CHAPTER TWENTY-ONE

Lessons Learned from Canada's Post-war Housing Experience

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IN PART, this book is a historical overview. Beginning at 1945 or earlier, each chapter details post-war changes in housing outcomes, in the shifts in demand, supply, and allocation that gave rise to these outcomes, and the causes of these shifts. Also explored are the many public policies that shaped or directed these changed outcomes. From its own perspective, each chapter attempts to answer the question "what can be learned about housing progress from the post-war experience?"

In drawing lessons from past experience, the authors of this volume identify mechanisms and policies that did or did not work. They also identify the underlying conditions that gave rise to this consequence. These lessons are useful in thinking about current or future housing problems. They suggest where and under what circumstances a particular mechanism or policy might or might not work again. However, just because a policy failed (or succeeded) in the past does not necessarily mean that it will do so again in the future; the processes through which the policy acted may change, or the underlying conditions that gave rise to the policy consequence may not remain the same. Understanding how and why housing progress occurred helps us to assess whether post-war experience can be applied to present or future problems.

Lessons Learned About Producing Housing

In this book, the authors comment only briefly on lessons that can be learned regarding the housing industry, since this topic is covered in a companion study on the industry undertaken by CMHC (Clayton Research Associates Limited 1988). What follows is restricted to ideas discussed in Section II (the supply side of housing). Here, I assume that the housing industry consists of the collection of builders producing new or renovated housing stock for sale and landlords in the business of providing rental housing services from the stock. Initially, I exclude home owners (that is, self-providers of housing services and stock) from this discussion, preferring to treat them separately in the context of do-it-yourselfing.
One lesson to be learned from this monograph is that the residential construction industry in Canada is big, robust, and healthy. For many Canadians, the private sector part of this industry has been able to deliver efficiently the housing they want. While it is true that the housing needs of other Canadians were not as well met, and that the public sector also contributed in important ways, we should not underestimate the importance of having had a competitive and efficient market for housing production.

This same industry developed the post-war suburban landscapes that now surround our cities and in which a majority of Canadians presently live. We may now despair of the aesthetic, visual, and social homogeneity of those suburban neighbourhoods, their squandering of energy, the difficulty of providing social services to them, and other problems. Nonetheless, they were remarkable success stories. As Canada's population doubled, these neighbourhoods provided safe, clean, comfortable, and healthy accommodation together with good traffic control, ample parkland, and conveniently clustered community and commercial facilities.

At the same time, we have learned that the challenges facing this industry are changing. However successful at past challenges, the industry may now be entering a period of transition that will require different skills and techniques. The large amount of new housing produced in the last four decades, together with an expected demographically driven slump in net new demand, suggests that the amount of new construction will subside. Renovation of the now-aging existing stock, and especially high-rise rental units, is becoming more important. It is not yet clear how pronounced this transition might be, nor how easily the industry will cope.

We have also learned that the housing industry is a paradox in Canadian industrial organization. On the one hand, it is large: residential construction is about 20% of total Gross Fixed Capital Formation. On the other hand, unlike many other large industries, business is not concentrated in the hands of a few large firms (see Chapter 8). Although the post-war period has witnessed the emergence of some major firms within the industry (and, in some cases, their demise), the industry has generally been characterized by a large number of small suppliers.

This paradox is all the more surprising given all that has been learned about the entrepreneurial risks involved, particularly for builders. Almost universally, home building involves risks. One advantage of a large firm is that it can spread the risks of a particular venture over a wider base of operations. Why did the riskiness of enterprise not lead to more large firms in the industry? And among those that did emerge, particularly in the 1970s, why did several eventually move from the residential sector into other real estate development?
Here, one has to be careful to specify the advantages and disadvantages of bigness within the industry. The advantages of bigness primarily take the form of declining unit costs of maintenance and servicing; for example, larger buildings can usually be maintained at a lower cost per suite than can small buildings, and having more suites or buildings enables the landlord to negotiate better with utilities and service and repair trades. At the same time, these advantages are largely local; having buildings in two cities that are far apart is not as advantageous as having them in the same area. At the same time, there are also portfolio-holding risks: for example, holding all one’s rental stock in Calgary during the oil bust of the early 1980s. Another important disadvantage of bigness in property management is the problem of cost control and supervision. As a firm becomes bigger, it becomes more difficult to ensure that employees act efficiently.

There are advantages to large-scale construction in a given local market. However, given variations among local markets in financing, in zoning and building code requirements, in land subdivision, in labour practices, and in building technology and practice, it is not surprising that firms largely concentrate in one local market. Again, as well, cost control and supervision are problematic for firms that operate in several local markets at the same time. Then, too, there is the problem of portfolio-holding; firms that operate primarily in just one local market must live with the ebbs and flows of that market.

