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The Role of Public-Private Partnerships in Funding Social Housing in Canada

Alexandra Moskalyk

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Alexandra Moskalyk
CPRN and SHSC Housing Research Internship and Scholar Program
MA, Political Science, University of Western Ontario

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Contents

Figures

Research Abstract

The goals of this research are, first, to review and conduct original research on the role currently played by public-private partnerships (PPPs) in sustainable social housing development in Canada and, second, to explore policy options and assess their potential for funding social housing. This research begins by using existing literature to outline the historical factors and circumstances that have led to the reduction in funding for social housing in Canada. The review is divided into two parts. First, it documents the role of federal and provincial housing policies in Canada to illustrate the contextual framework that has led to the search for alternative financing by social housing advocates. Second, it reviews a variety of literature that is available on the opportunities and challenges posed by PPPs in general to provide insight into how this approach can be applied to social housing. The research then focuses on three case studies of social housing PPPs in Canada that have been unique in their approach to alternative financing in their communities. The purpose of the case studies is to help understand the differences that exist in the diverse communities across the country and to craft an understanding of the function that governments and the private sector can play in enhancing and optimizing the role of PPP development. Based on the research findings and lessons learned, this report ends with policy recommendations that may support future program initiatives that encourage PPP-based social housing in Canada.

Executive Summary

Canada's housing and homeless problem is in a state of "national emergency" as federal and provincial governments have withdrawn their commitment in the area of social housing. Furthermore, changes in housing policy in recent decades have posed great challenges for the social housing sector that have led to the search for alternative financing by social housing advocates. This research investigates what role public-private partnerships (PPPs) can play as one possible solution in the development and maintenance of social housing in Canada. It further seeks to examine how partnerships can better use scarce public resources in a more efficient and equitable way to meet the housing needs of the lowest income group.

Although the opportunities and risks of PPPs have been extensively debated in the broader literature, the role of such partnerships in funding social housing in Canada has received comparatively little attention. The lack of research can be attributed, at least in part, to the limited formation of social housing PPPs in Canada relative to the United States and the United Kingdom.

This study looks at three successful housing partnerships across Canada. The purpose of the case studies is to gain insight into both the range of innovative financial approaches and the kinds of policies that are required in the effort to support community-based PPPs. The selected case studies are:

- **Bob Ward Residence, Calgary, Alberta:** A three-storey apartment building that provides supportive housing for persons with mental illness and brain injuries, the physically disabled and persons living below the poverty line. With equity contribution from the public and private sectors, the project is a joint venture between Horizon Housing, the Calgary Region Home Builders Foundation and the Calgary Homeless Foundation.
- **Housing Opportunity Partnership, Winnipeg, Manitoba:** An innovative non-profit inner-city housing revitalization program that is dedicated to the restoration of some of Winnipeg's rundown streets and neighbourhoods. The initiative is headed by a Board of Directors, which today is a consortium of representatives from the business and local community, including all three levels of government.
- **Regent Park, Toronto, Ontario:** A partnership between Toronto Community Housing Corporation and the Daniels Corporation, a well-established private builder-developer in Ontario. The project will replace 2,083 rent-geared-to-income units with new housing and add 3,300 mixed income market units as part of a larger community revitalization effort. The project is headed by Toronto Community Housing, with significant financial contribution from Daniels and will be executed in six phases over the next decade.

In sum, the study identified that the following factors enhance the success of the affordable housing PPP: commitment by the partners, trust in the partnership, the presence of an industry leader, synergistic relations between all parties and a legally binding contract with clearly delineated roles and responsibilities for each partner.

Twelve policy recommendations are offered based on the findings of this report. The recommendations are intended to guide social housing authorities in the creation of a policy climate that works to foster and expand the formation of PPPs in the area of social housing. They are as follows:

1. **Negotiate an agreement with the federal and provincial governments** to create new, permanent programs that work to support the production of social housing through PPPs.
2. **Partner more consistently with the private sector**.
3. **Encourage the federal government to review and improve the mandate of the Affordable Housing Centre,** and use it as a tool for the development of more effective PPP procedural training programs.
4. **Advocate for the creation of tripartite government partnership to provide a single point of contact in each province** for the private and non-profit sectors that integrates government decision-making on social housing programs, similar to the Winnipeg Housing and Homelessness Initiative but more comprehensive.
5. **Work with provincial and municipal regulatory authorities to fast-track and streamline** permit processing and waive developmental fees for affordable housing development to mitigate the risk and create incentives for developers.
6. **Build community capacity by actively seeking out and maintaining strong partnerships with industry leaders.**
7. **Work with other social housing authorities to create a new initiative** that conducts research on creating an investment climate that encourages the delivery and management of social housing through PPPs. Ensure that the research is widely disseminated.
8. **Raise public awareness on affordable housing issues** to mobilize support at the grassroots level for PPP-based social housing projects across the country.
9. **Encourage all levels of government to strengthen public policies** that increase the profile of the important contribution that philanthropy makes for the creation and management of new social housing.
10. **Work with governments at all levels to introduce a variety of supportive financial mechanisms** that secure a revenue stream that stimulates the supply of affordable housing. Two mechanisms that could be replicated in the Canadian context are the tax credits and housing trust funds implemented in the United States and the United Kingdom.
11. **Encourage governments to donate available land** to the private and non-profit sectors for low-income housing projects.
12. **Host conferences and forums that bring together** all sectors to provide network opportunities and further share ideas, skills and experiences on selected topics related to social housing and partnerships.

While the case studies presented in this report are fairly new initiatives, future research can assess the long-term sustainability of these and other projects to measure whether they continue to meet the needs of low-income households. In addition, further research can evaluate the impact that these and other housing PPPs have on democratic and public accountability.

The Role of Public-Private Partnerships in Funding Social Housing in Canada

1. Introduction

This paper begins with the premise that the market cannot effectively deliver housing for all Canadians and that, in order to provide adequate and affordable housing for the lowest income group, some form of public support is necessary. However, in the context of declining government funding for social housing in Canada, relying solely on government programs and subsidies to deliver and manage housing for low-income households is unsustainable. The goal of this research is to look at public-private partnerships (PPPs) as one possible financing solution to address the problems that plague the social housing sector. In doing so, the main objective is to raise awareness of the partnership approach by identifying three PPP-based housing projects in the Canadian experience. The paper begins by introducing the policy context in Canada to outline the historical factors and circumstances that have led to the reduction in funding for social housing. It then provides a brief literature review on the possible opportunities and challenges posed by partnerships, followed by three case studies that can help provide insight into the range of innovative approaches that exist under the auspices of PPPs. The case studies illustrated in this report, although representing a limited sample, reveal that partnerships have been successful in bringing together capital to maximize limited public resources and to generate social and accessible housing for low-income earners across Canada. The examples also show that choosing the right partner and clearly delineating roles and responsibilities within the partnership are among the main factors that can enhance and optimize the success of the affordable housing project. Based on the literature review and the original research done for this study, the report concludes with 12 policy recommendations that, if implemented together, could help foster a policy climate that encourages the delivery and management of low-income housing through PPPs.

1.1 Defining Social Housing

In Canada, "the term 'social housing' is often used to refer to assisted housing owned and operated by the nonprofit and cooperative housing organizations" (Van Dyk, 1995: 817). In some cases, it is distinguished from public housing, an earlier form of federally assisted housing that was solely funded by the federal government, starting in the 1950s (Pomeroy, 2007; Skelton, 1996; Smith, 1995; Dreier and Hulchanski, 1993). While the two terms can denote different meanings in the literature, for our purposes, "social housing" is used as an umbrella term to refer to all forms of housing developed under various government subsidy programs in both the private and public sectors. It includes housing now discontinued under the public housing program, all housing that is owned and operated by the federal, provincial, territorial and municipal governments, and housing that has been subsidized by the government and developed by a private and/or non-profit organization.

1.2 Defining Low Income

The central focus of this research is to assess the ability of partnerships to deliver innovative ways to house the less fortunate. However, in the absence of a concise definition of poverty, this report will use the low income cut-off (LICO) to identify this group. The LICO is an established and recognized measure used by Statistics Canada to identify families who are substantially worse off than the average in their region. The LICO is based on a threshold below which a family is likely to spend a greater portion of their income on food, shelter and clothing than an average family would. Those who spend 20 percent more than the average on these basic needs are living below the LICO threshold. To reflect the differences in costs among regions and the differences in family size, cut-offs are separated into five categories for community size and seven for family size[1] (Statistics Canada, 2007).

1.3 A National Housing Crisis

The scarce supply of social housing in Canada affects a broad and diverse portion of the population. A growing number of Canadians are homeless and many others reside in poor housing, which has the potential to threaten their safety, health and dignity (Bryant, 2003). Despite Canada's status as a top economic performer among G7 countries (Courchene, 2005: 2), the severity of Canada's affordable housing problem has been recognized by international observers. Recent conclusions drawn by the United Nations Committee on Economic, Social and Cultural Rights document Canada's housing and homeless problem as being in a state of "national emergency" and urge the Canadian government to "implement a national strategy … that includes measurable goals and timelines, consultation and collaboration with affected communities, complaints procedure, and transparent accountability mechanisms, in keeping with Covenant standards" (UNCESCR, 2006: 9). The release of the report should give Canadians pause for serious reconsideration of our approach to social housing and a clear indication that the challenges that plague the sector can no longer be ignored by senior levels of government. The remainder of this section will review the scale and severity of Canada's housing problem, reinforcing the need to examine innovative approaches to providing social housing development through PPPs.[2]

1.3.1 A Data Overview of Canada's Housing Challenges

In Canada, acceptable housing is assessed by the core housing need model, which "identifies those households unable to obtain market housing that is in adequate condition, of suitable size, and, at the same time, affordable" (as cited in Rea et al., 2008: 1). A household is said to be in core need if the members spend more than 30 percent of their gross income on shelter that does not meet the aforementioned standards (Dunning, 2007: 3). Recent census data show that approximately 1.5 million people, representing 13.7 percent of all Canadian households, are spending more than this affordable benchmark on housing (CMHC, 2004). Across the provinces and territories, core need is most prevalent in Nunavut, where 38.8 percent of households are living in unacceptable housing; among the provinces, Ontario has the worst track record, with 15.1 percent of households unable to access housing that is adequate in size and in good repair without spending more than 30 percent of their income (Dunning, 2007: 11).

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1 For Statistics Canada's low income cut-offs for 2006, see www.statcan.ca/english/research/75F0002MIE/75F0002 MIE2007004.pdf.

2 This concept will be extensively elaborated on in further sections of this report.

The problem is fuelled by low vacancy rates in some of Canada's largest urban centres. The most recent Rental Market Survey released by Canada Mortgage and Housing Corporation (CMHC, 2007) shows a national average of 2.7 percent, up 0.1 percent from 2006, but unchanged from 2005.[3] From a regional perspective, the figures reveal that the four Western provinces have the lowest vacancy rates in the country, with British Columbia in the lead at 1.0 percent, followed by Saskatchewan at 1.2 percent, Manitoba at 1.5 percent and Alberta at 1.6 percent. Many of Canada's most densely populated cities show vacancy rates at an unprecedented low. In Vancouver, Victoria, Greater Sudbury, Quebec City, Winnipeg, Edmonton and Calgary, vacancy rates are hovering around 1 percent. However, in Toronto, vacancy rates are above the national average at 3.2 percent, and the standard rental rate for a two-bedroom apartment is $1,067 per month (CMHC, 2007), a housing price tag that is well above the affordable benchmark of low-income households.

There is some evidence that persistently low vacancy rates in Canada are inflating housing prices, causing the quality of housing that people with lower incomes can afford to shrink. Shapcott (2007) warns that rent and housing costs are increasing at a much faster rate than income levels in Canada. In his report prepared for the Wellesley Institute, he shows that, between 1997 and 2005, the cost of housing grossly outpaced incomes in Prince Edward Island, New Brunswick, Ontario and Saskatchewan by an average of 16.25 percent (Shapcott, 2007: 3). This affordability gap has led to housing insecurities across the country and is now seen as the leading factor for eviction and homelessness in Canada. Recent trends in the City of Sudbury support Shapcott's argument. In Sudbury, where low vacancy rates have increased the economic incentive for landlords to boost rent prices due to high demand, well over one-third of low-income residents are at risk of losing their homes (SPCS, 2006). Consistent with Shapcott's argument, many of Sudbury's citizens who cannot afford the increase in the price of housing end up in inadequate housing, in short-term shelter or simply on the streets (SPCS, 2006).

