

**Housing a Diverse Society: Access and Affordability
Issues for Canada**

Greg Mason

Prairie Research Associates Inc.

&

Department of Economics, University of Manitoba

TABLE OF CONTENTS

EXECUTIVE SUMMARY	i
1.0 INTRODUCTION AND OUTLINE	1
2.0 DIVERSITY AND ACCESS - SOME EXAMPLES	3
2.1 How Diversity is Related to Access and Affordability.	3
2.2 Why Housing Affordability is Important	5
3.0 DEFINING AFFORDABILITY AND ACCESS IN THE CONTEXT OF INCREASING DIVERSITY	6
3.1 Defining Affordability	6
3.2 Housing Affordability in Canada	12
3.3 Defining Access	14
3.3.1 Discrimination in Housing	14
3.3.2 The US Literature on Mortgage Market Discrimination	15
3.3.3 Canadian Research into Mortgage Market Discrimination	16
3.3.4 An Assessment of Research into Mortgage Discrimination	17
3.4 Regulatory Barriers to Access	21
3.5 Summary on Discrimination and Barriers to Access	24
4.0 SYNOPSIS OF CANADIAN AND UNITED STATES RESPONSES TO HOUSING DIVERSITY	24
4.1 Housing Research and Policy - From National to Regional to Local ...	24
4.2 United States	25
4.3 Canada	26
4.4 Summary on Housing Policy: The Research Foundation	29
5.0 A POSSIBLE RESEARCH PROGRAM	30
5.1 Have Fiscal Restraint and Diversity Made General Housing Research and Policies Obsolete?	30
5.2 A Research Agenda for Housing in an Era of Increasing Diversity	33
6.0 SUMMARY ON OPTIONS FOR HOUSING A DIVERSE CANADA	38

EXECUTIVE SUMMARY

As our society becomes more diverse, housing must meet the needs of many varied households and individuals. Immigration, migration of Aboriginal populations to the city, a health system that is rapidly deinstitutionalising care and unique problems not acknowledged a decade ago, such as shelters for battered women, are examples of how housing must meet diverse needs. A direct outcome of increased diversity in Canadian society is the problem of access and affordability of housing.

This paper has several goals -- namely to answer the following sets of questions:

- Why is it important to examine the issue of diversity in society?
- Are there significant access gaps for different groups in Canadian society and how have recent social and economic trends affected affordability and access?
- What options exist for Canada's housing partners to determine the extent of the problem? How have other countries detected and dealt with access gaps?
- What are some possible next steps for research?

The orientation of this paper is one of defining a research agenda as a basis for policy action. Although policy is reviewed, the primary intent is to develop a number of research ideas as a basis for discussion and debate.

Diversity intertwines with access and affordability. The Canadian household is changing. There are fewer traditional single earner households so well served by the suburbia of the post war era. Dual earner families, home base business, blended families, newcomers unused to high rise living, and growing numbers of elderly are all expressions of this diversity that presses against a rigid housing stock. Common outcomes of this increased diversity are affordability problems and barriers to accessing appropriate housing.

Affordability is a complex issue. Many measures in widespread use provide a poor basis to assess whether in fact a given household or group of households is encountering a problem in securing adequate housing for an acceptable price. The use of the terms "adequate" and "acceptable" underscores the challenge in this area.

Access problems are manifested in many ways. Two of the most important instances are discrimination in rental and home ownership and, less apparently, regulatory bias. Few can dispute the existence of discrimination, but as US research has shown, proving the existence of discrimination in mortgage markets is challenging, except in the most obvious instances such as two equivalent applicants investigating the same apartment (known as the paired

audit). The US has developed a formidable regulatory structure for mortgage approvals, but, if anything, the controversy over the existence of mortgage market discrimination continues. This serves as an important caution for such research in Canada.

Regulatory burdens, especially those introduced by municipal regulation can induce a range of price and cost increases in housing. Evidence in the US suggests that these costs are regressive and pose access problems for low income households.

The dimensions of diversity are complex. There are the obvious attributes, namely ethnicity, gender, marital status, etc. Others, such as sexual orientation, being a welfare recipient, etc. may not be so apparent.

Two important aspects of diversity in Canada are less well recognized. Geographic diversity can create a range of problems for Canadians. Incomes within an occupation are relatively constant across regions and cities, but housing costs are not. Further, the inflationary gyrations of the past two decades has capriciously reallocated wealth among households. The recent recession also created greater disparity in incomes.

We are witnessing a transition away from national housing policies to localized initiatives designed to address the needs of specific communities. Certain national and provincial perspectives are needed such as revisions to income tax, labour relations and securities legislation to allow programs such as housing trusts to emerge. In addition, local government will need to review land use regulations to identify procedures that lead to housing cost inflation.

The challenge facing housing research is to document the variations in affordability for the increasing numbers of ethnic, racial and other groups in Canada. This research must also quantify affordability problems in a more consistent and credible fashion. Important research is needed to support Aboriginal housing within the context of self-government. Finally, as waves of new immigrants arrive, bringing different preferences in housing, there will be inevitable tension between established residents and those who seek to transform the face of the community.

1.0 INTRODUCTION AND OUTLINE

As our society becomes more diverse, housing must meet the needs of many varied households and individuals. Immigration, migration of Aboriginal populations to the city, a health system that is rapidly deinstitutionalising care and unique problems not acknowledged a decade ago, such as shelters for battered women, are examples of how housing must meet diverse needs. A direct outcome of increased diversity in Canadian society is the problem of access and affordability of housing.

Access to 'decent affordable housing' is a common phrase through the recent housing policy literature. Even a casual reading in this area seems to show that scholars are convinced a growing segment of society cannot gain access to housing middle and upper class households would consider minimally acceptable. Low income is the most significant barrier to accessing good housing; thus the distinct concepts of "affordability" and "access" invariably overlap and intertwine. A household may have the income and wealth to obtain a home, but may find the existing stock unsuitable or it may confront other, non-economic barriers.

This paper has four general goals -- namely to answer the following sets of questions::

- Why is it important to examine the issue of diversity in society and how it influences housing policy? How does diversity lead to problems in access and affordability in housing?
- Are there significant access gaps for different groups in Canadian society and how have recent social and economic trends affected affordability and access?
- What options exist for Canada's housing partners to determine the extent of the problem? What have other countries done to deal with affordability and access problems? Given Canada's federal division of powers, how should various levels of government and industry respond to affordability problems induced by increased diversity?
- What are the next steps for research?

These questions define the crossroads of Canadian housing policy at a point where the public has clearly indicated its demand for smaller, less interventionist government. Now we need to not only define a problem and measure its existence, but we must also craft solutions within a narrowing scope of political economy. Solutions that call for increased expenditures are unlikely to be viable in the near future, unless these can be structured as an investment with a certain pay-off.

Diversity intertwines with access and affordability. The Canadian household is changing. There are fewer traditional single earner households so well served by the suburbia of the post war era. Dual earner families, home base business, blended families, newcomers unused to high rise living and growing numbers of elderly are all expressions of this diversity that presses against a rigid housing stock. Common outcomes of this increased diversity are affordability problems and barriers to accessing appropriate housing.

For a country that has such a strong record on housing policy, it is surprising that so little research has been completed on testing basic premises about how diversity influences access and affordability. For example, housing market discrimination is assumed to not exist. This view stands in sharp contrast to the United States, where almost thirty years of research into racial barriers in housing has been at the centre of an increasing web of regulation.

An international perspective is presented next. The issue of affordability has been high on the research and policy agenda in the UK. In Europe, housing policy questions have been dominated by the problems of immigration and unification. The international research provides a number of useful perspectives for research, but the contribution this literature makes for Canadian public policy is less clear.

Finally, I outline how Canada's housing partners may cope with increasing diversity and problems of affordability/access. I will argue that research is essential since some of the basic facts remain clouded. Each housing partner, the federal government, provincial housing agencies, lenders, private developers and community groups all bear a responsibility in supporting a flexible housing policy for Canada's 21st. century.

Before plunging into the heart of the paper, it is useful to show the range of housing problems we face. These examples show how housing is invariably connected to social, legal, economic, and health problems. As we become more diverse, housing issues will continue to be at the centre of our social policy.

2.0 DIVERSITY AND ACCESS - SOME EXAMPLES

2.1 How Diversity is Related to Access and Affordability.

Social and economic diversity interleave with affordability and access:¹

- While the *rate* of immigration to Canada has increased, its *composition* has also changed. For example, the numbers of Asian immigrants now exceed those arriving from Europe. This has led to the creation of ethnic communities and a rapidly growing multicultural feature of Montreal, Toronto and Vancouver that makes these cities distinct from other cities such as Edmonton or Halifax.
- The trend toward deinstitutionalisation of health, social and criminal services has a profound impact on housing access. The disabled, recent consumers of acute care psychiatric services, or those released from custody are examples of special groups requiring housing in community. Often these groups face barriers from residents who balk at these groups living in their midst.
- The baby boom is moving through its life cycle and seeks to adjust its housing portfolio. Many in their late forties and fifties are moving “down market”, vacating larger homes for centrally located apartments with light levels of local amenities. In part, this is driving the process of “gentrification” that is placing pressure on older, less affluent areas and can force residents out.
- The recession/depression of 1989 - 92 has made the income distribution less equal and lenders have become wary of real estate investments.² In many parts of Canada, the assumption of increasing land values is no longer tenable. Problems of affordability among low income households are coupled with high disposable incomes for a small elite. The housing market responds to the needs of the wealthy, and leaves leftovers for the poor in what is euphemistically called the “trickle down effect.” Many authors have noted this trend in the housing market:

¹ The bibliography presents a number of accessible citations.

² See Morrisette, Myles and Picot (1994) for a review of evidence on the income distribution in Canada.

