

AFFORDABLE HOUSING INITIATIVE

Evaluation Report September 2009





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EVALUATION OF THE
AFFORDABLE HOUSING INITIATIVE
SEPTEMBER 2009

ACKNOWLEDGEMENTS

CMHC would like to extend special thanks to HDR|Decision Economics who completed the evaluation study of the Affordable Housing Initiative. CMHC would also like to express its appreciation to all agencies and organizations who provided assistance with the research for this evaluation, and to those who gave generously of their time to complete and return the surveys.

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EXECUTIVE SUMMARY

The Affordable Housing Initiative (AHI) was announced in 2001 as a collaborative initiative between the federal and the provincial/territorial governments to increase the availability of affordable housing across Canada. The Initiative was implemented under *The Framework for Bilateral Agreements Aimed at Affordable Housing (November 2001)*. This multilateral Framework agreed to by federal, provincial and territorial housing ministers set out the need for government involvement, the guiding principles regarding the role of each respective government and the broad parameters for the delivery, administration and funding for the Initiative. The Framework formed part of the Bilateral Federal/Provincial (F/P) and Federal/Territorial (F/T) Affordable Housing Program Agreements (AHPAs).

The Framework recognized that governments had worked to stimulate the supply of affordable housing, that there was an urgent requirement for more affordable housing, that strategies for supporting supply were necessary in addition to the AHI and that all levels of government must respect geographical differences with respect to housing. In sponsoring the AHI, all levels of government understood that Provinces and Territories had the primary responsibility for program design and delivery, that flexible programs were needed, that the AHI had to create housing for low to moderate income households and that continuing effort was required to develop strategies to ensure the sustainability of the affordable housing supply in Canada.

Since 2001, the federal government has allocated \$1 billion in funding for the AHI, including \$680 million in the Federal Budget of December 2001 (Phase One) and \$320 million in the Federal Budget of February 2003 (Phase Two). In September 2008, the federal government approved additional funding for housing and homelessness at \$387.9 million per year for 5 years, to March 31, 2014. This announcement includes the renewal of the AHI at \$125 million per year for two years, until March 31, 2011. As per the AHPAs, Provinces, Territories and others were required, at minimum, to match the federal AHI allocation in their jurisdictions.

The objective of the AHI under Phase One was to increase the supply of affordable housing. Rents or housing costs for funded units were to be set at or below the median or average market rent or cost for comparable housing. There were no client group target requirements under Phase One although most Provinces included targeting to low and moderate income households as a program requirement. Increasing the supply of affordable housing continued to be a prime objective under Phase Two of the AHI; however, under Phase Two, CMHC required that funding be used only for the benefit of low-income households on or eligible to be on social housing waiting lists and the rents or housing costs were to be affordable to these targeted households.

The goals of the AHI evaluation were twofold: to report on the relevance, impact and cost-effectiveness of the two phases of AHI expenditures and to inform decisions regarding the future of the AHI.

While federal funding commitments allocated under AHI Phases One and Two could be approved to March 31, 2009, this evaluation examined program activity and funding from the start of the AHI in 2001 to the end of 2007 and focussed on projects and units completed and occupied as at December 31, 2007. Activities stemming from the most recent two-year extension of the AHI are not within the scope of this evaluation. Further, while the economic conditions in the world, Canada and the housing market are changing significantly, the analysis in this evaluation is a snapshot of the AHI program in the context of the economic environment during the period under review, which may be different from today.

Performance as regards relevance, impact and cost-effectiveness was measured by examining eight specific evaluation issues, using descriptive, statistical, risk simulation and cost-effectiveness analyses. Multiple lines of evidence, including quantitative and qualitative data, were used. Quantitative data were drawn from administrative data files, published data, CMHC housing needs data derived from the Census and surveys undertaken for this evaluation. Qualitative data were drawn from literature reviews, expert opinions and reports, and documentation developed in the context of the AHI Bilateral Agreements.

On the eight evaluation issues, this evaluation found the following:

Relevance:

1. Is there a continuing need for governments to increase the supply of affordable housing?

An analysis of the market housing supply and housing affordability in Canada suggests there remains a strong need for governments to be involved. While rental housing starts increased by 128,137 between 2001 and 2007, and approximately half of Canada's Census Metropolitan Areas (CMAs) saw an upward trend in their vacancy rates during this period, the remaining CMAs saw either a downward trend or no apparent trend in vacancy rates. Further, the average rent for newly constructed units was consistently higher than the average rent for the rental market in general.

Affordability also continues to be of particular concern. While the proportion of low income households facing affordability problems compared to the overall population has decreased slightly since 1996, the number of low income households paying more than 30 percent toward housing costs increased to 1.32 million in 2001 and 1.34 million in 2006.

The majority of government officials and stakeholders surveyed support continued government involvement to address the affordable housing need in Canada. Approximately 75 percent of respondents believe there will be an increase in the demand for affordable housing within major urban centres, but less than half of the respondents at virtually all levels believe there will be an increase in the demand for affordable housing in rural areas.

Impact:

2. To what extent has the AHI increased the supply of affordable and modest housing?

As at December 31, 2007, nearly 27,000 units funded or recognized for cost-matching purposes through the AHI were completed. Of these, 21,481 were completed under Phase One and Two programs designed to increase the supply of affordable rental housing. An additional 2,347 units were funded under other AHI programs targeting homeowners and/or rental housing, including remote housing programs, homeownership programs and repair programs. Finally, 1,594 units were funded under a senior supportive housing program and 1,420 units were funded under provincial/territorial housing programs recognized for cost-matching purposes under the AHI.

When comparing rents paid by residents of AHI rental units to the median market rent for comparable housing in the surrounding central metropolitan area (CMA), census agglomeration (CA) or large urban centre, results show that 71 percent and 87 percent of the residents occupying units funded under Phase One and Two rental programs are paying rent at or below the median market rent. Provinces and Territories are responsible for determining whether rents for AHI funded projects are at or below average market rents for comparable housing in a community or

area and for delivery purposes this may not be at the CMA, CA or urban centre level. On average, rents for AHI units were significantly lower than the median market rent for comparable housing in the aggregate urban centre. The rents for smaller AHI Phase One units (up to two bedrooms) were 23 to 29 percent less than the median market rent for comparable housing and rents for three bedroom AHI Phase One rental units were only marginally less than the median market rent. The rents for one and two bedroom AHI Phase Two rental units were 26 and 16 percent less than the median market rent and the rents for three bedroom units were nearly 27 percent less.

Further, AHI units were generally modest in terms of unit size and offered similar amenities to the comparison private rental group. When comparing the average size of units, the difference between AHI and private units was rather small, at less than 4 square metres for three bedroom units and just over 1.5 square metres for one bedroom units.

The evaluation findings suggest that this increase in the supply of affordable housing would not have occurred in the absence of the AHI.

The AHI Bilateral Agreements required, at a minimum, the cost-matching of federal funds at the provincial level. A review of the Annual Audited Statements of Funding and Expenditures submitted by the Provinces and Territories for the period 2001 to March 31st 2007 provides evidence that housing expenditures under the AHI exceeded the minimum 1:1 cost-matching requirement under the initiative. Audited Statements submitted by the Provinces and Territories indicate that \$557 million in federal funding was expended under Phase One as at March 31, 2007 and the associated contributions from others, including Provinces, Territories and third parties, was \$1.1 billion. Similarly, while close to \$147 million in federal funding was expended under Phase Two during this period, contributions from others for programs administered under Phase Two reached over \$251 million.

The results of the AHI rental landlord survey show that the AHI has had a significant impact on the landlords' decisions to develop their projects, as only 8 percent of the landlords would have developed their projects in the absence of the AHI. In terms of units funded, the percentage that would have been provided in the absence of the AHI is even lower, at 1.6 percent.

The survey of AHI residents indicates that 26 percent of homeowners who received AHI down payment assistance could have afforded to purchase the same house without the AHI. For the repair assistance, 76 percent would have completed the same repairs without the AHI. The lower incremental impact under these programs may be attributed to the fact the AHI homeownership programs were targeted primarily to rural remote areas with fewer housing options and targeted to households with sufficient income to afford owning and maintaining a home. Repair programs were often targeted to housing with repair needs which if not completed would mean they would be demolished and therefore lost from the affordable housing stock.

3. Did the AHI provide housing that is affordable for its occupants and that meets adequacy and suitability norms?

For the purposes of this evaluation, the affordability was assessed on the basis of the percentage of household income that is spent on shelter, although this was not a specific program requirement for Phase One. Under Phase Two, housing needed to be affordable to households on or eligible to be on a social housing wait list. However, rent geared to income was not required.

A review of shelter costs and incomes among the AHI and comparison group residents confirms a very low income profile for the residents of Phase One and Two rental units. Nearly 81 percent of the residents under Phase Two rental programs have annual incomes of less than \$24,000 per year and 31 percent have annual incomes below \$12,000. In Phase One rental programs, 66 percent of the residents have annual incomes of less than \$24,000 and nearly 29 percent have annual incomes less than \$12,000.

This finding explains why a significant number of AHI residents have affordability problems whereby they are paying more than 30 percent of income on shelter costs. Sixty-one percent of residents in Phase One rental units and 76 percent in Phase Two units reported spending more than 30 percent of their household income on shelter.

The affordability problem for AHI residents would have been greater in the absence of AHI as rents for residents under the Phase One and Two rental programs were lower than the median market rent for comparable housing in their community. Therefore, while affordability problems are still persistent for AHI residents, the AHI has effectively reduced the depth of the affordability problems for these households.

