincial level. However, soon after this initial decentralization occurred, Ontario moved to further devolve social housing administration, operation, and funding into 47 service management areas. This change in model for social housing came as a shock to many Ontario municipalities that had not had any experience in social housing provision or administration.

Although theoretical models of organizational administration exist, it is apparent that these models are adapted, or blended, in practice. Whether a social housing administrative model is centralized or decentralized may result in different practices to overcome its rigidities or shortcomings. Centralization is typically characterized by hierarchical authority and perceived limited levels of participation in policy and resource decision-making, whereas decentralization is typically characterized by lower hierarchical authority and possibly increased participatory decision-making (Andrews et al., 2007). The tension experienced between these models requires that social housing administrators and service providers develop practices to address these trade-offs.

How have social housing administrators adapted their practices within these models? And what are the strengths and weaknesses experienced in each of them? Are there certain aspects of social housing that would be best dealt with at a provincially centralized level and others that would benefit from aspects of decentralization? It has been argued that “the actual process of service delivery and its outcomes are not affected [by] the opportunity and power to make decisions [being] in only a few hands or if decision making is distributed more evenly throughout an organization” (Andrews et al., 2007: 71). This report will therefore be looking at the practices used to overcome the trade-offs between social housing service delivery in centralized and decentralized models, rather than comparing the housing outcomes of each model. This report will explore the challenges faced in social housing administration and service provision in both centralized and decentralized social housing models in order to explore the tradeoffs associated with devolution and how that has affected social housing practice in Ontario compared with British Columbia.

## 2. Research Goals and Objectives

The aim of this research is to gain a better understanding of the trade-offs associated with the devolution of social housing provision and administration through an examination of centralized and decentralized housing regimes. Key informant interviews will inform the researcher about the benefits and challenges experienced by housing administrators working within decentralized and centralized housing regimes and the practices they use to address the challenges they face. By examining the strategies used within these social housing models to overcome the trade-offs experienced, the researcher will be able to highlight best practices.

The report will include:

- A literature review and key informant interviews with experts in the field such as social housing service managers;
- A housing policy overview of Ontario and British Columbia; and
- A documentation of the best practices of policy-makers and housing administrators on navigating the trade-offs experienced within these two regimes.

## 3. Housing Affordability in Canada

It is widely acknowledged that although Canadians are among the best housed in the world, Canadian housing (sub)markets still face challenges (e.g. see the edited volume by Hulchanski and Shapcott (2004)). In general, housing priorities in the country transitioned from quantity and availability in earlier post-WWII decades to access and affordability more recently. Housing affordability is a continuing problem across the country. After the federal government downloaded the responsibility for housing to the provinces in the early 1990s, the country witnessed an increase in the number of households in core housing need in both large and medium-sized cities due to the economic environment of that time. Canada Mortgage and Housing Corporation (CMHC) identifies a household as being in core housing need (CHN) when “housing does not meet one or more of the adequacy, suitability or affordability standards and it would have to spend 30 percent or more of its before-tax income to pay the median rent of alternative local market housing that meets all three standards” (CMHC, 2009: 1). Housing is the single largest household cost for Canadians, and there is a growing divide between the highest and lowest income groups and, correspondingly, between owners and renters; as a result, an increasing number of people are being excluded from the Canadian housing system (Hulchanski and Shapcott, 2004). Without efforts to address the shortfalls of the housing market, CHN and affordability strain will continue.

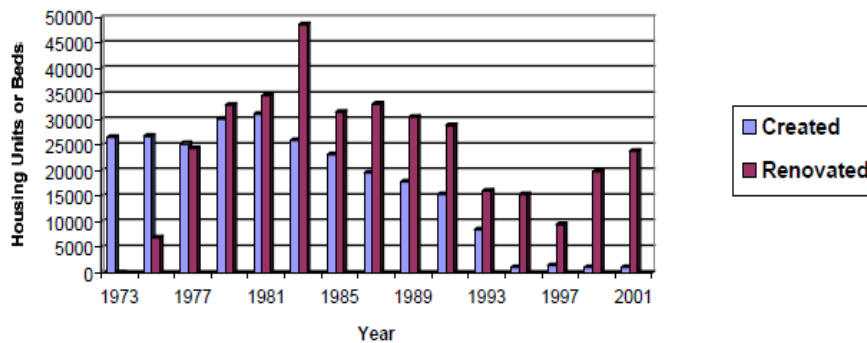
The relationship between income levels and housing affordability is a complex one. Housing markets are driven by levels of supply and demand, as well as location and speculation, and affect affordability through decreased supply and increased demand. Compounding this is the issue of poverty and the growing income gap between higher- and lower-income households in Canada (Federation of Canadian Municipalities, 2004). For Canadians in the lower end of the income scale, finding affordable housing, primarily rental housing, is difficult. Rea et al. (2008) report that over 80% of the households that exceed the housing affordability benchmark of

paying 30% of income to housing costs fall within the lowest 40% of income distribution in Canada. With limited new affordable housing units built in the last two decades and pre-existing units falling into disrepair, more people are competing for fewer units. Bunting, Walks, and Filion (2004) discuss this complex relationship as a combination of global economic restructuring and local policies and markets, resulting in social polarization. They point out that, while upper tier income earners have experienced benefits from this circumstance such as increased wages, those working in unskilled and semi-skilled job markets have experienced decreasing job security and wages. This job situation, combined with increased housing costs and demand for a limited number of units within the housing system, has led to decreased affordability for lower-income groups. This is a potentially disastrous trend that has, at least partially, contributed to growing homelessness in Canada.

In an examination of CHN, CMHC has found that the incidence of CHN in Canada was on the decline in the late 1990s. After a significant increase in the incidence of CHN between 1991 and 1996, from 13.6% to 15.6% of Canadian households, there was an apparent decline to 12.7% of households in 2006 (CMHC, 2009). Even with this decrease, the number of households continuing to need assistance is significant. With the current economic recession taking hold globally, we can expect that the percentage of Canadian households experiencing CHN will again increase as it did in the wake of the recession in the 1990s.

This circumstance puts added pressure on already stressed housing service providers across Canada. With limited funds, most provinces have not been able to keep pace with the demand for affordable units. As can be seen in Figure 1 below, construction of new social housing units has dramatically decreased across Canada since the early 1980s. Policies that promoted the private market as a means of increasing the affordability of housing have proven ineffective. Skaburskis (2006) points out that filtering has in large part not resulted in increased availability of affordable rental units within Canada’s major urban centres. While the production of new market dwelling units has resulted in a movement of upper middle-income households toward homeownership or higher-end rental units, the vacated older units have often undergone gentrification that has actually decreased their affordability. CMHC (2009) states that the number of households in CHN increased from 10.8 million in 2001 to 11.8 million in 2006. Without a substantial decrease in the number of households in need, housing service providers will continue to struggle to serve households needing housing assistance.

**Figure 1. Annual Creation of New Social Housing and Renovation of Existing Units**



Source: Chisholm (2003).

## 4. Decentralization and Devolution

Decentralization is defined as the transfer of authority, responsibility and resources – through deconcentration, delegation, or devolution – from the center to lower levels of administration (Cheema and Rondinelli, 2007: 1).

Decentralization and devolution are terms that are often used interchangeably. Tunstall (2001) points out that decentralization sometimes refers to only a change in physical location, but for the purpose of this paper, decentralization and devolution will be used interchangeably. Devolution is a term used to describe the downloading of services from one level of government to another. The main impetus behind devolution is the idea that local issues should be dealt with through local decision-making capacities. Cheema and Rondinelli (2007: 3) explain that, through devolution, senior governments could grant “authority, responsibility, and resources to provide services and infrastructure, protect public health and safety, and formulate and implement local policies.” Devolution is hypothesized as a way to empower service managers and service providers to strategize appropriate decision-making for local issues, such as social housing needs (Sousa and Quarter, 2004; Andrews et al., 2007). The Ontario government promoted devolution as a framework that put decision-making with those closest to the issues. Maynard-Moody, Musheno, and Palumbo (as cited in Andrews et al., 2007) state that this is beneficial. They say that “street-level bureaucrats ‘savvy about what works as a result of daily interactions with clients, should have a stake in the decision-making process’ ” (as cited in Andrews et al., 2007: 72). But this downloading process also serves the purpose of balancing budgets and seeking ways in which to manage budgets more effectively (Sousa and Quarter, 2003; Alexander, 2000).