For many people in the OECD world, there is today - and has been since the 1970s - a sense of downward movement.... This is not incompatible with the spectacular success of a few. (Dahrendorf 1987:13)

The inner cities are gentrified and revalorized and the hi-tech architecture and exclusive waterside residences co-exist with low grade hostels for the homeless and displaced. (Murie and Forrest 1988:131)

- Canada has developed a few large metropolitan areas with high land values, urban density and sprawl, and multicultural density. At the same time, rural-urban migration, especially on the Prairies and to a lesser extent in parts of Ontario, Quebec and Atlantic Canada has depressed land values and extinguished wealth in many other centres. A national housing policy must be increasingly complex to meet the access and affordability needs of geographically diverse areas.
- The nature of the household has changed with high rates of divorce and other factors producing more single parents and dual income household as the norm, not the exception.³ The form of the household has become more diverse and places demands on the form of the house. Other related trends are the delayed exodus of children, the return of children in their thirties, parents and in-laws resident within the home, and unrelated adults sharing houses for a relatively long period of time.
- Sheltered homes for battered women represents a very specific form of housing that has been created to meet a unique need. As is discussed below (Section 5), this represents a complex integration of housing, criminal justice and social policy.
- Health care policy also affects housing. The policy of early release from acute care, the closure of psychiatric facilities, and the early discharge of those with mental and emotional illnesses creates the need for group homes, dwellings capable of supporting the care of invalids, and the integration of those previously institutionalized into the community.
- Finally, no discussion of housing in Canada is complete without including the problems faced by those in First Nations communities. Aside from being a rapidly growing segment of the population, the marginal economic base of

³ See *Charting Canada's Future, A Report of the Demographic Review*, Health and Welfare Canada, 1989 for a review of recent trends in Canada's households and families.

these communities coupled with fixed levels of financial support has left many households in poor and overcrowded conditions. The limited employment opportunities on most reserves is promoting a high rate of rural-urban migration. Aboriginal migrants to urban areas, notably to Prairie cities such as Winnipeg, Regina, and Saskatoon, are expanding into inner city areas and competing with immigrants for housing and services. This process resembles the displacement that occurred in the United States as blacks from the South migrated to northern cities and prompted a flight from the city leaving the blighted core, now widely seen as the source of many social evils.

2.2 Why Housing Affordability is Important

A house becomes a home in the context of a community and the resident family. Questions of affordability and access imply much more than obtaining a dry catalogue of amenities such as rec-room and a double attached garage. Affordability and access have much more to do with gaining a certain level of emotional and spiritual life. At the outset it is important to understand the full import of what it means to be able to afford a good house in a good neighbourhood.

Because housing embodies so many hopes and promises, yet also is a commodity to be purchased, people engage in a quest to find housing they can afford that will fulfill the promises. But the housing they can afford tends to fulfill those promises imperfectly and incompletely at best, not only because they cannot afford better housing, but because given the inadequacies in the other realms, the capacity of housing to fulfill people's needs is necessarily imperfect. (Stone, 1993: 31)

Throughout this paper, policy will tug from two polar perspectives. One, the neo-classical, states that housing is no different from cars, Big Macs or movies. People make decisions within an income constraint -- the outcome of this decision is to be respected by the state as the informed consideration of a sovereign consumer. The other pole argues that housing is the most meritorious of goods, basic to our integrity as human and social animals, and deeply connected to the labour market and the distribution of income and other rights. According to this view, the state has a primary obligation to intervene in market outcomes for the poor.

The increasingly diverse population pose important challenges for social scientists, policy makers and the housing industry. The basic question remains. Can we rely on a market process to meet the needs of a diverse population. Remember, we count on this process for the majority of wants and needs. Before we can tackle this we need to explore the ideas inherent in housing access and affordability and relate these to the fact of diversity in Canadian society.

3.0 DEFINING AFFORDABILITY AND ACCESS IN THE CONTEXT OF INCREASING DIVERSITY

A basic hypothesis, that remains untested, but which is probably true is that increasing diversity means that larger numbers of Canadians face challenges in securing affordable housing. Recently divorced women are possibly the most obvious example as many studies have shown these households to experience poverty as a consequence of divorce. Most immigrants live in low standard housing until they establish themselves. This is normal and has been the situation for most human settlements.

There are exceptions. Aboriginals moving to inner cities have trouble finding decent housing, but it is arguable that the housing they left behind on reserve is better. The "astronauts" and business class immigrants from Asia experience no trouble in securing good housing.⁴ Some would argue that this influx of cash has produced the inflation in the Vancouver housing market that poses problems for some (renters), but has clearly also benefited others (homeowners).

Diversity also raises issues of access to housing. Racial and ethnic discrimination exists in every area of society. Often some of the most contentious rivalries exist not between Canadians who have lived here for generations and newcomers, but among different immigrant groups themselves. Another example is the ill-will emerging between aboriginal populations and landowners in Prairie communities.⁵

A basic research question is how diversity links to affordability and access issues in housing. But before this can be explored, it is important to understand what exactly is meant by affordability and access in housing markets.

3.1 Defining Affordability

Canada has an enviable position in terms of quality of life indicators, of which a significant component is housing. For the typical Canadian, housing quality is good, especially in comparison to other countries. International measures of life quality use housing as a major element of their indexes and on this basis, Canada continues to occupy a position at or near the top.

⁴ The term astronauts refers to business immigrants that settle a family but continue to have major business ventures in Asia that require constant travel outside Canada.

⁵ Recently a land management plan to provide First Nations with increased control over resources in large areas of Saskatchewan was rebuffed by landowners, farmers and cottage owners. This has produced a very serious rift in the community.

Despite this, some argue that housing affordability is decreasing in Canada. Arnold and Skabourskis (1989) report that *"most of the people in low income categories are experiencing housing affordability problems ... and the incidence is increasing in regressivity."* This observation was offered before the last recession -- possibly affordability has worsened for low income households in the last five years.

This view is disputed by Miron (1992) who argues that changes in the amenity level of housing, the composition of households, and rapid declines in age of first ownership of a home, indicate that affordability has not declined at all. Others argue that housing affordability is the result of income inadequacy and that this is where the problem needs to be addressed. From this view, low income leads to problems with housing affordability as well as car affordability or stereo affordability.

Analysts can be divided into two general groups when it comes to defining housing affordability. First there are neo-classical economists who argue that housing should be treated like any other commodity. In this view consumer preferences are constrained by a budget. The outcome of this decision-making framework results in an optimum combination of housing and all other goods. This perspective has much to recommend it. Housing affordability is not an issue; income adequacy is. Rather than creating housing, poor people should get money, or better yet, the skills to earn higher incomes. The resolution to any problem is through income re-distribution and not through direct intervention into a specific market.

Few economists subscribe to this view. For most, housing is a merit good and the state has an obligation to intervene in the market. At the very least, the state must define building and health codes as well as zoning laws to help organize the residential community. Although one could organize a market for external effects, few communities have successfully implemented a market substitute for land use regulation. We discuss the role of various zoning laws and building codes in raising housing costs below.

The definition of affordability is fundamental to a discussion of the issue of housing access. Further, much of the housing policy debate of the past decade centres on the proposition that housing has become less affordable and that increasing numbers of Canadians are encountering difficulty in securing housing. A typical definition of affordability is given by MacLennan and Williams (1990):

'Affordability' is concerned with securing some standard of housing (or different standards) at a price or a rent which does not impose, in the eyes of some third party (usually government) an unreasonable burden on household incomes.

Measures of affordability include housing as a merit good and definitions often speak of households being able to afford "decent" housing, without spending an "inordinate" amount

of income on rent or mortgage. The discussions are often laden with moral judgments that do not lead to practical, empirical measures of affordability. Several definitions have been used in the research.⁶

- **Constrained Choice Approaches**

Minimal standards measures refer to whether a household is able to consume housing and other goods to some minimal socially acceptable standard. This is the position used by many social policy analysts, however economists usually have difficulty with this idea. A housing affordability problem exists if a household cannot afford to rent or buy a home with indoor plumbing, heat in the winter, running water, free of pests etc. In each city, a certain minimum cost is required to secure such a home.

A conventional economic analysis or *utility based standard* views the consumer as choosing a combination of housing and other goods subject to a constraint. As Hancock(1993) shows, one can consume more or less housing than that considered the minimum standard and be at a higher level of satisfaction (utility) than by consuming the minimum (Points A and C rather than B in Figure 1). At point A the consumer could argue that the minimum standard is not consumed because the opportunity cost is too high (i.e., "I cannot afford a better apartment and still buy clothes and food.") At point C, one consumes more housing than the minimum, presumably because the individual is unwilling to sacrifice housing for other goods. This is what is meant by "house rich - cash poor" - owners cannot afford furniture for their new home.

⁶

See Hancock (1993) for a useful review of alternative definitions.

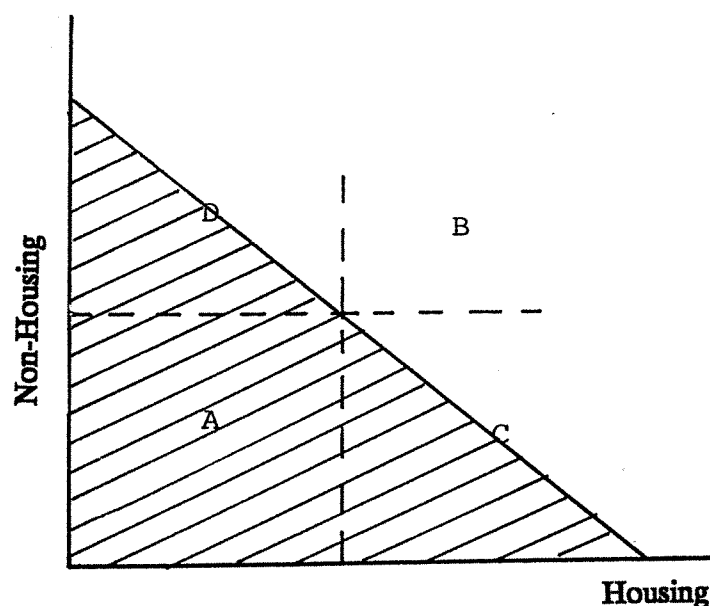


Figure 1

A variation on minimum standards argues that an affordability problem exists for anyone who does not consume to the minimum. This is problematic in that few would regard an individual with expensive cars and a poor house as having a housing affordability problem.

Various *core need measures* of affordability define what a minimum standard *should* be. Households that do not have the income to acquire this minimum are said to have an affordability problem. Some problems exist with this measure. First, consumers with relatively high incomes may choose low quality housing. Second, the minimum standard is also an arbitrary package of amenities. Finally, this package will vary regionally, and between rural and urban areas. Core needs measures have been used by CMHC to define affordability problems, but these conceptual problems limit their use.