With regard to adequacy and suitability, the evaluation found that AHI funded units provided housing that met adequacy and suitability norms. Approximately 4 percent and 7 percent of residents in Phase One and Two rental units respectively have adequacy or suitability problems. Higher incidences of adequacy and suitability problems were noted within the Other AHI Programs group (AHI Owner, Repair, Remote Programs); however, these incidences were in line with what was observed within the private rental and owner comparison groups.

4. What are the characteristics of households currently living in AHI funded projects?

Under AHI Phase One and Two rental programs, units are occupied primarily by single person households with nearly 33 percent being occupied by non-elderly single person households and approximately 20 percent being senior single person households. Under the Other AHI Programs (AHI Owner, Repair, Remote Programs), approximately 48 percent of the households include children.

As many as 90 percent of residents under Phase Two rental programs have annual incomes at or below Core Need Income Thresholds (CNITs), which reflect the level of income a household requires to afford alternate housing in the community. This suggests that the Phase Two funding effectively reached low income households. Also, while not a requirement under Phase One, 76 percent of the households in Phase One rental units have incomes below CNITs. This reflects the fact that, while not mandatory, most Provinces and Territories targeted low and moderate income households as a program requirement, compared to 69 percent of households with incomes at or below CNITs in the Other AHI Programs (AHI Owner, Repair, Remote Programs).

Overall, the incomes are lowest for households in the AHI Phase One and Phase Two rental programs, compared to those in the rental comparison groups. The median income of households in Phase One and Two rental units amounted to \$20,000 and \$18,000 respectively. As well, both Phase One and Phase Two rental programs have the highest proportion of households with incomes less than \$12,000. Median annual incomes were highest for households under the Other AHI Programs (AHI Owner, Repair, Remote Programs).

Survey results further show that, with the exception of the senior supportive program, the proportion of households with Aboriginal members is significantly greater among AHI households than in the private and non-profit rental comparison groups. Approximately 10 percent of the households residing in AHI Phase One and Phase Two rental units and approximately 38 percent of those residing in units funded under Other AHI Programs include an Aboriginal member, compared to approximately 4 percent in the private and non-profit rental comparison groups and 7 percent in the private owner comparison group. Approximately 5 percent of the households residing in AHI senior supportive units include an Aboriginal member.

Further, a higher proportion of AHI rental units are occupied by a person with a disability or a senior. For example, approximately 23 percent of households residing in Phase One rental units include a person with a disability, compared to approximately 9 percent of the households in the private rental comparison group. The majority of households with disabled members living in AHI projects have units that are specifically equipped to meet their needs (80 and 85 percent of Phase One and Phase Two rental units respectively).

5. Does the AHI improve housing conditions and quality of life for occupants?

Residents of AHI funded units are generally more satisfied with their current homes than residents in the comparison groups. One aspect of the home often reported as having improved relative to the previous housing is the physical condition. Satisfaction rates varied between 63 percent and 81 percent for AHI housing, compared to approximately 44 percent for the comparison groups. Another aspect is the safety and security of the current home. Satisfaction rates were between 65 percent and 77 percent for AHI housing, compared to approximately 66 percent for the comparison groups. Conversely, resident satisfaction levels were generally on par or slightly lower than those observed across the comparison groups as regards neighbourhood access to services.

The survey findings suggest that AHI programs have improved residents' quality life as households report a larger network of friends and neighbours, and greater participation in community services. More residents in AHI units (63 percent to 84 percent) report an improvement on their overall life, compared to the comparison groups (55 percent). Seniors living in units funded under the Senior Supportive program, in particular, believe whole-heartedly that there had been improvements in their social and family networks and community involvement since moving to their current home and their ability to do daily activities, such as entering/exiting the home, laundry and personal care, has significantly improved.

6. What is the impact of the AHI on long-term project affordability and viability?

.Provinces and Territories have measures in place to ensure the ongoing affordability of projects, including direct public ownership of the project and contribution or loan forgiveness agreements with the landlords that specify funding terms and conditions, as well as sanctions in the event of a breach. Contribution or loan agreements are generally registered on the title and are binding and enforceable in case of a change of ownership.

The responses to the AHI rental landlord survey revealed that only 11 percent of them indicated that their projects experienced lower revenues than projected for the last fiscal year. Landlords also showed strong intentions of continuing to offer the same mix of unit rents upon termination of the operating agreement.

The responses to the government official survey indicate that the majority of provincial, territorial and regional governments have a strategy in place, or are currently developing a strategy, to assist those receiving rent supplements, upon the termination of federal funding.

7. Have the AHI Framework and Agreements provided adequate accountability mechanisms and communication procedures?

Reporting requirements, as set out in the Accountability Framework, were found to be suitable for ensuring all parties had the necessary information for accountability purposes. Information required was generally available and government officials were able to report in a timely manner. This suggests that the Accountability Framework meets the requirements of governments for accountability purposes.

Further, federal and provincial officials were generally satisfied with the joint federal/provincial and federal/territorial communication committee and Communications Protocols. However, some improvements may be desirable as awareness of provincial/territorial affordable housing programs and the AHI was very low among surveyed residents of AHI units and comparison groups.

The survey revealed that, when people were asked what the roles of the various levels of government are, federal government officials were most knowledgeable of their role in the AHI, with both provincial/territorial and municipal government officials demonstrating a good understanding of the provision of financial assistance by the federal government, but less understanding of its role in the area of developing programs and selecting projects for funding. Both housing stakeholders and AHI rental landlords demonstrated a relatively similar level of knowledge.

Cost-effectiveness:

8. Is the AHI a cost-effective instrument for increasing the affordable housing supply and delivering low-income housing assistance?

The evaluation measures the relative effectiveness of Phase One and Phase Two rental programs in increasing the supply of affordable housing.

Under Phase One, the maximum federal contribution could not exceed on average \$25,000. In addition, units in receipt of assistance needed to be at or below average, or median market rents for comparable housing; however, there was no affordability requirement.

Results show that for each \$1 million in total AHI contributions under Phase One rental programs, including contributions from all levels of government and contributions leveraged from third parties, 107 housing units were created.

For Phase Two, eligible households needed to be low income and on, or eligible to be on, a social housing wait list. In addition, rents or housing costs were to be affordable to these targeted households. The maximum level of federal assistance per unit could not exceed the lesser of \$75,000 or 50 percent of the capital cost per unit.

Results for Phase Two rental programs are not conclusive as there were insufficient Records of Commitments with final costing information for Phase Two rental projects available at the time of the evaluation. In addition, survey results for the rental projects were disproportionately higher from Ontario and therefore not representative of Phase Two rental on a national level.

However, based on information available at the time of the evaluation, it is estimated that for each \$1 million in total AHI contributions under Phase Two rental programs, including contributions from all levels of government and contributions leveraged from third parties, 74 housing units were created. This finding reflects the importance of greater upfront contribution or ongoing subsidy to reduce rents to affordable levels for the low-income household target population.

CHAPTER 1

EVALUATION SCOPE AND METHODS

1.1 PURPOSE OF THE EVALUATION

The federal government allocated \$1 billion in funding to the Affordable Housing Initiative (AHI) between 2001 and 2007, including \$680 million to Phase One (in the December 2001 Federal Budget), and \$320 million to Phase Two (in the February 2003 Federal Budget). In September 2008, the federal government approved additional funding of \$387.9 million per year for housing and homelessness for 5 years, to March 31, 2014. This announcement includes the renewal of the AHI at \$125 million per year for two years, until March 31, 2011. The five year funding for housing and homelessness provides an opportunity to consider improvements to ensure that programs continue to effectively respond to the needs of Canadians.

The goals of the AHI evaluation are twofold:

- 1) to report on the relevance, impact and cost-effectiveness of the two phases of AHI expenditures; and,
- 2) to inform decisions regarding the future of AHI.

1.2 EVALUATION ISSUES

The potential outcomes of the AHI are wide-ranging and include social impacts for households such as improved housing conditions, housing market impacts such as an increased supply of affordable housing, and economic impacts such as job creation. Some outcomes relate to the objectives of the AHI (i.e., effects on the supply of housing and on the households living in AHI); whereas, others are consequences of AHI activities. Some outcomes are immediate or short-term; whereas, others develop over time. A complete Program Logic Chart, showing the full range of outcomes for the AHI over time, is presented in the Affordable Housing Initiative Evaluation Plan (2007), available through the Canadian Housing Information Centre at Canada Mortgage and Housing Corporation (CMHC). Given the short timeframe since the AHI was introduced, the focus of this evaluation was primarily on immediate outcomes directly related to the objectives of the AHI.

The evaluation measured the performance of the AHI through the examination of eight issues as follows:

Relevance:

1. Is there a continuing need for governments to increase the supply of affordable housing?

Impact:

2. To what extent has the AHI increased the supply of affordable and modest housing?
3. Did the AHI provide housing that is affordable for occupants and that meets adequacy and suitability norms?
4. What are the characteristics of households currently living in AHI funded projects?
5. Did the AHI improve housing conditions and quality of life for occupants?
6. What was the impact of the AHI on long-term project affordability and viability?

7. Have the AHI Framework and Agreements provided adequate accountability mechanisms and communication procedures?

Cost-effectiveness:

8. Is the AHI a cost-effective instrument for increasing the affordable housing supply and delivering low-income housing assistance?

1.3 SCOPE OF THE EVALUATION

The evaluation examined AHI program activity and funding from the start of the AHI in 2001 to the end of 2007, and focussed primarily on projects and units completed and occupied as at December 31, 2007. Activities stemming from the most recent two year extension of the AHI are not within the scope of this evaluation.