In spite of this, devolution also involves the downloading of funding from a senior level of government to a lower level of government, such as from federal to provincial, or from provincial to municipal as seen in Ontario. Lower levels of government often have access to less funding and revenue sources, leading to potentially decreased budgets to carry out these devolved services. With this downloading of responsibility and funding, there is also potentially a reduced capacity for reaping economies of scale that might help with keeping costs down in an environment of less funding. There has been some debate as to whether devolution has resulted in a greater capacity of local governments in Ontario to address the needs of their communities for various reasons, including authority to develop local policies along with decreases in funding.

### 4.1 Canada’s Experience with Devolution of Housing Service Provision

#### 4.1.1 *Federal Government’s Role*

Canada has a long history of housing supports, starting after the Second World War when the federal government first established CMHC to help returning veterans to purchase housing. Since that time the federal government’s role has been varied, direct and indirect, and it is impossible to cover comprehensively here. For instance, federal and provincial governments invested in social housing for low-income families. These programs were cost shared between the federal (two-thirds) and provincial governments (one-third), which enabled the building of new social housing, operations, and providing rent supplements for low-income households (Irwin, 2004). But by the mid-1990s, the federal government reduced its involvement with the housing market in an effort to address a growing national deficit (Carroll and Jones, 2000). This stage in Canadian housing policy resulted in the devolution of social housing provision and

administration to the provinces. With this shift, the federal government reduced funding toward social housing operations and cancelled funding for the development of new social housing. This is argued to be partly a response to the Charlottetown Accord whereby the federal government recognized the exclusive jurisdiction of the 10 provinces in six program areas, including housing. Even though the Charlottetown Accord was defeated, housing programs were to become the responsibility of the provinces (Carter, 1997). As a result of the downloading of services, reinvestment in social housing has remained at a relative standstill.

#### **4.1.2 Social Housing Reform Act**

In 1995, the government of Ontario placed a freeze on all funding for the development of new social housing units in congruence with the federal government's new policy. The government wished to encourage a greater role for the private sector in meeting the housing needs of low-income households (Sousa and Quarter, 2004). Because the federal government halted all funding for new social housing developments, the provincial governments became responsible for their own funding of such projects. The *Social Housing Reform Act*<sup>1</sup> (SHRA) is a piece of Ontario provincial legislation passed in 2000 as a response to the Ontario government's desire to balance its budget. This legislation provided a framework for transferring social housing administration and financing from the province to 47 municipal service managers. It serves as a guideline as to how social housing operates in the province of Ontario, including outlining the duties and authority of the 47 service managers, the establishment and management of local housing corporations, as well as the regulations regarding housing assistance eligibility. Interestingly, the SHRA does not provide much guidance on the role of the province in social housing, most likely because originally the province planned on dissolving its housing branch entirely. While the legislation removes the province from being financially responsible for the provision of social housing, it maintains that the province has authority over policies related to the management of social housing and acts as a conduit for the distribution of federal funding to municipal service managers (Sousa and Quarter, 2004).

#### **4.1.3 Ontario Government's Role**

Ontario shifted the administration and operation of social housing to municipalities in 2001. This shift resulted in the development of 47 service managers overseeing the administration of social housing portfolios across the province. According to the CMHC-Ontario Affordable Housing Program Agreement, Ontario prioritizes the housing needs of Aboriginal peoples, recent immigrants, persons with disabilities, persons suffering from mental illness, victims of domestic violence, and the working poor (Government of Ontario, 2003). The municipal service managers are now responsible for developing and implementing the housing services for these priority groups within their jurisdictions. Currently in Ontario, there are over 250,000 households paying over 50% of their income toward rent. Of these households, 124,032 are on waiting lists for social housing (Ontario Non-Profit Housing Association, 2008). With wait times for entry into social housing at several years, it is thought that many families do not bother to apply to join the wait-lists in their municipalities and simply seek more costly housing in the private housing market. Accordingly, there is tremendous pressure and expressed need for affordable or social housing in Ontario.

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<sup>1</sup> *Social Housing Reform Act*, S.O. 2000, c.27.

## 5. Centralization and Economies of Scale

The link between the concepts of centralization and economies of scale is the subject of study in a number of contexts. A significant body of literature exists on municipal amalgamation and the concepts of centralization and economies of scale (Dollery and Fleming, 2005; Dollery and Crase, 2004; Andrews et al., 2007; Byrnes and Dollery, 2002; Jerrett et al., 1999). Dollery and Fleming (2005) and Dollery and Crase (2004) state that larger government bodies will inevitably experience economies of scale as they can spread fixed inputs across the various services they provide. More centralized services can take advantage of “lower administrative costs, smaller unit costs of representation, increased purchasing power ... and draw from a more diverse funding base” (Byrnes and Dollery, 2002: 391). In an age of decentralization, the theoretical basis of a centralized model suggests that it is one of efficiency and lower costs per unit of production.

As research suggests, a more centralized model of service delivery will encourage greater opportunity to generate economies of scale. Dollery and Fleming (2005: 9) assert that “capital-intensive services [such as housing] ... usually yield significant economies of scale since the cost of fixed assets can be spread across a greater number of homes.” Therefore, it can be argued that a provincially administered housing model can take advantage of “greater opportunity to exploit the benefits of specialization, and discounted bulk-purchasing of inputs,” (Dollery and Fleming, 2005: 9). Jerrett, Eyles, and Dufournaud (2002) and Ladd (1992) state that the larger the population within which public good costs can be spread, the lower the per capita costs. As such, one could assert that a housing model centrally administered at the provincial level, funded from the provincial tax base, would be better able to take advantage of economies of scale and have resulting lower costs per unit.

### 5.1 British Columbia’s Role

In the early 1990s, the province of British Columbia took over social housing administration from the federal government. Since this devolution, the province has maintained a centralized housing administration, while attempting to grant a greater role to municipalities through revisions of the previous *Municipal Act* and the current *Local Government Act* (Britton, 1995). British Columbia and Quebec were the only provinces to continue to build new social housing units between 1993 and the early 2000s (Irwin, 2004; Sousa and Quarter, 2004). However, similar to Ontario, British Columbia encourages a greater role from the private sector in meeting the housing needs of low-income households, particularly through their rent supplement program (BC Housing, 2006).

The BC provincial government launched a provincial housing strategy, Housing Matters BC, as a way to address the changing housing situation in British Columbia. The strategy attempts to address the needs of the almost 16% of households in British Columbia who are in CHN. The British Columbia strategy focuses on six priority areas: housing the homeless, ensuring the most vulnerable citizens receive priority for assistance, addressing Aboriginal housing needs, improving access to affordable rental housing for low-income families with special needs, facilitating homeownership, and ensuring safety, stability and efficiency in British Columbia’s housing and building regulatory system. To address these priority areas, the provincial government has

implemented a variety of programs such as emergency shelters, homeless outreach, transitional and supportive housing, and housing allowances. One user group that is not prioritized within the plan is low-income families, who are to be assisted in affording private market rentals through the rent supplement program. The belief underlying these policies is that the ultimate goal is to improve access to affordable private market housing, which is believed to better meet the housing needs of British Columbia's households (BC Housing, 2006). Despite the assumed advantages of centralized economies of scale, there is the probable trade-off of limited local decision-making for local housing issues and the extent to which these trade-offs present challenges to implementing effective social housing services within British Columbia.

