

# FOR AFFORDABLE HOUSING: HAVE OTTAWA PAY THE RENT

Tom Kent

*Municipalities are created by the laws of a province. They administer such services as the province decrees or leaves scope for them to provide, from limited finances. This thralldom is increasingly resented, particularly in cities whose populations far exceed those of smaller provinces. It seems natural to seek relief by appeal to Ottawa, but that would require public money to be used in defiance of the Constitution, which neither the provinces nor the courts will allow. The unreality is tragic because there are in fact ways in which federal resources can be deployed to correct the deficiencies of urban living. Those ways would not put federal money directly into the hands of municipal administrations. Rather, they would enable individuals to pay for specific improvements to their cities and towns. The priority proposed is a program to make housing affordable.*

*C'est en vertu des lois provinciales que sont créées les municipalités, qui administrent à l'aide de ressources financières limitées un éventail de services décrété par les provinces. Cette forme de servitude provoque une amertume de plus en plus vive, surtout dans les villes où la population dépasse largement celle des petites provinces. Il semblerait normal qu'elles en appellent à Ottawa pour alléger leur dépit, mais il leur faudrait pour cela défier la Constitution en puisant à des fonds publics, ce que ne permettraient évidemment ni les provinces ni les tribunaux. Une incongruité d'autant plus déplorable qu'il existe en fait plusieurs moyens d'affecter les ressources fédérales de manière à corriger les insuffisances de la vie urbaine. Il ne s'agirait pas de reverser directement l'argent du fédéral aux municipalités, mais de permettre aux citoyens de financer des améliorations spécifiques à leur ville. En la matière, la priorité consisterait à élaborer un programme de logements à prix abordable.*

There were more things in the future of Canada than the Fathers of Confederation dreamt of. That the 20th century would belong to us was a later and unreal hope, but it was indeed the century of our urbanization. No one in 1867 could have foreseen the extent of the transformation: the size, the economic roles, the social responsibilities that would come to our major cities. And even if they had had such vision, the politics of their time would not have allowed the men of 1867—and they were all men—to write a different constitution for municipalities. Just as a unitary state was out of the question, despite Sir John A. Macdonald's predilection, so was any restriction on provincial sovereignty in “local” affairs. Provincial law would create municipalities. Whatever their scale and structure, they would be controlled by provincial, not federal, politicians.

It remains just as true, 135 years later, that political attitudes and power structures would have to change beyond any current imagining before the Constitution could be amended to trench on provincial sovereignty over municipalities.

That is one side of a dilemma. The other is that our cities are in trouble; and there is every sign that, if it is left to provin-

cial politicians, the trouble will get much worse before serious efforts to deal with it are begun. A generation or two ago we could confidently say that our cities were better places to live than most of their American equivalents. There has since been growing awareness, worldwide, that the quality of city living is crucial to sustainable progress, economic and social. In many countries infrastructures have been improved, pollution and congestion reduced, city cores remodelled, slums cleared, affordable housing built, parks and playgrounds and cultural facilities expanded. In Canada change has been relatively slow. The extent of our empty space, the availability of cottages at the lake, has encouraged complacency. Provincial governments, happy about the spread of suburban development, have been niggardly with resources for city centres. With recent cutbacks and downloading our civic advantages are further eroding, and with them our attractiveness for contemporary work and investment.

The concern is familiar. Prescription of remedies is not. For the time being at least, the provinces have pretty well succeeded in sloughing off the problem. They can relax

as the municipalities feel increasingly driven to shift their pleas for more money to Ottawa.

City officials are accustomed to arguing that the residents of, say, Winnipeg generate much of the tax revenues collected by Manitoba but the city government gets only a tiny part of them. In the relation between a province and its municipalities, this is a valid point. But when the same argument is taken to Ottawa, it becomes pathetic. Every cent of tax revenue in Canada is generated by residents of a province or territory. Where does the linking of taxes to residence put the federal government? When Toronto officials take their pie charts of tax shares to Ottawa, they are not making their own case so much as firing a shot for Ontario in its continual tax war with the feds. Desperation for the revenue to spend makes them blind to the politics of raising it.

What is wanted is not, of course, just money spent in the city. It is money for the city's coffers, money that gives municipal politicians and officials power to spend as they determine, free from provincial rules. Some claim to see no reason why they should not get revenue from gas taxes, why some income tax points should not be allocated directly to them instead of to the provinces. It would be salutary for them to know what happened to the last conspicuous innocents who thought their cause so good that the Constitution of Canada could be set aside on their behalf. They were the university presidents of the 1960s.