● Ratio Measures

Ratio measures are the most commonly used indicators of affordability. The standard of 30% of gross income spent on rent or mortgage is an example of this approach.⁷ However, 30% of \$10,000 secures little in the way of housing. Another measure combines minimal standards with a ratio approach. Ratio measures have the advantage of being simple, but like all other indicators, they do not account for

7

Price to income measures and comparisons of median price/rent to median incomes are common variations on ratio measures.

individuals who rationally decide to consume more housing or less housing as a proportion of their income. Several problems have been noted with these measures of affordability such as:⁸

- Changes in the quality of the stock are not incorporated in the index. This is a basic problem with most time series indices. When viewed from the perspective of the price per megabyte of memory or processing speed as measured by instructions per second, the price of computers has plummeted. Single detached homes certainly have evolved over the years and the amenities in 1995 home bear little resemblance to a 1950's house. However, it is not clear that rental accommodation has made the same strides in terms of incorporating amenities, especially at the low end of the market.
- Simple ratios of price to income ignore the impact of financing and innovations in how mortgages can be organized. Some consumers accelerate payments to reduce total interest costs over the lifetime of the mortgage; others stretch out the mortgage to fit their monthly payments into their income. Financial innovations have allowed many consumers into the market who were previously excluded.
- Rent , housing prices, and incomes vary regionally. It is commonly understood that \$600 per month will rent a far better apartment in Winnipeg than in Toronto. It is likely that income varies regionally less than housing prices.⁹ This has a major distortion on national studies of housing affordability. Even using a single province such as the Arnold and Skaburskis (1989) study (see next section), does not eliminate the rural-urban distortion. For a country such as Canada, this regional variation in price and incomes is a major problem confronting affordability problems.
- Ratio measures do not include the changed lifestyle patterns. The move back to home entertainment, prompted by the availability of new technologies (e.g., the VCR) means that houses now include a range of "mandatory" amenities that used to be luxuries. The ensuite bath is a typical example, as is the home office and the rec room. In the 1950's TV was watched by the family in the living room. Now homes must have at least two separate TV viewing areas.

⁸ A critical view of housing affordability measures is found in Linneman and Megbolugbe (1992).

⁹ A public servant at a specific classification earns the same income in Vancouver as Moncton, but housing prices and rents are vastly different. This geographic diversity in housing situation is often overlooked in discussions of access.

- The measurement of income used in affordability studies is also subject to criticism. For home ownership, permanent income is the more appropriate measure, but this is not directly observable from cross sectional data, such as the census. Further, lenders do not care about expected income, but base mortgage eligibility on ability to pay now. Also, the income of both spouses is included in mortgage qualification, but not that of older children living at home. Some parents charge a room and board fee; many do not. Census measures of income often do not include important income such as imputed income (farms), or food, clothing, pharmaceutical, and housing vouchers received by those on social assistance.
- Most important is the evidence that income inequality is growing. Measures based on averages or medians do not summarize the distribution of income.¹⁰ Affordability is poorly measured by ratio and averages if the "rich are getting richer and the poor are getting poorer."

Housing studies have generally failed to incorporate national and local influences on price and affordability. Interest rates are national in scope, but the terms of a loan may vary by location. The price of a given home reflects national trends (interest rates), and local trends (price inflation induced by migration). Reichert (1990) emphasizes that any study on housing price and markets must combine both local and national measures. This perspective is crucial for a country as geographically diverse as Canada.

A final view is offered by Linneman and Megbolugbe (1992: 389) who conclude their meticulous examination of housing affordability with the following:

Housing affordability is partly a real issue and partly an issue manufactured by middle-class and affluent young households with ever-growing expectations. Down payment constraints are binding for many younger lower and middle income households who find themselves postponing home-ownership... Careful research is necessary to assess the extent to which the mortgage market and forms of local finance must be restructured to deal with this problem. However, much of the perceived affordability crisis simply reflects changes in tastes for housing amenities and unrealistic expectations for housing price appreciation.

¹⁰

The relationship between the mean and median can be a useful summary indicator of the skewness of the distribution and therefore can serve as a crude measure of inequality. The median by itself can say nothing about the inequality of income.

Housing affordability for low income families remains primarily a problem of income inadequacy. Lower-income families will have to realise that the structural shift in the economy means that their housing tastes must change to reflect the economic realities facing these households. Housing affordability for low income households is also partly related to high housing prices attributable to inadequate supply, reflecting policies such as rent control. Privatization of the housing inventory is likely to reduce the distortions that have so depressed the supply of low income housing.

This is an extraordinary statement and reflects one pole of the affordability debate. After citing the many problems in measuring housing affordability, the authors move to the position that the issue is one of changing or misplaced tastes. This study, published in 1990, and based on evidence no more current than 1989, precedes the recent recession and the structural shifts that have displaced many middle income earners from previously secure positions. In the United States, the affordability issue is seen by most as existing primarily in the inner city populations and for the recently displaced middle class. The inner city, populated primarily by blacks, is the result of generations of discrimination that has only recently started to shift as a black middle class emerges.

This extreme position also has limited reference to Canada. It is hard to argue that housing is adequate in large public housing projects such as at Jane and Finch in Toronto or in most First Nations communities. The conclusion that affordability is a problem is easily verified by observation - just visit any reserve or most inner city housing projects. However, the problem remains to quantify the extent of the problem and to locate specific areas where affordability is an issue. Policy depends on a clear operational definition of a problem, a disciplined empirical process, and a theoretical basis for translating the findings into a program of intervention. The value of the Linneman/Megbolugbe research is that the concepts of affordability and the empirical requirements to measure it are detailed. However, the empirical work for Canada remains to be done at a level of detail needed to confirm or disconfirm the extent of affordability problems.

3.2 Housing Affordability in Canada

Housing affordability research in Canada mirrors that of other countries. On the one hand, the work of Arnold and Skaburskis (1989) represents the views of those who argue that affordability is a growing problem. This research used the "rent to income ratio", "core needs" and "affordability gap" with the Household Income Facilities and Equipment Surveys of 1972, 1976 and 1983 to determine the course of affordability in Ontario.

In essence, Arnold and Skaburskis find that those in the lowest income quintile pay between 45 and 50% of their income on housing. The housing expenditure to income ratio falls to around 25% for the second income quintile and 12% for the highest income group. In light

of the commonly accepted standard of 25 to 30% of income as a maximum to be spent on housing, this suggests that the lowest income quintile has a serious affordability problem. For the 1983 HIFE study, the lowest income quintile represented an income of less than \$12,500. Using the other three methods, Arnold and Skaburskis confirm that the lowest quintile has an affordability problem. They also conclude that the problem has worsened over this 10-year period (1972 - 1983).

In an analysis of the 1986 census of population, Filion and Bunting (1990) find that the current housing affordability problem has been caused by the maturing baby boom, accelerated rates of household formation, migration to urban centres in Ontario, Alberta and British Columbia, demand emerging from the 1980 - 81 recession, and last but not least, low incomes. The authors use the core need approach to affordability and show that affordability affects a minority of households in Canada with problems concentrated in the large urban areas. However, the small number of affected households does not imply that the problem is insignificant.

Filion and Bunting's study points to a dual faceted problem. First, in 1986 almost one-third of tenants had to allocate 30% or more of their income to rent. Second, inflationary markets confronted middle income homeowners. Since 1986, price stability and lower mortgage rates resulting from the most recent recession have materially changed the cost side of the affordability question.

A contrary position (to Filion and Bunting) is presented by Miron (1989). He writes:

... changes in household formation have reflected policy inducements, price movements, and income growth and the substantial elasticity of demand for separate living arrangements. Even worsening indicators of housing affordability may actually indicate the success of modern housing policy, although this raises questions about the appropriateness of the measures, about the goals of housing programs, and about the ultimate costs of eliminating the affordability problem.¹¹

The diversity of conclusions about housing affordability in Canada is unsatisfactory. The extreme regional disparities account for radical differences in price, income and affordability. The work of Filion and Bunting certainly provides regional disaggregation and illustrates the variation in affordability, but only hints at the analytical depth needed to thoroughly understand affordability in a country such as Canada.

¹¹ Miron (1989) p. 55.

3.3 Defining Access

Access refers to barriers to housing that do not result from income inadequacy, the lack of financial methods to reduce monthly costs, and price or rent inflation. Rather, access is defined by two processes operating in housing markets, both of which may have repercussions for the economics of affordability. The first process -- discrimination -- refers to allocation of housing based on non-economic factors. The second process -- regulatory barriers -- are factors that can increase the cost of housing, induce affordability problems, and therefore create a problem of access.

3.3.1 Discrimination in Housing

Housing discrimination has a long history in the research literature. The paired audit, where two prospective tenants (one black, the other white, and equal in all other respects) apply for the same apartment and receive different treatment is a classic study and taken as conclusive evidence of discrimination. Housing discrimination may occur in rental or home ownership markets.

Discrimination in Rental Markets

In rental situations, the process of uncovering discriminatory barriers to housing is straightforward. One can use surveys to determine the experiences of various groups in their search for rental accommodation. Henry (1989) reports on a survey study that concludes Indian tenants face discrimination and racial insights in their search for rental housing and a study by Garon (1988) in Montreal are two examples of work in Canada. The paired audit test, so common in the United States and Britain appear to not have been executed in Canada according to Beavis (1995) who reports:

There is a general consensus among Canadian researchers that housing discrimination does exist in Canada, but (the) sense that ethnic minorities suffer from discrimination is based on very limited - often informal and anecdotal - evidence.

Tests for discrimination in rental housing clearly need to be undertaken in Canada to assess problems faced by the ethnic and racial minorities, single versus married tenants, male and female, and other identifiable groups. A key condition in any test for discrimination is that the subjects of the test be clearly perceived as belonging to a specific class. Race and gender are clearly visible attributes, but sexual orientation is less certain. Some dimensions of human differences are not readily discernable and not amenable to discrimination tests.

In general, discrimination in rental (and ownership) housing is conditioned by the nature of a market. Landlords are likely to be much less prone to discrimination if they have several suites vacant. In a "buyers" market, discrimination is much less likely than when supply is tight. This obvious point is often not included in many discussions on discrimination.

Discrimination in Home Ownership: The case of mortgage lending.

The analysis of discrimination in home ownership is more important and complex than studying it in rental markets. The importance arises because a majority of households are homeowners and most renters aspire to become owners. It is more complex because seeking and securing a home moves through a number of discrete stages, at any of which discrimination may enter.

- First, there is the process of searching for a home (discrimination by the real estate brokerage industry and local housing authorities);
- Second, negotiating with the seller can involve discrimination by owner/vendors; and,
- Third, in securing financing the borrower may confront discrimination by mortgage lenders.

It is useful to examine mortgage market discrimination in detail. This discussion will show how challenging it is to analyse issues of barriers to access, especially when the likelihood of this occurring grows as the diversity of society increases. The ethnic composition of Canada and the influx of aboriginal populations to some Canadian cities suggest that discrimination in housing and mortgage markets may increase.