## **6. Methods**

This research examines how two different social housing models, centralized versus decentralized, differ in their delivery and administration of social housing. The downloading of housing services from the federal to provincial governments in the 1990s placed stress on the housing system and largely brought new development of social housing to a halt. Now with the further downloading of housing services to municipalities in Ontario, there has been an apparent increase in local decision-making power, but perhaps some loss of economies of scale compared with other provinces, including British Columbia, where social housing remains centralized at the provincial level. Are these trade-offs observable within the practice of housing service provision? Examining whether the change in regime in Ontario has nonetheless allowed for economies of scale in housing service administration and operation as compared with British Columbia, and how British Columbia has addressed local decision-making within its centralized system, is the aim of this report.

In order to explore this topic, we first outline the devolution of social housing in historical context. The study focuses on the tension between economies of scale experienced in centralized regimes and the local decision-making capacity experienced within a devolved system. These ideas are explored across both provinces through key informant interviews of service managers in Ontario, BC Housing in British Columbia, and municipal housing or social planning departments in British Columbia. The experience of individual households applying or living within these housing systems is not examined.

### **6.1 Literature Review**

Through a literature review, this report provides an overview of the devolution of social housing service delivery in Canada. The report examines devolution from the federal government to the provincial governments, and then further to municipalities in Ontario. This section explores the concepts of decentralization and centralization and how they apply to Ontario and British Columbia. A discussion of centralization and economies of scale is also included, looking specifically at British Columbia's housing policy.

## 6.2 Key Informant Interviews

Qualitative data were collected through open-ended key informant interviews of municipal planning departments and social housing administrators and providers, focusing on service managers as well as municipal housing departments. Interviews were restricted to those associated with social housing that is funded directly as opposed to through other programs such as health. The information gleaned from these interviews serves as the body of data for this report. The interviews examined the relationships between provincial housing policy and planning and the delivery of housing services within Ontario and British Columbia, specifically focusing on practices instituted to address economies of scale and local decision-making (see Appendix 1). Information on policy development and housing service administration was examined. Overall, the aim was to better understand the benefits and challenges experienced by social housing administrators within both decentralized and centralized housing models and to describe practices in overcoming the challenges inherent in each model. It is important to note that the number of interviews conducted in British Columbia (3) is limited given the scope of this project and further work should aim to bolster representation there and supplement this work with further quantitative information. We return to these points in the conclusion.

## 6.3 Sample Selection

In order to interview key informants from each province, a snowball sample of service managers in Ontario and municipal staff in British Columbia was drawn. A total of 10 key informant interviews were conducted. In Ontario, six service managers and one staff member of the Ontario Non-Profit Housing Association were interviewed. Interviewees were selected based on recommendations by previous interviewees and respondents to a request for interviews sent out by email. An attempt was made to obtain feedback from a cross-section of service managers from both inside and outside the Greater Golden Horseshoe. In British Columbia, social housing falls under the jurisdiction of BC Housing, where one interview was conducted. Similarly, two municipal planners in British Columbia were interviewed. Two interviewees in British Columbia were from Lower Mainland/Vancouver municipalities, and the third was from a municipality in the BC Interior. Informants are coded as “KI” for “key informant” and numbered KI1 to KI10 when cited in the text.

## 6.4 Research Questions

1. What tradeoffs are experienced by housing administrators and service providers in centralized and decentralized housing regimes?
2. How have centralized and decentralized housing models been adapted to overcome the trade-offs associated with them?
3. Do Ontario housing administrators and service providers build economies of scale within a devolved system?
4. Does BC Housing facilitate localized decision-making and governance within a centralized system?
5. Is one regime better equipped to deal with the trade-offs inherent to its structure?

6. What aspects of social housing specifically are best dealt with locally, in a decentralized regime, and which are best handled centrally at the provincial level?

## 6.5 Study Strengths and Limitations

This research provides a unique comparative analysis of two different housing administration and service models within Canada. Now that a transitional period has passed, this study looks at how Ontario service managers have adapted to the new decentralized model and how their practices compare with those used within a centralized system in British Columbia. This report highlights practices and policies that housing service managers and, when possible, service providers use to help navigate through some of the trade-offs experienced within their respective regimes.

There are several limitations to this study. First, this report is a high-level exploration of the different housing administrations and was not able to go into detail on all administrative practices. Also, the large geographic regions explored constrained the researcher from conducting interviews in person. A total of 10 interviews, seven in Ontario and three in British Columbia, were conducted in the months of July and August 2009 (see Appendix 2 for the exact dates). Informants from Ontario's Ministry of Municipal Affairs and Housing (MMAH), as well as housing service providers in both provinces, were unfortunately not interviewed. In British Columbia, only three interviews were conducted owing in part to the opportunity to tap key informants in a centralized system, though clearly future research will have to reach deeper and wider into the system in British Columbia for a more representative picture. This research also overlooks a comparison of the experiences of households in CHN concerning their attempts to get assistance for affordable housing initiatives within these two housing models.

## 7. Decentralized Housing Model in Ontario

### 7.1 Provincial Role

The devolved model of social housing in Ontario is mandated by the *Social Housing Reform Act* (SHRA). The SHRA does not specifically outline the MMAH's role in social housing but does outline what regulations the Lieutenant Governor and the Minister may make. Because the legislation was focused on outlining an expedient transfer of responsibility from the province to service managers, it is more careful to outline service managers' and housing service providers' new roles. The assumed provincial role is to provide high-level policy direction, establish performance criteria, and ensure service manager adherence to these criteria. However, during this transitional time, the MMAH is perceived to be involved at a more detailed process level than this. After devolution, the number of provincial staff committed to social housing was greatly reduced. One service manager stated that the provincial government had originally planned to remove all housing-dedicated staff within the provincial bureaucracy even though the devolution resulted in only a partial reduction in the Ministry staff complement, and that has been reversed to some extent in more recent years.

## 7.2 Service Manager's Role

With the passing of the SHRA, the primary responsibility for social housing fell to the newly established service managers across Ontario. The service managers became responsible for all aspects of social housing, including administration, operation, funding, and, as a result, relationship building with housing service providers. The SHRA states:

A service manager may,

- a) Purchase or otherwise acquire a housing project in its service area for the purpose of operating it as a housing project;
- b) Purchase or otherwise acquire land in its service area for the purpose of operating a housing project on it;
- c) Construct a housing project on land that it has acquired in its service area;
- d) Make alterations or additions to a housing project that it has acquired or constructed in its service area;
- e) Operate and maintain a housing project that it has acquired or constructed in its service area;
- f) Sell or otherwise dispose of land and housing projects that it has acquired or constructed in its service area;
- g) Exercise such other powers as may be prescribed.

[And] a service manager may also establish, fund and administer programs for the provision of residential accommodation in its service area.<sup>2</sup>

Service managers have the authority to develop local plans and priorities for social housing within their area of responsibility. Most service managers felt that they had a fair amount of authority under the SHRA and the *Municipal Act* in relation to any new social housing developments that they have built since devolution. How this authority is actually enacted is largely dependent on the level of support for social housing existing within municipal councils (KI1). Some districts and municipalities of the province have a long history of council support for social housing that solidified prior to devolution. These municipalities have a history of social housing development and were, perhaps, better equipped to deal with devolution when it happened. This was due to having trained and knowledgeable staff involved in social housing projects prior to the SHRA coming into effect. One can see that devolution was clearly the driving intent behind the legislation, and, as we shall see, it may have prepared those in the field less for the transition beyond 2001.

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<sup>2</sup> *Social Housing Reform Act*, S.O. 2000, c. 27, s. 5.

## 7.3 Challenges

The focus of this study is the trade-offs associated with decentralized social housing in Ontario. As stated earlier, the assumed trade-off in a decentralized model is to have less ability to take advantage of economies of scale, but increased capacity for local decision-making. However, after conducting several interviews, it became apparent that, while some service managers did experience challenges with regard to generating economies of scale, it was not considered a significant challenge compared with other issues that they experienced in social housing practice. This sentiment is echoed in the study by Dollery and Fleming (2005):

Given the fact that the existence and magnitude of scale economies and scale diseconomies depends on the particular municipal service under consideration, the ability of small councils to accrue scale economies by purchasing services with substantial scale economies from other service producers or to enter into 'resource-sharing' arrangements with neighbouring local authorities in any event removes much of the force of the 'bigger is cheaper' argument (p. 10).