The evaluation covers program activity in all Provinces and Territories. In Quebec, the Société d'habitation du Québec (SHQ) is responsible for evaluating the provincial programs through which AHI funding was provided including the "Programme AccèsLogis" and the "Programme de Logement Abordable Québec". As a result, residents and landlords of AHI projects, government officials and housing stakeholders in the Province of Quebec were not included in surveys completed as part of this evaluation. Project level data analysed as part of this evaluation were also not collected for projects in the Province of Quebec. Hence evaluation findings about the AHI may not necessarily apply to Quebec.

Where possible, analysis was completed and findings are presented by program type funded under the AHI. Program types include rental programs, senior supportive housing programs, and other AHI programs, including homeownership, repair and remote housing programs and, finally, provincially and territorially funded programs that were recognized for cost-matching purposes under the AHI. Further, where possible, results are reported separately for each phase.

1.4 EVALUATION METHODS

This evaluation addressed issues through descriptive, statistical and cost-effectiveness analyses. To address the evaluation issues, multiple lines of evidence, including quantitative and qualitative data, were used. Quantitative data were drawn from administrative data files, including Records of Commitment submitted by the Provinces and Territories, published data from the CMHC Canadian Housing Statistics publications and Statistics Canada series, CMHC housing needs data derived from the Census and surveys undertaken for the evaluation outside the province of Quebec. Qualitative data were drawn from literature reviews, expert opinions, the AHI Bilateral Agreements with the Provinces and Territories, and press releases issued regarding AHI projects.

1.4.1 Surveys

Data from residents and landlords of program projects, and from comparison groups contributed to the analysis of almost all evaluation issues. Fully targeted projects funded under the Post-85 Section 95 Non-Profit Program were selected for comparison with AHI Phase Two rental projects due to the similarity of targeting and affordability requirements. Private sector rental projects were selected from the CMHC Rental Market Survey (RMS). In order that the sample be reflective of the average rental markets, the top and bottom 20 percent of projects based on the rents for two bedroom units were excluded. Homeowner units randomly drawn from telephone banks comprise the other comparison group. The evaluation also included surveys of government officials and stakeholders.

i) AHI and Comparison Residents

The purpose of the AHI resident and comparison household statistical survey was to gather information on the characteristics of households currently living in AHI funded projects and assess whether the AHI has improved housing conditions and quality of life for occupants of the housing. At the close of the surveys, 970 households residing in AHI units and 934 comparison households had completed the survey. In addition, 9 landlords of cost-matched projects serving persons with severe disabilities in Ontario completed a separate survey designed to gather data on the characteristics of the client group being served and other key aspects of their projects.

Estimates derived from the survey of residents and presented in this evaluation study generally have a margin of error of 7 percent or less at the 95 percent confidence level. Estimates were concealed if the margin of reliability exceeded 10 percent and were identified by the ' symbol if within 7 and 10 percent. The latter should be interpreted cautiously.

It should further be noted that while estimates are reliable nationally, they are reflective of the program activity completed as at December 31st 2007. As some Provinces and Territories had reported limited or no activity completed under various program types as at December 31st, national estimates under some program types may therefore not be representative for all jurisdictions. This is particular evident for the Phase Two rental programs where Ontario accounted for 76 percent of the program activity as at December 31st 2007. In light of this reality, prudence should be exercised when drawing conclusions nationally or in comparing findings with other program types such as the Phase One rental programs which have broader provincial/territorial representation.

ii) AHI and Comparison Rental Landlords

The survey included the owners/operators of rental housing projects developed under the AHI, such as public housing agencies, public and private non-profit housing organizations, housing co-operatives, private landlords, landlords of non-assisted rental projects and operators of non-profit projects developed under the Post-85 Section 95 Non-Profit Program. At the close of the surveys, 110 AHI rental landlords, 123 comparison private rental landlords and 80 comparison non-profit rental landlords had completed the surveys. Additionally, 17 landlords of AHI projects participated in a supplementary survey intended to gather in-depth financial information on their projects.

Due to the small sample size for the AHI and comparison rental landlord surveys, the results cannot be extrapolated to the whole population. Results can nevertheless be viewed as useful and informative opinions.

iii) Government Officials

Since the AHI is delivered by provincial/territorial agencies through provincial/territorial programs, it was essential to obtain their opinion on the relevance, impacts and costs-effectiveness of the Initiative. In some jurisdictions, municipalities are also actively involved in program funding and delivery, and in determining housing priorities. A similar survey to the provincial, territorial and municipal official survey was administered to CMHC program and policy staff at the National Office and in the regions. At the close of the surveys, 94 officials had completed the survey.

The intent of these surveys was to obtain expert opinions on the relevance and success of the AHI from multiple sources. As a result, the estimates derived from these surveys should not be interpreted as statistically representative of their populations.

iv) Housing Stakeholders

Housing stakeholders at the national, provincial/territorial or municipal levels representing the housing industry, the affordable housing sector or the needs of specific groups were invited to complete surveys. These stakeholders provided another perspective on the success of the Initiative in meeting housing needs at the community level. At the close of the surveys, 33 housing stakeholders had completed the survey. The estimates derived from the survey of stakeholders are opinions and should not be interpreted as statistically representative.

I.4.2 Cost-Effectiveness Analysis

Cost-effectiveness analysis, as applied to government housing programs, involves the calculation of the cost of producing a standardized unit of housing output. The analysis uses an indicator of output, for example units, and calculates the per-unit cost.

This evaluation addressed the effectiveness of the AHI Phase One and Phase Two rental programs in increasing the low end of market supply by calculating the number of units created that is renting at or below the median market rent for comparable housing in the area. The per-unit costs and benefits achieved are then compared for the rental programs delivered under each phase of the AHI. This analysis serves to establish the relative effectiveness of the approaches in supplying the assistance underlying each phase.

I.4.3 Literature Reviews and Other Data Sources

Housing literature and expert opinions were reviewed to examine the rationale for government involvement to increase the supply of affordable housing and provide housing assistance to low income households. Documents such as the bilateral Federal/Provincial (F/P), Federal/Territorial (F/T) Affordable Housing Program Agreements, the Annual Audited Statements of Expenditures and the Annual Performance Reports were reviewed to collect statistics on program types and to assess the appropriateness of the AHI Accountability Framework. Press releases issued by CMHC or the Provinces and Territories regarding AHI projects since the launch of the AHI were also examined to help measure the appropriateness of the Communications Protocol.

1.5 OUTLINE OF THE REPORT

There are six main sections in this report. A. Introduction – provides an overview of the AHI and presents the scope and methods of the evaluation. B. The Rationale for the AHI - presents the analysis and findings on the rationale issues. C. Impacts of the AHI - presents the analysis and findings for the six evaluation issues measuring the success and impacts of the AHI. D. Cost-Effectiveness of the AHI - summarizes the results of the cost-effectiveness analysis. The findings and conclusions are summarized in section E.

CHAPTER 2

PROFILE OF THE AHI

2.1 OVERVIEW OF THE INITIATIVE

The AHI was announced in 2001 as a collaborative initiative between the federal and the provincial and territorial governments. The Initiative was implemented under *The Framework for Bilateral Agreements Aimed at Affordable Housing (November 2001)*. This is a multilateral framework agreed to by federal, provincial and territorial housing ministers that sets out the parameters of bilateral Federal/Provincial (F/P) and Federal/Territorial (F/T) Affordable Housing Program Agreements (AHPAs).

Since 2001, the federal government has allocated \$1 billion in funding to the AHI, and provincial and territorial housing agencies were required to match these expenditures. Federal funding was provided in two phases, \$680 million in Phase One (in the Federal Budget of December 2001), and \$320 million in Phase Two (in the Federal Budget of February 2003). As at December 31, 2007, \$824 million of the total federal funding had been committed or announced.

2.2 OBJECTIVES AND PARAMETERS OF THE INITIATIVE

The objective of Phase One of the AHI was to increase the availability of affordable housing across Canada in the light of declining vacancy rates and low production of rental housing. Increasing the supply of affordable housing continued to be a prime objective under Phase Two of the AHI; however, under Phase Two, CMHC required that funding only be used for the benefit of low-income households on or eligible to be on social housing waiting lists and the rents or housing costs were to be affordable to these targeted households.

The multilateral Framework agreed to by federal, provincial and territorial housing ministers set out the guiding principles regarding the role of each respective government and the broad parameters for the delivery, administration and funding for the Initiative.

The Framework recognized that governments had worked to stimulate the supply of affordable housing, that there was an urgent requirement for more affordable housing, that strategies for supporting supply were necessary in addition to the AHI, and that all levels of government must respect geographical differences with respect to housing. In sponsoring the Initiative, all levels of government understood that Provinces and Territories had the primary responsibility for program design and delivery, that flexible programs were needed, that the AHI had to create housing for low to moderate income households, and that continuing effort is required to develop strategies to ensure the sustainability of the affordable housing supply in Canada.

The program parameters for each phase of the AHI as outlined in the AHI Bilateral Agreements are presented in Appendix I. The key parameters included the following:

- Client targeting: There were no client group targets in the body of the Phase One Bilateral Agreements, but most Provinces included targeting of low to moderate income households. Under Phase Two, housing assistance was to target low income households on, or eligible to be on, waiting lists for social housing. Housing serving Aboriginals, recent immigrants and persons with disabilities was encouraged by the federal government for Phase Two.