In part, the period since 1945 has been characterized by a shrinking in the disadvantages of bigness — a lesson quickly learned by some of the emerging major developers. The increasing standardization of building codes, improved diffusion of “best practice” building technologies, an increasing use of prefabricated parts and building systems, the development of specialized subcontractors and consultants, and improved management techniques and information systems helped make big firms more competitive and manageable. In addition, there was a demand for the integrated neighbourhoods and large-scale suburban planning that big developers were able to provide.

Also, we have learned that the changing economics of land assembly were important to the emergence and survival of large firms. Up until the mid 1970s residential land prices increased modestly faster than either inflation generally or the costs of holding land (that is, mortgage costs) specifically. This gave a comparative advantage to companies that assembled land for large developments and moved these projects downstream and into the market. In the late 1970s the situation changed as the boom in land prices subsided and holding costs increased sharply. The financial leverage that earlier propelled the growth of large firms became the undoing of some of them. The return of some local markets in the late 1980s to the rising land prices and robust housing demand that had characterized the 1960s and early 1970s demonstrates the cyclical nature of land development that was an important lesson learned by large firms.
**TECHNOLOGICAL INNOVATION AND RISK TAKING**

Chapter 8 argues that Canada was well-served by its housing construction technology. The efficiency of site-built wood-frame platform construction that characterized low-rise construction has improved steadily since 1945, partly as a result of building research funded by CMHC and other public agencies. We have learned that this gradual improvement proved more successful than either the modular building systems or manufactured homes once thought to be the ways of the future. Although the amount of manufactured components used in site-built housing has risen, technological change has been gradual. The story is similar for developers of high-rise accommodation. There were technological breakthroughs, but radical shifts such as manufacturing entire houses generally failed to take hold. Furthermore, greater standardization led to the development of specialized subcontracting that reduced the need for developers to keep abreast of all technological changes and in part undermined the raison d'être of large firms.

At the same time it is of interest to note the role of CMHC and NRC in developing and promoting innovations in housing construction. The lack of adequate research and development expenditure within the residential construction industry has been widely noted. Did CMHC and NRC inadvertently help ensure that large firms did not develop in the industry by taking away one important reason for their existence? Could the lesson to be learned here be that a government policy introduced to help small firms perpetuated inefficient organization of the industry?

There is also a lesson to be learned about risk exposure and containment. In speculative construction, builders risk taking a long time to find a buyer. In mortgage financing, landlords take risks in borrowing “long” (that is, through mortgages) in order to lend “short,” that is, in rental leases. A similar risk is inherent in land banking where developers realize leverage when land prices rise faster than financial holding costs, but where losses also can be multiplied. From relatively cautious practices in the late 1940s, a surging demand for housing led to an increased risk-taking by the industry in the 1960s and 1970s. In the early 1980s risk containment became a keyword under the sobering influence of recession. With the growth in size, larger development firms spread risks by diversifying into other forms of real estate development or into other regions of the country.

Risk containment has also been a concern to the private mortgage insurance market in Canada. Insurers have several options available to help manage risks: giving coverage to a range of properties, insuring in a variety of geographical markets, varying the terms and fee for insurance among categories of risk units, diversifying insurance fund investments, seeking reinsurance, and using sophisticated hedging strategies. There has been a growing use of these various strategies, as insurers have learned of their benefits and as the increasing sophistication of financial markets has so permitted.
PUBLIC AND SOCIAL HOUSING

Metropolitan areas began the post-war period with what might best be thought of as a direct approach to the problem of inadequate housing. The approach was to use large-scale slum clearance to remove “urban blight” and to replace it with subsidized, large-scale, socially-segregated, publicly-owned and/or managed, high-rise housing for low-income households. Not widely anticipated were the problems that such redevelopment created: the anger, frustration, and loss of senses of community and control that arise from eviction, the inadequate compensation of landlords and sitting tenants for costs arising from eviction, the temporary or permanent displacement of existing residents, and the higher rents often faced by dislocated tenants who were ineligible or unwilling to move back into the newly-constructed public housing.

We have learned much about the value of being more sensitive in the design and delivery of low-rent housing. We have experimented successfully with small-scale developments, low and medium-rise building forms, private for-profit and third-sector ownership and/or management, socially mixed housing, and other means of delivering housing subsidies, including shelter allowances.

That there is a niche for non-profit and cooperative housing is an important lesson learned. Third sector housing (non-profits and non-equity cooperatives) can have some comparative advantages. It can be nominally less expensive to produce: in part a result of sweat equity and in part because it can be carefully designed to meet the needs of its clientele. In general, it may provide tenants with a better security of tenure than otherwise is found in the private rental sector. Finally, such housing can provide for more local community interest and involvement in financing, design, construction, and operation.