One of the challenges that service managers did mention was that a decentralized model has resulted in different service levels being available in different municipalities (KI2, KI4, KI5, KI7, KI10). There can be significant differences between service manager areas. Having the responsibility for social housing at the municipal level has resulted in differing local priorities, local levels of support, local expertise levels, and differing economies and tax bases when trying to develop new housing. Below is a summary of the challenges shared during the interviews.

### 7.3.1 *Economies of Scale*

All of the service managers interviewed agreed that an obviously decreased capacity to generate economies of scale within the new decentralized model of social housing was experienced. It was agreed that whenever service delivery occurs at a smaller scale, costs will increase. One area where this was apparent was in human resources at the municipal level. Each service management office needed to develop a team of trained and knowledgeable staff for the administration and operation of social housing, where frequently no such staff existed before. Prior to devolution, the province possessed a central body of expert staff that administered and operated all provincial social housing developments in partnership with non-profit housing service providers. Not only was this team of provincial staff reduced during devolution, but also service providers were required to work directly with the new service management offices, many of whom did not have significant expertise in social housing at first. Post-devolution, without a central team of experts to consult with at the provincial level, service management offices needed to develop their own body of experts. For example, one service manager stated that, upon devolution, the housing portfolio was transferred to the planning department, who was working with a \$2 million budget. However, when the planning department received the social housing budget, it totalled more than \$20 million (KI10). This service manager went on to share that many service management office staff members "with little or no expertise [were] having to cut their teeth on these [social housing] programs" (KI10). Another service manager stated that "duplication of expert resources is a weakness of the decentralized model. Many service managers don't have the in-house resources available that are necessary to adequately support the physical plant and social needs of housing communities" (KI3). This situation is exacerbated

by competition between service managers to attract experienced staff. “Securing experienced housing resources to administer the program has been one issue. There is competition for resources in the GTA [Greater Toronto Area], given the large portfolios of the GTA service managers” (KI3). This need for experts within each region most certainly increased the staffing costs of administering the existing stock of social housing if looked at on a provincial scale. The difference with these costs is that the cumulative costs of employing housing experts are now divided among the municipalities across the province, making them appear substantially less than the previous costs to the province.

The MMAH has also retained a centralized role in organizing the financing for non-profit social housing mortgages. Thousands of such mortgages across Ontario need to be renewed at any time. The province organizes the bundling of these mortgages as they come due in order to secure lower interest rates for the non-profit mortgages. This practice has helped to retain some cost savings for housing service providers.

Another example of the need for economies of scale is the operation of social housing developments. New social housing developments occur on a small scale at the service manager level, with, for example, 50 new units being built. However, if one looked at all service manager areas, there may be a total of several thousand new units being approved for construction. The costs for construction materials and appliances would be greater per unit if purchased for 50 units at separate times as opposed to several thousand units. In a centralized model, the purchase of these materials could be conducted at the same time or under one contract. It is more difficult now for individual service managers to keep track of new projects within other service manager areas, as opposed to when the administration was still at the provincial level. Having said this, service managers in certain regions have come together for this very purpose. They have purchased appliances together, securing a better price per unit (KI2). This is one way in which service managers have succeeded in generating economies of scale.

### **7.3.2 Legislative Challenges**

During the interviews, it was apparent that service managers generally felt that there were greater challenges that presented difficulties compared with economies of scale. These ranged from legislative challenges to administrative challenges to funding challenges. One of the main challenges discussed was the SHRA itself. All service managers interviewed felt that the legislation was inadequate to serve as the only guidance on social housing from the province. It was felt that the legislation focused more on clarifying the actual transferring of social housing from the province to the service managers and not enough on how it would function once the transfer was complete. Service managers stated that the initial period after devolution was confusing and could have benefited from more coordination. “Devolution was a politically expedient decision to remove the costs from the provincial books. For 10 years there has not been a real system, just a decentralized format, but without frameworks on how to operate” (KI7). It was felt that service managers were left to design and implement their own social housing system without sufficient notice and guidance from the province’s past experiences. Concern over unequal levels of service was voiced by several interviewed service managers. For example, one service manager stated that social housing is not homogenous across municipalities

because “some municipalities or councils are aggressive in addressing social housing, while others just do the minimum” (KI10).

It was argued that the provincial government should have provided more extensive guidance at the beginning of the transition to ensure minimal disruption of service provision initially. Instead, some service managers felt abandoned as soon as the legislation was passed and the program was downloaded to them. They felt that they were left to figure out how to best set up their own program. This could be interpreted as a good thing, giving authority to local decision-makers to build the system most suited to their constituents’ needs; however, it was felt that some service managers would have benefited from a guided transition period where the province prepared a framework for initial set-up, thereby allowing service managers to become better acquainted with the local needs and to educate municipal councils and residents on these needs. “There was a need for the province to provide training and support to municipalities to allow them to start on the right foot. But the province washed their hands of it right away and said ‘you’re on your own’ ” (KI7). Due to larger tax bases and established housing programs, “larger [service manager] offices had the ability to staff more expertise and smaller service managers didn’t” (KI5). Service managers felt that they were left with little time to build the needed relationships with housing providers and to generally become better acquainted with social housing.

Housing providers entered into a contract based on a set of rules set out in their operating agreements. The SHRA changed those rules and therefore greatly impacted communities. Much resistance to change was met, and many housing providers were reluctant to accept the new program rules. Much has been done to build improved relationships with housing providers, but often the relationship is perceived as one of the service manager “policing” the program (KI3).

Another example given was this one:

The relationship between non-profit housing providers and service managers was rocky at first due to a fear of the unknown. They went from being largely independent to being under stronger scrutiny and felt that reflected a lack of trust. Service managers have been working hard at building these relationships throughout the transition (KI4).

Because social housing was never under the jurisdiction of the municipality, few service managers were well equipped to start off successfully.

Another legislative criticism was that the SHRA is too rigid. One service manager pointed out that using the legislation to dictate rent subsidy calculations was a cause of difficulty for many service managers: “The funding model changed while changing over. The SHRA is locked in stone ... and the rent calculation didn’t work ... legislation shouldn’t mimic a guideline framework” (KI7). The formulas laid out in the SHRA were not sensitive to variations across local economies, leading to financial difficulties for several of the service managers (KI5). For example, if income levels decrease for eligible rent-gear-to-income (RGI) tenants within a service management area, the required RGI subsidies will increase, putting a greater financial burden on service managers (SHSC, 2008a). Having these formulas prescribed in legislation made getting them changed difficult. Because amendments to legislation must go through

cabinet, it took over a year for an amendment to go through. Accordingly, some key informants believed that the resulting amendment seems to be working presently, but still does not allow for local flexibility.

### **7.3.3 Administrative Challenges**

Even though the SHRA defines the roles and responsibilities of the service managers and housing service providers, some service managers feel that there is a need to clarify the role of the MMAH. Practitioners stated that the MMAH continues to involve itself with the details of program delivery, as opposed to developing high-level policy and evaluating performance through determined outcomes to which all service managers adhere. A current perspective is that there is local administration without much local autonomy. Confusion over roles within a decentralized model inhibits service managers' perceived autonomy to run their social housing programs to the greatest benefit to their communities. This is particularly apparent with the social housing stock that was handed down from the province. These programs were downloaded exactly as they existed under the province. Service managers are required to administer these programs in the same way as the province did. For instance, the province defines the eligibility of RGI tenants, which may limit local decision-making. This is perhaps a method to try to ensure equal opportunities across the province, but may not represent different housing environments and economies among service areas.