3.3.2 The US Literature on Mortgage Market Discrimination

The U.S. literature on the issue of discrimination in home ownership markets is extensive. Of particular note is research on mortgage markets, the subject of intensive study and regulation since the civil rights movement of the sixties. The tests for discrimination in the brokerage industry and by owner/vendors are similar to that of testing for discrimination in tenancy -- here the paired audit is a viable approach for the application process. However, this technique fails to detect discrimination in the decision by actual lenders.¹²

¹²

Once the application is made, a range of third party information is used to make the decisions. In a paired audit, the two applicants must be identical in all respects, except for the visible characteristic being used to test for discrimination. After the application for a mortgage is filed, the information on the two applications must also be identical in all respects. It is clearly not feasible to create dummy financial and employment histories to support an in-depth paired audit.

Most agree that the applicant's economic status and information pertaining to his/her past, present and expected repayment performance should be the only basis for rejecting or accepting a mortgage application. *Horizontal equity* demands that identical applicants (in terms of economic status, credit history, house selection, and neighbourhood choice) should be offered identical mortgage options. *Vertical equity* requires that applicants with different characteristics be offered mortgages on terms that reflect these differences proportionately. Thus, if the general rule is that borrowers can finance up to twice their gross income, borrowing limits should reflect this rule for all applicants. In this case, vertical equity suggests that an applicant with twice the income should qualify for a mortgage of twice the value, all other things being equal.

U.S. evidence suggests that borrowers from various ethnic and racial minorities receive fewer mortgage loans when compared with white families, and that these differences have persisted over many years (Canner, Passmore and Smith; 1992). It is not clear, however, whether such variation in loans is attributable to discrimination or to objective economic factors that are observed for many ethnic and racial minorities. Those with low incomes and no wealth do not receive mortgages at the most favourable rates.

Lower incomes arise because of discrimination in education and employment opportunities, but this is not a failure in the mortgage market. Because of these socioeconomic differences, objective mortgage assessments can lead to patterns of mortgage holdings that are still markedly lower for some groups than others. Because many ethnic and racial minorities (as well as others such as single women) tend to have lower incomes and lower wealth on average, borrowers from these groups may qualify less frequently, or be offered less favourable terms than borrowers in general.

This subtlety seriously complicates mortgage discrimination research. In fact, after 20 years of increasingly intensive research, U.S. researchers know little about mortgage market discrimination. One leading U.S. researcher has gone as far as to state that:

Given its social importance and media attention, it is staggering that researchers in fact have little definitive knowledge about the existence and severity of discrimination in mortgage markets. (Galster 1992: 652)

3.3.3 Canadian Research into Mortgage Market Discrimination

Canada stands in contrast to the United States on this issue. After thorough review of both Canadian and American sources, we were unable to uncover evidence of research activity addressing the issue in Canada. Although some authors mention mortgage discrimination as a distorting factor in the housing market these studies cite no empirical evidence. They do not provide anecdotal or testimonial evidence to suggest the practice has been examined by community groups or others interested in housing markets in Canada.

Canadian researchers have studied some forms of lending discrimination (e.g., loans to small business and women entrepreneurs), but these rely heavily on theory and methods borrowed from the United States and other countries. Furthermore, Canadian research seems to be focused primarily on discrimination in an industrial/commercial context. For example, Evans and Quigley (1990) studied discrimination in bank policies against manufacturing firms of different sizes, while Riding and Swift (1990) and Marleau (1995) studied discrimination against women entrepreneurs.

3.3.4 An Assessment of Research into Mortgage Discrimination

If increased diversity leads to greater numbers of ethnic and visible minorities as well as non traditional borrowers such as single women, new types of households (such as same sex couples), then the research into mortgage market discrimination is very important. The difficulties that this literature and research process has encountered in the United States stands as a caution for Canadian research efforts.

Mortgage discrimination research developed out of two social trends in the United States in the late 1960s and early 1970s. First, mortgage discrimination was strongly linked to the broader issue of access to housing for black and Hispanic minorities (Cloud and Galster 1993) and arose as part of the civil rights movement (Guy, Pol, and Ryker 1982). The focus on racial discrimination has remained strong since then, to the extent that research based on other attributes (age, religion, etc.) remains underdeveloped (Galster 1992a).

As a second separate but related movement in the late 1960s, mortgage discrimination was suggested as a factor in the economic decline of racially segregated inner city areas. (See Guy, Pol, and Ryker 1982 for a discussion.) Because of the possible impact on credit flows needed to sustain residential reconstruction and repair, the community reinvestment movement pointed to mortgage discrimination as an important social problem. It encouraged local communities to organize against banks which "redlined" their neighbourhoods by accepting local deposits but refusing local loans. Community organizers painted an evocative picture of savings being extracted from poor areas with high ethnic populations, and then lent elsewhere. Research was needed to support these allegations, and so a variety of community groups studied the degree to which lending institutions discriminated against individual neighbourhoods. (Shlay (1989) provides an abridged "research manual" for such community studies.)

By the early 1970s, pressure on Congress from civil rights leaders and community activists resulted in a series of legislative interventions¹³ in housing and mortgage markets designed

¹³

The Fair Housing Act (FHA) of 1968 banned discrimination in the sale or rental of housing units. In 1974, the *Equal Credit Opportunity Act (ECOA)* established a series of protected attributes (including race, sex, and age) which could not be considered in an assessment of

to address discrimination and make it easier to study the practice. The key legislative action for researchers was the creation of the Home Mortgage Disclosure Act (HMDA) database that outlines the geographic distribution of mortgage loans for the entire country. Since the database is organized according to Census tracts, mortgage flow data can be combined with socioeconomic variables (such as the percentage of black residents in a given Census tract).

In principle, the percentage of residents having a mortgages varies among communities for many reasons, including:

- low incomes and wealth can produce a low level of demand for a mortgage;
- lenders restricting the supply of mortgages because applicants do not have sufficient income and wealth to be an acceptable credit risk; and,
- discrimination (redlining)¹⁴.

Poverty, low education, and unemployment are all part of the mortgage lending decision. Since many ethnic groups reside in well defined areas, and since these groups often have lower than average socioeconomic status (partly because they are recent arrivals and partly due to endemic discrimination in education and employment), applicants from these areas tend to qualify for mortgage financing less often than applicants from more affluent and mainstream communities. Denial of an application in these circumstances cannot be attributed only to discrimination since socioeconomic status confounds the data.

Mortgage discrimination regained national attention in the U.S. after a series of newspaper articles again reported disparities in credit flows to minority groups (Dedman 1988; Blossom, Everitt, and Gallagher 1988). These articles coincided with revisions to the HMDA and Community Reinvestment Act (CRA) that substantially improved the data being collected. For the first time, these revisions allowed researchers to compare the outcomes of individual mortgage applications while holding income constant for the applicant.

creditworthiness. *The Home Mortgage Disclosure Act 1975* (HMDA) (amended in 1988 and 1991) requires mortgage lenders to disclose the geographic location of their loan applications and denials. *The Community Reinvestment Act 1977* (CRA) encourages financial institutions to help meet the credit needs of their delineated communities. Enforcement of this legislation is shared by the U.S. Department of Housing and Urban Development (HUD) (FHA and ECOA) and the federal financial regulators (ECOA, HMDA, and CRA). Dane (1993) provides a detailed discussion of the events which led up to the enactment of these measures.

¹⁴

Redlining involves a lender identifying certain areas as high risk and either limiting the number of loans offered or offering less favourable terms for applicants seeking to purchase homes in those areas. Much of the impetus for the current U.S. regulatory regime in mortgage discrimination stems from early studies that showed much lower mortgage holdings in black communities.

This is a critically important methodological point. Redlining studies rely on inferring discrimination against the individual on the basis of averages across a census tract. The revised HMDA and CRA data produce information on the individual applicant and offer the potential for eliminating the confounding of homeowner characteristics with the more general socioeconomic context.

Even with its long history of mortgage discrimination research, the U.S. experience is better characterized by what researchers and regulators do not know than by what they do know. Leading discrimination researcher George Galster (1992a) summarized the U.S. experience in this way:

Attempts to detect discrimination in mortgage markets have been fraught with indirect ambiguous inferences; the few definitive methodologies have revealed mixed results and have not been replicated with newer data. Paired testing is in its infancy. Adverse impact discrimination has been given no systematic investigation. Given its social importance and media attention, it is staggering that researchers in fact have little definitive knowledge about the existence and severity of discrimination in mortgage markets. (pp. 652)

There is simply not enough basic information about the nature and extent of (mortgage market) discrimination. Indeed, a sizable body of influential public opinion holds that there is no significant discrimination problem in this sector. Given the obvious importance of this market, . . . such factual uncertainty is inexcusable. Obviously, worry about the motivations for, consequences of, and antidotes to mortgage discrimination seems a bit premature before the degree of the problem has been ascertained. (pp. 673)

This assessment is shared by others (e.g., Wienk 1992) and seems to reflect the views of many in the academic research community. This view from the academic research community arises because many of the studies have produced conflicting results. It seems that researchers were prone to produce results based on their predilections and it has been hard to develop an impartial research agenda on this topic. Also the studies have been flawed methodologically, with many “heavyweights” in economics wading into the fray.¹⁵

¹⁵

For a detailed review and criticism of these studies, see Becker (1995), Benston (1981), Shlay (1989), Canner and Gabriel (1992), and Carr and Megbolugbe's (1993) discussion in regard to criticisms of Munnell, *et. al.* (1992).

There is a fundamental issue in mortgage discrimination research: namely, the difference between treatment based on *discrimination* and treatment based on *economic disadvantages* of the applicant. Under ideal circumstances, two equally creditworthy applicants should each receive mortgage loans.¹⁶ In practice, however, no applicant has *exactly* the same credit profile as another. Job histories, income levels, down payment levels, credit histories, and other credit factors all combine to produce unique circumstances for each applicant. The task for lenders and other agents is to assess these circumstances and determine whether an applicant is creditworthy *enough* to counterbalance the risk of lending money. Some applicants (e.g., those with poor credit histories) will not be creditworthy and will typically be denied mortgage loans. For many of these applicants (probably the large majority), denial has nothing to do with gender, race, ethnic origin, or membership in a protected class. Instead, these applicants are denied credit because they are economically disadvantaged relative to other (creditworthy) applicants.

At its heart, the distinction between discrimination and advantage implies that while everyone should have equal *access* to credit, the actual *distribution* of credit will reflect the distribution of economic status. Since economic status is unequal, so too will be mortgage lending. The question is whether discrimination in the mortgage market increases this maldistribution.