RENTAL SECTOR

This chapter would be remiss if it did not comment on the current state of the private rental sector. This is a real conundrum in housing policy. On the one hand, there were areas in Canada in the mid 1980s (notably Quebec) where this sector was healthy: exhibiting at least modest rates of vacancy, rent increase, and new construction. In other areas of the country, however, new construction was negligible; the existing stock (much of it high-rise) was thought to be slowly deteriorating; and we had either near-zero vacancy rates with rents straining upwards or high vacancy rates with moribund rents. As several chapters in this book attest, just what has caused these conditions is not clear; nor is it clear that a policy prescription is required. We have learned that the health and operation of the private rental market are the result of complex interactions (see also Jones 1983, 52-9). The critical factors may be demand-based (for example, sluggish growth of average tenant income), supply-based (for example, riskiness of new rental construction), or policy based (for example, restrictive zoning, building codes, or rent regulation). It is easy to attribute an unhealthy market to just one of these factors, but the empirical evidence is mixed. As a result, it is not clear
just what can or should be done to rectify the condition. This is an area that requires more research.

In this regard, we have also begun to learn of the potential of the condominium sector in the supply of rental units. Although originally intended to be a vehicle for owner-occupancy in multi-unit buildings, condominiums also provide small landlords with a relatively liquid investment, well-defined monthly costs, and the ability to realize capital gains by reselling the dwelling to a home owner at some future date. This has been occurring both informally (that is, where a building has a mix of renters and home owners) and formally (that is, where condominium ownership is used to syndicate a rental building). 7

DO IT YOURSELF

Finally, although we lack good data, we have learned that the do-it-yourselfers have likely been instrumental in achieving housing progress across Canada: whether in rural areas, small towns, or large cities. Although it is difficult to define exactly what constitutes a renovation expense, Canadians may have been spending more money each year on renovation by the mid 1980s than on new construction; and this is in spite of the relative newness of much of the housing stock. Some of this work was done in compliance with local building and zoning regulations, but presumably some was also in violation. Do-it-yourself is an affordable, if not always best-practice or safe, alternative to commercial renovation and, sometimes, even new construction. In attempting to suppress certain undesirable activities, heavily-regulated urban areas with their official plans, building codes, zoning by-laws, and strict enforcement, also suppress the informal sector. However, it is not obvious what governments can or should do to encourage this sector – other than to improve the level of information made available to do-it-yourselfers.

Lessons Learned About Consuming Housing

The first part of this discussion looks at lessons learned with respect to home ownership as a financial asset. The second part considers lessons learned when housing is viewed more broadly as a consumer good.

HOUSING AS A CAPITAL GOOD

Looking at many of post-war Canada’s existing home owners, the principal lesson to be learned may well have to do with the redistribution of wealth possible from home ownership and the leverage entailed in mortgage financing. Although house prices tended to increase everywhere, the increases were most marked in the major cities. In part, the prices of existing homes rose because it became more expensive to purchase the materials, fittings, and labour required to produce new housing. However, also important was the rising price of metropolitan land: jointly a result of population growth (net immigration, natural increase, and increasing longevity) and increasing real incomes, with both driven by a surging metropolitan economy.
For many urbanites, home ownership became their single best route to wealth accumulation, and it may have come to colour their attitudes, and those of their children, toward lifetime savings and investment strategies. Housing was not simply acquired to be consumed over one’s lifetime, with little regard for resale (or, at least, resale at a gain). Instead, a view may have arisen that housing was an investment that, especially in metropolitan areas, was increasingly liquid and would pay future gains that were as important, in an economic sense, as the benefits arising from occupancy.

Expansion and liberalization of the mortgage market allowed for a broad participation in metropolitan housing markets. This had two important effects. One was to enhance the demand for owner occupancy, and thereby the gains to be made from investing in it. The other was to spread the gains across a wide cross section of the market: by income, by age, and by family type. However, these capital gains were just a redistribution of wealth, not a net addition to it. Existing owners benefitted at the expense of new owners, and owners of more-expensive homes at the expense of other owners who upgraded. We simply do not know just who in Canadian society presently have been the net beneficiaries and who the net losers from all this redistribution. Also, because post-war population growth was just one factor, albeit important, that fuelled the capital gains boom, the boom may not necessarily end with the anticipated slowing growth or decline in Canada’s population over the next half-century.

Also important here was a lesson learned regarding the changing significance of “filtering” in the housing markets of many large cities. The early post-war suburban housing boom led to the outward movement of more affluent households. The older, inner-city stock – much of it depreciated but still of good quality – became occupied by the less-affluent households that had remained (or immigrated). It can be argued that filtering spread the benefits of net additions to the suburban housing stock broadly among income groups. The process of inner-city revitalization – gentrification – that began in the mid 1960s in some cities arrested the filtering process and may well have reduced overall the benefits arising to less-affluent households.

HOUSING AS A CONSUMER GOOD

Running through this monograph is a lesson learned about the ongoing dichotomization of Canadian households into housing haves and have-nots. On the one hand, housing has become more a consumer good, and less a necessity, for many Canadians. On the other hand, a growing group of Canadians have been poorly or unaffordably housed. Among the haves, typical housing consumption is currently at a level that in some respects exceeds any plausible minimum standard of decent accommodation. The haves, if anyone, represent the success stories of the post-war Canadian housing market and housing policy. Never before have so many Canadians been accommodated in comfortable, warm, healthy, and safe housing, nor had such access to community infrastructure and social services. At the same time, a persistent and growing number of Canadian
households (and would-be households) have not been well served; they either simply cannot find housing at all, or can ill afford what they do find. As argued in Chapter 4, the dichotomization may in part be a perverse and unanticipated impact of the underlying focus on home ownership in some federal and provincial policies affecting housing.