The province's constitutional responsibility for education is somewhat muted by the principle of academic freedom; universities are not treated as creatures of the province in the same sense as municipalities. There was no objection when federal responsibility for the armed forces was carried over, at the end of the 1939-45 war, to help for the education of veterans. The universities were given a direct federal grant for each student supported by the Department of Veterans Affairs. As the supply of veterans faded, the universities were desperate for continuing finance. Influenced by the Massey Commission, Ottawa in 1951 introduced grants related to a university's total student enrolment. In the continuing aftermath of wartime centralization, Quebec was the only provincial government to stand firm on the Constitution and forbid its universities to take the federal dollars. Eventually, with Duplessis gone, there was a deal: the federal government cut its corporate income tax rate in Quebec, and adjusted its equalization payment, in order to provide the provincial government with extra funds for universities in the

same amount as the federal grants to them would have been.

This contortion should have put all the universities on their guard. It did not. In the 1960s they became as eager for more funding, free from provincial strings, as the cities are today. They pressed the federal government to more than double its grants immediately and to commit to annual increases thereafter. The universities had skilled lobbyists. Federal ministers and officials were sympathetic. The outcome was, nevertheless, predictable. The federal grants were not increased. They were terminated.

This was not to save money. On the contrary, there was general agreement that post-secondary education needed great expansion. But the Second World War was now 20 years behind. There was no longer a lingering acceptance of its centralization. The Quiet Revolution in Quebec had stimulated revived sensitivity about jurisdiction—and modernized administration—in all provinces. Inertia might have kept the direct grants going at the same level. But when the universities pressed for more, they compelled the federal government either to say no or to change the system: to end direct grants and route all of its increased funding through the provinces. That meant, in the style of the time, cost-sharing: reimbursement of the provinces for part of whatever grants they chose to give to the universities. The universities became more dependent than ever on the provinces alone. The consolation was that they were for a time well-kept, because giving them a dollar cost provincial treasurers only 50 cents.

The party lasted for about a decade. As the social impulses of the 25 post-war years weakened, federal politicians saw little benefit for themselves in the subsidization of provincial programs. In 1977 cost-sharing grants for the universities and for health care were combined and replaced by, in effect, a block transfer designed to fade gradually away. The provinces got the consolation, meantime, that they could spend the grant how they wished. Money for the universities promptly became a diminishing share of provincial budgets. Faculty and students know the rest of the story. University presidents earned a failing grade for sagacity. We need better from municipal politicians, in the form of worldly wisdom.

Ottawa has a variety of constitutionally valid ways to assist activities in provincial jurisdiction. Some are indirect. For example, while university teaching as such cannot be subsidized, much of the research that Ottawa can and does

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fund has an incidental effect of strengthening the universities' teaching resources. Further, federal loans made to students are essential to university financing in the sense that they make tolerable, after a fashion, the fees needed to operate with the level of funding provinces provide.

Again, federally funded research, organization of information, pilot projects and the like are important for health and social services. There are even a few small projects for which a municipal agency is effectively the operator and so gets some federal dollars directly—"some" meaning too few for provincial authorities to bother about them. Substantial federal involvement now reaches municipalities only for infrastructure projects. The opportunity to cut ribbons and glow in public acclaim is irresistible for politicians at all levels. But infrastructures come in bouts related to federal elections, of kinds and in places controlled by the provinces, with scant regard to municipal planning and priorities. The federal housing proposal announced last year would subsidize private, not municipal construction, but even so involves prolonged negotiations with the provinces—about an offer that in size gives little more than a nod of recognition to the urgent need for affordable housing.

The need of Canada's cities is for improvement programs that are major, prompt, planned and continuing. In theory, federal money of that kind can come to them indirectly, through cost-sharing of regular provincial programs that finance, in some degree, municipal operations. Cost-sharing has good credentials. For a time it played so large a part in Canadian public policy that it is still the mechanism that comes first to the thoughts of advocates of almost every good cause.

There are, however, two realities for municipalities to recognize. The sharing is between federal and provincial governments, for programs run by the provinces. Some of the money may have originated in Ottawa, but when it gets to the municipalities it is all provincial money, for use as the provinces prescribe. The status of the municipalities is in no way changed. The provinces are the masters. They will not allow an injection of federal money to erode their sovereignty.

The second reality is that today's politicians have little appetite for cost-sharing. Ottawa gets some political credit when a program is launched, but that soon fades. Thereafter the provinces are in control, running the program, determining the expenditures, getting virtually all the power and the glory. How far, if at all, they delegate some authority to their municipal sub-

ordinates makes no difference to the feds. They see cost-sharing as paying without gaining.

For the cities to get more than fringe benefits from Ottawa, there has to be a new approach. The first requirement is creative, far-sighted planning by city administrations. That will demonstrate the need for financing on a scale beyond the means of six provinces, at least, and probably outside the vision of all. Nationwide action requires a substantial contribution of federal financing. Constitutionally, that cannot be a transfer direct to municipalities. Politically, it will not be a transfer through the provinces. It can be a transfer to individuals that enables them to pay, to a degree affordable in relation to income, for the costs of improved municipal services.

