

Executive Summary

Our Canadian government wants to become more efficient and effective in its day to day business. To become more efficient, the government must remove duplication and wrongful allocation of financial assistance. Traditionally administered housing assistance programs have contributed to an exponential growth in the costs associated with housing assistance. This is the reason given for the current Federal Government's actions. They have decided to put a ceiling on its social housing expenditure. With a combination of limited social housing assistance and the quest for efficiency, a need to explore alternative housing policies and methods used in identifying and helping those who truly need housing assistance has been created.

In Ontario, 'restructuring' has become a household word that signals change. In relation to the affordability problem, restructuring the government means that due to smaller budgets, funding for programs that ensure housing for the low- income, elderly, aboriginal and handicapped citizens of our newly amalgamated cities have been reduced. Reduced funding as well as the swapping of administrative responsibilities amongst government levels has introduced the need for a more efficient allocation of financial assistance.

The following literature and econometric investigation will show the possible effects of policy change, on the rental housing market and the indicators used for identifying affordability problems. Some questions that will be addressed include; what are the key indicators that should be used in identifying those who truly need housing assistance? What are some of the policy options available to planners and housing policy analysts that could solve some of the affordability problems faced by many households

living in Ontario's rental market? How does one identify affordability problems? What is the size of misclassification of these affordability problems? And the final question addressed in this body of research asks if the Toronto CMA requires more funding than any other Census Metropolitan Area in Ontario?

The method developed and applied proposes a four-step procedure for identifying housing affordability problems. It is essentially a composite index that utilizes quality-based household characteristics such as household composition, condition and location to identify those who have an affordability problem. The housing market functions in a reality where imperfections cause some households to have high rent burdens while others achieve low rent burdens. Within these same households, some may over-consume and yet, some may under-consume. Another perspective would show, which households pay above market prices from those that pay below market prices for the same bundle of observable housing characteristics. All of these situations can be classified and revealed using the proposed four-step method. The basic four steps are regress, predict, create ratios and classify.

The data used for the identification of those in need of housing assistance was taken from the 1994 HIFE micro data files, from Statistics Canada. HIFE is the Housing, Income, Facilities and Equipment Survey. This census survey includes characteristics about a household's total income, actual rent paid, quality of accommodations, location and household composition. There will be three sample groups used in this research. Ontario as a whole, the Toronto CMA and then the other Census Metropolitan Areas identified in Ontario excluding the Toronto CMA. These Other CMA's include Ottawa, Kitchener Waterloo, Hamilton, London, Windsor and St. Catherines. The boundaries of

the Toronto Census Metropolitan Area extend to include the following cities and towns within an area commonly referred to as the Greater Toronto Area. These include the following, as defined by the HIFE 1994 survey: Ajax, Aurora, Bradford West Gwilliambury, Brampton, Caledon, East Gwilliambury, East York, Etobicoke, Georgina, Georgina Island 33, Halton Hills, King, Markham, Milton, Mississauga, Mono, New Tecumseth, New Market, North York, Oakville, Orangeville, Pickering, Richmond Hill, Scarborough, Toronto, Uxbridge, Vaughan, Whitchurch-Stouffville and York. The inclusion of a spatial component introduces a new element in the quality-based index developed by Lerman and Reeder (1987).

There have been many limitations involved in the econometric investigation and subsequent results. The numerous assumptions made in the design of the regression equation and the programming of the classification model were based on the limited econometric knowledge and SAS programming of the author and the limited relevant literature that was reviewed. The assumptions that were applied in the regression analysis component included; the chosen observable household attributes taken from the 1994 HIFE survey; the application and interpretation of the National Occupancy Standard; and the assumption that adequate housing should not require major repair. Other assumptions include using 30 per cent as an accepted affordability threshold and the conditions used in the classification of household affordability problems. With consideration of the above limitations, the results given in this thesis will provide planners and housing policy analysts with an alternative method for identifying affordability problems and an argument for utilizing a combination of housing policy approaches.

The results of this research make an argument for the use of a combination of policy options, such as a combination of indirect market adjustments and direct tenant-based assistance, as a solution to many affordability problems and potential homelessness issues. Planners and policy analysts should be concerned with the definitions used for identifying affordability problems, and the indicators of housing problems that they use in identifying general housing problems and eventually in identifying those who are in true need of assistance. The results also suggest that there are approximately 39% of tenant households in the Toronto CMA that are misclassified by conventional affordability indexes, and approximately 40% in true need of housing assistance. Based on these findings, it is recommended that municipalities should coordinate a mix of policy approaches. The combination of a composite quality-based affordability index, direct-tenant based assistance programs and government initiatives that will promote the development of affordable housing in the private market, should contribute to a solution for housing those who are in true need of housing assistance. By providing affordable housing, the government would be helping those households with an affordability problem learn to help themselves.