It is clear why the discrimination/disadvantage distinction is controversial. Because much of the process is hidden, it is not obvious that profitability is the only issue driving lender decisions.¹⁷ Lenders can discriminate and still hide behind the creditworthiness test. The key problem for discrimination researchers is therefore to determine whether unequal credit distributions can fully be explained by the economic status indicators of the borrowing population. In practical terms, this means standardizing for varying degrees of disadvantage among borrowers, and identifying those cases in which discrimination appears to tip the balance. To do this successfully, researchers must develop analytical models that treat possible sources of discrimination (e.g., race, age, and sex) in a way that isolates their effect on the lending decision. If one controls for measures of creditworthiness (income, occupation, etc.) and if variation in personal attributes such as race, ethnicity, gender, etc. match variation in mortgage approvals, these attributes can be assumed to have played a part in the process, and the claim of discrimination is credible (Warner and Ingram 1982).

¹⁶ Provided, of course, that down payments amounts, purchase price, and property characteristics of the home being purchased are similar. This also assumes that the purchase price of the home reflects the true market value of the home.

¹⁷ This has caused significant controversy in the United States. U.S. researchers, for example, are often faced with the task of explaining to community and civil rights groups that large observed disparities in lending rates can partly be accounted for by differences in socioeconomic status between population groups. (See Canner, Passmore, and Smith 1994 for this discussion.) Community groups reject this argument as apologetic for discriminatory lending practices.

Testing for barriers in housing can be as simple as the paired audit used to assess rental housing. Testing for discrimination in mortgage lending, where some applications may be marginal and weak, is vastly more complex. It makes significant demands on the data and is very expensive to execute. There are at least two reasons why this issue has been broached more frequently in the United States than in Canada:

- The U.S. regulatory structure forces lenders to release data at the individual applicant level. Although the research emerging from this regulatory structure provides few definite conclusions, the presence of the HMDA database is a significant support to research in this area.
- The sample sizes of ethnic communities, such as blacks and Hispanics are large enough to support statistical inference.

Neither of these conditions occur in Canada. Since a regulatory structure such as the Community Reinvestment Act or the Home Mortgage Disclosure Act is not contemplated for Canada, any research into mortgage market discrimination will have to be completed with the support of the lending community. As an initial step, one could use surveys of those who recently applied for a mortgage to obtain general information on perceptions of treatment -- but this is weak evidence and useful only to determine whether borrowers perceive a problem. A problem may exist with or without its perception.

Just as the supply of rental housing mediates the existence of discrimination in rental markets, regimes where there is availability of credit will produce less discrimination than when interest rates are high. Most important is the conclusion from the US research that discrimination in mortgage markets tends to occur only for marginal applications. Applicants that are clearly creditworthy tend not to encounter discrimination.

3.4 Regulatory Barriers to Access

Barriers based on discrimination have received very high profile treatment in the press and academic literature. A lower profile issue is the consideration of how various regulations may impose barriers to housing, especially to prospective middle income owners. In 1990, HUD Secretary Jack Kemp established an Advisory Commission on Regulatory Barriers to Affordable Housing. This Commission reviewed zoning, impact fees, subdivision charges, codes, rent control, permits and environmental regulations for their impact on housing costs.

Through public hearings and review of the literature, the Commission arrived at the startling conclusion that these regulations, cumulatively, could increase housing costs by up to 50%. In a wide ranging review of the Commission, Downs (1995) classified the ways in which regulatory barriers increase housing costs.

First, there are direct restrictions on housing supply such as zoning limits on multifamily units and allocation of tracts of land to green space and agriculture. Second are direct cost increases such as requiring the addition of expensive components to housing infrastructure or paying for reserves to protect endangered species. Third are costs induced by administrative or compliance delays such as the development review process.

The purpose of the Commission's review was not to argue against zoning or the protection of endangered species, but to heighten awareness about the impact of these procedures on housing costs. Downs cites cases where regions that have high percentages of renters fail to zone enough land for multifamily use, thereby driving up the costs of land.¹⁸

One key finding is that the costs of these regulatory barriers is regressive. That is, the benefits from the regulation typically flow to higher income residents. In general, zoning benefits everyone, but in specific instances, zoning can harm lower income households. The most common example is minimum lot size zoning. In ex-urban areas, zoning codes often stipulate one dwelling per acre, a regulation that excludes lower income households and constrains their housing choice. As Downs notes, "*the redistribution of welfare that would result from reducing the effects of these regulatory elements on housing affordability would be progressive.*"¹⁹

Downs questions the concept that North Americans could never live in the tiny apartments that characterize Hong Kong or Tokyo. The minimum density and dwelling size restrictions of most cities would never result in the 350 sq. ft. units common to the large cities in Asia. Yet, as he notes, many people live in this area as they double or triple up to conserve on costs.²⁰ He argues that dwelling size is culturally determined. Further, the zoning and code standards, enacted to preserve the quality of the environment, actually drives the poor into the worst neighbourhoods and requires them to live at high density levels, because the regulations imposed on new neighbourhoods effectively raises costs and excludes them.

Downs argues further that "*current housing quality and density standards ... are set unrealistically high in relation to the true economic capabilities of millions of American households.*" From this flows the logical implication that "*a crucial way to reduce the costs of building housing is to reduce the quality standards such housing is legally required to meet.*"

¹⁸ Other examples cited include: impact fees in California or \$30,000 plus per unit; \$15,000 extra to build a house in a suburb than in the city of Chicago; and the \$1960 assigned to each new unit in Riverside California to create preserves for the Stevens kangaroo rat. As Downs notes, more than \$200 million will eventually accumulate in this fund, far more than will be spent on housing for the homeless in southern California during the same period.

¹⁹ Downs (1995) p. 1106.

²⁰ Downs notes a Los Angeles Times estimate that 40,000 garages were being illegally used as dwellings by one or more household units.

Examples of relaxing codes include allowing SRO (standing room only) hotels where residents occupy a single room with a sink and toilet. Clusters of 6 units share a bath and kitchen. Many units can be placed in a single structure where they now tend to be in skid row districts. Certainly these units are not the style many would prefer to live in, but they are nevertheless much better than a box under a bridge. By lowering dwelling size, density increases and unit costs can be cut dramatically. This is essentially the process used in flophouses where units are clustered in older areas. Downs notes that many of the SRO units were demolished during urban renewal to make way for new, less dense and more costly projects -- projects that were unaffordable for the displaced residents. A second example is the use of "Granny flats" that are often in violation of local occupancy codes.

The essential policy issue is that by lowering standards, costs will fall. Since the process happened informally by doubling up or creating illegal units, housing policy should deal with the problem directly and change the codes. This relates to the basic point made above that increasing the supply, lowers price/rent, reduces the market power of landlords, owners and lenders, and increases the options open to lower income housing consumers.

Zoning and building codes are created to maintain the "tone" of a neighbourhood, which translated simply means to preserve the value of the investment made by owners. A second reason is to create a barrier against incursion by lower income residents. Finally, regulations that maintain the cost of housing maintain the tax base.

The Kemp Commission has produced a detailed report on the potential cost impact of regulations. However, no empirical measures are provided. The illustrations are evocative and certainly paint a credible picture that housing access can be compromised by zoning and building codes.

Canadian research into this issues has tended to focus on the potential role of municipal government in low costs housing. Hulchanski *et. al.*, (1990) review a number of Canadian initiatives and use the classification of Carter and McAfee (1990) that identifies a municipal role in housing the poor as a: *reactor* where the municipality simply supports the initiatives funded by senior levels; a *facilitator* by changing its codes, expedites permits and actively lobbies for the project; and, a *comprehensive developer* where the city designs, implements and manages a low income housing project.

During the late seventies and early eighties, the land and housing price inflation turned the attention to analysing the cost components of housing. Inflation induced by regulations, especially the development approach process was often cited as major contributor to cost. These studies have tended to subside as housing prices moderated. There appears not to have been a comprehensive review of the impact of regulations on the cost of housing similar to the Kemp Commission.

3.5 Summary on Discrimination and Barriers to Access

The research on discrimination is clear. In the United States, a long history of testing for discrimination in rental markets has produced conclusive evidence that this practice exists. In Canada, the evidence is much less certain since paired auditing trials have not been completed. Most researchers believe that discrimination in rental housing is widespread and represents a significant barrier to access. However, the evidence on mortgage markets is much less clear. It is unlikely that the testing could be completed for Canada without significant expense and cooperation from the lending institutions.

With respect to regulatory load, the evidence is suggestive. By lowering zoning and building code requirements, thereby increasing density, unit costs could drop dramatically. Downs' suggestion that the benefits of deregulation in land use would be progressive is very interesting. Comparable work for Canada seems not to be available.

4.0 SYNOPSIS OF CANADIAN AND UNITED STATES RESPONSES TO HOUSING DIVERSITY

This section of the paper reviews US and Canadian housing research towards diversity, access, and, affordability. This review is partial and selective and is designed only to introduce some ideas to illustrate the key questions and to prepare for the discussion on research gaps.

4.1 Housing Research and Policy - From National to Regional to Local

Housing policy in Canada and the US has gone through distinct phases over the past fifty years. After initial concern over sanitation and physical integrity, an increase in state intervention ensued. In North America, this included public housing projects, tax based incentives for supply, and the enhancement of the mortgage market. In this period, research focused on a range of economic issues such as the impact of tax incentives on supply. Also, many of the basic concepts in housing emerged. The notion that there is not a single housing market, but a matrix of sub-markets was an important contribution and fits neatly with the theme of diversity. These sub-markets are typically separated by income, social class, ethnicity and race.

A second phase of policy innovation followed and is firmly entrenched within the interventionist social of the sixties. Thus, the housing allowance experiments in the United States and the income maintenance experiments all had significant components dealing with housing. Housing programs provided targeted support to groups believed to encounter barriers to decent affordable housing. In reality little research was actually undertaken to test assumptions.

In the third phase, these programs withered under their costs and questions about their underlying assumptions and whether the incidence of the benefits was the target group. Another trend emerged. Housing often became integrated with social issues and problems of specific groups.

4.2 United States

It is possible to discern five periods to US Housing Policy.²¹ The initial period (1890 - 1930) focused on sanitary and physical conditions in response to the massive immigration from Europe to the large cities. After the depression, housing policy shifted to stimulating production with an emphasis on massive public housing projects. The third phase began in the sixties with targeted subsidies to low income households and private sector development of low-income housing. In 1970, government support for production ceased and income based programs became the policy instrument of the federal government. Finally, the 1980s have seen a significant retrenchment of federal involvement in housing. For example, the budget of Housing and Urban Development peaked at \$32 billion in 1979 but has recently shrunk to under \$7 billion.