The federal spending power, as such, is not constitutionally challenged. The limitations are on the way it is used. Family allowances long ago demonstrated, most conspicuously, the effectiveness of its use for direct transfers to people. The contemporary format—the child tax benefit—is more targeted and more financially restrained but in no way different in principle. The same kind of transfer directly to people offers the practical way to satisfy the most pressing need that arises from intensifying urbanization.

That need is the chronic shortage of affordable housing. The deprivation is not confined to people far down the scale of incomes. In big cities especially, there are many families with incomes that could permit a moderate standard of living, if only they could be within reach of their work without having to put a disproportionate part of their pay into rents or mortgages. The market economics of urban growth do not produce a sufficient stock of adequate housing at affordable costs. The outcome is not only social deprivation, particularly deprivation of the kind that hampers childhood development and thereby weakens our society and economy in the next generation. In the present, too, inadequate urban housing puts a severe restraint on the mobility that an open, adaptable economy requires.

I used to think that the problem was so great and so obviously growing that provincial governments would be bound to deal with it. I was wrong. Once again, we have to develop a national initiative. And, as with many other problems before, the main obstacle is not the inertia of established interests; it is the difficulty in getting reformers to find a realistic shape for an initiative for which people are eagerly waiting.

The best source of such an initiative would be municipal governments with the courage to articulate plans for the extensive social housing their communities need. They could not finance the housing because its costs would be above affordable rents. But there would be no unrealistic pleas to Ottawa to provide finance to the municipalities. Instead they would propose to charge rents sufficient to recover all or almost all of the capital and operating costs of the housing—provided Ottawa would implement a program to help people to pay those rents.

The housing plans would no doubt vary considerably in their detail. A municipality might be fully the manager in some cases but in others—indeed, wherever possible—contract either the building or the management or both to community organizations. Some buying and renovations of existing housing would be included. Presumably the aim would be to provide in each area the mixed housing, at a range of rents, that makes for healthy local communities. Each tenant would pay the economic rent appropriate to the house. The federal program would where necessary make the rent affordable, through partial reimbursement on a sliding scale related to income. The appropriate mechanism, now becoming familiar, is the refundable tax credit. To some eyes rent reimbursement may appear to be a strange new concept, but if clearly presented it will not be hard to get used to. The social principle behind it is the same as that of the child benefit and the guaranteed income supplement, as well as old age security now that it is subject to clawback.

Moreover, the proposed federal role has the support of precedent. Canada was remarkably successful in overcoming the acute housing shortage that followed the 1939-45 war. The success was made possible by federal financial assistance provided directly to individuals: in part to veterans, but more generally through the CMHC-insured mortgages that were appropriate for the housing then most needed, the single-family dwellings of a middle class rapidly growing in numbers and especially, for a time, in children.

Subsequent efforts to provide so-called social housing never had the same success. Less political pressure meant that a forceful, consistent federal role was not developed. The consequence has grown to be another acute shortage, this time of affordable housing needed not for further urban sprawl but for redevelopment within existing cities and towns.

What is the same is the need for nationwide action, requiring again from the federal govern-

ment its constitutional role on behalf of individual Canadians. Before that meant help with mortgages, now it is help with rents. There is no difference in principle, just the need to develop a new technique and use it as effectively as CMHC in its heyday used the previous technique.

This is not to say that a program for affordable housing can be administratively simple. But a workable program has to be, and surely can be, developed. It is essential for both the efficiency and the equity of our urbanized society. What is suggested here is, of course, only the basic outline of a program. Masses of practical detail would have to be thought out and negotiated. But so it has been with many major programs. There is no peculiar obstacle to this one.

It is true that, legally, provincial governments could be an immovable obstacle; they could forbid their municipalities to develop housing programs. But politically? Civic and federal leaders should be able to build enough popular support to make opposition to affordable housing programs suicidal for provincial politicians. Cooperation would be needed, notably so that shelter allowances for social assistance recipients living elsewhere were not far out of line with the new rental assistance. There would no doubt be some huffing and puffing before amicable arrangements were made, but the dominant interest of all sides would be to ensure that everyone could claim some political credit.

There is never certainty in these matters, but faith and hope are sometimes reasonable. If some civic politicians are capable of practical initiative, if they have the imagination and the will, if they can show the leadership that will rouse federal politicians, housing in our cities and towns can be brought to the standards that will make many more homes good places to be.

**A**ffordable housing is the greatest of urban deficiencies. Overcoming it requires municipal authorities to develop a new strategy. Kicking against the Constitution may relieve frustrations but does nothing more. The indifference of the provinces cannot be redressed by direct federal funding of municipalities. Ottawa's responsibility and power lie not in such subsidization but in direct service to the people of Canada. A housing program can be built on that secure constitutional foundation, if municipalities will give it the priority it should have.

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