Underlying parts of Chapters 8 and 11 is a view that housing is increasingly seen, among the haves at least, as an increasingly elaborate consumer good, like a VCR or an automobile with ever-more options. If housing is just another consumer good like automobiles, why do we need government housing agencies, ministries, or departments? Historically, we needed them in part because households (and governments) have perceived housing differently, in some sense, from other goods. Have the attitudes of consumers changed? Is housing now somehow less important or less cherished than it used to be, and if so, is there still a role for governments to play in the production, supply, or allocation of housing? It is impossible to answer such questions directly as empirical data on changes in attitudes toward housing are scarce. Nonetheless, these are interesting questions, in part because underlying conditions that might determine such attitudes have changed. There may be an important lesson here in terms of the need for government and public policy to respond to changing attitudes.

Housing takes on a special meaning to its inhabitants for two contrasting reasons. One is that housing, or the "home", symbolizes the history of the family and the process of living therein. In other words, consumers treat housing differently from other goods because it comes to represent their hopes and dreams, their successes and failures, and the major events of family life. The second reason that housing may have been treated differently is because of its uniqueness and relatively illiquidity. Owner-occupied housing was typically expensive and not easily disposed of. To the extent that we "cherish" that which is too costly to throw away or sell at less than fair value, housing may have had a special meaning to us. We also may cherish a dwelling because of something that is unique about it: for example, an architectural detail, the layout of rooms, nearby amenities, or the special location of the dwelling within the community.

Housing as Symbol of Family Life
An important change over the post-war period has been the growing populations of large cities and metropolitan regions throughout Canada. Urbanization made feasible new forms of living arrangements and housing along with ways of providing community and social services. It nurtured the formation of non-family households whose sense of the importance and value of "home" may differ from the traditional family household. In addition, for some of these households, and some family households as well, activities that used to be an integral part of home life (for example, food preparation, or elementary medical and recovery care) can now take place outside the dwelling or be brought in.

The family household also changed in ways that may have affected the
meaning and perception of "home." One change has been the rise in paid workforce participation among mothers; another has been a greater part-time workforce participation among teenagers and students. Together, these may have reduced the amount of time that families spend together in their dwelling. Another important factor has been the declining importance of childrearing in the family life cycle: because of increasing longevity generally, declining fertility and increasing childlessness after 1960 as well as the narrowing age range of mothers at child birth. With an improved health care system, and a resulting greater use of hospitals, fewer Canadians were born, or died, at home. In this sense too, the home may have become a less important symbol of family life. To the extent that attachment to "home" is a function of the family activities and memories that occur there, such changes affect the attachment of families to their housing.

Also important has been the decline of shared accommodation. The relatives and lodgers who used to live with families in larger dwellings added something to the quality of home life. While the experience may not always have been positive and families may well have been happy to come to live alone, sharing may have enriched the experience of domestic life by broadening the resident set of personalities and perspectives. Its decline may thus have adversely affected the richness and quality of home life in ways that reduced the special meaning of home.

Although difficult to document, it is also widely believed that post-war Canadians became geographically more mobile. If so, this may have meant that individuals have come to spend less of their life in any one dwelling, foregoing the opportunity to develop a longstanding attachment to one home. Also important in this increased mobility was a closer matching of dwelling size to family size that meant less room for sharers. Interestingly, the attachment to "home" may have begun to re-express itself in relation to the family camp, cottage, farm, vacation, seasonal, or weekend home. Households might move from one principal dwelling to the next (sometimes at great distances), but they often kept the camp/cottage/farm for "the family."

Changing Liquidity and Uniqueness of Housing
The divergence between house and home may, in part, also have been abetted by the increasing use of prefabricated components. As argued in Chapter 11, dwellings can be perceived as boxes into which, since 1945, have been stuffed an increasingly rich array of appliances, furnishings, and fittings. In so doing, the box itself can become relatively unimportant. Given sufficient funds and enough space, it may be possible to take a box, stuff it appropriately, and make it look from the inside essentially like any other box. If so, then part of the "uniqueness" of a dwelling may have been lost.

It can be argued that we cherish things that, having outlived their usefulness, are not easily re-sold. If so, post-war improvements in the efficiency of the
housing market may have reduced the special significance of the home. One can point to the more-efficient housing markets that arose with increasing urbanization, and better-organized systems for advertising and selling owner-occupied property. Also important was the felling of restrictions on mortgage finance and the gradual integration of residential and other consumer financing. Finally, the waves of house price inflation that swept through various parts of Canada generally in the post-war period and particularly in the 1970s also helped improve liquidity in the housing market.