These trends highlight another endemic problem in Canadian housing: homelessness. Homelessness is now a national concern, with the federal government estimating that there are 150,000 homeless Canadians (Laird, 2007: 4). Despite popular belief, the problem of homelessness did not occur "naturally," but rather as a side effect of "normal" day-to-day societal practices, particularly as they relate to housing policy in Canada (Hulchanski, 2004: 226). For instance, the cancellation of most federally funded housing programs in the early 1990s is seen here as a contributing factor.[4] It is also not a problem that will fix itself. For the homeless, "[w]ithout a physical place to call 'home' in the social, psychological, and emotional sense, the hour-to-hour struggle for physical survival replaces all other possible activities" (Hulchanski, 2004: 226). Lacking the opportunity to establish viable community networks, many homeless people get trapped in the cyclical patterns of recurring poverty. Homelessness has not been light on taxpayer pockets either. The federal government estimates that the cost of homelessness has reached anywhere between $4.5 to $6 billion annually, including health care, crime and other social services (as cited in Laird, 2007: 5). This figure includes yearly spending on emergency shelters that, according to the Federation of Canadian Municipalities, accommodate 40,000 people every night across Canada. Emergency shelter use in Canada is also on the rise, particularly in major urban centres such as Toronto and Vancouver (*Vancouver Homelessness*, 2007; City of Toronto, 2001).

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3 The Rental Market Survey data for 2005 and 2006 is available at www.cmhc-schl.gc.ca/en/.

4 A more detailed analysis of Canada's housing policy is presented in later sections of this paper.

The inadequate supply of social and affordable housing in Canada stretches beyond simply providing shelter for those in need: housing "is an investment good, the only major investment of families; it is an industrial sector, providing jobs and income for many; and it is a social good, which governments attempt to provide for all income classes" (as cited in Prince, 1995: 721). Social housing also serves as a function for industrial development by producing a more productive and competitive workforce, making it a major determinant of whether or not business will locate in a community (Toronto Board of Trade, 2003). According to Jackson (2004: 5), proper housing creates access to jobs within cities and between regions as people take advantage of new job opportunities, resulting in an "efficient and equitable functioning of the labour market." As it stands, however, in several of Canada's economic centres, affordable housing is out of reach for many low-income earners who then find it challenging to commute to work. Furthermore, while housing is local by nature, it is part of a greater regional and national economic system (Maclennan, 2007: 3) and thus an important factor when considering the long-term health of Canada's economic and social security.

1.4 Demographic Trends

Further exacerbating ongoing housing problems is Canada's rapidly changing demography, which is expected to impact the future of social housing, particularly as it relates to the scale and design of housing stock. Critically, the proportion of Canada's population that is 65 years of age and older is expected to reach one in five by 2026 (Government of Canada, 2002). This equates to 7.8 million people, representing approximately 21 percent of the population. If shelter costs remain unchanged for the long term, many seniors will face serious housing affordability problems as the loss of a partner will have a direct impact on their total household income. In 2001, for instance, 640,000 seniors had housing affordability problems (Clark, 2005: 4), and as the population ages, that number is expected to increase. This shift toward an aging population will have an effect on the types of social housing needed in the future. Research shows that, as seniors' age, their interest shifts away from housing units to apartment style arrangements. By the time seniors reach age 85, the percentage that live in apartment style arrangements increases to 41 percent (Clark, 2005). Thus, as the baby boomers age and the population becomes frailer, there will be an increased demand on housing providers to build supportive housing units that are geared toward individuals with mobility restrictions and age-related disabilities (Jones, 2007).

A second demographic shift that will continue to significantly impact the future tenant profile of social housing is immigration. Due to a relatively slow natural population growth, a lion's share of Canada's future population growth will come from immigration. Immigration was responsible for two-thirds of Canada's population growth from 2001 to 2006, with an average of 242,000 people immigrating into Canada annually. Results from Canada's latest census predict that, by 2030, Canada will be dependent exclusively on immigration for its population growth (Statistics Canada, 2005). While immigrants are important to the diversification of Canada's workforce, they are more likely to have lower income status than Canadian-born residents (Statistics Canada, 2007). Housing exclusion is also making social and labour market integration more difficult as new immigrants are encountering difficulties in finding rental accommodation (Government of Canada, 2004). This puts many new immigrants at risk of falling into core housing need, adding yet another challenge to the list of demands on the social housing sector.

Other demographic shifts in Canadian society have implications for the future of social housing policy. The growing income gap between the most and least wealthy sectors has been of rising concern in Canada over the past decade. Several population groups are experiencing relatively high rates of poverty, particularly Aboriginal peoples, recent immigrants, visible minorities, youth and children, lone-parent families and unattached individuals (Lee, 2000: 91). While home ownership is important to a vast majority of these Canadians (Turcotte, 2007; Edmonston, 2004), many face large income barriers to home buying, even when government support systems are in place. Take, for example, a recent $36-million Canada-Ontario Affordable Housing Program's homeownership initiative that had little success at enticing the working poor to take $20,000 grants for the purpose of making a down payment on a first-time home. Municipalities were allocated a proportionate number of grants to help address persistent unmet housing needs in their communities; however, only 36 of 445 municipalities to date have been able to give away all the money (Taylor, 2008). So, while research shows that the majority of Canadians desire to own assets, there is some indication that, when presented with an opportunity, households living under the LICO line still may not earn enough to carry the cost of home ownership.

Taking these trends together, the demand for some form of government housing support is both rising and diversifying. Canada's evolving demography will have a significant impact on the scale and design of housing stock. As a result, the future of social housing needs to serve the right mix of clients, such as the specific requirements of seniors, Aboriginal peoples, immigrants and lone parents. However, as it stands, the supply of social housing, both public and private, is declining, and it is unclear whether Canada's housing sector is ready to take on these ongoing and new challenges. How, then, can PPPs play a role in helping to deliver social housing in Ontario and Canada?

2. Methodology

2.1 Research Objectives and Contribution

Given the diminishing reliance on government-funded programs to support low-income housing development in Canada, this research has three objectives: first, to raise awareness of the PPP approach as it relates to social housing in Canada; second, to identify three innovative case studies that can help assist private actors and housing authorities to build partnerships for social housing delivery and management; and third, to outline viable and flexible policy recommendations that encourage new and innovative financing through PPPs for the provision of social housing. This research will build on existing studies that examine primarily the experiences of PPPs in the United States and the United Kingdom. These studies highlight lessons learned from other countries that might help to strengthen efforts to initiate PPPs in Canada. The goal of this research is to identify a national policy framework that has the potential to advance and encourage partnerships based on the Canadian PPP housing experience.

2.2 Methodological Approach

The methodological approach of this study consists of four main parts: a policy review, a literature search, a case study selection and key informant interviews. A brief description of each part is provided below.

- **A policy review** was executed to prepare the policy background for this study. The section documents the evolving role of federal and provincial housing policies in Canada and reviews the contextual framework that has led to the search for alternative financing by social housing advocates.
- **A literature search** was conducted to identify the opportunities and risks posed by PPPs and to explore how the PPP approach may be applied in Canada. Given that the Canadian experience of PPPs in the housing sector is limited, most of the relevant examples in the review will refer to experiences in other Canadian sectors and in the affordable housing experiences of the United States and the United Kingdom.
- **Case studies** were conducted on three successful partnerships. The purpose of the case studies was to gain insight into the range of innovative financial approaches and to acquire knowledge into the types of policies that are required in the effort to support community-based PPPs. The main objective was to identify innovative ideas in putting together housing development projects that were viable and met the needs of low-income households. The case studies show the role of the different partners in the success of the project, the finance structure and the range of funding sources accessed, the long-term affordability for low-income households and the obstacles they faced. The selected case studies are:
    1. Bob Ward Residence, Calgary, Alberta;
    2. Housing Opportunity Partnership, Winnipeg, Manitoba;
    3. Regent Park, Toronto, Ontario.
- **At least one key informant** from each of the selected case studies who had detailed knowledge of the project's planning and implementation process was interviewed. In addition, there were separate interviews with individuals who had experience working with PPPs but were not involved with the selected case studies, to help provide general information. A consultant serving public and private clients in the area of social housing and community development was interviewed along with a private developer and landowner having experience in the area of affordable housing. Informants who participated in the study provided a wealth of information, which only many years of experience and training in the field can offer.

2.3 Scope: Why Focus on Canada?

The broad study area was chosen so as to be able to draw from a wider range of examples. In addition, the intent of the research is to provide policy recommendations that are applicable to all areas of the country and to stress the importance of a national strategy that allows for local flexibility to address local needs.

3. In Historical Context: Setting the Stage for Partnerships

3.1. Federal Housing Policy

Historically, the federal government has played a lead role in funding and financing social housing programs. With strong fiscal pledges for social housing throughout the 1970s and early 1980s, many countries looked to Canada as a positive example of federal government intervention in housing (Dejong, 2000). However, recent decisions by the federal government have downloaded responsibility over social housing to the provinces, resulting in a patchwork of programs and policies across the country rather than a comprehensive national approach to providing social housing. Today, many supporters are calling for a common national strategy to address social housing concerns and are pressuring the federal government to reassert itself in social housing funding (OMSSA, 2008; BC Child and Youth Advocacy Coalition, 2007; National Housing and Homelessness Network, 2000). However, the federal government has been hesitant to respond. This reality has led to the search for alternative financing strategies to assist in the development of social housing in Canada. As mentioned, the purpose of this report is to explore PPPs as one alternative to funding social housing in Canada. But in order to understand the need to search for new financing mechanisms in delivering social housing, it is first necessary to review the policy framework that has left social housing in its current state of underinvestment.

3.1.1 The Era of Federal Spending

Before 1973, Canada's housing programs were almost exclusively federally financed but managed by provincial public housing authorities. Capital financing for public housing was primarily provided by Canadian Mortgage and Housing Corporation (CMHC), established in 1946 to administer federal housing priorities, with some assistance from the provinces and territories. The federal government secured mortgages lasting over periods of 35 to 50 years, and units were subsidized on a rent-geared-to-income (RGI)[5] formula, with operating subsidy being covered by cost-shared agreements between the federal and provincial levels of government (Van Dyk, 1995: 815).

In the early 1970s, in response to dwindling global and domestic markets, the federal government made strong fiscal pledges to housing programs in order to help make housing more affordable and to stimulate economic growth in the housing market. The $200-million Innovative Housing Program was introduced and made available to both private and non-profit groups mandated to pioneer innovative housing forms and tenures (Van Dyk, 1995). While the success of the program is accredited mainly to the design of high density condominiums for private ownership, it did play a role in stimulating innovative solutions for lower income households (McAfee, 2008) with the creation of several non-profit co-operatives.

[5] Under RGI, tenants pay rent based on the gross income of the house rather than paying market price. A major criticism of the program is that it was primarily based on a points rating system, resulting in the eviction of households that had an increase in their income (Van Dyk, 1995).

In 1973, long-term financial subsidies and direct government mortgage handouts were offered under a new program exclusively for non-profit organizations and co-operative housing (Van Dyk, 1995: 824). The intent of the program was to encourage the development of community-based non-profit organizations to house lower income households based on the innovative approaches derived from the Innovative Housing Program. By providing ongoing subsidies, the federal program nurtured the non-profit sector during this time. The program was extremely successful, with 220,000 new social housing units built between 1974 and 1986 that housed individuals with wide-ranging housing needs (McAfee, 2008).