Several service managers mentioned that the SHRA largely negated their local decision-making powers, particularly when it came to determining eligibility and local priority groups. The SHRA states that service managers will determine whether certain applicant households are eligible for RGI subsidy and can join the wait-list. However, the legislation also states that provincial special priority groups prevail over local priority groups and must be moved to the top of the waiting list and be provided with the first available housing regardless of how long someone else has waited or how seriously in need they are.<sup>3</sup> One service manager argued that this aspect of the SHRA retains a provincially centralized model, completely negating local government autonomy: "Having the framework established under the SHRA allowed for very little local autonomy. It was done in a prescribed manner, with local administration, but they can't make their own rules. These are laid out by the province" (KI4). Another service manager pointed out that the determination of RGI subsidies should be left to the local service providers to decide, not even the service manager (KI2). The given example of why this would be preferable is to avoid, say, having all known members of a bike gang live in the same social housing development or an entire development being occupied by victims of domestic violence (KI2). However, it was also stated that there would need to be careful guidance in place to ensure that there wasn't any systematic exclusion of certain groups from social housing developments.

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<sup>3</sup> 42. (1) Despite section 41, a special priority household ranks higher than another household that is not a special priority household. O. Reg. 298/01, s. 42 (1).

**Provincial priority rules prevail over local priority rules**

43. If a local priority rule is inconsistent with a provincial priority rule, the provincial priority rule prevails to the extent of the inconsistency. O. Reg. 298/01, s. 43. *Social Housing Reform Act*, S.O. 2000.

Another administrative challenge has to do with liability and indemnity. When the province downloaded social housing, all liability and indemnity fell to the service managers, and thus the municipalities. This responsibility is of particular concern for many service managers. “If something goes wrong, the municipality will be held responsible for it, but this wouldn’t be a big deal for the province” (KI1). Service managers felt that an entity such as the provincial government would be financially better equipped to deal with such matters. It would be more difficult for smaller entities, such as municipalities, to cover potential costs through property tax revenues. One such incident could financially bankrupt a municipality, particularly one with a smaller tax base, while the province has a larger tax base and greater borrowing capacity. The discomfort some service managers have with regard to this situation may be exacerbated by their feeling that it represents accountability without the authority to make their own rules and regulations.

A common statement from service managers was that the administration of social housing has become far too complex within the devolved system. The system was not reworked with attention to increasing efficiency; it was handed down to municipalities as is. Reporting for these programs could be seen as duplicated, with housing service providers reporting to service managers, who in turn report to the province. There is a lack of clarity and as a result service managers find it difficult to navigate through this complexity. One service manager stated that, for the area’s 2,000 social housing units, the staff must report to the province for 12 different programs, each with differing provisions, budgets, and rules (KI2). Another example provided was to think of the management of 100 units, where eight units are under the previous federal agreement, 20 units are under the previous provincial agreement, and all the others are split between a multitude of other funding programs that have developed since devolution, which has led to a very complex administration and operating situation (KI4). For even larger service manager areas with significantly more units, the complexity could be overwhelming. Some service managers have navigated around this challenge by working closely with the boards of directors for non-profit housing and having them sign affidavits concerning the operation of their housing projects (KI2). This eliminates the need for the service manager to duplicate reports from the housing service provider, instead having the provider sign a legally binding document stating that all rules and regulations have been adhered to. The service manager also mentioned that this put the reporting with those responsible for the operation of the housing developments, which is more appropriate than a body removed from the operation, such as the service manager (KI2).

The “culture shock” that resulted from devolution was another administrative challenge that service managers faced. Housing service providers had to adjust to the new system where their operating agreements with the province were cancelled and new rules and regulations introduced. Adding a new level of government into the social housing mix, housing service providers were required to report to new government bodies with new reporting requirements. “[Before devolution] every regional office had ways of doing things. Service providers started questioning new service managers because they were enforcing new rules” (KI7). This relationship between the service manager and the service providers was often tenuous. It would take a significant amount of time to build trust in these relationships across the province. At first, service managers were getting used to their new role and a new reporting system, while service providers had to adjust to new reporting requirements, often where few or no requirements were in place before. “Service managers have dedicated a lot of time and energy

into building trust and overall positive relationships with the housing service providers by being transparent and ensuring open communication within their areas” (KI5). Since this has happened, the administration of social housing has become more co-operative and supportive within the service management areas.

### **7.3.4 Funding Challenges**

As with many public programs, service managers experience difficulties in securing funding to adequately meet the housing needs of their communities. Social housing programs became the financial responsibility of municipalities after devolution without increased revenue sources being identified for municipalities. Several service managers stated that a significant difficulty with maintaining the existing stock of social housing was that it was handed down to them without sufficient reserve funds (KI1, KI7, KI10). When the province was responsible for social housing, few reserve funds were put aside for future major capital costs needed for major renovations. For the most part, provincial maintenance costs were paid from annual budgets that failed to have a line item for reserve funds (KI7). Housing service providers were always required to contribute to reserve funds; however, it was pointed out that the required amount was reduced in the 1990s by the provincial government, leading to a net shortage of funds needed for each development (KI7). In addition to this, service managers inherited social housing with funding agreements that will eventually end (KI1). At the end of these agreements, service managers will be responsible for all costs associated with these developments. Building deterioration due to the age of most developments has contributed to increasingly high maintenance costs, therefore making it increasingly difficult to maintain, renovate, and operate current social housing stock, and virtually impossible to build new social housing in some service areas with more limited tax bases.

The tax base of many medium or smaller municipalities is not able to handle the capital and income subsidy costs that can arise. All municipal services are competing for the same funds from property tax revenue, and local councils try to maintain responsiveness to their constituents. An increase to property taxes for a public service that only benefits a portion of residents is far less popular than an increase to cover the costs of other more universal public services.

Social housing is expensive. The property tax base is an inappropriate source of financial support for this costly program. It has been difficult to rationalize housing program expenditures to property tax payers when only a small number of residents directly benefit from the expenditure, versus other program expenditures that support the entire community, like roads, water, and policing. Local communities are not able to conduct research to show direct correlation between dollars spent on housing programs and reduction in costs to health/justice/income support systems (KI3).

There is also an element of Nimbyism (not in my backyard) associated with social housing due to negative press, making it an unpopular expenditure for many property tax payers. One service manager explained that, if a big-ticket item such as a \$1-million expenditure for social housing arose, this would be easier for the provincial tax base to cover than for a municipality to have to institute a 2% increase in property taxes across the board (KI1). Members of municipal councils are likely looking to get re-elected at the end of their terms, and making unpopular decisions

would decrease the likelihood of this happening. Therefore, municipal councils are often hesitant to raise taxes for the benefit of social housing. Right now the federal stimulus funding is helping with this situation, but it is not a long-term sustainable funding option.

For those service managers who also operate social housing developments, financial challenges also include lots of risk. All social housing developments are heavily mortgaged. If interest rates go up, then mortgage payments increase. Because the size and number of buildings can be significant and result in high mortgage payments even at low interest rates, a slight increase in interest rates can result in hundreds of thousands to millions of dollars more in mortgage payments. Luckily, in the recent past, interest rates have been quite low. For instance, one service manager recounted that they had achieved a \$30 million savings in their operating budget due to a small change in interest rates (KI7). These savings were then put into reserve funds, but, unfortunately, the reserve funding was still not enough.

#### **7.4 Strengths or Benefits of Decentralization**

During the interviews, service managers mentioned several strengths to the decentralized model. After social housing became decentralized, several service managers found that there was increased interest in social housing at the council level. It became a discussion topic across departments. One service manager argued that this would have occurred regardless of devolution happening and really only increased the immediacy of councils' gaining an understanding of social housing issues and costs (KI10).

Several interviewees stated that a decentralized model has helped illustrate that the "one size fits all" service delivery model does not work. It allows the potential for greater freedom to administer social housing programs in ways best suited to local needs. Before devolution, all housing programs were administered in the exact same way. Now service managers can work directly with housing service providers to develop better policy and operational practices, particularly for any new developments they fund.

Respondents also felt that working within a decentralized model allowed for greater support for housing service providers. According to interviewees, the relationship between service managers and housing service providers is developing into one of support and co-operation. While many housing service providers felt that there was an initial loss of autonomy after devolution, many service managers have attempted to build positive relationships with the housing service providers within their area. There is a greater capacity for speaking directly with these organizations, attending board meetings on occasion, and having a better understanding of local user groups (KI2).

