

Possible Directions for Housing Policy in Nova Scotia: *Review of Paper*

Background paper prepared for Affordable Housing Association of Nova Scotia
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Overview

- Paper written after MR. Pomeroy presented at last year's Annual meeting
- Reviews Housing Market system in Nova Scotia
- Measurement of core housing need
- Highlights Gaps
- Best use of both market and non market housing systems
- Highlight of existing programs that can be refined to improve affordability for renters and owners
- Suggests policy refinements to make better use of resources at hand.

Pomeroy's Analysis

- **The housing market in Nova Scotia functions well, with new construction activity exceeding the level of population growth and enabling some replacement of older dwellings**
- **There are some imperfections and undesirable outcomes of this market system. Most notably, the market is not able to respond to the needs of a small subset of the population that lacks the income and resources to have market demand**
- **Gap in the market system is why public assistance and an appropriate provincial housing policy is necessary.**

Key Points

- not infinite resources available to address issues of non-market housing need
- Federal programs and funding agreements provide some funding with varying degrees of conditions on how funds can be used
- The Province is able to contribute some provincial funding to augment Federal transfers, primarily through the Dept. of Community Services
- Limited fiscal resources must be strategically invested to maximize the impact on addressing unmet housing need and, where appropriate, to support and encourage initiatives that can increase the effectiveness of the private market.

Defining the Problem

- Do we Need More Proof?

- CMHC has developed national standards, measures and information on the state of the housing market in Canada
- Housing issues have been framed by a nationally (CMHC) defined set of housing standards called core housing need, which helps to quantify the size of the problem.
- Core need uses three separate standards:
 - Affordability: is the household paying above a defined benchmark of 30% of income for shelter?
 - Condition: is the dwelling in a safe and sound state of repair?
 - Suitability: is the dwelling over-crowded?

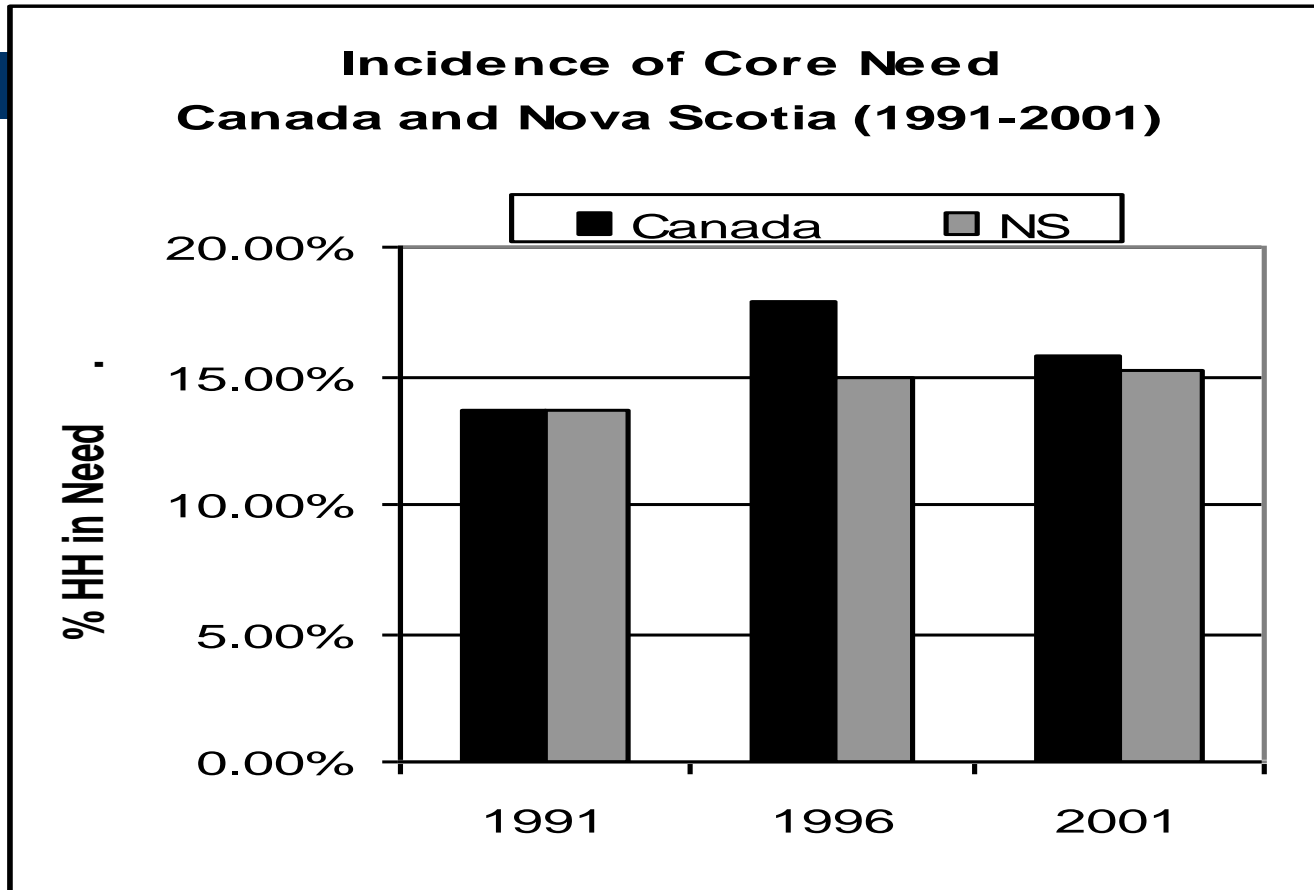
Predominant Problem in NS - Affordability

- almost 90% of core need issues relate either to affordability only or some other combination of suitability and adequacy but also includes affordability
- Nova Scotia is above the national average for households living below the adequacy standard more than 10% of households in Nova Scotia live in inadequate dwellings, highlighting the need for rehabilitation programs.