- Unit rents: Phase One required that rents on funded units be at or below median or average market rents or prices in the case of home ownership. The rents on Phase Two units were to be “affordable” for the low income households on or eligible to be on a social housing wait list. Rent geared to income was not a requirement for either phase of AHI. Affordability was to be ensured for a minimum of 10 years under both phases.
- Unit characteristics: In both Phase One and Phase Two, the housing was required to be ‘modest’ in terms of unit size (i.e., floor area) and amenities so as to relate to local community norms. Housing is defined as residential accommodation and facilities, common areas and services used directly with the residential accommodation.
- Eligible housing: New rental housing, ownership housing, acquisition and renovation of existing housing, and special needs housing were eligible for assistance. The percentage of CMHC funding for urban home-ownership housing was capped at 25 percent and was limited to urban redevelopment areas as defined by a province. The 25 percent homeownership limit included lease-to-own and life tenancy arrangements. There was no cap on the amount of homeownership housing funded in remote areas. Renovation was at first eligible only for units that would otherwise be demolished or removed from the affordable housing stock and required more work than could be funded under the Residential Rehabilitation Assistance Program (RRAP) but this requirement was later relaxed.

In 2005, rent supplement programs became eligible for AHI funding as an extraordinary temporary measure and could be applied only to vacant units. Commitments could be made during three years following 2005 and subsidies could only be provided for up to five years. Jurisdictions were required to implement an exit strategy to avoid long term dependency by program clients.

- Geographical allocation targeting: Phase One allocated \$80 million for remote housing in the three Territories and the northern and remote areas of Provinces in 2001. The balance of the funding was allocated based on 2001 population. Phase Two funding was allocated based on 2003 population with no remote adjustment.
- Maximum CMHC unit assistance: Under Phase One of the AHI, federal funding was limited to an average of \$25,000 over all units. Under Phase Two, federal funding could not exceed 50 percent of capital costs, to a maximum of \$75,000 per unit.
- Cost-sharing requirements: Provinces and Territories were required to match federal contributions on a 1:1 basis. This could include contributions from third parties, including municipalities. Contributions could be provided to units in programs approved for federal/provincial/territorial assistance (cost-shared) and assistance could be provided to units in programs approved for provincial and territorial assistance only (cost-matching). Contributions could also include in-kind or cash amounts, one-time amounts or the present value equivalents of annual subsidies, and third party contributions. Third party contributions were included in cost-sharing/matching for both phases and municipal contributions were capped for Phase Two.
- Program administration: Under both phases of the AHI, the Provinces and Territories had the primary responsibility for program design and delivery in accordance with their needs and priorities. The federal government, through CMHC, was responsible for the payment of claims to the provincial/territorial agencies for the delivery of housing programs, monitoring activity and spending, reporting to the federal government, and program evaluation.

Federal funding commitments could initially be approved to March 31, 2006 (Phase One) and March 31, 2007 (Phase Two) but these deadlines were later amended to March 31, 2009. The claims period was extended to March 31, 2010. All federal rent supplement claims are limited to five years and all must be paid by March 31, 2013.

2.3 PROVINCIAL AND TERRITORIAL PROGRAMS

Unlike prior national housing programs, federal funding under the AHI was provided for affordable housing programs that were designed and delivered by the Provinces and Territories and spending on the cost-matched provincial/territorial programs was recognized for the 1:1 matching of federal funds. Schedules describing the provincial/territorial affordable housing programs recognized for funding or cost-matching under the AHI were included in the AHI Bilateral Agreements.

Overall, provincial/territorial programs funded or recognized under the AHI were designed to meet provincial and territorial housing needs, including new construction and major renovation, rental and ownership tenures, urban, rural and remote housing,; and housing for specific household types and individuals with special needs. Cost-matched programs that were recognized in 10 Provinces included neighbourhood housing assistance programs, new construction programs, senior supportive housing, provincial rent supplement, renovation and ownership assistance programs. Cost-matched programs were not provided with CMHC funding but spending by the Provinces/Territories was counted for cost-sharing purposes.

Newfoundland, New Brunswick and Ontario have added federally funded rent supplement programs to their Bilateral Agreements. Alberta was pending at the time of this evaluation.

The following table demonstrates the variety of activity covered by programs eligible for funding under the AHI Bilateral Agreements. A listing of the provincial/territorial programs eligible for funding under the umbrella of the AHI Bilateral Agreements is included in Appendix 2.

Table I
Types of Program Activity Eligible for Funding under the AHI
by Province or Territory

Province/ Territory	New Rental	Senior Supportive	Home Ownership	Renovation/ Acquisition/ Conversion	Rent Supplement ²	Remote Programs	Other Cost- Matched
Newfoundland & Labrador	✓		✓	✓	✓	✓	✓
Prince Edward Island	✓		✓	✓		✓	✓
Nova Scotia	✓		✓	✓		✓	✓
New Brunswick	✓		✓	✓	✓	✓	✓
Quebec	✓		✓	✓		✓	✓
Ontario	✓		✓	✓	✓	✓	✓
Manitoba	✓		✓	✓		✓	✓
Saskatchewan	✓		✓	✓		✓	✓
Alberta	✓		✓	✓	✓	✓	✓
British Columbia	✓	✓	✓	✓		✓	✓
Northwest Territories ¹	✓		✓	✓		✓	✓
Nunavut ¹			✓	✓		✓	✓
Yukon ¹			✓	✓		✓	✓
Source: Affordable Housing Program Agreements							
1. Phase One programs and Phase Two homeownership programs are designated "Remote"							
2. Includes federally funded rent supplement programs only							

2.4 COMMITMENTS AND EXPENDITURES

The AHI was launched in 2001, with the first commitments consisting primarily of cost-matched units that were already in process in a number of jurisdictions. These commitments were followed by the roll-out of federal funding for programs under the new federal/provincial and federal/territorial agreements: new rental, homeownership, renovation/acquisition/conversion, rent supplement and remote housing. As at December 31, 2007, the following federal allocations and commitments had been made:

Table 2
Federal Affordable Housing Initiative Allocations and Commitments –
as at December 31, 2007

Province/ Territory	Phase One Allocations (\$M)	Phase Two Allocations (\$M)	Total Allocation (\$M)	Funding Committed¹ (\$M)	Total Units Committed²
Newfoundland & Labrador	15.14	5.31	20.45	9.04	322
Prince Edward Island	2.75	1.41	4.16	2.95	120
Nova Scotia	18.63	9.46	28.09	20.26	947
New Brunswick	14.98	7.57	22.55	22.08	1,049
Quebec	161.65	74.86	236.51	231.34	8,831
Ontario	244.71	121.58	366.29	222.84	12,672
Manitoba	25.39	11.54	36.93	34.75	2,095
Saskatchewan	22.93	10.09	33.02	33.02	1,328
Alberta	67.12	31.50	98.62	98.62	3,683
British Columbia	88.70	41.68	130.38	130.18	4,304
Northwest Territories	7.54	0.41	7.95	7.95	297
Nunavut	4.96	0.29	5.25	5.25	212
Yukon	5.50	0.30	5.80	5.27	237
Administration		4.00	4.00		
Canada	680.00	320.00	1,000.00	823.55	36,097
Source: Provincial/Territorial reporting of commitments to CMHC as at December 31, 2007					
1. Funding and total units committed include announced projects not at final commitment stage					
2. Total units committed include cost-matched units committed and/or announced					

2.5 PROJECTS COMPLETED

As at December 31, 2007, a total of 26,842 units had been completed. The majority of these were Phase One rental units (52 percent), with Phase Two rental units comprising the next largest group (28 percent). Table 3 provides details on the completed units per Province/Territory by program type.

Table 3
Completed Affordable Housing Initiative Units –
as at December 31, 2007¹

Province/ Territory	Rental Phase One	Rental Phase Two	Remote	Senior Supportive	Repair	Owner	Cost- Matched	All Programs
Newfoundland & Labrador	120	22	0	na	0	14	74	230
Prince Edward Island ¹	110	5	na	na	0	4	3	122
Nova Scotia	294	0	na	na	87	6	0	387
New Brunswick ²	428	175	na	na	0	na	165	768
Quebec	6,428	1,894	198	na	0	0	0	8,520
Ontario ²	2,846	4,186	315	na	na	205	283	7,835
Manitoba	64	361	0	na	158	154	835	1,572
Saskatchewan	338	240	106	na	na	266	60	1,010
Alberta ²	1,499	282	112	na	0	0	0	1,893
British Columbia	1,937	233	0	1,594	na	na	0	3,764
Northwest Territories	0	19	274	na	na	na	na	293
Nunavut	na	na	212	na	na	na	na	212
Yukon	na	na	77	na	159	na	0	236
Total	14,064	7,417	1,294	1,594	404	649	1,420	26,842
Source: Provincial/Territorial housing agencies								
1. Units completed in PEI exceed units committed as reported in Table 2 due to delays in provincial reporting of commitments to CMHC								
2. Phase One and Two rental units include federally funded rent supplement commitments								

CHAPTER 3

ISSUE 1 - Is there a continuing need for governments to increase the supply of Affordable Housing?

Firstly, the rationale for governments to be involved to increase the supply of affordable housing is reviewed. Secondly, the evaluation assesses whether there continues to be a need in Canada for governments to be involved. Finally, the views of landlords, government officials and stakeholders at the national, provincial/territorial or municipal levels with interest in the housing industry, the affordable housing sector or the needs of specific groups are reviewed.