3.1.2 A Period of Declining Federal Interest

With the election of a new Conservative party in 1984, federal housing policy changed once again as the government focused on reducing its deficit. Capital financing through private mortgages was still provided for social housing projects but under more stringent conditions; it was provided at interest rates close to market value and only for projects that developed housing for those in core need. Subsequently, even these programs were cut following the federal government withdrawal of new money for social housing, along with many other social programs, in 1993. The move to cut new funding for social programs predictably resulted in a steady decline in aggregate housing expenditures across the country. In an extensive analysis of federal and provincial spending on social housing, Pomeroy (2007) reveals that, in total, the combined housing expenditures of all three levels of government fell by almost $700 million from a peak of $4.1 billion in 1993. In recent years, an average of 1,000 new units of affordable housing are built annually, a significant drop from the 20,000 units built yearly in the late 1970s and early 1980s (Shapcott, 2007: 3).

In addition to the change in government at the time, several observers offer an explanation for the withdrawal of federal spending in social housing after 1985. Van Dyk (1995: 831) argues that "a new spirit of cooperative federalism" played a role, in which both levels wished to induce greater provincial involvement in what had become primarily a federally funded area. Others see the withdrawal of federal funding as a deliberate attempt to boost the housing market by targeting the home ownership sector at a time of economic uncertainty in Canada. Hulchanski (2004) reviews how the federal government during this time took an active role in creating and subsidizing various home ownership programs, including the First Home Loan Insurance Program and the Home Buyers' Plan.[6] The author demonstrates how these programs, along with other public policy decisions beginning in the mid-1980s, initiated a new era of housing policy in Canada: one that privileged the home ownership sector and ultimately reduced commitments to social housing.

[6] The First Home Loan Insurance Program allows CMHC to insure mortgages up to a 95 percent value of the house. Initially created as a temporary program, it enabled a 5 percent minimum down payment instead of the previous 10 percent. The Home Buyers' Plan allows eligible Canadians to access up to $20,000 tax-free from their Registered Retirement Savings Plan (RRSP) in order to purchase a home (Hulchanski, 2004: 224).

3.2 Picking Up the Pieces: Local Responses to Federal Cutbacks

The federal cutbacks to social housing assistance meant the provinces and territories had to increase their level of commitment to social housing. But while most provinces and territories have new cost-sharing agreements with the federal government, little new construction has taken place. For example, in Alberta, spending for social housing projects dropped from $382 million in 1991 to $190 million in 2007 (Shapcott, 2007: 3). Ontario has a similar track record, with investment in affordable housing dropping from a high of $1.7 billion in 1997 to a measly $798 million in 2007 (Shapcott, 2007: 3). The case of Ontario is unique because it is the only province that has downloaded its responsibilities of implementation onto municipalities (Pomery, 2007).

Provincial inactivity in social housing has left many municipalities burdened with the cost of addressing social housing needs in their communities. Some municipalities are taking a leadership role in this public policy area. The City of Calgary[7] regularly commissions research papers on topics related to affordable housing in order to enhance research capacity, and a number of other municipalities, namely Vancouver and Burnaby, often supply land on favourable terms by offering developers zoning concessions provided that they allocate a number of units for social housing (CMHC, 1999b). Although municipalities have taken an active role in social housing, they lack the fiscal capacity to effectively deal with the problem. Municipalities have little room to levy taxes and are therefore constrained in their ability to raise financial resources in their local communities. As a result, most of the programs and initiatives put forward by municipalities are limited in their capacity to meet the growing and fraying demand for social housing in their communities.

3.3 A Review of Current Federal Funding Initiatives

Currently, there is no national housing policy in Canada. Through its various programs, the federal government plays a limited role in funding social housing. The following section provides a brief description of the current federal funding initiatives that are in place for the development and maintenance of social housing in Canada.

3.3.1 Affordable Housing Centre

In an effort to compensate for the lack of financial support, the federal government introduced an initiative to try and create a greater reliance on the private sector to deliver affordable housing needs. The Canadian Centre for Public-Private Partnerships in Housing – a subsidiary of CMHC – was created in 1991 as a source of support and advice to promote and encourage the production of affordable housing through PPPs. It was recently renamed the Affordable Housing Centre. The key financing mechanisms available for PPP projects are CMHC mortgage insurance, which gives partnerships access to low-cost housing finance and interest-free Proposal Development Funding start-up loans of up to $100,000. The Centre is a good example of the federal government's willingness to support and encourage the private and public sectors to provide social housing in Canada (Dyck and Schultz, 2006). However, it has been largely ineffective in establishing a solid foundation for the exploration of alternative financing for low-income housing through PPPs (Wallace et al., 1998; Van Dyk, 1995). Projects to date have mainly been

7 See the City of Calgary website at www.calgary.ca/portal/server.pt.

initiated by the non-profit sector, with limited private sector participation. Furthermore, because the program does not offer ongoing assistance for these groups, many of the housing initiatives supported by the program target equity-based projects (Van Dyk, 1995: 834). But, as mentioned, households at very low income levels have little capability to build equity or own assets, and so housing created under this program has been better suited for moderate to higher income households (Van Dyk, 1995).

3.3.2 CMHC Seed Funding

There continues to be traditional public sector investment through CMHC Seed Funding. The program offers $20,000 to groups or individuals planning to develop a housing project that is community-based, innovative and/or meets the demand for affordable housing in Canada. Beneficiaries of the programs can be rewarded $10,000 in the form of a non-repayable grant and an additional $10,000 in the form of an interest-free loan. CMHC Seed Funding can be used for the initial start-up costs that are ideal for securing additional funding, such as the services of a professional consultant or a feasibility study geared to the need and demand of the project. However, it can be challenging to compete for the funds, and for many groups who are not familiar with writing proposals, the application process can be time-consuming even before the loan is secured (Dyck and Shultz, 2006: 32).

3.3.3 Affordable Housing Initiative

There has been greater government intervention in affordable housing in recent years. In 2001, the federal government introduced the Affordable Housing Initiative, a jointly funded federal, provincial and territorial program in which the federal government promised to contribute $1 billion, and the provincial and territorial governments agreed to match this amount. The projected goal is to build 44,000 new affordable housing units across Canada.[8] The initiative has resulted in some success in stimulating several innovative social housing projects across the country, some of which have been the result of a PPP. However, while the investment commitment for all levels of government is significant, the funding is ad hoc, and it is uncertain whether funding under this initiative will exist beyond the program's expiration in 2009. This reinforces concerns about the availability of similar funding in the near future. Additionally, the National Housing Report Card recently released by the Wellesley Institute reports that the federal government is failing to meet its promises (Shapcott, 2008). The report shows that, as of 2006, the national government had contributed only $234 million of its promised $1 billion, a $766-million shortfall (Shapcott, 2008: 1). As a result, it is doubtful that the Affordable Housing Initiative will have a significant impact on social housing needs in Canada.

3.3.4 Federal Subsidies

The federal government continues to contribute $1.7 billion in cost-sharing transfers to the provinces to help subsidize the maintenance and management of existing social housing stock (*Alternative Partnering*, 2008). In accepting the federal transfer, provinces and territories agreed to take responsibility for allocating funds, managing the relationship with housing providers and reporting on the use of the existing budgets. However, many of the cost-sharing agreements

[8] See CMHC's website at www.cmhc-schl.gc.ca/en/.

between the federal and provincial governments are due to expire shortly on a project-by-project basis. In the case of Ontario, federal transfers have been in steady decline since the implementation of the Canada-Ontario Social Housing Agreement in 1999, which downloaded federal responsibility over housing to the province. In 2005, Ontario received $522 million in federal transfers, down $3 million from the first year of the agreement, and those transfers will be eliminated by 2032 (SHSC, 2007: 5) as operating agreements expire and mortgages mature.

3.4 The Current State of Social Housing in Canada

There are many issues facing the social housing sector today, such as an aging infrastructure and insufficient capital reserves to fund, repair and replace the current housing stock. Future funding estimates are high, with some predicting that by 2014/15, the annual funding requirement for the current stock will reach $17 million for capital items and $23 million for operating subsidies (Pomery, 2007). These future estimates are causing growing concern among non-profit groups, social housing providers and municipal and provincial corporations as federal, provincial and territorial subsidy agreements begin to expire. Many groups are demanding that the federal government get involved, but at present, there is no indication that senior levels of governments will make social housing a national priority in the near future. At the National Summit in 2005, provincial and federal ministers announced that they had "strengthened their partnerships and are accelerating work on a Canadian Housing Framework" (as cited in Shapcott, 2007: 3). However, two years after the summit, no commitments to the framework had been made and there was little indication that any further measures would be taken (Shapcott, 2007).

In addition to the problems facing cost-share agreements and maintenance of the existing stock, the creation of new social housing faces its own set of challenges. New home construction in Canada has reached high levels, but the movement has been away from rental and co-operative construction. The Wellesley Institute reveals that, in 2005, of the 184,411 new homes that were built across the country, less than 10 percent were rental stock and only 663 were social housing co-operatives (Shapcott, 2008: 6). Forced to compete with the private sector for developmental land, non-profit housing providers who desire to build social housing lack the resources to secure the site (*Alternative Partnering*, 2008).

It is becoming more apparent that the scale of the social housing problem in Canada and the financial figures that are attached to addressing the problem exceed what most senior levels of governments are prepared to commit. Furthermore, in a policy climate where the federal government has diminished its role in social housing and the competition for scarce public resources among other sectors is becoming fierce, it is increasingly unlikely that governments in Canada will come together and make social housing a national priority in coming years. As a result, relying solely on government programs and subsidies for the provision of social housing is now untenable. Other options need exploring. Since municipalities and social housing authorities are ill-equipped to deal with the problem at the local level, they must explore new ways to ensure that limited public resources are used in the most economical way. One model suggested as a possible solution to address the provision of social housing is public-private partnerships. The remainder of this report focuses on this model.

4. Public-Private Partnerships for the Provision of Social Housing

This section will discuss the potential role for PPPs in funding social housing. A brief overview of the literature on PPPs will offer a broader context for the case studies presented in later parts of this report. Highlighted in the discussion that follows is an appreciation of the dynamic models and qualities of partnerships, the opportunities and risks posed by PPPs, a synopsis of the role partnerships have played in other countries and a glance into the views from the private sector.

4.1 Overview of the PPP Approach

4.1.1 The Concept of Public-Private Partnerships

Confusion about the PPP concept is prevalent among political and social circles. In order to prevent misunderstanding, it is integral to solidify what is meant by *public-private partnerships*. The Canadian Council for Public-Private Partnerships defines PPPs as "a cooperative venture between the public and private sectors, built on the expertise of each partner, that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards." But as Wallace et al. (1998: 2) argue, this definition can be misleading as it denotes "an image of private-sector, for-profit business working in parallel, perhaps as an equal partner, with the public sector to provide some societal benefit." Oftentimes, the authors point out, it is the non-profit sector that has been the primary motivator in Canada's social housing partnerships, yet their status is not reflected in the title.

Another misconception of the term is that it is a synonym for privatization. However, as Bult-Spiering and Dewulf (2006: 3) explain, in a partnership, "public and private actors (parties) *share* costs, revenues and responsibilities," whereas, in the case of privatization, full responsibility over provisions is transferred to the private sector.

To eliminate confusion, the definition used for our purposes has a broader, more inclusive meaning and is one that is adopted in a report written for CMHC on PPPs:

> … public-private partnerships are defined to include arrangements where development is undertaken with a combination of not-for-profit, private and public participations of programs. However, PPPs are not undertaken within the context of a single mainstream program. They represent a more dynamic involvement of public-sector, and not-for-profit and private interests in which each contributes something and shares some level of risk (Wallace et al., 1998: 2).