Devolution has also allowed for a greater ability to leverage community resources. The development of partnerships has been integral to adapting to a decentralized model. It has forced a change in mindset away from "rigid government models" and encouraged innovative thinking within a marketplace environment. This has helped service managers to identify new ways of delivering and financing social housing. Some service managers said that they see more synergy between social service deliveries at the municipal level, which has led to some opportunities for integration of services. One service manager said that they have a central intake office where an

applicant can discuss his/her situation with a social worker who can offer a range of services to that individual, at one time underlining a growing trend and interest in not only service co-location but also service integration (KI7).

## **7.5 Addressing Economies of Scale**

Despite service managers' responses focusing on challenges other than generating economies of scale, it is interesting to note that several practices have been introduced to help with this. Perhaps because these practices developed, service managers felt that this was not a prominent issue. In Ontario, some practices have remained centralized at the provincial level since devolution. The MMAH continues to bundle the mortgages of non-profit social housing developments in a centralized manner. When thousands of mortgages come due at the same time, they are bundled together, and the MMAH sets up a bidding process whereby the institution offering the best interest rate gets the contract. This usually results in provincial rates of borrowing being applied to local social housing mortgages. These rates are favourable over what individual service providers would secure if they pursued mortgages for individual developments on their own.

The SHRA outlined the development of the Social Housing Services Corporation (SHSC). This organization was established to provide bulk rates for insurance for social housing developments and to control reserve fund investments. This has resulted in favourable insurance rates for service managers and providers, but it may not allow for any flexibility in insurance rates across different developments. By pooling service manager reserve funds, greater investment returns are afforded. Housing service providers are actually responsible for the investment of reserve funds but may not have the expertise within their boards to be able to do this effectively. Therefore, having a central body specialize in this for all reserve funds allows for greater efficiency.

A more abstract economy of scale that was mentioned in the interviews with service managers had to do with human resources. As mentioned above, many service managers struggled to train or acquire staff with the needed expertise immediately following devolution. The expertise that existed at the provincial level was spread among service manager offices. In order to help address the unequal levels of expertise among these offices, a service manager network was established. This network allows service managers to share documents, to exchange ideas, and to meet monthly to share and exchange expertise. This organization is an opportunity for service managers to share innovative ideas, discuss what is working and what is not, identify training needs across service management areas, and solve problems across service management areas. For example, training sessions can be organized for staff in regional areas, most likely decreasing the training costs per staff member. The goal of this network is to improve how the business of social housing is functioning in Ontario.

## 8. Centralization in British Columbia

### 8.1 Provincial Role

In British Columbia, BC Housing is a crown corporation established in 1967 as part of the province's commitment to the *Affordable Housing Act*. BC Housing acts primarily as a funder of social housing projects led by private non-profit groups. BC Housing puts out a request for proposals (RFP) inviting non-profit housing providers to submit proposals for developments that adhere to priorities set out in various provincial housing programs. These proposals are then evaluated against criteria set out in the RFP, and successful projects are funded. BC Housing has the ability to lend money for construction financing and then make funding flow to the housing provider to subsidize operation of the development once developments are in place. BC Housing also provides financial, administrative, and technical support to non-profit and co-op housing providers, and oversight through long-term operating agreements. However, BC Housing also continues to manage approximately 8,000 units of public housing that was acquired from federal programs.

BC Housing controls a centralized housing registry for social housing applicants. Applicants apply to this registry to be considered for subsidized housing units in their area. This registry does not include all non-profit and co-operative housing available; however, applicants are provided information on how to apply to those not included as well. The wait-list for social housing in British Columbia is chronologically based, as are the wait-lists in Ontario.

### 8.2 Municipality's Role

Unlike the situation in Ontario, the municipality has little responsibility in the provision or administration of social housing in British Columbia. There, the municipality's role is primarily that of facilitator between the province and non-profit housing providers. Municipalities identify local needs and address affordable housing within their official community plans. The *Local Government Act* (LGA) of British Columbia enables municipalities to determine their communities' needs and reduce the barriers to achieving these goals through land use controls, especially zoning. Often municipalities provide land and/or grants, and reduce property taxes or development fees associated with social housing developments. The partnership between BC Housing and municipalities is formalized through a memorandum of understanding (MOU). These agreements outline commitment to action from both parties in order to expedite approvals for new social housing. The municipality identifies available land for social housing development and leases this land to the province for a nominal fee for 60 years. The province then pays for all pre-development charges, including such things as architectural, geotechnical, and environmental plans and studies, and then enters into operational agreements with housing service providers (BC Housing, 2007).

Increasingly, BC Housing encourages municipalities to take a more proactive role in social housing. The LGA, section 904, states that municipalities have the authority to create zoning bylaws, including conditions concerning the provision of affordable and special needs housing, as well as to delegate a specific area within a zone for affordable and special needs housing.<sup>4</sup>

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<sup>4</sup> *Local Government Act*, R.S.B.C. 1996, c. 323

Therefore, as in Ontario, municipalities have the authority to zone and provide land to social housing providers. Under section 905 of the LGA, municipalities in British Columbia may also enter into housing agreements with building owners and developers for uses such as social housing. They are authorized to develop an agreement determining the occupancy, the tenure of the units, and the administration and management of the units, as well as the rent and lease rates.<sup>5</sup> However, not all municipalities are supportive of taking on a greater role in social housing. Similar to the perspective in Ontario, BC municipalities do question whether the property tax base is adequate or appropriate for funding capital and operational costs of programs that serve only a few residents. Examples of streets, water treatment, and sewage treatment were provided to outline capital costs that serve all residents and are more appropriate for payment by municipal funds. It appears that providing land and facilitating social housing development for non-profit housing service providers with funding from BC Housing is a preferred approach.

## 8.3 Challenges

### 8.3.1 Increasing Municipal Role

Municipalities are increasingly encouraged to supplement non-profit housing projects with private market developed units to ensure that the housing needs of their residents are met. As mentioned above, the LGA has enabled municipalities to engage in a number of practices in order to do this. They are encouraged to influence private development beyond land use zoning and issuing development permits. Increasingly, they are expected to engage in negotiations with developers to encourage the building of amenities such as social housing within new developments. Some ways in which municipalities are able to do this is through incentive-based practices such as density bonuses and comprehensive development/inclusionary zoning. There is variation across municipalities as to how applicable and supported these practices are.

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904 (1) A zoning bylaw may

(b) establish conditions in accordance with subsection (2) that will entitle an owner to a higher density under paragraph (a).

(2) The following are conditions that may be included under subsection (1) (b):

(b) conditions relating to the provision of affordable and special needs housing, as such housing is defined in the bylaw, including the number, kind and extent of the housing;

(3) A zoning bylaw may designate an area within a zone for affordable or special needs housing, as such housing is defined in the bylaw, if the owners of the property covered by the designation consent to the designation.

<sup>5</sup> *Local Government Act*, R.S.B.C. 1996, c. 323

Housing agreements for affordable and special needs housing

905 (1) A local government may, by bylaw, enter into a housing agreement under this section.

(2) A housing agreement may include terms and conditions agreed to by the local government and the owner regarding the occupancy of the housing units identified in the agreement, including but not limited to terms and conditions respecting one or more of the following:

(a) the form of tenure of the housing units;

(b) the availability of the housing units to classes of persons identified in the agreement or the bylaw under subsection (1) for the agreement;

(c) the administration and management of the housing units, including the manner in which the housing units will be made available to persons within a class referred to in paragraph (b);

(d) rents and lease, sale or share prices that may be charged, and the rates at which these may be increased over time, as specified in the agreement or as determined in accordance with a formula specified in the agreement.