In part, an increasing sophistication with respect to financing options may reflect an emerging view of housing as just another consumer good. Since 1945, as lenders came to offer more products, households have grown more willing to accept increased risks in return for obtaining better housing or financing. When home is sacred, households might well be expected to be risk-averse. When it is not, they are willing to take more chances. As the range and variety of forms of consumer credit increased, so too did the variations in mortgage funding. Whether by choice or necessity, households came to use a broader range of risk options.

Lessons Learned About Government's Role

At all levels of government in post-war Canada, there were new attempts to redesign the way in which housing was produced, demanded, or allocated. In a sense, we have the most to learn about the roles and impacts of governments, because they were relative newcomers to the housing market.

Adequacy and Affordability

Arguably, the most important lesson learned here concerns intricacies in defining housing adequacy. Governments at all levels have wrestled with this. The fundamental questions remain unanswered. How does one define a set of minimum standards for housing? How and why should these standards differ depending on the characteristics of the households? For which potential households are these standards to apply? Who should set the standard? That definitions of adequacy do vary is not surprising given the manifold ways in which housing contributes to our happiness, health, and well-being, our sense of place and community, our access to amenities and services, our neighbours, our status, and our aspirations for the future. Also important here is one's perception of society's goals, and of how society should proceed to address those goals. If anything, the preceding chapters emphasize that we have learned of the need for governments to be explicit about what they are trying to achieve with their policies.

Perhaps nowhere is this need better evidenced than in relation to the promotion of home ownership. Since 1945, governments at all levels have promoted home ownership as good for Canada. In Chapter 3, it is argued that home ownership may help promote social goals such as efficiency, redistribution of wealth or income, quality of life and personal security, and security of tenure.
What is not clear is the magnitude of these benefits or the opportunity costs in terms of other goals. Do the benefits outweigh the negative impacts? This is a question for which, even today, there are only simplistic answers or crude calculations.

Related to this is a lesson learned about the difficulty of defining what is affordable. Some households have to cope with situations that, according to an arbitrary rule of thumb, require spending an unreasonable or undesirable amount on housing. Even leaving aside the subjective question of how one defines the limit to affordability, it is difficult to measure the funds that a given household has available to spend on housing, to identify the housing alternatives open to the individuals comprising that household, or – and this applies especially in the case of home owners in an inflationary environment – to measure the real cost of the housing they consume.

It would be inappropriate to end this section without considering the question of whether there has been an over-investment in Canadian housing since 1945 and what has been the associated role of governments. An American study concluded that from 1929 to 1983 the rate of return to housing capital in that country had been about half that of non-housing capital and that an efficient housing stock would be only about 75% of its 1983 size (Mills 1987, 101). The study concluded that the favoured tax status of owner-occupied housing in particular and a tax system that biases capital financing in favour of debt over equity in general could account for much of the over-investment in the United States. It is not clear whether over-investment is present to the same extent in Canada, but if so, this suggests the importance of seriously reviewing the system of income taxation.

SOCIAL MIX AND COMMUNITY DEVELOPMENT

Another lesson learned has to do with social mix. Some early experiments in post-war housing (both private and public) were criticized for being too homogeneous or segregated. On the public side, for example, large-scale urban renewal and public housing schemes were found to be inferior to solutions that favoured neighborhood renovation (for example, NIP/RRAP), carefully designed infilling, and medium-density housing. Throughout Canada, planners have attempted to encourage a mix of incomes and age groups at the neighborhood or community level. In some cases these efforts at integration have been divisive or expensive. Encouraging social mix is thought to create several benefits to Canadians: for example, improved social justice, equality of opportunity, compassion, diversity, and sense of community. However, there is surprisingly little evidence of the extent to which current social mix policies actually do result in such benefits. At the same time, these policies can and do clash with the concerns of local residents over such things as loss of property values or personal safety. We have learned the importance of finding answers to the following questions. What are the social costs of not promoting social mix policies? How large are these? What alternative means are available to promote
social mix, and how effective are these? Governments need to think explicitly about what they hope to achieve, and how and why it will create net benefits.

Since the early 1980s there has been a renewed policy emphasis on "targeting" which has been taken to mean that subsidies should be restricted to the needy. While laudable in terms of program efficiency – after all, no one wants to subsidize people who do not need subsidies – social mix may be a casualty. If one wants to encourage mix and non-needy households resist intrusion into their neighbourhood, there are only two policy options. One is to force the integration by fiat (possibly at great political cost). The other is to provide incentives for the non-needy to accept the integration. One effective way of doing this – subsidizing the housing of the non-needy – is closed off by restrictive targeting. Social mix may be important. It is also elusive. We have learned that it is important to think about how and whether to promote it.