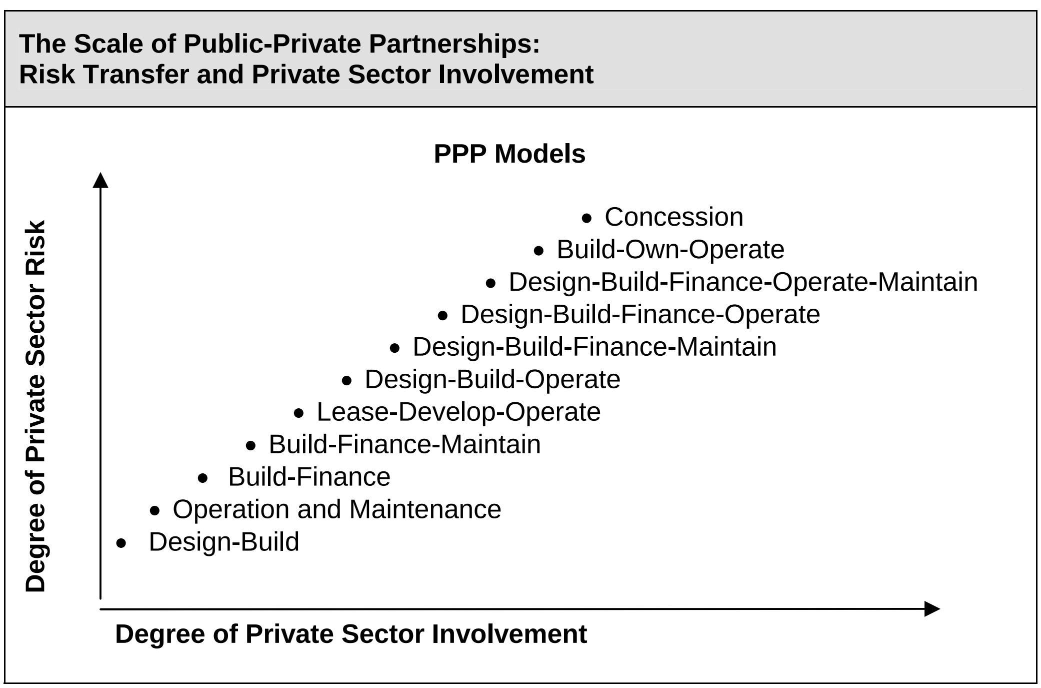
Broadly speaking, governments in many countries increasingly partner with the private sector to deliver public services. Severe fiscal constraints combined with technological changes have meant that many governments are no longer able to uphold large-scale investments in the provision of public services (Bult-Spiering and Dewulf, 2006: 1; Allan, 1999). In the case of Britain, Bailey, Baker and MacDonald (1995: 1) note that "it may not be overstating the case to say that there is now broad consensus among main political parties and practitioners that claims that partnership is now the *only* basis on which successful urban regeneration can be achieved." But while the scale of PPPs has been rather limited in Canada relative to countries like Britain, PPPs here have been successfully used in the provision of water services, hospital construction and management, transportation infrastructure and other public services. Take, for example, the use of PPPs for projects such as the 407 highway in Ontario and the Prince Edward Island Link, which, as Allan (1999: 12) observes, "has done much to focus attention on the potential benefits to be gained by enlisting, in the provision of public goods and services, the private-sector's capacity for innovation and efficiency."

4.1.2 Types of Partnerships, Models and Spectrum

In helping to identify the many forms of PPPs, Boase (2000: 78-79) classifies four types of partnerships that illustrate the possible power-sharing and decision-making arrangements. First, there are formalized *consultative* arrangements under which governments simply seek out expert advice and input from private sector or community groups. *Contributory* partnerships are identified as ones where the public sector provides funding or sponsors an organization (private or non-profit) that is then responsible for carrying out the development and management of the project. There are also *community development* arrangements where both the public and private sectors jointly contribute and work together to achieve a common goal. Lastly, a *collaborative* partnership, which the author cites as the "true" form of public-private partnership, is where both the private and public sectors agree to share the risks and rewards of the project and the responsibility of decision-making is joint, albeit not always equal.

Under such arrangements, there is also a spectrum of organizational models under which PPPs are implemented. As the figure below indicates, partnerships can range from being under the direct provision of the level of government involved in the partnership to complete privatization.

Figure 1. The Public-Private Spectrum



Source: Adapted from the Canadian Council for Public-Private Partnerships website at www.pppcouncil.ca/aboutPPP_definition.asp.

A typical PPP in Canada takes the form of a Design-Build-Finance-Operate model, where the private sector designs, finances and constructs the project under a long-term lease, and subsequently operates the facility during the term of the lease.[9] This model is used most often because it is flexible and invites a competitive process to complete the aforementioned tasks (*Alternative Partnering*, 2008). It is believed that this model can have a positive effect on prices and quality because the private sector participants usually bring together a coalition of interests, which typically encompass a diverse range of skills from more than one sector, to oversee the construction and maintenance of the project. However, the choice of model often varies depending on the market and type of project but usually works to try and improve efficiency and quality of service delivery. In any case, the models presented above differ from the traditional role of the private sector in public investment, whereby the government invites the private sector to build an asset but provides the design and financing and subsequently operates it when the project is complete (Hemming, 2006: 4).

4.1.3. Opportunities and Risks

Several sound arguments presented in the literature support the role of PPPs in the provision of public services. Advocates often point to the financial benefits of partnerships. They argue that PPPs have greater potential in delivering high-quality services at lower costs than those available through public investment and government provision of the same services (Moszoro and Gąsiorowski, 2008; Hemming, 2006: 15). The lower costs result from the fact that public funding is used to leverage private involvement, which is then being matched and bettered by private investment; the higher quality is achieved by bringing together the strengths from both the public and private sectors (Hemming, 2006). Working together can also raise effectiveness in the development process in that it leads to "synergy" – the pooling of expertise, resources and skills in a collaborative fashion rather than a purely competitive one, bringing together the strengths of diverse backgrounds for the public good (Mackintosh, 1992: 210; Haughton and Whitney, 1989: 9). Furthermore, as Allan (1999: 13) notes, partnerships achieve better value for money because "it becomes possible to allocate particular risk to the partner best able to manage that risk."

Additionally, in many of the PPP arrangements where the private sector has the ability to distance itself from political intervention, it may be able to operate with more flexibility and effectiveness than a government agency acting alone could (Allan, 1999: 13). In this regard, PPPs are favoured because they are seen as having the ability to bring a sense of urgency to local problems in that the private partner is better able to pressure governments, effectively reducing delays and minimizing bureaucratic procedures (Bailey, Baker and MacDonald, 1995: 11). Advocates argue that the inclusive nature of the partnership increases democratic accountability. According to Haughton and Whitney (1989), partnerships are seen as a source of legitimacy since they bring together community groups, governments and private actors at the grassroots level, which can then be used to raise the project's profile, allowing for greater acceptability.

Despite the promising arguments made in support of PPPs, evidence in the literature points to the fact that the potential benefits of PPPs tend to be inconclusive. In an extensive empirical analysis of the strengths and weaknesses of public-private partnerships, Rosenau (1999: 26-27) observes: "[p]ublic-private partnerships improve short-term cost performance in several policy

[9] See www.pppcouncil.ca/aboutPPP_definition.asp.

sectors … but only to a very small degree. Long-term calculations are more complicated and could shift the balance in the other direction." Critics assert that the pooling of resources and burden-sharing nature of PPPs does not enhance the partnership, but rather increases the complexity resulting from conflicting interests between the two sectors. They point out that the main goals of the private sector are, in many cases, profit-oriented, which is contrary to the public goals of regulations and the minimization of risk. As a result, to increase their problem-solving capacity, Reijniers suggests that public-private arrangements may require "special attention" when fulfilling public objectives (as cited in Rosenau, 1999: 22). Stiglitz and Wallsten (1999: 57) add to the argument by pointing out the following: "[P]artnerships work best when there are common shared objects, but they may still be effective when interests are disparate. When the partners have separate interests, however, more attention needs to be placed on the incentive-accountability structure."

Several authors also raise concerns over the effect that PPPs have on public and democratic accountability. In her research on six Canadian case studies, Boase (2000: 79) states:

> Under these new [PPP] arrangements, public sector managers and central agents must share power and learn to be flexible with private-sector partners who are loathe to submit to the languor for which public bureaucracies are often noted. But it is the public organization that must remain accountable, and there is a risk that the fragmentation inherent in the pursuit of multiple agreements will result in a fragmentation of accountability.

While the author's conclusions on the appeal of partnerships are mixed, she suggests the need for caution, vigilance and scepticism.

Contributing to the discussion, Flinders' (2005) work suggests that, in addition to the financial, administrative and technical aspects of PPPs, partnerships raise a host of political issues that the wider literature in the area has tended to neglect. While he acknowledges that there is potential for short-term efficiency gains in some policy areas, he questions the unintended long-term costs on public accountability and democracy. He writes: "The vaunted efficiency savings and risk transfer elements of this tool of governance have been forcefully disputed, while concerns regarding increased fragmentation, complexity and opaque accountability channels suggest that PPPs may involve substantial political and democratic costs" (Flinders, 2005: 234). These critics raise concerns about the ability of PPPs to uphold traditional public sector values such as democracy and accountability and therefore question their applicability in traditional public sectors of government.

4.2. PPPs as One Way Forward

While the broader literature on PPPs is extensive, little research has been conducted on the role that PPPs can play in the provision of social housing in Canada. Fallis and Murray (1990) were among the first Canadian researchers to examine how the private sector could be better used to house the homeless and poor. In preparing a report on the role of partnerships in social housing and attempting to draw lessons for the Canadian context, CMHC assessed the experience in the United States (Wallace et al., 1998). Both works agree that there is an important role for the private sector to play in the provision of social housing. However, aside from this research, little study has been devoted to understanding how partnerships can help fund social housing in Canada. Considering the lack of information on this topic, it is not surprising that many community circles in Canada are sceptical of the move to trust social housing to private hands (Canadian Labour Congress, 2005; National Union of Public and General Employees, n.d.).[10]

While research on the topic is limited, there are many reasons to believe that partnerships offer one way forward in the provision and management of affordable housing. The three layers of government have not been able to keep pace with the demand and diversified nature of affordable housing needs. Moreover, new funding seems unlikely. This is not to say that partnerships are the preferred solution in every instance. Indeed, many functions are better left in the sole purview of the government as there are both "good" and "bad" examples of PPPs – "a point that emphasizes the need to assess projects on a case-by-case basis" (Finlayson, 2002: 3). Although the wider scholarly debate on PPPs does raise some real concerns over the long-term effectiveness of PPPs and the possibility that they may compromise the social good of a public service, homelessness in Canada is on the rise and many Canadians are struggling to pay for adequate and suitable housing. Under the current set of circumstances, partnerships with the private sector are an option worthy of consideration to help address what is widely regarded as a national housing crisis. The case studies presented in this report illustrate that partnerships in Canada have been successful in bringing together capital to maximize limited public resources and generate social and accessible housing for low-income earners across the country. The examples also demonstrate that partnerships may have been able to deliver projects that otherwise would have not come to fruition or may have been delivered on a more limited scale if completed independently.

4.2.1 PPP Experience in the United States and the United Kingdom

Although the focus of this research is on the Canadian experience, it is worth noting that partnerships have been used with great success to construct and maintain social housing in both the United States and the United Kingdom. In the United States, PPPs are the country's main source of social housing, and there are myriad examples of partnerships that have emerged in the housing policy sector. For the most part, the approach to low-income housing taken in the United States has been pursued more aggressively on federal, state and local levels. Unlike funding initiatives in Canada, programs in the United States have historically incorporated a wide variety of programs and subsidy techniques to encourage local communities and partnerships to support affordable housing. The programs in place include a housing block grant provided to state and local authorities, effective interest rate subsidies provided through tax-exempt bonds, mortgage insurance and guarantee programs, regulatory influences on mortgage capital, and state and local financial support mechanisms such as housing trust funds, which dedicate a source of public revenue for affordable housing projects (Lea and Wallace, 1996).[11]

The most notable source of government funding for social housing in the United States comes from the Low-Income Housing Tax Credit (LIHTC). This program provides tax credits to local non-profit housing authorities that can then sell the credits to private investors for cash; the

[10] See also CUPE website at http://cupe.ca/p3s.

[11] For a lengthy discussion of the financing tools available to the private sector for affordable housing in the United States, see the Lea and Wallace (1996) paper.

private sector in turn uses the credits to reduce their taxable income (*Alternative Partnering*, 2008: 20). To give a sense of scale on the amount of output produced by the program, 80,000 LIHTC units were created under the initiative in 2002, up 30,000 from 1998 (McClure, 2006: 443). Clearly, a wide array of supportive financing mechanisms has been put in place by governments in the United States, which has stimulated the production of social housing through PPPs.