### ***8.3.2 Aligning Local Needs with Provincial Priorities***

While BC Housing is a nimble organization possessing its own funds, it has had challenges in meeting all the housing needs across the province. Local municipalities may determine that their own needs do not align with the priorities set out by BC Housing. Currently, for example, in an environment of limited funds, provincial priorities are set to help the most vulnerable in society. If a municipality determines that it has a great need for more low-income family housing, there is currently no funding available for such development through BC Housing. Funding is available for this group through the rental supplement program; however, in areas where vacancy rates are low, the rent supplement program may not result in a family's finding appropriate housing. It is then left up to the market to provide the rental housing for the community, through density bonuses or other inclusionary zoning techniques, and if the housing market is not particularly strong, there may be little incentive for such negotiations. Another example provided by a municipality was that the province's first funding priority is provincial emergency co-ed shelters, but this municipality already has three such shelters operating and would prefer funding for other types of affordable housing that are in greater need (KI9). Similar to Ontario's situation, provincial priorities in British Columbia do not always align with municipal needs across the board.

### ***8.3.3 Limited Land***

At a time when densification and community livability are considered good planning practice, municipalities are having difficulty finding raw land that is appropriate to make available to the province for social housing development. It could be considered less appropriate to locate social housing on greenfield land in the outskirts of cities due to limited public transportation options and limited services and other conveniences. Some municipalities have found that only infill and densification zones are available for social housing according to their official community plans, particularly those municipalities in the dense urban areas (KI6). Because providing land is one of the main contributions to their MOUs with BC Housing, limited land is a significant challenge for them.

### ***8.3.4 Funding Challenges***

British Columbia is also facing funding challenges for building new social housing. Funding from the federal government has decreased over the years and is dedicated to the operation of former federal social housing. Provincial demand to cut spending has limited budgets for the construction of new social housing (KI8). High construction costs have also further constrained development of new social housing stock, particularly in the Metro Vancouver region (KI6).

### ***8.3.5 Long-Term Planning for All Funding Received***

In the past, BC Housing has received surplus funding from provincial ministries at the end of fiscal years. Within a short time frame, BC Housing must spend this money on affordable housing initiatives. Due to the time constraints, BC Housing has not been able to put together an RFP for these funds and, as a result, has purchased single resident occupancy hotels with these funds. This was an effort to preserve affordable housing stock in some municipal downtown areas, but it is not seen as sustainable over the long term. This funding regime does not lend itself to long-term or strategic planning toward the goals of the organization or the province.

Sufficient funding should be earmarked for BC Housing programs to effectively preserve and increase affordable housing stock across the province.

#### **8.4 Strengths or Benefits of Centralization**

There appears to be a consensus, albeit among a very small sample of informants, around the relative advantages and benefits of a centralized social housing service model. One of the strengths that interviewees mentioned was the equality and standardization of funding and programs across the province. While service managers in Ontario shared some concern over unequal service levels across the province, this was not a point of emphasis among the BC key informants.

Interviewees also felt that BC Housing provides an abundance of support to municipalities and non-profit housing providers. For example, BC Housing not only funds construction and subsidizes operational costs, but also offers funding to non-profit housing service providers in support of their proposal development (KI6). This funding allows the housing provider to hire consultants to conduct the research needed to develop an accurate, and therefore acceptable, proposal. BC Housing also has a pool of knowledgeable staff available to offer advice to municipalities and housing service providers as needed.

BC Housing coordinates with other provincial bodies at the provincial level. This allows for integration of services and leveraging of resources across provincial ministries. For example, BC Housing is aligned with the health authorities. This helps with supportive housing provision in that support services are already committed when new developments are getting approved (KI8).

Another strength mentioned was that BC Housing is a strong central unit that simplifies the process of financing social housing projects so that non-profit housing providers do not have to create this for each of their projects (KI8).

#### **8.5 Accommodating Local Decision-Making**

In general, interviewees felt that the levels of local decision-making were adequate for the purposes of social housing in British Columbia. Respondents mentioned that many municipalities were reluctant to take on a more involved role in social housing, seeing it as a program best situated at the provincial level of government (KI8, KI9). It was suggested that municipalities could effectively voice their concerns and recommendations for change through representation from the Union of British Columbia Municipalities (UBCM) (KI6). This organization conducts research and writes reports that it shares with provincial policy-makers. The province issues an official response to each submission it receives from the UBCM. It is primarily through this organization that municipalities feel that they have a voice in policy development.

It was also mentioned that non-profit housing providers bring forward local projects under various provincial funding programs. The non-profit groups develop proposals for social housing guided by local knowledge of local needs. Because the housing service providers are working directly with the groups in need of social housing, their proposals are believed to represent identified local needs, thereby ensuring that these needs are met.

BC Housing is currently building stronger partnerships between itself, municipalities, and local housing service providers in an effort to increase transparency, communication, and resource sharing. Land-based decisions are made by the municipalities, allowing them to locate proposed social housing projects where they feel these are best situated (KI6, KI8, KI9). Municipalities are more aware of the operation of social housing in their areas and can offer resources that make proposals and projects stronger.

## 9. Comparing Aspects of Centralization and Decentralization

Looking at the strengths and weaknesses of centralized and decentralized housing models in British Columbia and Ontario, it appears that they exhibit the trade-offs of their theoretical models, but the weaknesses were not considered to be of significant concern. Table 1 below provides a capsule summary of the relative functions of each system and, at least according to informants, their relative strengths. As noted in the methods section, it is important to re-state that the scope of this project limits the number of possible interviews. Future research should bolster representativeness and endeavour to undertake direct quantitative comparisons as well. That said, regardless of study design, one issue of comparative research is that of interpretation. Several studies using alternative designs, data and perspectives are needed to make comparisons that mitigate confounding factors such as differences in population composition and distribution and geography.

In Ontario, while the sentiment from service managers was that their local decision-making was constrained by the SHRA, they did feel as though devolution has opened the door for local decision-making on new developments. Most interviewees felt that the situation was improving with time. As trust builds between all levels of government, service managers believe that increased authority for local decision-making will occur. With the current development of the Ontario Affordable Housing Strategy, the province is conducting several sessions of consultation with municipalities and service managers, evaluating the current relationship and how it can be improved. This process may help with needed clarification of the roles and responsibilities of the MMAH and allow for further autonomy for service managers.

In British Columbia, BC Housing maintains a central funding role and provides municipalities and housing service providers with access to staff with appropriate expertise. They are able to generate economies of scale, in particular with financing of social housing developments. There is a limited amount of local decision-making with regard to policy development and priority, but this did not appear to be of great concern to those interviewed. Though there was some frustration with the discrepancy between provincial priorities and municipal priorities identified through needs assessments, it appeared to be a specific issue rather than one reflecting the failure of centralization per se (KI9).

It is interesting to note that similar practices are used in Ontario and British Columbia to generate scale economies with regard to mortgage financing. In both provinces, a central provincial body handles the bundling of mortgages to secure the most favourable rates for all housing service providers. This is an effective way of keeping project costs down through leveraging provincial borrowing rates for private groups. Service managers in Ontario have also come together in

some areas to bundle purchases for construction or for unit appliances to secure a better price per unit. So, while some scale economies have not been retained with devolution in Ontario, such as with staffing costs (if looked at province-wide), preferential mortgage bundling reflects a continuance of at least some of the benefits associated with a centralized administrative system.

Local housing provision through non-profit and co-operative housing service providers is a common practice in both models. However, the relationship between housing service providers and funders is different in each province. Because the service manager functions at a much closer level to the housing service provider, the Ontario model appears to provide closer support for service delivery, as would be suggested with a decentralized model. In the BC model, it appears that housing service providers are largely working independently. BC Housing primarily works with the British Columbia Non-Profit Housing Association, instead of with individual service providers, when it comes to addressing policy and program concerns (KI8). In an environment of limited funding, the focus in BC is to house the most vulnerable residents/clients through public service provision, while other groups in CHN will be addressed through the subsidized private housing market units (KI8).