Another lesson learned concerns the need to reduce discrimination against women and mother-led families. Since 1945 institutional lenders have become more amenable to the inclusion of the incomes of working wives in calculating mortgage eligibility among husband-wife families. This helped two-earner families achieve home ownership at a younger age and made it possible for a broader group of households to achieve home ownership at some point in their lives. And as argued in Chapter 3, home ownership is an important tool for governments seeking least-cost income maintenance schemes for the elderly. Also important have been the first steps of governments, through public housing and anti-discriminatory regulation in the private rental market, to ensure that lone-parent families (typically female-headed and poor) have access to adequate and affordable housing. 11

STRATEGIES AND TOOLS

Another important lesson learned is that the appropriate policy solution is partly determined by conditions specific to the locale. Because Canada is large and geographically diverse, global solutions need to be flexible enough to work in a variety of local situations. At the broadest scale, comprehensive national strategies – whether indigenous or imported from abroad – have to be designed to meet local needs. At a more localized level, it means that within provinces or regions policies and programs need to be geared to specific local housing conditions. There have been some attempts to redress this problem – for example, by targeting policies to specific local areas or problem situations. However, it is the source of a continuing dilemma. One possibility is to tailor a policy (either by individual design or the offering of options) to each locale, but this can detract from administrative efficiency or regional equity. 12

There is a need to consider how a policy might best be implemented given Canada's multiple levels of government. A federal role has been especially effective in the areas of (1) reducing impediments to the efficient operation of the housing market: for example, in improving the liquidity, availability, and supply
of mortgage financing, and in defining national standards for building materials and construction techniques; (2) pursuing housing policies related to macroeconomic goals such as full employment; (3) assisting, coordinating, and training provincial and local agencies in developing and implementing local housing policies.

Governments have also learned of the benefits of involving those affected by their housing policies in the development and delivery of solutions. In some cases, this has meant involving the households that will live there and their neighbours in planning and design. In other cases such as rural/remote housing, it has meant not blindly imposing mainstream expertise or experience based on solutions that have worked in urban areas.

Governments at various levels are continuing to learn about the advantages and disadvantages of the various policy tools, that is, tax expenditures, direct expenditures, regulation, crown corporations, and loan guarantees. In the case of tax expenditures and policy, the sensitivity of rental dwelling construction to the tax treatment of rental losses and capital gains (illustrated by MURBs) has been especially noteworthy. It can be argued that governments have increasingly turned to regulation as fiscal constraints have limited other courses of action and as governments found it difficult to control the dollar amounts involved in direct spending programs. At the same time, poor regulation can breed new direct or indirect costs. This has led to contradictory moves: on the one hand reducing regulatory constraints (for example, federal policy to eliminate regulatory requirements that were restricting liquidity in the mortgage market); on the other hand increasing regulatory activity (for example, land subdivision or rent regulation).

At the federal level post-war governments have from time to time used the residential construction industry to achieve macroeconomic objectives such as full employment, economic growth, and price stability. Sometimes, the “tools” employed were direct (for example, construction or mortgage subsidies) and sometimes indirect (for example, fixing maximum NHA mortgage rates above or below market. Whatever the merits of the macroeconomic objectives, we have learned that such policy tools can have undesirable “boom or bust” implications for the housing industry; in other words, stability is important to the development of an efficient construction industry.

**Land-use Planning and Regulation**

Another lesson learned deals with the uses and limitations of land-use planning. In Canada, modern planning techniques were almost non-existent before 1945. Building code and land subdivision regulations were found in only a few locales. Land-use planning and development controls became widespread only in the 1950s and 1960s. They were implemented to serve several objectives: for example, consumer protection, social mix, improved efficiency, reduction of harmful impacts on the environment, minimization of externalities, and
preservation of farmland. While regulation has undoubtedly solved some prob­lems, it has also created others. Early post-war suburbs tended to be socially homogeneous, have little physical infrastructure and few services, and be con­structed at low densities. Later suburbs tended to be designed for a mix of incomes, with a higher level of infrastructure, and at high densities. There have been complaints about the uniformity (that is, lack of diversity) of suburban development, high densities, and enforced mixing. A growing uneasiness about post-war land-use planning is another lesson learned; the complexity of urban life and human aspirations makes it difficult, if not impossible, to regulate into existence a satisfying suburban environment.

We also have learned of the contradictory objectives of zoning (see Stach 1987). In the early post-war years, there was a sense among home owners that zoning restrictions were written in stone. If one bought a lot in this new develop­ment, one could be assured that all surrounding lots would be restricted forever to the same usage. However, this fixity later partly dissolved. Planners used uneconomic zoning as a bargaining tool to get developers to provide other con­cessions. Developers viewed current zoning restrictions as an initial negotiating position, and bewildered residents saw the changes as attacks upon their neighbour­hood and their own property values. As the complexity of the regulation spread (in land subdivision, zoning, development, and demolition control), negotiation and resolution increasingly bewildered developers too.

Out of that experience came another lesson. Beginning with the slum clear­ance and urban expressway projects of the 1950s and 1960s, some consumers in metropolitan areas began to band together to protect their neighbourhoods. With the spread of socially mixed housing and increasing traffic densities, the phenomenon soon also engulfed the suburbs. Residents' associations became a significant new political force that created both benefits and costs for society. One lesson learned was the importance of the neighbourhood in determining the quality of life possible in a particular dwelling and the feasibility of political action to preserve it. Another lesson learned was the difficult problem faced by governments that have to balance the interests of existing residents and their would-be new neighbours.