Similarly, in the United Kingdom, housing in the social sector has depended on the private sector to supplement public funding. Since 1988, housing association construction programs funded by the Housing Corporation have increasingly relied on private financing to supplement public capital subsidies by targeting financial institutions or by engaging a consortium of private investors to raise money directly from capital markets (Lomax, 1996: 856-857). Great Britain has also introduced a Housing Private Finance Initiative (PFI), a method used by government to encourage partnerships between the private and public sectors. Under the PFI, local housing authorities award a long-term contract to a private contractor, which is usually made up of a bank, a housing contractor and a housing association (Office of the Deputy Prime Minister, 2003). The contractor provides a number of housing services, including repairs and maintenance. Among the main goals of the Housing PFI are to provide an affordable way to attract investment to social housing, to provide significant improvements to housing conditions and to maximize the value of public money by ensuring a transfer of risks from the public to the private sector, which may be able to better understand and manage both short-term and long-term risks (Government Offices of London). Funding is provided by the central government in the form of PFI tax credits, which the local authorities can then use as cash to "purchase" the private sector (Office of the Deputy Prime Minister, 2003).

4.2.2 Through the Lens of the Private Sector in Canada

Unlike the United States and the United Kingdom, PPP development in delivering social housing in Canada has been rather limited. As preceding sections have shown, federal housing policy has focused on funding and expanding the non-profit sector for the provision of social housing. Research indicates that, if the appropriate mechanisms are in place, private investors in Canada are prepared to play a much larger role in providing housing for low-income earners. However, some level of government subsidy needs to exist for this private investment to occur (Keyes, 1990: 177). Take, for example, the case of a landowner interviewed who desired to work with non-profit housing and supportive services to build much-needed affordable housing in Toronto. This landowner was prepared to lower expectations on return for his land and had even gone through the planning process for the housing project. However, after two failed attempts to secure necessary government funding to fill the gap between market price and housing need, he resigned himself to a deal with a developer to build condominiums (Personal Interview, 2008g).

Experience shows that, to attract private finance to house the lowest income group, some form of public involvement is necessary (Wallace et al., 1998). The private sector is limited in its capacity to act single-handedly because it operates in a complex housing market characterized by high land costs, delayed developmental approval processes and soaring capital and operating expenses. The creation of new housing stock is costly, and for a private sector firm to receive an adequate rate of return on its investment for a social housing project, some level of government involvement is required.

All levels of governments have a significant role to play in forging partnerships by using their regulatory, legislative and financial tools. Interview subjects from the private sector consistently emphasized the importance of eliminating unnecessary regulatory burdens for affordable housing projects. Disentanglement from regulatory policies such as off-site levies on affordable housing units and expediting the approvals process can amount to subsidies for private investors, thereby lowering housing costs for new development (Calgary Chamber of Commerce, 2008: 35). In this regard, municipalities are best positioned to facilitate this function because of their role in the regulatory environment and the constant contact with private developers (Carter and McAfee, 1990).

The complex and uncoordinated nature between the levels of government was a second common concern raised by interview subjects. When working in partnerships with the public sector on affordable housing projects, often the private sector expressed its frustration with the many processes and negotiations it had to incur with a variety of boards and government officials. One interview subject explained that, when working with municipal staff, he "incurred unprofessional and callous indifference" because, according to the informant, "they [municipal staff] did not care about who would live in the [affordable housing] building. They were so fixated on process that they managed to ignore what they were obligated to do." (Personal Interview, 2008g). Other interview subjects from the private sector expressed similar frustrations and suggested the need for governments to use their legislative tools to streamline programs for affordable housing and to integrate the decision-making process between the levels so as to produce a single point of contact. A key informant stated:

> It would be great if the various public agencies could coordinate themselves together a little bit more. So as a private developer, if I am going to build 100 affordable market units, whether it's ownership or rental, and I could go to the city and say listen, I just partnered with the province, can you cut me some slack on the levies and can I process my permit two months faster? If we can do those things together that work as a group, fantastic! But the problem is … each city has its own set of programs … this makes the process more complex, increases the risk [for the developer], and reduces the number of people who may want to get involved (Personal Interview, 2008a).

Furthermore, although direct funding is critical, voices from the private sector have also expressed the desire and the need for choice. While discussing what financial tools the government could use to draw in the private sector, the interview subject suggested:

> A menu of different things to choose would be best. Right now you can get x or y. But we are a private corporation, we may have different requirements at different points in our corporate life. So at some point maybe tax incentives are important to us, and at other points, it is just a question of x number of dollars in subsidies (Personal Interview, 2008a).

The challenge for all governments, then, is in finding how to produce a wide variety of financing mechanisms that work to energize the private sector to get involved in social housing without "breaking the bank" (Keyes, 1990: 177). In this regard, there may be lessons that can be drawn from the experiences of the United States and the United Kingdom.

Although it remains that the current policy framework in Canada has not helped to foster PPPs, there are no impediments in place, legal or other, that work to prevent partnerships from being forged. As a result, several successful PPP housing projects have met low-income needs in Canada. This paper will now explore these partnerships. While the case studies illustrate that the private sector has a role to play in ensuring that scarce public resources are used in the most efficient and equitable way, they also support the assertion that public involvement is required to attract the private sector to deliver and manage social housing in Canada.

5. Canadian Case Studies

5.1 Introduction

This section of the report sets out to discover and document how social housing has been provided by PPPs in Canada in the absence of permanent government funding. The purpose of the research is to identify three innovative PPPs that have resulted in, or are in the process of, meeting the needs of lower income households. The questions the case studies set out to answer are as follows:

- Did the partnership meet its goals?
- Is the project sustainable for the long term?
- Is the case study applicable to other parts of the country?
- What elements of the partnership made it successful?
- What are we learning about PPPs from the case studies?

The format for all the case studies is the same. A description of the background and context is provided to better understand the framework of the study area. This is followed by a brief description of the partnership and the finance structure to provide the key features and characteristics of the project. Finally, outcomes and key observations are highlighted to provide lessons learned. These lessons will then be used to outline policy recommendations that encourage the production of social housing through PPPs.

The three case studies are project-based partnerships that represent different models. One is a rental unit, another is dedicated to increasing home ownership and the last is a mixed income project that incorporates dimensions of both rental and home ownership models.

5.1.1 Selection Criteria

Case studies were chosen based on specific selection criteria. A primary goal was to select PPPs that were pursued with little dependence on government expenditure for the construction of the project and required little or no subsidies to operate. This was important because it is anticipated that these case studies may be most useful in the context of declining federal transfers and limited provincial funding for social housing in Canada (Wallace et al., 1998). Another important factor considered was income levels. As outlined in Section 2 of this report, the central focus of this research is to seek out partnerships that provide housing for low-income households. As a result, projects were selected based on the number of low-income units built. A further objective was to search for projects that ranged in size, tenure and finance structure in order to draw from a wide variety of experiences. Other factors include the accessibility of information on the PPP as well as the availability and willingness of key informants to disclose information about the partnership.

5.2 Bob Ward Residence, Calgary, Alberta

Source: Horizon Housing

5.2.1 Context and Background

Bob Ward Residence is a three-storey apartment building that provides supportive housing for persons with mental illness and brain injuries, the physically disabled and persons living below the poverty line. Located in Glamorgan, Calgary, the Residence is situated in a growing community of 6,317 people (City of Calgary, 2006), approximately 8 kilometres from the downtown core.

The City of Calgary is a high-growth municipality with a significant need for more affordable housing. In recent years, a real estate boom in Calgary has driven up the prices of homes in the area, outpacing those in the rest of the country.

Consistent with the overall trend in Canada, the Province of Alberta substantially withdrew its commitment to funding affordable housing. Since then, minimal new social housing has been built in Calgary and the market has not delivered any new rental stock. Additionally, many of the existing rentals have been demolished or converted to condominiums. In 2001, it was estimated that 129,105 people were living in low-income households, representing 14.9 percent of Calgary's population (City of Calgary, 2006). At present, there are also about 3,400 homeless people in Calgary, and it is estimated that 53 percent of them have a mental health disorder.[12] Between 1998 and 2001, the City of Calgary responded to the inadequate supply of social housing by contributing $10 million of its own assets to affordable housing and homelessness initiatives. The City's plan was to fund a total of six innovative affordable housing projects for the creation of 1,327 new social housing units.[13]

In 1998, the Calgary Homeless Foundation was established, with a mission to provide housing for some of the less fortunate citizens of Calgary, and immediately began developing strong relationships with like-minded groups in the community and policy-makers at all levels of government. Shortly after, the Foundation became part of a joint venture with Horizon Housing and the Calgary Home Builders Foundation and secured municipal funding under the City's new plan. Together, these three organizations brought forth an innovative social housing project named after home-building industry leader Bob Ward. The Bob Ward Residence comprises 61 suite apartments ranging in size from 354-square-foot studio apartments for those with mental illnesses to 1,608-square-foot, four-bedroom apartments for people suffering from brain injuries. It houses over 70 people requiring assistance and includes a special brain injury rehabilitation unit. To further support those with special needs, the Residence has a full-time housing coordinator and offers access to 24-hour on-call support.

The total cost of the project was estimated at $4.9 million. In October 2003, after years of design, fundraising and political lobbying, the Bob Ward Residence opened six months earlier than planned, mortgage-free and half a million dollars under budget. Tenants are low-income earners between the ages of 35 and 64, and the primary diagnosis of clients is schizophrenia, depression or affective disorders. The project is the first of its kind in Calgary, and the model serves as a successful example of a Canadian PPP.

5.2.2 The Partnership and Finance Structure

<u>Public Sector</u>

Funding came from multiple constituencies, including all three levels of government. For its part, the City of Calgary donated the land on the northeast corner of Glenmore and Sacree Trail, a property value contribution of $935,000, and some work involving road-widening requirements. The Province of Alberta contributed $150,000 through its Community Facility Enhancement Program. The federal government's Department of Human Resources and Development (now called Human Resources and Social Development Canada) also contributed funding through its Supporting Communities Partnership Initiative (SCPI) under its National Homeless Initiative.[14] In total, the federal contribution for the project was in excess of $1 million. In return, all three levels of government wanted to receive appropriate thanks and recognition for their contributions. Beyond this, however, their role in the project was limited. They did not engage in the design and construction of the building and made no further commitments to funding the operations of the project in the long term.

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12 See the Calgary Homeless Foundation website at www.calgaryhomeless.com/main/page.php?page_id=56.

13 See City of Calgary website at http://content.calgary.ca/CCA/City+Hall/Business+Units/Corporate+Properties+and+Buildings/Affordable+Housing/Affordable+Housing+Successes/1998+2001+initiatives.htm.

14 This initiative was introduced by the federal government to try to prevent and reduce homelessness. Along with providing funding for innovative projects, the SCPI encourages communities to work with all levels of government and the private and voluntary sectors in their region.

Calgary Home Builders Foundation (CHBF)

The CHBF was created in 1986 by the Calgary Region Home Builders Association with the intent to give back to its community. As the charitable arm of the home-building industry, the CHBF played a primary role in the design and construction of the project. It ordered parts, leveraged with material suppliers, contracted special trades and ensured the units were built efficiently and cost-effectively. The CHBF also played a major role in agency fundraising. In partnership with the Calgary Real Estate Board Foundation, the CHBF hosted the Building Hope Golf Tournament, which raised $200,000 to support the construction of the project.

Housing Horizon Society

Formed in 1976, the Horizon Housing Society is a non-profit organization with a mandate to provide those with mental illness and other special needs with safe, supportive and affordable housing. In terms of their role in the project, Horizon Housing was responsible for facilitating a number of public consultation sessions for concerned members of the community. Education was provided to the community on mental illnesses, and information was distributed on the types of support services that would be provided. As experts in property management, Horizon Housing also has primary responsibility for the acquisition and management of the building. At present, the organization continues to work with its partners, the Canadian Mental Health Association and the Universal Rehabilitation Agency, to secure tenants and maintain waiting lists for those most in need of affordable and supportive housing.