The last three decades merit some additional comment. The Great Society initiative of the sixties marks significant involvement of the federal government in housing. For many housing researchers, this period marks a highpoint in research and policy attention to affordability. Activists view the recent retrenchment as a regrettable and dangerous course. In an important sense, the extensive investigations into mortgage market discrimination represents a research based battle between those who advocate a housing policy with broader regulatory powers and those who argue there is no evidence to support such an approach.

The basic issue in US housing research at this time is whether the reduction of federal presence in social and housing programs can be compensated by increased attention from individual states.²² This parallels a process that has been occurring in Canada for the past decade. The research and policy questions are simple. Will individual states be able to manage housing policy better than federal government? Will disadvantaged families fare better or worse in this devolution of housing policy from the federal government?

²¹ For a good review of US housing policy in relation to affordability see Ford Foundation (1989).

²² See Business Week, August 7, 1995 for a discussion of this devolution process in the United States.

4.3 Canada

Canada's three levels of government have made a commitment to support the production and distribution of housing for the past fifty years. This interest in housing, especially in supporting those who would not be able to access housing through the private market, has been a feature of Canadian public policy for some time.

Three periods can be identified in Canadian housing policy.²³

- **Mortgage Markets and Tax Provisions**

Prior to 1950 Canadian housing policy operated through federal support of the mortgage market and income tax provisions with respect to losses earned on rental property. The National Housing Act started with mortgage rate subsidies whereby the government would enter into joint loan programs. This was replaced in 1954 with a mortgage insurance program for first-time buyers that continues today.

Through the 1950s and into the 1960s, government constructed large public housing projects to meet the needs of low income Canadians. Later the focus shifted to "social housing" and the scale of projects has shrunk. The orientation moved to integration of social housing into the community and partnering with community groups to meet the needs of a specific population.

Income tax provisions were important as a stimulus to multiple family units. Prior to revisions in 1972, investors could deduct capital-cost allowance losses on rental properties against non-rental income. A doctor could construct an apartment, charge low rents and transfer this loss across to the medical income. Because of income tax progressivity this technique was usually very favourable in terms of net tax paid. The demise of this provision was part of a general move to try and streamline the Income Tax Act. The result was that multiple family construction slowed through the eighties. At the same time, capital gains on the principle residence were exempted from taxation and this remains today as an important incentive to home ownership.²⁴

- **Expanded Support of Home Ownership and Tenancy**

²³ See Mason (1981) for a review of housing policy to 1981. Dreier and Hulchanski (1990) provide a more recent perspective.

²⁴ This capital gains exemption encourages the middle class to use the principle residence as a major wealth building strategy.

The beginning of the second era can be traced to the late sixties. The federal government defined housing as a priority because of its externalities; it was also seen as a right to be enjoyed by all Canadians. Inflation was treated as a scourge that had taken the right to housing from many younger families. Canada Mortgage and Housing Corporation (CMHC) was given an expanded role as a social policy instrument, rather than just an insurer of mortgages.²⁵ The National Housing Act was amended in 1973 and the non-profit community became much more thoroughly integrated in the delivery of housing to low income households.

Although government targeted many of the programs to low income households, the fact that middle income households were also the direct beneficiaries was justified by the filtering process. This is a contentious view. A policy that benefits a middle income household, "loosens" the market for lower income purchases. Lower valued houses, rented or owned, vacated by the middle class, created more favourable market condition for those with less income. The use of the filtering process in housing policy is often criticized as being cumbersome and inequitable.

Typical federal programs initiated during this period included cash grants, Assisted Home Ownership (AHOP), rental subsidies, Assisted Rental programs (ARP), and construction of non-profit housing using cooperatives. These programs had mixed results. AHOP, for example, provided high ratio (loan to value) low interest mortgages to qualifying households. For those using conventional financing (25% down) a cash grant was provided. Intended to stimulate housing through increasing the demand for homes, it encouraged lenders to build more modestly priced homes. However, it also provided subsidies to young professionals who could qualify as having low incomes, but who would soon be earning larger salaries.

Most problematic with this approach was the fact that many households reached the end of the five-year participation period just as inflation accelerated and mortgage rates rose to 18%. These households walked into a wall of monthly payments, as no provision for a transition had been created. At the outset of the program, double-digit mortgage rates were unthinkable; at the end they were the norm. The AHOP program is an illustration of the difficulty of designing and executing a national housing program using broad instruments (interest subsidy) to target specific groups (low income) whose eligibility rests on general specifications of income and wealth.²⁶

²⁵ A name change from Central to Canada Mortgage and Housing Corporation was part of this re-positioning.

²⁶ The AHOP program failed to use "permanent" income as a measure of eligibility and admitted many whose income was temporarily low. It also did not provide support over a sufficiently long period so that those with long term low incomes could build equity in the home. It could

During this period, some provincial governments simply participated in housing through joint sponsorship with various federal initiatives, especially in non-profit and social housing. Other provinces adjusted local codes on housing and still others tried to control the cost of housing directly through rather misguided attempts to reduce land costs.

Some provinces mounted their own programs of providing social housing, but most have withdrawn from this and now operate in cooperation with CMHC. In many provinces, an important housing issue became security of tenure. Combined with concerns over the affordability of accommodation for low income families, rent controls are now well entrenched in several provinces despite the widespread conclusion of economists that these policies tend to exacerbate housing price and availability.

- **The Third Era - Fiscal Restraint and Federal-Provincial Agreements**

The reduction in funds available for housing has required a revised approach to housing. Now the federal government seeks “partners” with which to share costs of providing housing to low income households as well as other groups. Ironically, fiscal restraint is driving a move to a housing policy that is actually better able to deal with diversity. However, this does not mean that needs are being met.

Housing policy in Canada now is coordinated and articulated through the federal government operating in partnership with the provinces. According to Fallis (1990)

Housing policy is now conducted through complex global agreements and annual operating agreements.

At this time, federal funds flow almost exclusively to provinces. Since 1986 CMHC has targeted the most needy, but this has been criticized as moving back to the public housing concept of three decade ago. Three variations include “public non-profits” consisting of companies owned by local governments, “private non-profits” owned by churches and religious organizations, and “cooperatives” where member-residents own a share in the cooperative.

Most recently, the federal government allowed RRSPs to be cashed in to provide a down-payment for a home (Home Buyers Plan), while at the same time increasing the loan-to-value ratio for a new home. This is not housing policy *per se*, but rather an attempt to stimulate the housing industry and the economy. It is also a policy that

not extend the program period simply due to the expense.

requires one to have a reasonably substantial RRSP, something that many middle income earners will not have since they participate in company pensions.

Local government has tended to play a small role in housing. The review of land development processes of the late seventies marks the end of any consideration of how municipal regulations affect housing costs. Although some cities created housing authorities in the sixties to construct social housing, (with federal and provincial financial assistance), this ceased by the late eighties. The trend for the past decade has been to scale-back the extent of public sector involvement and move to the position of using partnerships with private and non-profit groups to create the needed housing.

At this time, the federal government provides the funding and manages overall policy, but provinces design and administer individual projects and initiatives. The general trend in Canada has been to assist community groups, including ethno cultural organizations, religious groups, and others to construct housing to meet the needs of their members. In large measure, this approach has been necessitated by fiscal restraint. Regardless, this approach is creating the basis for a policy better able to deal with diverse lifestyles and needs.

4.4 Summary on Housing Policy: The Research Foundation

The move from the first phase to the second in Canadian housing policy was really not inspired by research. For example the concept of externality, both with respect to neighbourhood effects and how housing is a critical basis for raising children, was fundamental in motivating government to adopt a more focused response. Inflation in the seventies encouraged many to believe that middle income households could not afford homes.

Even a casual review of housing research through the sixties, seventies and eighties shows that much of the work focussed on policy impacts (rent control, land banking, tax incentives), macro economic issues (the role of housing in the business cycle), or a range of micro economic studies designed to assess the fundamentals of the market (measuring the income elasticity of housing). CMHC has been the primary force behind housing research. Aside from a few studies in Ontario, and a range of consulting studies in other regions, provincial governments have not funded much housing research *per se*.

The comparative lack of research into housing is a serious gap in both our general understanding as well as our ability to frame policy. More review of micro data and testing assumptions may have averted some of the headaches with AHOP. With the re-emergence of affordability as a central theme, an urgent need exists for research to understand how the

housing market operates and whether it treats all Canadians equally. The next and concluding section of this paper reviews a number of directions for research.

5.0 A POSSIBLE RESEARCH PROGRAM

It is now possible to return to the main questions underlying this paper.

- Why is it important to examine the issue of diversity in society and how it influences housing policy?
- How can Canada's housing partners work together in measuring the extent to which certain key consumers are under-served?
- How have other countries detected and dealt with housing access gaps?
- What are some possible next steps for research?

5.1 Have Fiscal Restraint and Diversity Made General Housing Research and Policies Obsolete?

Diversity in Canadian society, especially the variation in incomes and housing affordability across Canada is a critical social and political issue. The fact that many Canadians would never think of looking for work or relocating to Toronto or Vancouver is a serious impediment to how labour markets function. At the root of the current review of social policy is the idea that if an unemployed person in Newfoundland is offered a job in Vancouver, he/she must take it. However, is this reasonable if the housing costs in Vancouver preclude maintaining one's standard of living. This variation of housing affordability across Canada is critical and a subject that is very poorly understood.

From the above review of Canadian and US housing policy it is clear that fiscal restraint and devolution of federal powers to lower levels of government has reduced the scope for large scale housing programs. This means that issues of housing diversity and affordability will require all levels of government, industry, and non-profit groups to cooperate in both researching the problem as well as developing solutions.

With reference to access, affordability, and diversity, Canadian housing researchers have developed a "core needs" testing process. A household is first tested to see whether it has "adequacy", "suitability" or "affordability" problems.²⁷ A household which faces one or

²⁷

Adequacy examines whether the household is living in sanitary conditions, with proper repairs and access to needed utilities (heat, light, water, etc.). Suitability refers to the extent of crowding. Affordability determines whether the household is spending more than 30% of their

more of these situations (inadequate, crowded or expensive housing, etc.) is deemed to have a housing problem. Second, if the household has income above the norm for its community and for a dwelling judged suitable to its family size, a core need does not exist. This household is voluntarily consuming less housing than the norm. If the household has income below the norm, and or is consuming less housing than considered normal for their size then a core need exists.