In Ontario, service managers had a vision of how the model could be improved. There appeared to be a consensus that the provincial role in social housing needs to be better defined. They believed that the provincial role should be focused on providing high-level policy and an evaluation framework of desired outcomes from which service managers can build their programs. The province is discouraged from continuing to play a role in process-driven tasks, leaving this to the service managers to oversee and adapt to their local needs. Service managers also felt that, ideally, the “bricks and mortar” and service delivery administration should be left at the local level where they could be responsive to local needs, but that income subsidy programs should be funded at the provincial level. Perhaps because British Columbia has not gone through the experience of working within both models, there were fewer insights into how a centralized model could be improved through further adaptation. There appeared to be a sense that the model now, after the early years of learning and adaptation, is functioning reasonably well (notwithstanding ongoing areas of concern that are not reflections of the nature of the decentralized system).

**Table 1. Comparing Centralized and Decentralized Models**

	<b>British Columbia</b>	<b>Ontario</b>
<b>Accommodating Local Decision-Making</b>	<ul style="list-style-type: none"> <li>▪ LGA enables municipalities to determine community housing needs</li> <li>▪ LGA allows municipalities to rezone areas according to these needs</li> <li>▪ Municipalities determine and provide city property for social housing</li> <li>▪ UBCM represents various municipal concerns in the provincial government arena</li> <li>▪ Local interests are addressed through housing service providers' proposals to BC Housing</li> <li>▪ <i>Constrained by sometimes conflicting priorities between municipalities and the province</i></li> </ul>	<ul style="list-style-type: none"> <li>▪ Ability to make local decisions concerning new social housing developments and programs</li> <li>▪ Determine spending levels, appropriate properties, and control agreements with providers</li> <li>▪ Increased ability to leverage community level resources and integrate services</li> <li>▪ <i>Constrained by the SHRA in implementing efficiency changes to existing stock and programs</i></li> </ul>
<b>Economies of Scale</b>	<ul style="list-style-type: none"> <li>▪ Provincial tax base funds programs</li> <li>▪ Province leverages provincial lending rates for mortgages for housing service providers</li> <li>▪ Central body of expertise is located at provincial level</li> <li>▪ Central pool of funding enables greater returns on investment</li> <li>▪ Integration of services and leveraging of resources across provincial ministries</li> </ul>	<ul style="list-style-type: none"> <li>▪ Province leverages provincial lending rates for mortgages for housing service providers</li> <li>▪ SHSC provides bulk rates for social housing insurance</li> <li>▪ Province leverages provincial lending rates for housing service providers</li> <li>▪ Reserve funds are bundled and invested at provincial level by SHSC</li> </ul>

## 10. Conclusions and Recommendations

In this study, both centralized and decentralized models exhibited the theoretical trade-offs of economies versus local responsiveness, respectively, though ongoing adaptation, at least in this first examination, suggests actors in each system have introduced elements to hedge against shortfalls and take advantage of the benefits of either system.

In British Columbia, municipalities have elected a representative organization, the Union of British Columbia Municipalities, to serve as their locally based voices at the provincial level to ensure that their concerns and recommendations are brought to the attention of policy-makers. And the province has been diligent to adapt the *Local Government Act* to enable municipalities to become a more active partner in social housing development should they wish to. In Ontario, the province has maintained control over some financing processes such as the bundling of non-profit housing mortgages and has established the SHSC to handle reserve fund investment and group insurance in order to retain economies of scale. In both cases, there has been a movement away from the rigidity of past models and a movement toward vertical and horizontal partnerships across levels of government in an effort to build the future of social housing.

### 10.1 Recommendations

Given that this is only a high-level, preliminary analysis of this issue, we now turn to recommendations for next steps based on insights from this research and concerning what is needed in terms of further study. **If there is one overarching recommendation, it is that future study of the relative strengths of alternative administrative systems should focus on the key issues challenging social housing provision and servicing across the country.** For example, we might ask, How might a centralized system be better or less able to address the ever more complex management of RGI systems? We might ask the same of the issues of asset management, wait-list administration, public engagement, and indeed research itself for more informed decision-making (c.f. SHSC 2008b). Accordingly, specific recommendations presented here largely grew out of input from the key informants.

#### **Ontario**

**Social housing funding and/or income subsidy programs should be funded at the provincial level.** Due to municipalities not having access to income tax revenue, any income subsidy programs are better funded by the provincial tax base instead of the municipal (property) tax base.

**The MMAH should take on greater involvement in the development of high-level policy and performance indicators.** Service managers interviewed believed that the MMAH should return to greater involvement in social housing within the province of Ontario. The MMAH should develop high-level policy frameworks and performance indicators to evaluate outcomes of service managers across the province to help ensure consistent standards. This would also help guide service managers to develop appropriate and effective programs.

**The current reporting system, as dictated in the SHRA, should be simplified.** The current complexity of the reporting system for social housing devolved to service managers is unnecessarily complicated. Consultations with service managers and service providers should be conducted to inform the development of a simplified reporting system to reduce duplication of reporting.

**Increased local decision-making powers in relation to devolved social housing should be granted to service managers.** The SHRA should be amended to grant greater local decision-making powers to service managers with regard to downloaded housing programs in order to facilitate efficiency/local responsiveness – a supposed strength of a devolved system, though only partially achieved thus far. This could be further supported with the proposed development of provincial high-level policy and performance indicators to monitor these changes.

### ***British Columbia***

In the case of British Columbia, the limited number of interviews conducted constrained what might have developed as a recommendation. Accordingly, there is an immediate need for **further research to better understand the evolving and potentially growing role of municipalities within the provincially centralized social housing model.** Amendments to the *Local Government Act* open up the possibility for greater and more varied roles of municipalities in the provision, and perhaps also servicing, of social housing in the province. This evolving relationship will need to be studied further in order provide informed recommendations for this new framework.

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## **Appendix 1. Interview Questions for Key Informant Interviews**

### **Questions for British Columbia housing policy-makers**

1. What do you consider to be the trade-offs associated with the centralized social housing model as opposed to a decentralized one? What would you consider to be the greatest challenges or weaknesses of the centralized housing model?
2. How do you take into account local social housing issues that may vary throughout the province when developing and implementing provincial housing policy and services? Is there flexibility within housing programs to encompass broad or diverse needs? For example, are priority groups and programs defined in a broad manner?
3. In what capacity can municipalities and local housing service providers inform provincial housing policy? What is the working relationship between municipalities and local housing service providers with BC Housing in relation to policy and program development?
4. What are the strengths of a provincially administered housing system? In what ways do municipalities and local housing service providers benefit from a provincial administration?

### **Questions for British Columbia municipal housing or social planning departments**

1. What challenges do you face in addressing local housing needs?
2. What ability under the provincial housing model does the municipality have to develop and implement local housing policies and programs?
3. What is the working relationship between your municipality and BC Housing in policy development and housing program implementation? How do you ensure that your local issues are taken into account?
4. What are the strengths or benefits your municipality has experienced having a provincially administered housing regime?
5. Are there any social housing success stories that you would like to share from your municipality?

## Questions for service managers in Ontario

1. What would you consider to be the trade-offs associated with working within a decentralized model as opposed to a centralized housing model? What are the strengths of a decentralized model and what are the weaknesses or challenges inherent to this model?
2. Knowing that devolution of social housing has presented a number of challenges to municipalities in Ontario, what would you say have been the greatest challenges that your municipality has faced in *administering* social housing within a decentralized system? What have been the greatest challenges in the *operation* of social housing?
3. What practices has your municipality implemented to overcome or address these administrative challenges? And the operational challenges?
4. How much authority does the service manager have in developing and implementing local housing policy priorities and services that are unique to local needs?
5. In your opinion, have any positive developments in social housing administration and operation occurred as a result of devolution? If so, what are they?
6. In your opinion, what aspects related to social housing would be best dealt with on a local, decentralized level? And what aspects would be best dealt with on a centralized level?

## Appendix 2. Key Informant Interviews

<b>Code</b>	<b>2009 Date</b>	<b>Province</b>
KI1	July 28	ON
KI2	July 31	ON
KI3	July 31	ON
KI4	August 13	ON
KI5	August 14	ON
KI6	August 14	BC
KI7	August 17	ON
KI8	August 17	BC
KI9	August 17	BC
KI10	August 19	ON



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