3.1 KEY FINDINGS

1. Government actions to address the housing needs of Canadians go back to the early days of the twentieth century. Historically, the Government of Canada has played a varying role in supporting affordable and adequate housing, often in close collaboration with other governments, to address Canada-wide economic needs or to meet social objectives and priorities.
2. The AHI was introduced under the umbrella of social policy objectives and priorities to assist those in need of affordable housing. Government involvement at the time was rationalized on the basis of the extensive need for affordable housing and the market failure to provide sufficient affordable housing supply to address need.
3. The governments recognized that flexible approaches are required in order to be responsive to need and to geographical differences with respect to housing. Overall, the mix of AHI programs would include new rental housing, limited construction and acquisition of ownership housing, renovation of existing housing and special needs housing. While homeownership and repairs programs do not specifically increase the supply of affordable housing, these programs help reduce the demands on the existing affordable housing stock by providing alternative housing options such as homeownership to those who can afford it and by helping preserve the existing stock of affordable housing. The mix of programs further provides governments with the flexibility needed to be responsive to geographical differences with respect to housing.
4. Since 2001, improvements in the market housing supply have been noted. The average number of housing starts intended for the rental market increased from 8,033 per year between 1996 and 2000 to 18,305 per year between 2001 and 2007, for a total of 128,137 rental housing units. The majority of this housing activity was led by the private housing market. However, according to the CMHC Rental Market Survey (RMS), the average market rent for units in newly constructed structures was consistently higher than the average market rent for all structures.
5. Vacancy rates on the national level have also improved since 2001. However, vacancy rate trends in Canada's major centres have varied considerably. Overall, approximately half of Canada's Census Metropolitan Areas (CMAs) saw an upward trend in their vacancy rates from 2001 to 2007. The remaining CMAs saw either a downward trend or no apparent trend in vacancy rates.

6. With regard to affordability, the rate of increase in rents has slowed down since 2001, while the median renter household after-tax incomes grew at a significantly slower rate. This had an impact on the number of Canadian low-income households with a shelter-to-income-ratio (STIR) greater than 30 percent. While the proportion of low income households facing affordability problems compared to the overall population has decreased slightly since 1996, the number of low income households paying more than 30 percent toward housing costs increased to 1.32 million in 2001 and 1.34 million in 2006 whereas both the proportion as well as the actual the number of renters with affordability problems have been decreasing since 1996.
7. A large majority of provincial/territorial and municipal government officials and housing stakeholders indicated that they expect an increase in the demand for affordable housing within the next five years and an increase in both the length of social housing waiting lists and the wait times on these lists, especially in major urban centres. More than half of the landlords of AHI and Post-85 Section 95 Non-Profit Rental Program projects believe that the waiting lists for their specific projects and the wait times are increasing.
8. Ninety percent of government officials and stakeholders surveyed support the need for government involvement to stimulate the supply of affordable housing in Canada and to provide housing assistance to low income households. The majority also believe that there will be an increase in the demand for affordable housing within major urban centres; however, less than half the respondents at virtually all levels believe there will be a major demand for more affordable housing in rural areas.

3.2 DISCUSSION OF RESULTS

3.2.1 Rationale for Governments to be Involved and Suitability of Response

Government actions to address the housing needs of Canadians go back to the early days of the twentieth century, when federal, provincial and municipal programs were launched to help address housing shortages arising after the First World War. Historically, the Government of Canada has played a varying role in supporting affordable and adequate housing, often in close collaboration with other governments, to address Canada-wide economic needs or to meet social objectives and priorities.

The current National Housing Act (NHA) is enabling legislation through which the federal government (via CMHC) supports housing market efficiency and assists those in need of affordable housing. In addition, the federal government is involved in housing policy through legislation such as the Bank Act, the Interest Act and government expenditures through federal departments such as Indian and Northern Affairs Canada (INAC), Human Resources and Skills Development Canada (HRSDC), and the National Research Council.

The AHI was introduced under the umbrella of social policy objectives and priorities to assist those in need of affordable housing. Government intervention at the time was rationalized on the basis of the market failure to provide sufficient affordable housing supply to address need.

In the years immediately prior to the launch of the AHI, housing market conditions pointed to concerns about the lack of an affordable housing supply. The national rental vacancy rate in Canada dropped by a half from 1996 to 2000 (from 4.5 percent to 2.2 percent) and then declined further to 1.7 percent in 2001. In terms of national rental housing starts, the level of production was extremely modest in the decade prior to the launch of the AHI, with annual rental starts averaging 15,268. Rental starts generally fell for most of the decade. From 1990 to 1995, annual rental starts averaged 21,298 and 8,033 from 1996 to 2000.

In terms of affordability, rents were increasing steadily across Canada in the years leading up to the launch of the AHI. Annual rent increases reported by CMHC in its rental market survey averaged 3.5 percent for bachelor apartments, 3.1 percent for one bedroom apartments, 2.5 percent for two bedroom apartments and 2.8 percent for 3+ bedroom apartments, in the five years prior to the AHI. These increases were well beyond the rate of increase in the incomes of large numbers of renter households, particularly those in receipt of pensions and various forms of government assistance.

In view of these conditions, the federal government, working in partnership with Provinces and Territories, launched the AHI in order to help expand the supply of affordable housing.

The AHI programs to be designed and administered by the Provinces and Territories to address the need for affordable housing would include new rental housing, limited construction and acquisition of ownership housing, renovation of existing housing and special needs housing. While homeownership and repairs programs do not specifically increase the supply of affordable housing, these programs help reduce the demands on the existing affordable housing stock by providing alternative housing options such as homeownership to those who can afford it and by helping preserve the existing stock of affordable housing. The mix of programs would further provide governments with the flexibility needed to be responsive to the need and geographical differences with respect to housing.

3.2.2 Evidence of Continued Need and Support for Government Involvement

i) Trends in Housing Market Conditions

Since the launch of the AHI, improvements in the market housing supply have been noted. The number of housing starts in Canada intended for the rental market has increased by an average annual rate of 4 percent. The number of rental starts increased to an average of 18,305 annually between 2001 and 2007 for a total of 128,137 rental housing units. In comparison, as noted above, the average annual number of starts intended for the rental market in Canada between 1996 and 2000 was only 8,033.

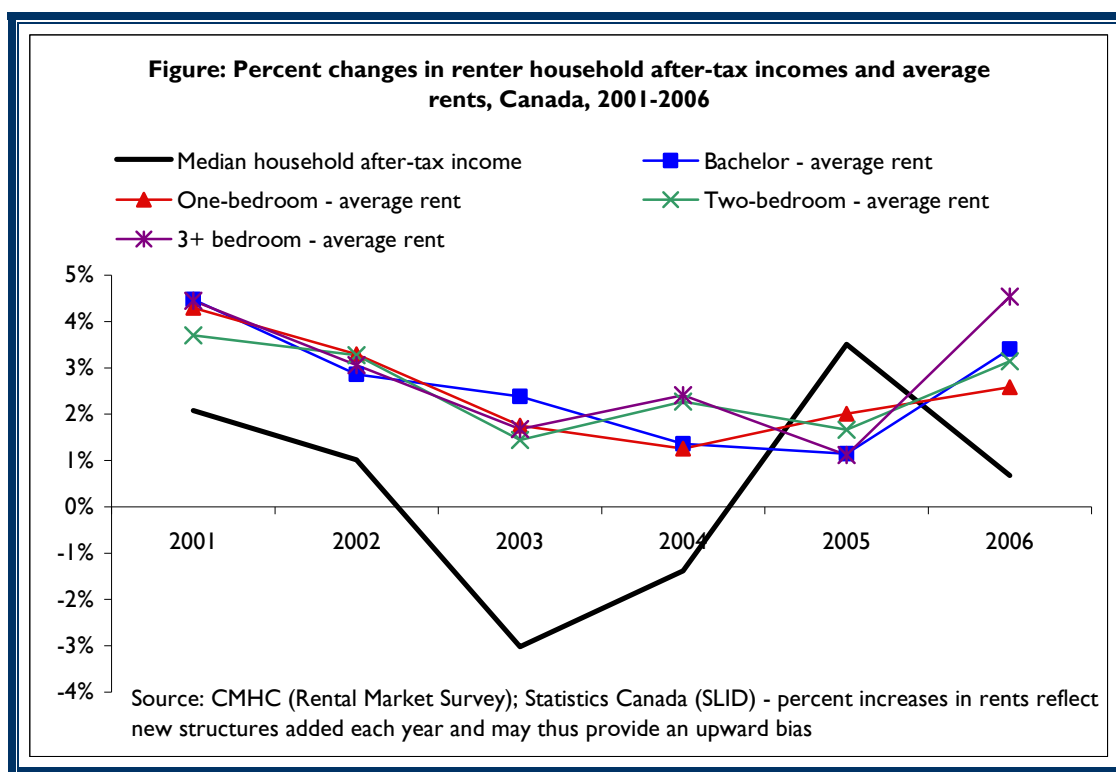
Starts intended for the rental market also comprised a fairly consistent proportion of all starts between 2001 and 2007. In 2001, 10.3 percent of housing starts were intended for the rental market, significantly higher than in previous years (a low of 5.6 in 1998). After increasing slightly between 2001 and 2003, this proportion had decreased to 9.6 percent by 2007.

In addition, the national rental vacancy rate in Canada increased, meaning that proportionately more rental units were vacant and available for rent. From a low of 1.7 percent in 2001, this rate increased to 2.1 percent in 2002 and remained between 2.6 percent and 2.9 percent in each subsequent year through to 2007.

Despite these improvements at a national level vacancy rate trends in Canada's major centres have varied considerably. In 2007, the vacancy rate in 18 of Canada's 33 Census Metropolitan Areas (CMAs) was higher than in 2000. Both Toronto and Montreal had a higher vacancy rate in 2007 than in 2001. Vancouver, on the other hand, posted substantially lower vacancy rates from 2001 to 2007 than from 1996 to 2000. Overall, approximately half of Canada's CMAs saw an upward trend in their vacancy rates from 2001 to 2007. The remaining CMAs saw either a downward trend or no apparent trend in vacancy rates.

Concerns remain, particularly in relation to affordability. Housing affordability improves when households use less of their income to pay for shelter. For this to occur, household incomes would have to increase at a faster rate than shelter costs or a household would need to find a less expensive place to live.