Calgary Homeless Foundation (CHF)

In 1998, the CHF was established as a non-profit organization to facilitate capital funding for housing projects. Its main objective is to work in collaboration with service agencies, government and the private sector in Calgary to develop plans for projects that provide access to housing for the homeless. The CHF conducts research and serves as a vehicle of consultation and education for the homeless to help them achieve independence and stability. Well connected in the community and driven by private sector volunteerism, the CHF had a unique skill set to broker partnerships and secure philanthropic contributions. Furthermore, it worked to help strengthen community capacity, bring significant fundraising skills to the table and lobby local governments to warrant permits and ensure legal requirements were met.

Funding

The total cost of the project was $4.5 million. Funding came from a variety of sources, including:

- Human Resources and Development Canada $1,000,000
- City of Calgary (provision of site) $935,000
- Calgary Home Builders Foundation $716,631*
- Calgary Home Builders Foundation, in-kind contributions $173,572
- Calgary Interfaith Housing $500,000
- Calgary Homeless Foundation $763,357*
- Canadian Pacific Charitable Foundation $150,000*
- Province of Alberta, Community Facility Enhancement Program $125,000
- Alberta Real Estate Foundation $100,000*

- Horizon Housing Society $100,000*
- Canadian Oil Sands $50,000
- Nexen $25,000
- Imperial Oil Charitable Foundation $20,000

Source: Horizon Housing Society, Personal Communication.

* This total was made up of contributions received from individuals, corporations, charitable foundations and special events.

5.2.3 Project Outcomes and General Observations

Bob Ward Residence opened as a debt-free building, and today the Residence is meeting the housing needs of people with mental and physical disabilities and low-income earners in their community. Rents are set between $270 and $330 per month, with no resident paying more than 30 percent of their income on housing. Rent revenues are sufficient to cover operating and other building expenses, and it is anticipated that the building will not require future government funding. The overall success of the project may be attributed, in part, to the dynamic nature of the community partnership. It is clear that specific organizations were invited to participate in the project mainly because they offered a unique skill or service that the project needed in order to be viable. Once the partners were chosen, a legally binding joint venture agreement was drafted that clearly defined the role of each partner in the project. The synergy resulting from the pooling of highly skilled resources effectively lowered the risk of the project for both the public and private sectors. Essentially, the partnership's ability to leverage capital from the business community eliminated the financing risk. The long-term operating risk is reduced by the fact that the project is mortgage-free. Finally, the Residence is managed by a partner that has expertise in providing housing for the specific client group. It is for this reason that key informants in this study attributed the dynamic nature of the partnership as the main factor in the success of the project along with each partner's motivation and commitment to serve the lowest income households (Personal Interview, 2008c). Clearly, a cohesive team with diverse skills and experience can enable a PPP project to accomplish more than one partner might on its own.

The partnership with the City of Calgary appears to have been the most difficult to broker and was seen as the biggest obstacle for the partners. A key informant expressed that the permit and licensing application process was often arduous, and there were concerns that this would affect construction timelines and fundraising success that had been secured by the private sector to complete the project (Personal Interview, 2008d). Another key informant expressed similar frustrations with the bureaucratic nature of the municipal government and noted that the City of Calgary "could have been easier to deal with" (Personal Interview, 2008c). With this exception in mind, key informants expressed their gratitude to the public sector as they articulated that all provincial and federal programs applied for were received.

A breakdown of the funding structure shows that the private sector played a significant role in the project's success. As mentioned, the CHF cultivated long-term relationships with various funding sources, brokered partnerships and secured philanthropic contributions. Over 150 private donors made contributions ranging from $1,000 to $500,000. Additionally, many contractors and trades people who worked on the site donated materials or provided them at cost. The donations and in-kind contributions of the trades people was the primary factor behind completing the project one-half million dollars under budget. Calgary's private sector is experiencing an unprecedented amount of wealth, and many industries want to be seen as reinvesting in their community. One key informant described the behaviour as a type of "competitive culture" that lends itself well to philanthropy (Personal Interview, 2008d). In many cases, corporations sponsor flagship projects and then use their status to leverage business community involvement. A great example of this is the recent 2008 decision to launch the innovative and proactive 10-Year Plan to End Homelessness in Calgary. In 2006, Steve Snyder, Chief Executive Officer of the TransAtla Corporation, was recruited to lead the planning process and helped leverage key corporate, government and community leaders to create the 24-member Committee. As the name suggests, the Committee to End Homelessness developed a long-term strategy that shifts away from managing the homelessness problem in Calgary to eradicating it through community-based efforts.[15]

The underlying causes of the highly active community-wide involvement are not clear. However, one possible explanation is that there is a great deal of media attention and public pressure in Calgary directed at affordable housing issues and homelessness in general that work to raise public awareness and connect Calgary's wealthy philanthropic community. Whatever the case, it is evident that the movement in Calgary is having some success in changing the mindset of corporate leaders and local council unlike anywhere else in Canada.

5.3 Housing Opportunity Partnership, Winnipeg, Manitoba

Source: Housing Opportunity Partnership

[15] For more information on the 10-Year Plan to End Homelessness and the Calgary Committee to End Homelessness, see www.endinghomelessness.ca.

5.3.1 Context and Background

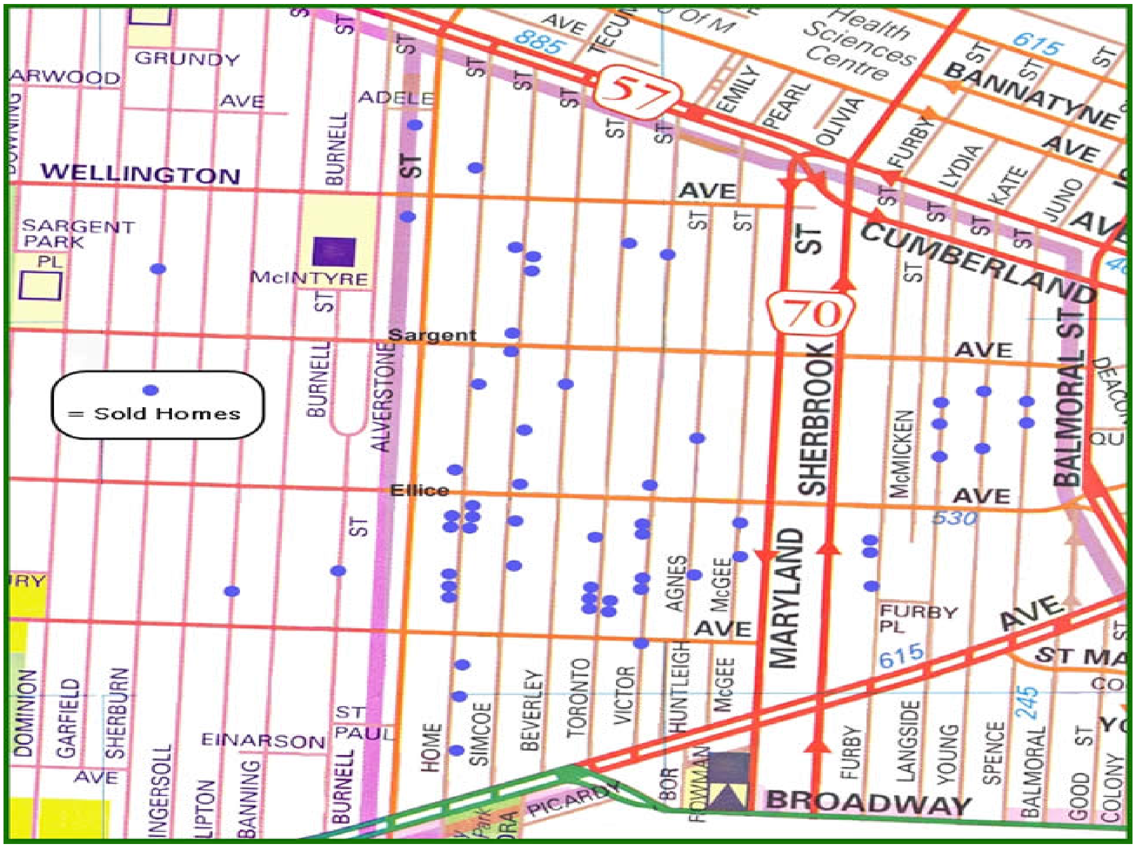
Based on the experiences of the United States, the Housing Opportunity Partnership (HOP) is an innovative non-profit inner housing revitalization program dedicated to refurbishing some of Winnipeg's rundown inner-city neighbourhoods. Winnipeg has the second oldest housing stock in Canada, and homes in the City's core areas are in desperate need of repair and revitalization. In recent years, the City of Winnipeg (2000: 1) classified 14 neighbourhoods as major improvement areas – "older areas that have experienced significant decline to the point where housing and neighborhood infrastructure require complete renewal." Homes in these communities have significantly decreased in market value over the past two decades, shifting the property tax burden onto other areas of the City (HOP, 2001). The result has been a disinvestment in the inner-city core as well as a reduction in the supply of affordable housing. At the same time, like many cities in Canada, basic housing needs in Winnipeg are not being met. CMHC (2004) reports that one out of three households in Winnipeg are in core housing need. Winnipeg also has the highest proportion of Aboriginal peoples in Canada, a majority of whom are experiencing high rates of poverty and inadequate housing, particularly in concentrated areas in the downtown core (Brown et al., 2007).

With funding support from all levels of government, the primary objective of HOP is to revitalize some of Winnipeg's deteriorating neighbourhoods by acquiring vacant or rental homes that are in need of repair, completely renovating them and selling them to first-time low- to moderate-income home buyers. Under the initiative, CMHC's First Time Home Loan program offers eligible candidates a 10 percent down payment if their annual family income does not exceed $46,300. Preference is given to families over single households, and the applicant must be pre-qualified for a mortgage in order to purchase a HOP home. The focus for HOP is home ownership because HOP believes it has the potential to reduce crime and bring stability to neighbourhoods since asset owning is more likely to protect the equity of the home.[16] As a result, HOP partners with financial institutions within the community to provide educational seminars that assist households to understand the necessary steps of home ownership. In this regard, CHMC has also been instrumental in helping HOP with down payment assistance and qualifications for mortgage.

To date, HOP has acquired 61 homes in Winnipeg's inner city west, most of which have been sold on the market for between $39,000 and $80,000. HOP's neighbourhood focus is on the Daniel MacIntyre and St. Mathews neighbourhoods, two neighbourhoods identified as major improvement areas by the City, and many of HOP's homes are located on Home, Toronto and Simcoe streets. It is important for HOP to concentrate acquisition efforts in a few square blocks in order to maximize the impact of its renovation work to help stabilize communities.[17]

[16] See the Housing Opportunity Partnership website at www.hopwinnipeg.com.
[17] See the Housing Opportunity Partnership website at www.hopwinnipeg.com.

Figure 2. Detailed Locations of Sold HOP Homes



Source: Housing Opportunity Partnership (HOP)

5.3.2 The Partnership and Finance Structure

<u>Housing Opportunities Partnership</u>

A non-profit organization, HOP was founded in 1995 by private sector leader Cliff Palmer, then-President of the Winnipeg Real Estate Board (WREB). Palmer was inspired by a similar social housing project in the United States and saw the potential for a comparable mixed residential revitalization project in Winnipeg. This stimulated several partnerships between local leaders in the community and led to the creation of a Board of Directors. Today the Board is a consortium of representatives from the business community and all three levels of government, including key players such as CMHC, the Manitoba Securities Commission, municipalities, the Province of Manitoba, the Manitoba Home Builders Association, the Manitoba Real Estate Association, financial institutions, the WREB, the insurance industry, Habitat for Humanity, private renovation contractors and local community representatives (HOP, 2001). While there has been a constant changeover of Board members, with not all members playing an equal role in the partnership, HOP has achieved overall success.