The measure of core need represents an attempt to provide an empirical basis for affordability. As such it becomes a basic tool for researching access across different groups and geographies. Most other countries have been using less sophisticated percentages of income as measures of affordability. In this important sense, Canadian housing has moved ahead of the research and policy development in other countries.

However, core needs measures of affordability problems faced by a specific group are inadequate. Consider preferences for personal space or comfort level in certain types of structures. Vietnamese, for example, are unused to high rises as homes are rarely in structures more than three stories in cities such as Saigon. However, their culture also accepts much closer living within the family unit than is common in North America. Simple cultural preferences often create important misunderstandings in housing, especially rental markets.²⁸ Builders in BC are reportedly applying a variety of principles from *fen shei* as a method for attracting buyers from Asia.

***Observation:** It is essential to determine whether a specific group's housing problem can be addressed through housing policy, or whether the solution lies in some other realm. To do this, requires a refined measure of affordability to simply establish whether access is an issue.*

There are some important manifestations of diversity that are housing issues. Most important is that the concepts of access and affordability are still very poorly understood in the context of Canadian society.

- Aboriginal households migrating to the inner city on the Prairies represent a pressing area where government policy is failing. For Indians in urban areas, the housing affordability is the direct outcome of income insufficiency by virtue of having few employable skills and confronting labour and housing market discrimination.
- Regional disparity in housing creates vastly different opportunities for different groups. For those who own, real estate appreciation in larger cities

income on housing.

creates wealth. At the same time home ownership for young families and those wishing to relocate is blocked. Rural-urban migration, inter-provincial movements, and the attraction of international capital to specific centres such as Vancouver are the primary forces in this disparity.

Housing markets in selected markets such as Toronto, Vancouver and Victoria are characterized by rapid price and rent inflation. For a young household in Toronto or Vancouver, home ownership prospects involve delayed entry, borrowing from parents to gain a down payment and/or encountering a long commute as housing is traded-off against transport costs. There is little research in this area and it represents the "generation X" phenomenon in the home ownership market.²⁹ This problem is probably compounded by parents who will live longer through retirement and consume more of the inheritance.

- Newcomer immigrants appear to confront no special problems in housing access aside from income insufficiency and language. Most immigrants are well educated and many appear to establish themselves rapidly. Many middle and upper income housing developments are heavily populated by immigrants from Asia and India. A visit to Richmond, BC clearly demonstrates the impact of Asian immigration supported by heavy investment.

Newcomer refugees are another matter. Many require social assistance for the first few years after their entry into Canada. As tenants they confront affordability and access problems arising from language barriers, low incomes, and to a certain extent discrimination.³⁰

- The recent recession has exacerbated income inequality. The process of regional growth intensifies wealth inequality. Income inequality is produced by differential skill access and is ameliorated through the educational process and the progressive income tax process. There is no method for reducing wealth inequality in housing since capital gains on a principal residence are non-taxable. A capital gains tax on principal residences could reduce price inflation in housing and contribute to reducing the barriers to home ownership in rapidly growing urban areas.

²⁹ Generation "X" refers to young adults in their twenties who are seen by market researchers and commentators of popular culture as permanently caught in the shadow of their baby-boom parents.

³⁰ See Prairie Research Associates Inc (1992) *The Relationship Between Newcomer Tenants and Their Landlords*, Winnipeg, Manitoba Interfaith Immigration Council.

- From a public policy perspective, fairness lies at the heart of the Canadian value system. Measuring discrimination is an essential first step to either showing the problem does not exist or developing the resolve to remove these barriers to access should they be discovered.
- Finally, housing policy and programs are fundamentally connected to social and health policies. Consider one example. Manitoba considers children as responsibilities of their parents and will usually not award social assistance to someone under 18 years of age in their own right. A court challenge is emerging where youths who have left home apply for welfare. To deny this applicant risks the accusation of age discrimination, but to grant welfare to a sixteen year old could open the gates to disaffected youth who wish to leave home. Awarding social assistance to those under 18 could create a demand for additional housing, as this group presses against the available supply of low rent housing.

***Observation:** Increasing diversity, ethnic as well as geographic and economic, provides a basis for creating affordability and access problems for many Canadians. However, before many of the problems can be studied, additional work is needed to develop better measures of affordability. In the face of fiscal restraint, responsibility will fall to community groups and the housing industry to assume a greater responsibility in the research agenda.*

5.2 A Research Agenda for Housing in an Era of Increasing Diversity

The following is an outline of a potential research agenda for housing a diverse society.

- **Scoping Studies:** The awareness that specific groups have problems in securing housing is often based on anecdote. A first step must be qualitative research such as focus groups, case studies and interviews simply to determine exactly the nature of housing problems that exist for a specific group. Do same sex couples have a problem in securing a home? A conclusion on this is often the result of casual conversation and not a disciplined research study. Until there are a number of such studies, only a weak basis exists for a systematic research program.
- **Cross-sectional analysis of affordability:** Surely this must be central to any demonstration that different groups are treated differently. The research by Filion and Bunting (1990) is a useful study based on 1986 data. This study should be replicated regularly with expanded emphasis on patterns of housing expenditures cross-classified by socio-demographic attributes (age, gender, marital status, dependent children, etc.), economics (wealth and income) and

regional-urban areas. A primary issue in this research must be to contrast the variation in affordability that exists between large urban areas such as Vancouver and smaller towns. Also critical is to incorporate wealth into the affordability measures. To date, wealth has been included in studies of the housing problems faced by the elderly who cannot afford to maintain a home, but who are wealthy simply because they own their home. However, wealth is often not properly documented in census surveys and is too often ignored.

It is important to emphasize that census data is not the best source of data for this research. Properly constructed survey samples can be very useful to target studies on specific groups such as elderly, youth, etc. Furthermore, census data is limited to the questions asked and critical variables such as income, wealth and socio-demographic data may not be available.

Ideally this research must be national, with each province and urban government playing a role. The various studies on housing prices issued by real estate companies, provide some indication of variations in affordability, but what is required are regional price indices, something that Statistics Canada has been reluctant to do.

- **Discrimination:** Comparatively little work has been done to measure the extent to which discrimination exists in housing markets. Paired audits of rental accommodation are straightforward to design and execute, but care must be taken to control the testing. These audits are simple in principle, but in any experiment the two auditors must be equal in all respects except the aspect of discrimination being tested to ensure that conclusions are valid. This means that testing must be confined to features that are apparent to all.

Testing for discrimination in real estate brokerage is also straightforward conceptually, but research into mortgage market discrimination is much more difficult. US research has shown that discrimination exists in marginal applications³¹. To generate a sufficient sample to assess, for example, whether a particular group has suffered discrimination, will require a large sample of cases. Furthermore, paired auditing for mortgage markets can only review to the initial stages. Once an application is started, a range of independent checks on the applicant's background are performed: it would be impossible to create sufficient numbers of "dummy" files to continue the test.

³¹

A marginal application is one that satisfies most of the criteria for lending, but is deficient in a few aspects. Research in the US has shown that discrimination tends not to exist for applications that are clearly acceptable or those that are clearly unacceptable.

Other approaches to testing for discrimination include experiments where lenders are asked to judge the "quality" of written loan applications. Pairs of applications, identical except for key attributes (race, ethnicity, gender, etc.) are circulated for rating. By making the applications marginal, the likelihood of a low rating is increased. Lender files can provide sufficient information to support multivariate analysis as a method to detect discrimination.

It is important to stress that testing for discrimination in the housing market should really fall to the industry. Assuming profit maximizing is an important objective, lenders should be interested in their own systems to ensure that they are not discriminating. In the US, a strong regulatory system forces this data collection. In Canada, we must rely upon the industry to assist with this research.

Finally, discrimination research needs to be open and evenhanded. The usual assumption that discrimination is practised only by the dominant group against minorities cannot be accepted without research. The validity of this assumption needs to be tested and research needs to be designed to detect discrimination anywhere.

- **Regulatory Drag:** One of the more important ideas emerging in recent housing research is the potential of land and building regulations to increase the price of housing. The Kemp Commission in the US found a bewildering array of regulations that could inflate prices and act to reduce accessibility. These regulations act across the housing value spectrum, but are believed to be regressive in their impact.

This research has not been vigorously pursued in Canada and should fall to provincial and local government to design and execute. The work need not be national in scope and many municipalities may wish to review their land use regulations simply to test which are relevant and which cause mischief. If large metro areas such as Toronto, Montreal, and Vancouver were to review their regulations for impact on housing affordability and access, significant numbers of renters and homeowners could benefit.

- **Aboriginal Housing Stock Inventory:** Arguably the most serious housing problem in Canada exists on reserves. While there is a consensus that the situation is serious, sustained remedies are stymied by competing bureaucratic interests. The basic data are also poor. The Census of Canada as well as the Aboriginal Post Census Surveys, have not provided reliable quantitative perspectives on the social and economic conditions of First Nations. No research comparable to the family expenditure surveys or HIFE is available for Indian communities, yet self-government and social planning

will require this information.³² The ability to record citizens is basic to a sovereign government.

This research need not be national in scope, but the scope of the research will require federal funding. Individual tribal councils can commission studies, as long as financial support is provided by senior levels of government, and methodological support is provided by Statistics Canada and CMHC. Ideally, however, census work needs to be done at the provincial level, and where there is considerable interprovincial migration such as between northern Ontario and Manitoba, two provinces will need to cooperate.

- **Homelessness:** CMHC is currently exploring methods for researching homelessness. This is an important issue if for no other reason than it is a high profile indicator of housing affordability problems. Furthermore, overt evidence of homelessness occurs in cities such as Vancouver that attract the unemployed. BC politicians complain, with some justification that social assistance cases from other provinces are simply exported by fiscal restraint being practised elsewhere.
- **Cultural Diversity:** Cultural diversity in our major cities is a fact. Richmond, BC has been transformed in the last twenty years from a largely European based community to a major centre for Hong Kong immigrants. In Vancouver, developers raze small stucco bungalows and replace them with four-plexes (known in the local vernacular as “monster homes”). In the view of local residents, these homes are garish. The tension between established and new residents increases when old trees are removed because of religious and cultural beliefs. Entire areas of Regina, Saskatoon, and Winnipeg have become aboriginal. Large areas of Toronto have become uniquely identified with non-European immigrants.

These are manifestations of Canada’s increasing cultural diversity. In terms of issues of affordability, this diversity presents few unique research issues, aside from the basic measurement problems noted above. In another sense however, when we think about diversity in Canadian society, the increasing ethnic and racial diversity is profound. In terms of numbers of people, it really is no less significant a change than has occurred in previous decades. The massive influx of immigration in the first two decades of this century introduced a multitude of new cultures and languages to Canada.