Affordability Problem Growing in Canada and NS

- The number of households facing core housing need in Canada has remained stubbornly at around 15% for over a decade
- The rate declined marginally between 1996 and 2001, but still remained above the rate in 1991
- In Nova Scotia, the rate of need has continued to grow. Nova Scotia did not share the benefit of more recent economic growth as much as the rest of Canada. The incidence of need rose from 13.6% to 15.2% and in absolute terms from 45,000 to 52,000 households.
- Given the brief scan of housing issues reviewed above, there is a critical need for ongoing funding to support rehabilitation. Nova Scotia is among the provinces with the highest level of rehabilitation need, especially outside the HRM.

Canada and Nova Scotia Incidence of Core Housing Need



Pressure on Renters

- Core housing need is most acute among renters.
- Of the 52,000 in need, 32,000 are renters (61%, while renters only make up less than 30% of all households).
- While the overall rate (in 2001) was 15.2%, this is comprised of a subset of 8% of all owners, but 34% of renters.
- Issue for owners tend to be more related to adequacy (poor condition), and among seniors.

Energy Pressures

Recently, utility costs have exacerbated affordability issues. Typically tenants are required to pay utilities on top of rent and are consequently directly impacted by rising utility costs. At a national level, inflation has increased 24% since 1992 but utilities have increased by 50%, much of this between 1999 and present.

Uneven Growth Pressures in Nova Scotia

- Nova Scotia is experiencing slow or no growth in total population. Between 1996 and 2001 the population grew only 5.6% (and more recently it has stagnated and declined .0.6% in 2004)
- HRM, together with two or three other counties are experiencing growth while all other parts of the province loose population
- This imposes challenges in terms of resource allocation as well as appropriate programming with flexibilities to respond differently to urban and rural need.
 - For example it may not be a sound investment to build new homes in depopulating areas, even though there are unmet affordability, suitability and adequacy needs.

Optimizing the Role of The Market

- In light of all the health and social issues identified and the limit of resources all possible strategies must be considered.
- It is extremely difficult to address the backlog of core need (other 15% of households) with the limited resources available so initiatives and policies to support and improve market outcomes,
- Grow the 85% not in need, policy must be identified and implemented.

Balance Market and Social Housing Options

- Incomes that can afford rents at \$500 per month will not draw entrepreneurs to build units. Unless subsidies are provided – *public policy role*
- Incomes that can pay \$1,000 per month rent are close to being able to pay a mortgage and such units will be built in good economic conditions. – encourage market approach

Existing Funding Mechanisms

- The Federal-Provincial Affordable Housing Initiative (AHI),
- Affordable Housing Trust
- The Residential Rehabilitation Assistance Program (RRAP)
- The National Homeless Initiative (NHI),

Refine Policy to implement effective response

- Existing Program have time constraints
- Partnerships could be encouraged with governments and community
- Make use of what is already in place

Refine and Improve - 1

- Refine the ***Rental Housing Preservation Program*** - acquisition of existing private rental investment properties
 - selective purchase more cost effective than building new and minimizes the problem of erosion of the existing relatively affordable stock.
 - Acquisition also helps to avoid NIMBY, which has been problematic in HRM to date and has caused proposed developments to be withdrawn.

Refine and Improve - 2

- new construction or conversion of non-residential properties should continue to be pursued, where acquisition not possible
- A significant portion of capital investment should be directed to enhancing and expanding the stock of transitional and supportive housing to address the needs of most vulnerable households not well served in private rented housing

Refine and Improve - 3

- Improved supports services need to be negotiated with appropriate agencies to ensure that supportive housing can properly serve its clientele, and
- minimize the risk of unsupported individuals falling back into homelessness

Refine and Improve - 3

- Greater use of rent supplements should be explored, both stacked with acquisition grants to enable deeper low-income penetration, and with existing private landlords.
- Halifax has a healthy rental market, with many units in the median rent ranges and with reasonable new supply accompanied by a healthy vacancy rate; precisely the conditions where rent supplements can be effective.

Refine and Improve - 4

- Current homeownership program (***New Home Purchase Program***) should be revised to allow purchase of existing properties (of which there is a healthy supply at affordable prices).
- **Homeowner education and counseling programs**, emphasizing financial literacy and repair of poor credit can be cost effective ways to enable modest income households to access entry level homeownership

Focus Energy

- Encourage community and governments to consult and act to make policy work to take people out of core housing need.
- Thank-you
- Full report is also available on our web site www.ahans.ca