Winnipeg Housing and Homelessness Initiative (WHHI)
The WHHI is the second partner in the project. The WHHI is a $75-million tripartite agreement between the City of Winnipeg, the Province of Manitoba and the Government of Canada, bound by the WHHI Memorandum of Understanding signed in 2000. It was created to revitalize Winnipeg's inner-city neighbourhoods, provide social housing for low- to moderate-income citizens and address homelessness.[18] The goal of the WHHI is to work with community-based interests and aid them in the development of social housing projects. Funding comes from a variety of government programs but is streamlined through the WHHI's Single Window service, which coordinates the approval process of all three levels of government, making it easier for community organizations to access funding and information on social housing projects. While the WHHI sponsors several projects across Winnipeg, HOP is the WHHI's first and only non-profit home ownership project, and representatives from all three levels of government are HOP Board members.

Funding
Funding support for HOP's home renovation projects comes from four main sources. The first source in the WREB's proposal initially involved submitting an application to the Manitoba Securities Commission Real Estate Advisory Committee to receive annual funding from down payment interest accumulated in broker trust accounts. In 1997, HOP successfully lobbied the government to enact legislative changes to access these funds and received $130,000 to get the project off the ground. It has subsequently collected additional funding of $470,000. Between 1998 and 2000, HOP also received $500,000 from the Winnipeg Development Agreement Home Equity Program administered by the federal government's Human Resources Development Canada. Another major source of revenue comes from the WREB, which provided an initial $25,000 in seed funding and continually supports HOP in kind through its staff and facilities. A final source comes from the WHHI, which includes $1.5 million from the cost-shared Canada-Manitoba Affordable Housing Initiativ.[19]

The total cost of the project is an estimated $4 million (Personal Interview, 2008e), with public funding representing approximately 35 percent of the total cost. Public financing continues to be a critical component as the cash transfers are used to fill the market gap – the difference between the acquisition and rehabilitation price, including the operating cost and the selling price of the home.

5.3.3 Project Outcomes and General Observations

Recognizing the need to find alternative means of providing affordable housing, the WREB was the main catalyst and initiator of the home ownership project. In part, the initiative is motivated by larger real estate interests seeking to create business in the area and to generate new home-buying opportunities for low- to moderate-income residents (Dyck and Schultz, 2006). Since its inception, the initiative has come a long way toward strengthening the home ownership base of the inner-city core in Winnipeg and improving real estate values in the area. From 1999 to 2000, the West End area of Winnipeg experienced a 20 percent increase in the average sale price of real estate, and in 2005, the resale value of a HOP home was up to $119,900, nearly twice the

18 See the Winnipeg Housing and Homelessness Initiative website at www.gov.mb.ca/fs/housing/whhi.htm.
19 See the Housing Opportunity Partnership website at www.hopwinnipeg.com.

average selling price for a home in the area prior to the initiative (HOP, 2001). Being very strategic in the targeting and acquisition of homes and focusing exclusively on home ownership have proven to be key factors in raising property values in the area. To date, the organization focuses on what is achievable based on the time and resources at its disposal.

With the exception of the role of CMHC and funding for the project, government involvement has been limited. The design, implementation and renovation of each home are executed by HOP, and the organization continues to be primarily steered by the WREB.

Unlike the WREB, which is a well-established and credible organization in Winnipeg, HOP was not a well-known entity in the preliminary stages of this endeavour, and the targeted neighbourhoods were in such decline that they were not seen as the most desirable areas to purchase a home. Therefore, the shared risk was that HOP would be unable to find qualified low- to moderate-income buyers. Adding to the difficulties, a number of communities bordering the inner city offered housing prices that were still very reasonable. Consequently, attracting qualified home owners was challenging given their unwillingness to risk a major investment in an area considered unstable and in decline. Over the years, however, HOP has developed a consistent and solid marketing plan to attract qualified buyers, which has achieved measurable success.

The financial risk incurred by HOP is an ongoing challenge since funding is ad hoc. As mentioned, the organization is dependent on government inputs to help fill the market gap of each home in order to keep prices as low as possible. In the initial stages, HOP relied solely on its private partners' volunteerism in an effort to limit internal financial costs, but it has now accepted that some staffing overhead is critical to the mandate and efficiency of the organization. Considering these and other costs, government funding is critical to the ongoing sustainability of the project.

While the increase in the price of homes in the inner city has had a positive effect on stabilizing some of Winnipeg's declining neighbourhoods and increasing property values in the area, the subsequent market inflation has driven up the prices of home acquisitions for HOP. Similarly, the prices of HOP homes have adjusted upward from $39,000 in the initial stages of the project to a market price closer to $100,000 in recent years (Personal Interview, 2008e). Although HOP has been successful in selling homes that are affordable to lower income earners, it is questionable whether continued rising market pressure in Winnipeg will allow HOP to continue to do so in the near future.

5.4 Regent Park, Toronto, Ontario

REGENT PARK NORTH

Source: http://timitae.com/wp-content/uploads/2008/05/regent_park_toronto1.jpg

5.4.1 Context and Background

Regent Park is a culturally diverse neighbourhood located in downtown Toronto that is populated mostly by immigrants. It is also one of the oldest and largest public housing developments in Canada, housing approximately 7,500 residents in 2,083 RGI units. The neighbourhood remains one of the poorest in Canada, with an average family income that is $20,645 below the national average of $50,091; in 1990, a clear majority of residents in Regent Park – 68 percent – lived below the LICO (TCHC, 2007: 21-22). The community also suffers from higher rates of crime, drug abuse and violence when compared with surrounding neighbourhoods in Toronto.

Constructed over 50 years ago under the federal government's public housing programs, Regent Park's housing stock is in very poor condition. The design of the community is also fundamentally flawed; there are no streets running through the community and most buildings face inwards, separating Regent Park from the rest of the city. After years of community engagement and consultation, under the leadership of Toronto Community Housing Corporation (TCHC), City Council approved a plan to revitalize Regent Park in 2003. The redevelopment will demolish and replace the existing RGI units but will also bring in an additional 3,300 mixed income market units, increasing the population of Regent Park. It is anticipated that 300 of the units will be affordable home ownership opportunities, some of which will be built in the surrounding areas. To end the physical isolation of Regent Park, the redevelopment plan will introduce streets, buildings will align along the street and the design will be compatible with adjacent neighbourhoods. In addition, large new parks will be created and a full mix of education, culture and other service facilities will be established. The overall goal of the project is to redevelop the area into more than the existing low-income housing by creating mixed income communities as well as providing commercial opportunities within the community to try and mix together both private and public aspects of the industry.

The plan will be carried out in six phases over a 12-to-15-year period that began in 2005. During each phase, residents will be temporarily relocated during the demolition and construction stages, at which point all will have the right to return upon the completion of each phase. TCHC has partnered with the Daniels Corporation, a private developer-build firm in Toronto, and the two organizations are sharing the risks and rewards of the project.

5.4.2 The Partnership and Finance Structure

Public Sector

All three levels of government are involved in funding the project. For its part, the City of Toronto approved redevelopment on the condition that all RGI units are replaced with new ones. Additionally, it is assumed that the City will wave developmental and realty taxes on all new RGI units for the duration of the development. The City, in collaboration with senior levels of government, is also expected to absorb the infrastructure costs for the creation of new roads, bridges, parks and sewage systems. The project is allocated up to $1.61 million in funding from the federal and provincial governments under the Canada-Ontario Affordable Housing Program Agreement to stimulate construction for the affordable housing project.

Toronto Community Housing Corporation

TCHC is a municipally-owned non-profit social housing provider that currently owns and operates the 2,087 RGI units at Regent Park. The organization was created in 2002 by the City of Toronto after the Ontario government downloaded responsibility over social housing to the cities. TCHC owns the developmental land and undertook a number of feasibility studies to determine the best approach to moving forward with the revitalization by consulting with members inside and outside the community. In December 2002, Toronto Community Housing presented the Regent Park Revitalization Study which proposed a redevelopment plan for Regent Park (TCHC, 2002).

Daniels Corporation

The Daniels Corporation is a well-established builder-developer in Ontario with many years of experience in building homes and communities. Daniels is partnering with Toronto Community Housing and will oversee the design, construction and completion of all new RGI units and the additional market mid-rise and high-rise units in accordance with project timelines. Daniels is also responsible for selling the new market housing, some of which it has committed to offering below the average market price to low- to moderate-income earners. Qualified purchasers will also receive an additional 5 percent loan from the Daniels Corporation under its "Triple 5" Downpayment Assistance Program, which matches an original 5 percent put down by the purchaser.

Funding

The redevelopment of Regent Park is a $1-billion project. The funding structure of the project is highly complex and multilayered but mostly comes from savings generated on site and the infusion of capital from the government, either in dollars or in kind. The most notable elements of the financial plan are highlighted below (TCHC, 2003):

- $1.61 million from the federal and provincial governments under the Canada-Ontario Affordable Housing Program;
- Financing from the private sector for the construction of all new market units;
- Rents paid by tenants;
- Toronto Community Housing equity contributions and loans;
- Reduction in the capital dollars currently allocated to upgrading the TCHC units in Regent Park;
- Current operating subsidies paid by the City of Toronto;
- Money freed up due to increased operating efficiencies of the TCHC units in Regent Park after the first phase is completed;
- Key assumptions;
- Other.[20]

5.4.3 Project Outcomes and General Observations

The choice of TCHC to invite a private sector partner to participate with the revitalization of Regent Park was the result of a year-long planning process that looked at various options for redevelopment. In the context of declining government expenditure for social housing, it was apparent that TCHC needed to look outside of government assistance to raise additional funds for the project. As owners of the real estate, TCHC decided it was best to develop the land with a private sector partner to get maximum value for the property as opposed to selling off the underdeveloped land at low market price. Under this model, it is believed that there is potential for significant financial gain.

TCHC invited a number of private sector developers to a competitive selection process to help with the design, financing and construction of the project. The Daniels Corporation was carefully selected as the developer-builder for the first phase, and a formal contract agreement was signed that clearly articulated the financial and legal responsibilities of each partner. Importantly, the timing of integrating private sector involvement was vital to this partnership model. TCHC involved a private partner once the organization had already defined the scope of the project, conducted preliminary cost-benefit estimates and solidified the majority of the decision about the Regent Park vision. According to key informants, this minimizes conflicts between the parties because project goals and objectives are "identical" (Personal Interview, 2008a). Regardless of the shared visions of Regent Park, control mechanisms are embedded in the contract to ensure that the private developer fulfills its obligations. It is understood that, if Daniels does not satisfy

[20] For a comprehensive review of the cash flow model, see www.regentparkplan.ca/financialplan.htm.

the requirements during the first phase, the developer will not be invited back to build the remaining phases.

Under the terms of the agreement, TCHC and Daniels agree to share the risks and rewards of the construction of the new market housing units. As one of the poorest communities in the country, Regent Park is often portrayed as a neighbourhood replete with violence, drugs and a myriad of other social ills. A critical challenge throughout the process will be to remove the stigma attached to Regent Park and transform the community into an exciting mixed income neighbourhood where people choose to live. In an attempt to mitigate some of the risk, the partnership has chosen to first finance and build the market units and then to sell the homes. It is believed that this will raise buyer confidence as it is expected that the redevelopment of Regent Park will have a dramatic impact on the economic and social fabric of the community. Based on revitalization plans designed by TCHC, Daniels has taken a leadership role in marketing to ensure that commercial space is rented to help bolster economic activity and raise property values in the area. Currently, the Royal Bank, Tim Horton's and Sobey's are among the first commercial partners to join the community. This is a noteworthy commitment by private interests to become involved in a neighbourhood that currently enjoys little commercial activity.

Another important challenge for the partnership is to ensure that, over the next 10 years, City Council (which is subject to re-election) will fulfill its obligation to waive property and other taxes for the new social housing units to keep costs within budget. Furthermore, since the project plan goes beyond simply building new housing and includes the construction of new public infrastructure, it is critical that the partnership continues to manage its working relationships with all levels of government.

The partnership is perceived more favourably by the private sector participant than by TCHC. While key informants on both sides expressed that trust levels are high and the partnership is "by and large, a good one," interview subjects at TCHC did express hesitation and discontent for the loss of ownership and control over the land that occurred when Daniels got involved with the project (Personal Interview, 2008f). But while there are some concerns, it is understood that the contributions from the private sector have spread the financial costs incurred by TCHC. Although the full implications of this partnership will not be known for another decade, in the early stages, project goals and objectives have been effectively executed. The first phase has been successfully completed in accordance with project timelines, and Daniels has been invited to partner with TCHC for the second phase (Personal Interview, 2008f).