³²

Both the Census of Population and the Aboriginal Post Census Surveys suffer from a severe undercount of aboriginal populations. Further, there is no reliable data on the demographic structure of the population. With respect to aboriginal populations in urban areas, the data are even less useful.

The current immigration inflow is quite different in another sense. Previous immigrant generations found room on the Prairies and could establish a viable economic base. Now, with a reversal of migration from rural to urban areas, and reduced employment in small towns and cities, the pressure is mounting in three or four of the largest urban areas.

In a narrow sense, this is not a housing issue. Yet housing is positioned within a neighbourhood and a community. Increased diversity poses important challenges in ethnic and racial community relations. Since housing is a key constituent of neighbourhoods and a major problem for all new Canadians, issues of neighbourhood building and community planning need to be included in any program to address problems of increasing diversity.

A research agenda for this topic area is complex and extremely sensitive. Any information that immigrants are unable to get along with each other or long time Canadian residents is politically sensitive. The responsibility for this research must fall primarily to immigrant settlement agencies, local and provincial governments and ethno cultural groups. Basic qualitative research into the problems faced by immigrants is needed, but it is complex work. Many individuals and ethno cultural groups are suspicious of the motivations for such research. Ideally, the research needs to be "owned" by the community and managed by a consortium that has established a close working relationship.³³

6.0 SUMMARY ON OPTIONS FOR HOUSING A DIVERSE CANADA

Canada has had a strong and largely successful record of housing policy. It is important to remember that the current fiscal restraint program is generally popular and has been validated in federal and provincial elections. Therefore, there is little point in research leading to policies and programs that require large public expenditure. Partnerships among government, non-profit groups, the housing industry and employers will be the order of the day.

The fact that affordability problems are specific to regions and to specific groups, such as First Nations peoples, requires a "designer" housing policy. The era of national programs

33

See PRA (1992) for an example of the work needed. However, this research is only a model. It did not penetrate very deeply into the problems faced by the community. This was largely because insufficient time was available to build a close relationship between researchers from the community so that they would be able to relate negative findings. There is an overwhelming sense among many immigrants that any complaints are taken as signs of ingratitude. This is just one complication of research in this area.

such as AHOP has passed. Since affordability problems are different in large urban areas and small Prairie towns housing policy and programming must devolve to lower levels of government. In particular, regional forms of metropolitan government, large employers and non-profit groups are likely to emerge as the critical "drivers" in meeting the affordability challenge in housing.

The recession of 1990 - 93 was prolonged and deep. There is little question that increasing numbers of Canadians find the cost of shelter prohibitive. Further, regional disparities in growth mean that slowing real incomes and the increasing price of housing has produced "hot spots" of affordability problems.

We are witnessing a transition away from national housing policies to localized initiatives designed to address the needs of specific communities. Certain national and provincial perspectives are needed such as revisions to income tax, labour relations and securities legislation to allow programs such as housing trusts to emerge. In addition, local government will need to review land use regulations to identify procedures that lead to housing cost inflation.

The challenge facing housing research analysts is to probe the housing problems faced by specific groups. Qualitative research (interviews, case studies, and focus groups) is needed to scope the problem with each group believed to be affected. Next it is important to be certain that the reported housing affordability problems experienced by any group are tested empirically. A general review of affordability across Canada would be a very beneficial exercise and would clarify the nature of the problem. Finally, one must determine that the situation faced by any group is really a housing market issue and cannot be defined as a social, health, constitutional, justice, or economic problem. Only then does it make sense to develop innovative housing programs to deal with diversity.

BIBLIOGRAPHY

- Angel, D.P. (1992) Meeting the Demand for Affordable Housing: State intervention in Massachusetts, *Housing Studies*, Vol.7 no 4.
- Arnold, E. and A. Skaburskis (1989), "Measuring Ontario's Increasing Housing Affordability Problem," *Social Indicators Research*, 21:501-515.
- Beavis, Mary Ann, (1995) *Housing and Ethnicity: Literature Review and Select, Annotated Bibliography*, University of Winnipeg, Institute of Urban Studies
- Becker, Gary, "How Bad Studies Get Turned Into Bad Policies," *Business Week*, June 26, 1995.
- Benston, George J., "Mortgage Redlining Research: A Review and Critical Analysis," *Journal of Bank Research*, 12, 1981, pp. 8-23.
- Blossom, Teresa, David Everitt, and John Gallagher, "The Race for Money," *Detroit Free Press*, June 24-27, 1988.
- Canner, Glenn B., and Stuart A. Gabriel, "Market Segmentation and Lender Specialization in the Primary and Secondary Mortgage Markets," *Housing Policy Debate*, 3(2), 1992, pp. 241-329.
- Canner, G, W. Passmore, and D. Smith (1994) "Residential Lending to Low-Income and Minority Families: Evidence from the 1992 HMDA Data", *Federal Reserve Bulletin*, Vol 74, February
- Carr, James H, and Isaac F. Megbolugbe, "The Federal Reserve Bank of Boston Study on Mortgage Lending Revisited," *Journal of Housing Research*, 4(2), 1993, pp. 277-313.
- Cloud, Cathy, and George Galster, "What Do We Know About Racial Discrimination in Mortgage Markets?" *The Review of Black Political Economy*, 22(1), Summer 1993, pp. 101.
- Dahrendorf, R. (1987), "The Erosion of Citizenship and its Consequences for us all." *New Statesmen*, June 12.
- Darden, J.T. (1990) "Differential Access to Housing in the Suburbs", *Journal of Black Studies* (September).

Darke, Jane, and Roy Darke (1988) "Affordable housing: roles for the state and the community", in

Freidrichs, J. (Ed.) , *Affordable Housing and the Homeless*, New York, Walter de Gruyter.

Dedman, William, "The Color of Money," *The Atlanta Journal-Constitution*, May 1-4, 1988.

Downs, A. (1994) "The Advisory Commission on Regulatory Barriers to Affordable Housing: Its

Behaviour and Accomplishments" *Housing Policy Debate*, Vol. 2. No. 4.

Dreier, P. and J.D. Hulchanski (1990) "Affordable housing: lessons from Canada", *American*

Prospect, Spring, no. 1 pp 119-125.

Ferlauto, R.(1991) "A new approach to low-income housing", *Public Welfare*, Summer

Filion, P, and T. Bunting (1990) *Affordability of Housing in Canada*, Statistics Canada, 98-130

Ford Foundation (1989), *Affordable Housing: The Years Ahead*, New York, Ford Foundation

Galster, G. (1992) Research on Discrimination in Housing and Mortgage Markets: An Assessment

and Future Directions, *Housing Policy Debate*, Vol.3, No. 2.

Garon (1988) -- **JM Could you provide me with the reference for this?**

Guy, Rebecca F., Louis G. Pol, and Randy E. Ryker, "Discrimination in Mortgage Lending: The Home Mortgage Disclosure Act," *Population Research and Policy Review*, 1(3), October 1982, pp. 283-296.

Hanock, K.E. (1993) "'Can pay? won't pay?' or economic principles of 'affordability'", *Urban Studies*, Vol 30, No. 1, 127-145.

Henry, Frances (1989), *Housing and racial discrimination in Canada: A preliminary assessment*

of current initiatives and information, Ottawa, Multiculturalism and Citizenship

Loveland, I (1990) "Square pegs in round holes: The 'right' to council housing in the post-war era," *Journal of Law and Society*, Vol. 19, no. 3

Linneman, P.D. and I.F. Megbolugbe, "Housing affordability: myth or reality", *Urban Studies*,

Vol 29, Nos 3/4: 369 - 392.

MacLennan, D. and R. Williams, *Affordable Housing in Britain and the United States*, York, Joseph

Roundtree Foundation.

Mason, G. (1981) "Housing", in R. Bellan and W. H. Pope, *The Canadian Economy*, Toronto,

McGraw-Hill Ryerson Ltd.

Miron, J.R. (1989), "Household Formation, affordability and housing policy" *Population Research*

and Policy Review, 8: 55-77

Morissette, R, J. Myles, and G. Picot, (1994) "Earnings inequality and the distribution of working

time", *Canadian Business Economics*, Vol 2, No. 3

Munnell, A., L. Browne, J. McEneaney, and G. Tootell, "Mortgage Lending in Boston: Interpreting HMDA Data," *Federal Reserve Bank of Boston Working Paper*, 92(7) October 1992.

Murie, A. and R. Forrest, (1988) "The New Homelessness in Britain" in Friedrichs, J. (ed.) *Affordable Housing and the Homeless*, de Gruyter, Berlin

Organisation for Economic Cooperation and Development (1988), *Urban Housing Finance*, OECD, Paris.

Prairie Research Associates Inc (1992) *The Relationship Between Newcomer Tenants and Their Landlords*, Winnipeg, Manitoba Interfaith Immigration Council

Prairie Research Associates, (1995) *Review of DIAND and Provincial Social Assistance Programs in Manitoba*, DIAND, Central Region,

Reichert, A.K. (1990), "The impact of interest rates, income, and employment upon regional housing markets", *Journal of Real Estate Finance and Economics*, Vol. 3, pp. 373-391

Sard, B. (1991) "Housing the homeless through expanding access to existing subsidized programs" *Villanova Law Review*, Vol. 36, p. 1113 - 1149.

Shlay, Anne B., "Financing Community: Methods for Assessing Residential Credit Disparities, Market Barriers, and Institutional Reinvestment Performance in the Metropolis," *Journal of Urban Affairs*, 1989, 11(3), pp. 201-223.

Stone, Michael, (1993) *Shelter Poverty: New Ideas on Housing Affordability*, Philadelphia, Temple University Press.

Supply and Services Canada (1989), *Charting Canada's Future: A Report of the Demographic Review of Canada*, Health and Welfare Canada

Warner, Arthur E., and F. Jerry, Ingram, "A Test for Discrimination in a Mortgage Market," *Journal of Bank Research*, 13(2), Summer 1982, pp. 116-24.

Wienk, Ronald E., "Discrimination in Urban Credit Markets: What We Don't Know and Why We Don't Know It," *Housing Policy Debate*, 3(2), 1992, pp. 217-240.

Williams, N.J. and F.E Twine (1992) "Increasing access or widening choice: the role of resold public sector dwellings in the housing market." *Environment and Planning A*, Vol 24,

Wood, G.A. and S. Bushe-Jones (1991) *Housing Affordability: An International Context* Canberra, Commonwealth of Australia.