A lesson still in the making has to do with the cost of regulation. Over the post-war period, the regulation of housing has increased dramatically. Some, perhaps all, of this regulation has been beneficial. However, in the last decade or so, there has come to be a growing awareness that regulation is not costless. In the case of housing regulation, the available evidence is far from complete. How­ever, there are continuing claims that the costs of regulation (nominal costs plus time delay) may be high and that, while there may well be benefits to society (for example, improved health, safety, or efficiency), every regulation should be reviewed to ensure that its benefit exceeds its cost. For consumers, one implication is that regulation that is inefficient in the above sense pushes up the cost of housing and/or reduces housing affordability.
COSTS OF SOLVING HOUSING PROBLEMS

Another lesson learned is that the cost of "solving" housing problems can be high. Virtually every housing program developed in post-war Canada has, directly or indirectly, a significant cap on total expenditure. For example, most public rental housing has been restricted to low-income families with children and/or senior citizens. Until recently, non-elderly singles and couples typically could not apply, regardless of financial condition. As another example, entry to programs such as shelter allowances is typically limited by availability (for example, they are open only to the elderly) rather than need. Universality is almost unheard of. Almost all housing programs have been targeted at specific groups or situations. In part, targeting is used to separate "problem" households from others. In part, though, targeting is also an arbitrary measure designed to limit the government's financial exposure. This raises questions of horizontal inequity because two similar "problem" households are treated differently when one is arbitrarily prevented from participating in a housing program.

In part, we have learned that the high cost of solving housing problems is related to patterns of subsidies among and within households. Suppose the separate accommodation of a low-income individual (such as a student or senior citizen) is subsidized by a family living elsewhere. Suppose that this individual then moves into a publicly-subsidized unit. The subsidy paid by a government typically supplants the amount formerly paid by the family. A similar substitution occurs when an elderly parent moves out of a child's home (where a low or zero nominal rent reflects an implicit subsidy) to a subsidized senior citizen apartment. In part, the high cost of housing programs to governments is a result of such subsidy substitution.

There is a related lesson about deinstitutionalization that we have been slowly learning in the past few years. With the relative reduction in Canada's institutionalized population come new housing policy responsibilities. Persons with disabilities, for example, need parallel support services if they are to make their way as normal members of a community. In general, the services they would have received in an institutional setting are not available in the community. Some of these services are best provided centrally, requiring that clients be located nearby. Other services are best provided in-home. In other cases, clients are best settled in special housing or group homes. The integration of these people into the community is one important aspect of social mix.

We have also learned something about the adaptability of the existing stock. Since 1945, there has been a switch in emphasis in major urban areas from demolition to renovation. In our cities are many examples of older buildings and neighbourhoods preserved or restored, of ambitious attempts at low-rise intensification, and of conversions and deconversions of structures that reflect the needs of new inhabitants. At the same time, renovation can sometimes be simply too costly an alternative. Also, location is ever important; having a fine old structure may not be enough if it is in the wrong place.
Most governments and consumers naturally want housing produced as inexpensively as possible. So too do housing producers who see a loss of consumers if their housing becomes less affordable. However, we have learned that it is easy to be led astray by a short-run view of what constitutes inexpensive housing.

Housing is a capital stock with a long life; for housing to be efficiently provided, we have learned to take a correspondingly long-run view of its costs of construction, maintenance, and renovation. Public rental housing, for example, is now generally built according to standards for durability that meet or exceed those in the private sector. In building codes, there has been experimentation with cheaper alternatives for all residential construction; some substitutions proved workable, but others (such as switching to aluminium from copper wiring) proved unfeasible because of fire or safety hazards or limited durability. Provinces and municipalities have also explored land-use and zoning changes that increase densities and reduce land costs. The problem here is in distinguishing between what is cheap and what is efficient. It is sometimes argued that well-built housing, while initially more expensive, costs less to maintain over the long run, is more adaptable to other uses in the future as the need arises, or has a longer useful life. However, this is a dubious generalization. In some cases, it is expensive to renovate older structures. At the same time, renovation and demolition-plus-new-construction impose different social costs (and benefits) in the surrounding neighbourhood and in the community as a whole. It is difficult and unwise to generalize; the desirability of building quality and adaptability into the stock must be assessed in terms of the potential costs and benefits individually in each case.

Housing and Income Maintenance

Another lesson that is still being learned concerns the impact of post-war income maintenance schemes. In part, the housing affordability problem arises because some households do not have a sufficient income to afford the basic requirements of life. Since 1945 per capita incomes have risen sharply, especially in comparison to shelter costs. In that respect, housing affordability problems should have declined. However, averages mask important changes for particular households. As important were changes in income maintenance schemes that assure a household a steady disposable income over its lifetime: for example, unemployment insurance, family allowances, workman's compensation, old age security, the guaranteed income supplement, Canada/Quebec pension plan, medicare, and a variety of private pension and long-term disability insurance plans. In addition, the entry of married women into the labour force helped stabilize family incomes. The result was that relatively more households could expect to find housing affordable throughout their life span. For this group, housing policies aimed at improved affordability became less urgent.