Since 2001, the rate of increase in market rents has slowed down slightly in Canada. Between 2001 and 2006, annual rent increases averaged 2.3 percent for bachelor apartments, 2.3 percent for one bedroom apartments, 2.5 percent for two bedroom apartments and 2.7 percent for 3+ bedroom apartments¹ (see Figure). However, median renter household after-tax incomes grew at a significantly slower rate (averaging 0.4 percent annually) over the same period. Further, the average market rent for newly constructed structures was consistently higher than the average market rent for the rental market as a whole. As a result, affordability became more of a challenge.



¹ The percentage increases in rents reflect new structures added each year and may thus provide an upward bias.

ii) Trends in Affordability Need

In 2001, 20.2 percent of Canadian households did not meet the affordability measure used in assessing acceptable housing (a shelter-to-income-ratio (STIR) at or below 30 percent). As shown in Table 4, the proportion of households unable to afford their homes had increased to 21.4 percent by 2006.

Table 4
Number and Percentage of Total Canadian Households
Not Meeting Affordability Standard¹

Year	Total		Owners		Renters	
	(#)	(%)	(#)	(%)	(#)	(%)
1991	1,877,240	20.0	815,935	13.8	1,061,305	30.8
1996	2,223,485	22.2	920,865	14.2	1,302,620	36.9
2001	2,179,435	20.2	971,110	13.4	1,208,325	33.8
2006	2,516,310	21.4	1,237,575	15.2	1,278,730	35.4
Source: CMHC (Census-based housing indicators and data)						
1. includes only non-farm, non-band, non-reserve households with incomes greater than zero and STIRs less than 100%						

Housing affordability problems were particularly evident for renter households. In 2006, 35.4 percent of renter households were paying more than 30 percent of their income on shelter, more than twice the proportion of owner households.

Under Phase Two, CMHC required that funding only be used for the benefit of low-income households on or eligible to be on social housing waiting lists and the rents or housing costs were to be affordable to these targeted households. As a result, the affordability trends among lower income households were also reviewed. The percentage of households that do not meet the affordability standard and have incomes at or below Core Need Income Thresholds (CNITs) was analyzed. It should be noted that high-level program parameters under Phase Two did not specifically require that units be targeted to households with incomes at or below CNITs.

In 2001, the proportion of Canadian households that did not meet the affordability measure and had incomes at or below CNITs levels stood at 12.3 per cent. As indicated in Table 5, by 2006, 5 years after the launch of the AHI, the proportion of households in this situation had decreased slightly to 11.4 percent.

Table 5
Number and Percentage of Canadian Households Not Meeting Affordability Standard with Incomes at or Below Core Need Income Thresholds (CNITs)¹

Year	Total		Owners		Renters	
	(#)	(%)	(#)	(%)	(#)	(%)
1991	1,108,905	11.8	276,635	4.7	832,265	24.1
1996	1,398,240	13.9	370,715	5.7	1,027,520	29.1
2001	1,324,825	12.3	405,925	5.6	918,900	25.7
2006	1,338,180	11.4	452,065	5.5	886,110	24.6

Source: CMHC (Census-based housing indicators and data)
1. Includes only non-farm, non-band, non-reserve households with incomes greater than zero and STIRs less than 100 percent

While the percentage of low income households facing affordability problems relative to the overall population has been decreasing since 1996, the number of low income households with affordability problems increased to 1.32 million in 2001 and 1.34 million in 2006 whereas both the proportion as well as the actual the number of renters with affordability problems has been decreasing since 1996.

iii) Views of Officials, Stakeholders and Landlords

Further evidence of the need for affordable housing comes from surveys conducted over the course of the study among government officials, housing stakeholders and rental landlords.

Overall, survey results show that a strong majority, including 83 percent of federal government officials, 96 percent of provincial officials, 90 percent of municipal officials and 78 percent of housing stakeholders, believe there will be an increase in the demand for affordable housing in Canada in the next five years. There is a particularly strong belief that there will be an increase in the demand for affordable housing in major urban centres. Interestingly, less than half of the respondents at virtually all levels believe there will be a demand for more affordable housing in rural areas.

Government officials and housing stakeholders were also asked about their opinion on the trends regarding waiting lists and wait times for social housing. Results show that 87 percent of provincial officials, 74 percent of municipal officials and 88 percent of housing stakeholders believe that waiting lists are increasing. Further, over 70 percent of officials and 88 percent of housing stakeholders believe that wait times are increasing. It is interesting to note that the percentage of municipal officials with this belief is somewhat lower than provincial/territorial officials.

AHI rental landlords were asked similar questions on the waiting list and wait time for their projects. Overall, 59 percent of them said that waiting lists are increasing and 57 percent thought the time people spend on these lists is increasing. In addition, within the non-profit comparison group of rental landlords, 63 percent thought that waiting lists and times were increasing.

The Federation of Canadian Municipalities (FCM)² has acknowledged that government involvement is needed to help address the shortfall of affordable housing in Canada, particularly rental housing for lower income Canadians. According to the FCM, the problem of housing affordability is straining the limited resources of Canada's cities and, without ongoing federal spending on housing programs, the economic well-being of these cities will be undermined. The FCM paper states that "housing affects the national economy and a range of stakeholders, including consumers, builders, developers, realtors, landlords and mortgage lenders". The FCM also argues that, as a result of all levels of government working together on the AHI, there now exists a firm foundation for carrying on this initiative, building on the expertise and the experience acquired thus far. They maintain that federal support is key to "leveraging and sustaining investment from other orders of government".

The Canadian Housing and Renewal Association argued in support of government involvement for affordable housing. In a 2006 paper on housing policy, the Association stressed that it "believes that different orders of government have different roles to play in addressing the housing requirements of the nation", and that the "federal government must also have a role and a housing vision"³.

The Canadian Federation of Apartment Associations,⁴ which represents landlords operating more than a million private rental housing units across Canada, put forward the position that the biggest problem facing Canadian rental markets is insufficient incomes among many households in need of rental housing. The Federation argued that the government should expand income supports (by means of portable housing allowances, rent supplements, etc.) to enable these households to compete effectively in the market and have a greater opportunity to choose the housing that they find most suitable.

The Canadian Home Builders' Association supports the residential construction industry, and promotes the provision of safe and affordable housing for Canadians. Generally, the CHBA supports the new home construction industry but, through its wider mission of supporting housing affordability and choice, the Association has supported government involvement for affordable housing. The Association has argued for "access to decent housing for those living in poverty" and campaigned for portable housing vouchers for low-income households⁵.

Surveys sought the viewpoints of government officials and stakeholders on the rationale for government involvement to help meet the affordable housing needs of Canadians. Overall, results show that the majority of government officials and stakeholders surveyed support government involvement to stimulate the supply of affordable housing and to provide housing assistance to low-income households in Canada, although there was slightly greater support for the latter, with over 90 percent of the respondents supporting the need for government to intervene and provide housing assistance to low income households. The majority expressed the view that all levels of government should be involved, although the percentage was highest for federal government involvement. It is interesting to note that the percentage who believed the municipal/regional government should be involved was noticeably lower in most cases.

² FCM Theme Report no. 4, 2008

³ CHRA, Rent Supplements, Shelter Allowances and a Modern Housing Policy, 2006a

⁴ CFAA Housing Policy Statement, October 2008

⁵ CHBA News Release, 2004

CHAPTER 4

ISSUE 2 - To what extent has the AHI increased the supply of affordable and modest housing?

Firstly, the number of units funded or recognized for cost-matching purposes under the AHI and the relative affordability and modesty of the rental units compared to the private rental housing market was reviewed. Secondly, housing expenditures of governments and third parties under the AHI and the views of landlords and homeowners on the impact of the AHI on their decision to proceed with their projects were reviewed.

4.1 KEY FINDINGS

1. As at December 31, 2007, nearly 27,000 units funded or recognized for cost-matching purposes under the AHI had been completed in Canada. Of these, approximately 21,500 were completed under Phase One and Two rental programs designed to increase the supply of affordable housing.
2. When comparing rents paid by residents of AHI rental units to the median market rent for comparable housing in the surrounding census metropolitan areas (CMA), census agglomerations (CA) or urban centres, results of surveys of residents show that approximately 71 percent and 87 percent of the residents in Phase One and Two rental units were paying rent at or below the median market rent for comparable housing in the aggregate urban areas. Provinces and Territories are responsible for determining whether rents for AHI funded projects are at or below average market rents for comparable housing in a community or area and for delivery purposes this may not be at the CMA, CA or urban centre level. On average, rents paid by AHI residents were significantly lower than the median market rent for comparable housing in the aggregate urban centre.
3. Survey results show that AHI projects have amenities similar to private rental projects. When comparing the average size of units, the difference between AHI and private units was rather small, less than 4 square metres for three bedrooms units and just over 1.5 square metres for one bedroom units.
4. The AHI Bilateral Agreements required, at a minimum, the cost-matching of federal funds at the provincial level. A review of the Audited Annual Statements of Funding and Expenditures submitted by the Provinces and Territories for the period 2001 to March 31st 2007 provides evidence that housing expenditures under the AHI exceeded the minimum 1:1 cost-matching requirement. Audited Statements submitted by the Provinces and Territories indicate that \$557 million in federal funding was expended under Phase One as at March 31, 2007 and the associated contributions from others, including Provinces, Territories and third parties, was \$1.1 billion. Similarly, while close to \$147 million in federal funding was expended under Phase Two during this period, contributions from others for programs administered under Phase Two reached over \$251 million.
5. The survey of landlords and homeowners suggests that the majority of homeowners and landlords would not have proceeded with their projects without the AHI. Only 8 percent of AHI rental landlords stated that their projects would have been developed in the absence of AHI funding and, of the few projects that would have been developed in the absence of the AHI, only half would have been offered at a price equal to or lower than AHI housing. The impact of the AHI on homeowners' decisions to purchase or repair their existing housing was found to be lower.