5.5 Synthesis and General Conclusions of Case Studies

The three case studies represent a new model for responding to the social housing needs in Canada – one where the private and public sectors unite to acknowledge the problems that surround their communities and work together to design and execute innovative solutions. While the scale of the case studies reviewed is not extensive, there is enough to track patterns that may be useful when crafting a larger policy framework. Highlighted in the discussion below are general conclusions drawn from the case studies.

Undoubtedly, the examples reveal that the private sector has a key role to play in the provision of social housing. The private sector has invaluable expertise in such areas as construction, design, real estate finance, land development, marketing, property management and the buying and selling of homes. Furthermore, it has the unique ability to raise support for social housing projects within the community, leverage needed resources and better manage risk. The example of Regent Park shows how a public corporation that lacks needed resources to develop a site can invite a private partner to raise the necessary capital to help with the design, construction and management of the project and bring in vital marketing skills to re-brand a highly stigmatized low-income community. This is done through a carefully negotiated contract that creates rewards for the private partner and ensures desirable outcomes. Regent Park is a good example of a PPP because it not only shows how the two sectors can work together but also presents a replicable model for social housing providers.

Remaining vigilant about selecting a partner and clearly defining roles and responsibilities is an important facet to the development of a social housing project. This was most clearly evidenced in the examples of Bob Ward Residence and Regent Park. In these cases, each partner brought a skill set that added value to the project, and roles were clearly outlined in a legally binding contractual agreement that helped solidify responsibilities. Furthermore, it is clear that each partner trusted the other to carry out the work agreed upon. Interview subjects under such circumstances expressed enthusiasm over synergies shared between the partners as it exposed them to new and varied ideas, skills, practices and technologies.

In contrast, the informal and voluntary private sector participation seen in the case of HOP raised the level of complexity for the housing partnership. It was not always clear what role each partner played, and at varying points HOP seemed to struggle to retain some of its key Board members. Although this situation did not overshadow the overall achievements of the affordable housing project, over the years HOP has needed to overcome many obstacles, including hiring permanent staff to fulfill its mandate. A lack of broader supportive institutional arrangements to inform and train participants on PPP procedures has resulted in HOP having to develop successful practices through a trial and error process. The organization executed much of its own research based on the experience of the United States to help it understand the characteristics of a successful partnership that is developed only through knowledge and experience (*Minister's Symposium*, 2003: 7). Nonetheless, despite HOPs impediments, the example shows that forging partnerships can effectively work to address large and highly complex challenges in local communities.

The cases also reveal that the presence of a strong private leader with vision and credibility is an imperative prerequisite to the success of a social housing project. In the examples, the leadership role is not simply about resource commitments but rather reflects the organization's ability to involve the participation or support of other corporate and community groups. While all three cases had strong leadership elements, the private sector's ability to leverage additional resources was especially evident in the case from Calgary. The CHF was highly successful in cultivating relationships and was able to secure large-scale philanthropic contributions. Furthermore, the CHBF's well-established relation with trades and suppliers in the home building industry lowered construction costs and was the primary reason that the Bob Ward Residence opened under budget and six months earlier than planned.

Leadership is also important because there is currently limited research and experience in the development of PPPs for social housing in Canada. This means that the private sector is dealing with an unfamiliar market. While the cases presented here demonstrate that there is great potential for success in this market sector, the uncertainty of it increases the risk for the private investor, and as one key informant stated, "… the private sector is normally not interested in taking on a project with potentially more risk" (Personal Interview, 2008a). However, the same interview subject further explains: "A lot of [private] developers will look at the [business] leaders [in their industry] and say hey, if they can do it, then why can't we?" Given the limited scope of the case studies, it is not clear whether the leadership must come from the private sector to be effective; however, the cases presented here show that a major benefit of partnering with well-established private sector organizations is that it inspires other business interests and organizations to address the issue of housing affordability in their communities.

While an overview of the financing structure for all three case studies reveals that they relied on a layering of sources to make housing available to the lowest income group, the importance of the public sector should not be understated. In the examples, developmental assistance from all levels of government was critical in the project. Public funding was especially important in the case of HOP and Regent Park. Conversely, providing developmental assistance for the social housing projects was highly beneficial for the public sector because the private partner matched and sometimes even bettered funds. As the primary delivery agent, the private sector had greater incentive to move ahead with the social housing project quickly and cost-effectively. Finally, it was observed that, if the private sector was not solely depended on to address affordable housing needs in the community but part of a wider partnership that brought together all sectors, it was more inclined to be part of the solution.

A cursory overview of the social housing PPPs may lead one to conclude that the examples from Winnipeg and Calgary are more the exception than the "rule," since only by using a fairly stretched definition of PPPs do they qualify as "true" partnerships. In these cases, the government played a more supportive role, and so the extent to which the risk and decision-making responsibility was shared was minimal when compared with the case of Regent Park. Furthermore, private sector interests in these cases were not driven by a direct return on their investment but by greater economic goals to help restore and re-energize communities.[21] Clearly, the two examples represent a more modest form of PPPs. But while it is possible to suggest that these two models cannot be easily replicated, at the very least, they reveal that the private sector is innovative and resourceful and that its role can vary greatly under the auspices of PPPs. Likewise, the cases represent two progressive and forward-looking models for the Canadian PPP experience rather than the exception to the "rule." More importantly, the examples of Winnipeg and Calgary highlight that the private sector is not always driven by an immediate return on its investment; it will also act with a long-term investment strategy in mind that creates wider community benefit.

[21] This also may explain why these two housing projects were embraced with more enthusiasm and acceptability in the community as there appeared to be an identifiable benefit to the public good, which, perhaps, is not as clear in the example of Regent Park.

Concern over whether the examples presented above will meet the needs of the lowest income group in the long term is legitimate. Regent Park has only recently completed its first phase of construction, and it is still unclear how affordable the new mixed income units will be and whether they will meet the needs of the lowest income earners. Furthermore, it is uncertain whether rising market pressures in Winnipeg will allow HOP to provide ownership for low-income buyers in the future. The Calgary model, as long as it continues to be effectively managed, may represent the best opportunity for long-term sustainability because the building is mortgage-free. While the implications of the case studies on the lowest income group are not clear-cut, the examples represent a refreshing departure from the traditional Canadian experience. Furthermore, research in the near future may want to evaluate the long-term effectiveness of these and other partnerships on democratic and public accountability as much more work needs to be done in this area.

6. Policy Recommendations

The following section outlines a set of policy recommendations for social housing authorities that are drawn from the literature, the key informants and the case studies presented in this report. It is the objective of the policy recommendations to encourage PPP flexibility and diversity in both the kinds of partnerships implemented and the types of social housing developed. The assumption behind the recommendations is that there is not one single approach to resolving Canada's housing crisis. Taken collectively, however, these recommendations can serve to address the greater national housing crisis while still maintaining local policy flexibility.

1. **Negotiate an agreement with the federal and provincial governments** to create new, permanent programs that work to support the production of social housing through PPPs.
2. **Partner more consistently with the private sector**.
3. **Encourage the federal government to review and improve the mandate of the Affordable Housing Centre,** and use it as a tool for the development of more effective PPP procedural training programs.
4. **Advocate for the creation of tripartite government partnership to provide a single point of contact in each province** for the private and non-profit sectors that integrates government decision-making on social housing programs, similar to the Winnipeg Housing and Homelessness Initiative but more comprehensive.
5. **Work with provincial and municipal regulatory authorities to fast-track and streamline** permit processing and wave developmental fees for affordable housing development to mitigate the risk and create incentives for developers.
6. **Build community capacity by actively seeking out and maintaining strong partnerships with industry leaders.**
7. **Work with other social housing authorities to create a new initiative** that conducts research on creating an investment climate that encourages the delivery and management of social housing through PPPs. Ensure that the research is widely disseminated.
8. **Raise public awareness on affordable housing issues** to mobilize support at the grassroots level for PPP-based social housing projects across the country.

9. **Encourage all levels of government to strengthen public policies** that increase the profile of the important contribution that philanthropy makes for the creation and management of new social housing.
10. **Work with governments at all levels to introduce a variety of supportive financial mechanisms** that secure a revenue stream that stimulates the supply of affordable housing. Two mechanisms that could be replicated in the Canadian context are the tax credits and housing trust funds implemented in the United States and the United Kingdom.
11. **Encourage governments to donate available land** to the private and non-profit sectors for low-income housing projects.
12. **Host conferences and forums that bring together** all sectors to provide network opportunities and further share ideas, skills and experiences on selected topics related to social housing and partnerships.

7. Conclusions

The size and scope of the problems that plague the social housing sector in Canada and the unwillingness of senior levels of government to address these challenges highlight the urgent need for fundamental change in the way that social housing is delivered. The goal of this research was to investigate the role that public-private partnerships can play as one possible financing alternative to the creation and management of social housing. In doing so, the main objective was to raise awareness of the partnership approach by identifying three successful PPP-based housing projects in the Canadian experience. It was hoped that the examples would highlight lessons learned that might strengthen future efforts to initiate PPPs.

The case studies reviewed show that social housing can be effectively delivered and managed through partnerships. The private sector has a tremendous amount of skill, resources and experience to offer the social housing sector. It is also flexible, innovative and better able to absorb and manage risk. Among the key factors identified that enhanced the success of the affordable housing project are choosing the right partner, having an industry leader and legally defining roles and responsibilities within the partnership.

An overview of the case studies also reveals that there is a large role for all levels of government to play. Without some form of public financing, it is questionable whether any of the housing partnerships reviewed could have housed the lowest income group. But while the case studies show that PPPs reveal some promises in addressing low-income needs in the short term, long-term measurements are required to ascertain whether the models will continue to meet this demand. Additionally, future research is necessary to assess the implications of these and other PPP affordable housing projects on democratic and public accountability.

Research findings in this report suggest that PPPs have great potential in the provision of social housing delivery in Canada. However, the current policy framework in place does not accurately reflect what is needed to stimulate and broaden PPP approaches to housing development. Therefore, the policy recommendations presented are intended to inform and provide guidance to social housing authorities on the kinds of instruments and structural changes necessary to inspire more active participation of the private, public and non-profit sectors in this regard.

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Appendix A. Sample Interview Questions for Case Studies

Sample Interview Questions for Case Studies

1. How and why did you engage the private sector?

2. Entering into the partnership, what were the risks?

3. Opportunities?

4. How many units are going to be low-income?

5. How was the relationship between all partners in terms of trust level?

6. Do you think each partner incurred the same level of risk?

7. How was your partnership with the City and other levels of government? To what extent did the government constrain and/or enable the development process?

8. What sorts of challenges, whether they are procedural or policy, restricted the organization's capacity to develop this project?

9. Do you think that this type of project can be replicated? If so, how? If not, why not?

10. How do you conceive of the process in which you are/were engaged?

11. What was the main factor that resulted in the success of this project?

12. Obstacles?

13. Would you say that private-public partnerships are an effective and reliable way of delivering social housing in Canada? Why or why not?

14. If you could provide lessons learned to help foster effective partnerships in housing, what would they be?

15. Based on your experience, is there a role for governments in enhancing and optimizing partnerships? If yes, what do you think the government's role should be?

Appendix B. Sample Interview Questions for Private Sector

Sample Interview Questions for Private Sector

1. What is the role of the private sector in social housing?

2. What sorts of government tools constrain and/or enable you to get involved in social housing issues in Canada?

3. Based on your experience, what financial tools could the government use to draw the private sector in to social housing?

4. As a private investor, are tax incentives, similar to those granted to the private sector in both the United States and the United Kingdom, something you think you could be interested in?

5. What is the potential for "synergism" among the three sectors?

6. How can we engage the private sector to get involved in social housing?

7. Would you say that public-private partnerships are an effective and reliable way of delivering social housing in Canada? Why, or why not?

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