The curious twist is that post-war prosperity created a new class of poor. By
providing subsidized housing, medicare, and a variety of other subsidized goods, governments encouraged the formation of separate households among groups (such as the elderly and lone parent families) who had not previously been prone to living alone. However just the cause, these new households typically had low incomes relative to shelter costs and augmented the affordability problem. Governments are now only beginning to learn the curious lesson that affordability might be inversely related to subsidization.

Finally, a lesson still in the making concerns the fundamental goals of Canadian society and the desirability of housing subsidies versus cash grants or other tools as a means for achieving them. Analysts and policy makers, for example, continue to wrestle with the question of whether there is a unique role for housing policy or whether housing affordability problems are simply a manifestation of inadequate income (see, for example, Bourne 1986).

**Roles of Public and Private Sectors**

This insight points to a broader lesson. In the early post-war period, governments saw their role as fixing up market shortcomings and helping those who were left behind by the market. In effect, even though from 1945 into the 1960s from one-third to one-half of all new construction was assisted by NHA financing, government policy essentially worked at the margin (that is, leftovers) of the market and did not directly compete with it. In the ensuing decades, a more activist role emerged in which governments increasingly began to interact, if not compete, more extensively with the private market. Senior citizen and low-income family rental housing, for example, in some sense competes with an available private stock. At first, the competition was weak. What governments built was far better than what was in the private market. Later, as the worst part of the private stock was culled out or withdrawn and the extent of subsidization declined, the differences between the two stocks became blurred. Increasingly, governments may find themselves competing with the private sector for the same group of clients. One lesson learned is that governments will increasingly have to decide just whether, why, where, and how they will choose to compete with the private sector.

Finally, a lesson has been learned about uncertainty and its implications for housing policy. The tools of housing policy consist of carrots and sticks. We may perceive a problem – even a solution – but be unable to correct it. In part, this could be because of a misperception of the problem. In part, the carrots and sticks may not be sufficient for the job. In part also, it may also be because of an interaction between the private market and public policy. We set out, for example, to house existing elderly households better, only to find out that the number of elderly households increases all the more rapidly as a consequence. If there is one overall lesson, it is that policy makers should understand what they hope to achieve, the feasibility and means of achieving it, and the market conditions within which the policy will operate.
Notes

1 Vischer (1987) further discusses respects in which post-war suburban design principles have withstood the test of time.
2 In saying this, I do not mean to gloss over the real problems that modern suburban and residential design have posed for many women. See Hayden (1984).
3 Gluskin (1976, 134) estimates that the ten largest publicly-owned builders in Canada produced only 7.4% of the new dwellings sold in Canada in 1976. Gluskin also reports that Cadillac-Fairview Corporation, at the time the largest corporate landlord and focused on the Toronto market, possessed under 6% of Toronto’s total stock of rental apartments (1976, 115).
4 Of course, the same might be said of large firms in any industry. The landlord industry is particularly sensitive because the variety of differences among buildings make it difficult for senior managers to develop good predictions of expenses appropriate to any one particular building.
5 For a description of the historical evolution of house building technology and design up to about 1920, see Doucet and Weaver (1985).
6 These are described in more detail in Boyle (1986).
7 In the mid 1980s informal and formal rentals appear to account for almost one-half of all residential condominium units. In regard to the formal sector, Skaburskis and Associates (1985, Table 2) found that of 61 condominium projects in a random sample drawn from across Canada, 14 had to be replaced because they were syndications. According to the 1984 FAMEX, roughly another one-quarter of the condominium stock is occupied by renters in the informal sector (that is, where the tenant knows that the building is a condominium).
9 There is a paucity of good data on owned second homes in Canada. While such dwellings are presumably a small proportion of the total stock of private dwellings, undoubtedly an additional substantial proportion of families can lay claim to renting such accommodation or to sharing accommodation with owners who are relatives or friends.
10 Many analysts also put a focus on home ownership in assessing the extent of housing progress. See, for example, Myers (1982).
11 One should also mention the introduction of a variety of short and medium-term housing for battered wives in this regard.
12 It is of interest to note, for example, the devolution of ownership of public rental housing over time: from WHL, through the provincial housing corporations, to municipal agencies. However, what might be best for the administration of public rental housing may not be best for other facets of housing policy.
13 This phenomenon has not been limited to Canada. Popper (1988) describes the increasing extent of centralized regulation in various parts of the US, particularly since the late 1960s.
14 In part, the change in emphasis may simply reflect the fact that much of the old urban stock that was not repairable had been demolished by the end of the 1960s. The stock remaining thereafter was typically of better quality.