6. The lower incremental impact reported by homeowners may be attributed to the fact that the AHI homeownership programs were targeted primarily to rural remote areas with fewer housing options and targeted to households with sufficient income to afford owning and maintaining a home. Repair programs were often targeted to housing with repair needs which if not completed would mean they would be demolished and therefore lost from the affordable housing stock.

4.2 DISCUSSION OF RESULTS

4.2.1 The Affordability and Modesty of the AHI Housing Supply

The objective of the AHI was to increase the supply of affordable housing across Canada. In Phase One, affordable housing was defined as housing that is priced at or below average or median market rent and prices for comparable housing in the community or area, and is modest in terms of floor area and amenities, based on household needs and community norms. Under Phase Two, CMHC required that funding be used only for the benefit of low-income households on or eligible to be on social housing waiting lists and the rents or housing costs be affordable to these targeted households. This section assesses the extent to which the AHI has increased the supply of housing renting at or below the median market rent for comparable housing in the surrounding CMA, CA or urban centre.

i) AHI Affordable Housing Supply

As at December 31, 2007, 26,842 units funded or recognized for cost-matching purposes under the AHI were completed. Of these 21,481 were completed under the Phase One and Two rental programs, which were specifically designed to increase the supply of affordable housing. This represents 80 percent of the activity under the AHI. An additional 2,347 units were funded under other AHI programs, including remote housing programs, and homeownership and repair programs. Finally 1,594 units were funded under the Senior Supportive Housing Program in British Columbia and 1,420 units were recognized under cost-matched programs.

The evaluation examined the extent to which rents in AHI units were lower than the median market rent for comparable housing in the CMA, CA or urban centre Provinces and Territories are responsible for determining whether rents for AHI funded projects are at or below average market rents for comparable housing in a community or area and for delivery purposes this may not be at the CMA, CA or urban centre level. Overall, findings from the survey of residents show that approximately 71 percent of the residents of Phase One rental units and as many as 87 percent of the residents of Phase Two units are paying rent that is at or below the median market rent for comparable housing units in the aggregate urban centre.

The average monthly rents paid by the residents in Phase One and Phase Two rental housing units and the median market rent for a unit of equivalent size in the aggregate urban centre are presented in Table 6. Monthly rents have been adjusted to include utilities such as electricity, water, oil and gas.

As shown, the average rents for AHI units were significantly lower than the median market rent for comparable housing. The rents for smaller AHI Phase One units (up to two bedrooms) were 23 to 29 percent less than the median market rent for comparable housing and rents for three bedroom AHI Phase One rental units were only marginally less than the median market rent. The rents for one and two bedroom AHI Phase Two rental units were 26 and 16 percent less than the median market rent and the rents for three bedroom units were nearly 27 percent less.

Table 6
Average Monthly Rents in AHI Units and Comparative Median Market Rents
(adjusted for utilities)

Unit Size Category	Phase One Rental			Phase Two Rental		
	Average Monthly Rent (Adjusted for Utilities)		Percentage of Median Market Rent	Average Monthly Rent (Adjusted for Utilities)		Percentage of Median Market Rent
	AHI Phase One	Median Market Rent		AHI Phase Two	Median Market Rent	
Bachelor/One Bed	\$562	\$732	77%	\$553	\$751	74%
Two Bed	\$640	\$896	71%	\$753	\$896	84%
Three Bed	\$1,070	\$1,165	92%	\$781	\$1,067	73%

Source: Evaluation Study of the Affordable Housing Initiative, Survey of Residents, CMHC, 2008

As noted in Section 1.4.1, most Provinces and Territories had reported limited or no activity completed under the Phase Two rental programs as at December 31st. The national estimates for rent paid under the Phase Two rental programs may therefore not be representative for all jurisdictions. In light of this reality, prudence should be exercised in comparing rents paid under the Phase Two rental programs with the Phase One rental programs which have broader provincial/territorial representation.

Table 7 shows the availability of various amenities in AHI and private rental projects. Overall, results demonstrate that AHI project amenities are similar to private rental projects but there was a significantly higher availability of fitness rooms and recreational areas, as well as better monitored evening access. This difference may be reflective of the more recent construction and higher security standards at AHI projects.

Table 7
Availability of Amenities in AHI and Comparison Housing

Amenity	AHI	Comparison Private
Air Conditioning (in unit)	26.6%	25.8%
Basic Cable (in unit)	26.2%	23.0%
Computer Network Connection (in unit or building)	22.3%	17.1%
Swimming Pool/Sauna	1.2%	5.1%
Fitness Room/Recreational Area	41.0%	8.1%
Laundry Facility	97.9%	93.5%
Card Access	20.1%	20.4%
Monitored Evening Access	51.4%	24.5%
Appliances	98.0%	97.8%

Source: Evaluation of the Affordable Housing Initiative, Survey of Landlords, CMHC, 2008

Table 8 shows the average size of AHI units and compares them with private market units. As shown, AHI bachelor and two bedroom units were smaller than comparison private rental units. One bedroom and three bedroom AHI units were somewhat larger than comparison private rental units. However, the difference between AHI and private units was rather small, less than 4 square metres for three bedroom units and just over 1.5 square metres for one bedroom units.

Table 8
Average Size of AHI and Comparison Housing in Square Metres

Unit Size Category	AHI	Comparison Private
Bachelor	38.9	40.0
One bed	58.8	57.3
Two bed	73.8	77.5
Three bed	99.0	95.3
Four plus	123.7	N/A
Source: Evaluation Study of the Affordable Housing Initiative, Survey of Landlords, CMHC, 2008		

4.2.2 Impact of the AHI on Housing Expenditures and Supply

i) Impact on Housing Expenditures

The AHI Agreements required, at a minimum, the cost-matching of federal funds at the provincial level. The cost-matching could and did include contributions from Provinces, Territories and third parties, including municipalities, the private sector, the volunteer sector, charities and individual donors. Contributions could be provided to units in programs approved for federal/provincial/territorial assistance (cost-shared) and assistance could be provided to units in programs approved for provincial and territorial assistance only (cost-matching). Contributions could include in-kind or cash amounts, one-time amounts or the present value equivalents of annual subsidies, including equity from the sponsor groups.

A review of the Audited Annual Statements of Funding and Expenditures submitted by the Provinces and Territories for the period 2001 to March 31st 2007 provides evidence of the impact of the AHI on total housing expenditures. As shown on the following Table, Provinces and Territories have reported AHI contributions of nearly \$1.67 billion under Phase One of the AHI as at March 31st 2007 of which 67 percent reflect the contributions from the Provinces/Territories and third parties. The impact was slightly lower under Phase Two but remained significant as the provincial and territorial share including the third party contributions represented 63 of total AHI contributions committed under Phase Two.

Table 9
AHI Funding and Contributions

Phase 1	AHI Contributions (\$)	% Share
Federal Funding	556,529,331	33.3%
Contributions by Others (Cost-Shared Programs)	1,061,826,209	63.6%
Contributions by Others (Cost-Matched Programs)	50,959,941	3.1%
Total Contributions	1,669,315,481	100%
Phase 2	AHI Contributions (\$)	% Share
Federal Funding	147,299,802	37.0%
Contributions by Others (Cost-Shared Programs)	250,817,603	63.0%
Contributions by Others (Cost-Matched Programs)	222,988	0.1%
Total Contributions	398,340,393	100%
Source: Audited Statements of Funding and Expenditures to March 31, 2007 or December 31 st 2006 where reports are presented in calendar year basis.		

ii) Impact of the AHI on Landlords' and Homeowners' Decisions

The survey of AHI rental landlords asked respondents whether they would have built or renovated their projects if funding had not been available. Some 8.0 percent of AHI rental landlords stated that their projects would have been developed in the absence of AHI funding. If housing supply is calculated in terms of units funded, rather than entire projects, the percentage of housing that would have been provided in the absence of the AHI is lower at 1.6 percent. The survey also showed that, out of the few projects that would have been developed in the absence of the AHI, half would have been offered at the same or lower price than AHI housing.

The survey of AHI residents also asked homeowners who received AHI home down payment or repair assistance whether they could have afforded to purchase the same house or complete the same repairs (respectively) without the AHI. The survey responses indicate that 26 percent of homeowners who received AHI down payment assistance could have afforded to purchase the same house without the AHI. For AHI repair assistance, the incremental impact of the AHI is less pronounced, as 76 percent would have completed the same repairs without the AHI.

The lower incremental impact reported by homeowners may be attributed to the fact that the AHI homeownership programs were targeted primarily to rural remote areas with fewer housing options and targeted to households with sufficient income to afford owning and maintaining a home. Repair programs were often targeted to housing with repair needs which if not completed would mean they would be demolished and therefore lost from the affordable housing stock.

CHAPTER 5

ISSUE 3 - Did the AHI provide housing that is affordable for its occupants and that meets adequacy and suitability norms?

This evaluation assessed the adequacy, suitability and affordability of AHI units for the households occupying the units by comparing the performance of the various types of programs funded under the AHI with comparison groups. The core need indicators of housing adequacy, suitability and affordability were used as benchmarks to assess how well programs were performing. This section also looks at the relative affordability of units.

5.1 KEY FINDINGS

1. Overall, relatively small proportions of residents in AHI Phase One and Two rental units have adequacy or suitability problems -- approximately 4 percent and 7 percent respectively. Higher incidences of adequacy and suitability problems were noted in the Other AHI Programs group (AHI Owner, Repair, Remote Programs); however, these incidences were in line with what was observed in the private rental and owner comparison groups.
2. In line with previous social housing evaluations, a substantial proportion of residents of AHI units have an affordability problem. Residents under Phase Two rental programs show the highest incidence of affordability problems with 76 percent of the residents spending more than 30 percent of their income on shelter. The depth of the affordability problem is also greater for residents under Phase Two rental programs. Nearly 50 percent of residents under the Phase Two rental programs are spending more than 50 percent of their income on shelter.
3. Interestingly, while the Phase One rental programs did not require that housing be affordable to the occupants, a higher incidence of affordability problems is noted amongst resident of Phase One rental programs than the private rental comparison group. Approximately 61 percent of the residents of Phase One rental programs are spending more than 30 percent of their income on shelter. However the proportion of residents under the Phase One rental programs spending more than 50 percent of their income on shelter is similar to the proportion found in the private rental comparison group.
4. A review of shelter costs and incomes among the AHI and comparison group residents confirms that the higher incidence of affordability problems noted under Phase One and Two rental programs is largely attributable to the very low income profile of the occupants. Nearly 81 percent of the residents under Phase Two rental programs have annual incomes of less than \$24,000 per year and 31 percent have annual incomes below \$12,000. In Phase One rental programs, 66 percent of the residents have annual incomes of less than \$24,000 and nearly 29 percent have annual incomes less than \$12,000.

5.2 DISCUSSION OF RESULTS

5.2.1 Measure of Adequacy, Suitability and Affordability of AHI Units

Since 1986, Canadian social housing policy has focussed on three key housing problems: adequacy, suitability and affordability. For the purpose of measuring core housing needs in Canada, CMHC defines adequate, suitable and affordable housing as follows:

- Adequate dwellings are those reported by their residents as not requiring major repairs.
- Suitable dwellings have enough bedrooms for the size and make-up of resident households according to National Occupancy Standards (NOS).
- Affordable dwellings cost less than 30% of before-tax household income.

This section examines the extent to which the housing funded under the AHI meets the core need standards of adequacy, suitability and affordability but this was not a specific requirement under Phase One and Two of the Initiative. Although in order to be eligible for funding under Phase Two, housing needed to be affordable to households on or eligible to be on a social housing wait list, rent geared to income was not required.

The residents' survey responses were used to measure the extent to which the housing is adequate, suitable and affordable, using the core housing needs indicators. Results are shown on the following table.

Table 10
Households with Adequacy, Suitability and Affordability Problems,
by Program Type¹

Indicator	AHI Housing				Comparison Housing		
	Phase One Rental	Phase Two Rental	Other AHI Programs	Cost-Matched	Private Rental	Non-Profit Rental	Owner
Adequacy	4.2%	7.0%	17.8%	8.2%	8.3%	9.6%	15.6%
Suitability	3.7%	7.3%	8.5%	1.6%	8.4%	5.1%	4.4%
Affordability ²	61.6%	76.0%	31.7%	--	54.7%	59.8%	--

Source: Evaluation Study of the Affordable Housing Initiative, Survey of Residents, CMHC, 2008

1. Estimates have a margin of error of 7 percent or less at the 95 percent confidence level. Estimates are concealed if the reliability level exceeds 10 percent (--) and identified by the ' symbol if within 7 and 10 percent. The senior supportive program group is not included due to inconsistencies in the data reported.

2. In addition to the above margin of error in footnote 1 there is a chance that percentages may be over-estimated due to a possible under-reporting of incomes and, in some cases, mid-points of income ranges reported were used. This bias cannot be quantified.

i) Adequacy

Overall, as shown in the above table, relatively small proportions of the residents in AHI units have adequacy problems. Households living in units funded under the AHI Phase One rental program demonstrate the fewest adequacy problems, with some 4 percent of occupants rating their dwellings to be in need of major repair. Interestingly, the largest observed adequacy problem is found in the Other AHI Programs group (AHI Owner, Repair, Remote Programs); however, the incidence is comparable to the owner comparison group.

ii) Suitability

Similarly, suitability problems are not prevalent in the programs funded by the AHI. From 2 to 7 percent of AHI households, excluding those in the Other AHI Programs (AHI Owner, Repair, Remote Programs), have fewer bedrooms than prescribed under the National Occupancy Standards (NOS). The greater majority of households in the AHI Phase One Rental program have exactly the prescribed number of bedrooms, with some 4 percent of households reporting problems. This is an improvement over what is observed in the private rental comparison group, where the rate is double the AHI Phase One rental group. The Other AHI Programs group (AHI Owner, Repair, Remote Programs) shows the largest proportion of households with suitability problems in the AHI housing programs; however, the proportion remains similar to the private rental comparison group.

iii) Affordability

In contrast, affordability problems are still prevalent among residents in AHI and comparison groups, as the majority of residents are spending over 30 percent of their incomes on shelter. Overall, results show that the residents in AHI Phase Two rental units have the highest incidence of affordability problems as 76 percent of residents in these respective groups are spending more than 30 percent of their income on shelter. This compares less favourably with 60 percent of affordability problems observed in the non-profit rental comparison group.

While the Phase One rental programs did not require that housing be affordable to the occupants, a higher incidence of affordability problems is noted amongst residents of Phase One rental programs than the private rental comparison group. Approximately 61 percent of the residents of Phase One rental programs are spending more than 30 percent of their income on shelter which compares to 55 percent amongst residents of the private rental comparison group.

The large incidence of affordability problems among AHI residents is consistent with past social housing evaluations, where one third to one half of the tenant households had shelter-to-income ratios exceeding the 30 percent threshold. The CMHC study on the Evaluation of the Urban Social Housing Programs (1999) showed nearly 50 percent of the 1973, 1978 and 1986 Non-Profit Housing Programs and 1973 and 1986 Rent Supplement Programs had housing affordability problems, while the renter comparison group at that time had 48 percent of households with affordability problems.

The higher incidence of affordability problems in Phase One and Two rental groups in comparison to the private rental and non-profit comparison groups is, in large measure, reflective of the greater proportion of very low income households served under these programs. Overall, approximately 30 percent of the residents of Phase One and Two rental units have incomes less than \$12,000. This may further be reflective of the fact that more than half of the units under Phase One and Two are occupied by single person households and as many as 53 percent and 65 percent are receiving income support or some form of old age pension. See section 6.2 for further details on the resident profile.

In turn, the lowest incidence of affordability problems is found in the Other AHI Programs group (AHI Owner, Repair, Remote Programs). This is reflective of the significantly higher incomes of residents of AHI units funded under Owner, Repair and Remote Programs.

5.2.2 Relative Affordability of Units based on Shelter-To-Income Ratios

Table II contains an analysis of the shelter-to-income ratio (STIR) for all households residing in AHI units and comparison housing units. The percentage of households in each of the STIR categories indicates the degree to which housing is affordable to tenants and owners. While the percentage of households spending more than 30 percent of their incomes on shelter costs is the standard used by CMHC for measuring core housing needs, analyzing the distribution of households in various STIR ranges gives a better understanding of the depth of the affordability problem experienced by residents.

Based on the percentages observed per STIR category, it is noted that the depth of the affordability problem is significant under both Phases of the AHI. As shown, nearly 37 percent of residents in Phase Two rental programs are spending more than 50 percent of their incomes on shelter. This compares with 14 percent in the non-profit comparison group. While the proportion of residents in Phase One rental units paying in excess of 50 percent of their incomes on shelter reaches 21 percent, this proportion is nevertheless comparable to the residents within the private rental comparison group.

As discussed in the previous section, this is, in large measure, reflective of the higher proportion of very low income households served under Phase Two rental programs. As well, the Post-85 Section 95 Non-Profit Program is a fully targeted program under which households spend no more than 30 percent of their incomes on shelter and the subsidy is adjusted to cover the shortfall between costs and rent-gear-to-income rent. The much lower incidence of households with STIRs greater than 50 percent under the Post-85 Section 95 Non-Profit Program is therefore reflective of the program parameters and operations.

The Other AHI Programs group (AHI Owner, Repair, Remote Programs) has significantly fewer affordability problems compared to other AHI programs. The majority of these households spend less than 20 percent of their incomes on shelter.

Table II
Distribution of Households by Category of
Shelter-to-Income Ratio and Program¹

STIR Category	AHI Housing			Comparison Housing		
	Phase One Rental	Phase Two Rental	Other AHI Programs	Private Rental	Non-Profit Rental	Owner
>=0.5	21.3%	36.6%	6.8%	22.4%	14.1%	14.0%
0.4 – 0.5	15.2%	14.0%	6.0%	15.4%	4.3%	1.9%
0.3 – 0.4	25.1%	25.4%´	19.0%	16.9%	41.4%	12.9%´
0.2 – 0.3	24.4%	19.0%´	20.9%	24.3%	28.3%	--
0.0 - 0.2	14.0%	5.0%	47.4%	21.0%	11.9%	--

Source: Evaluation Study of the Affordable Housing Initiative, Survey of Residents, CMHC, 2008

1. Estimates have a margin of error of 7 percent or less at the 95 percent confidence level. Estimates are concealed if the reliability level exceeds 10 percent (--) and identified by the ´ symbol if within 7 and 10 percent. The Cost-Matched group is not included since reliability ranges were over ± 10 percent. The senior supportive program group is not included due to inconsistencies in the data reported.
2. In addition to the above margin of error in footnote 1 there is a chance that percentages may be over-estimated due to a possible under-reporting of incomes and, in some cases, mid-points of income ranges reported were used. This bias cannot be quantified.

CHAPTER 6

ISSUE 4 - **What are the characteristics of households currently living in AHI funded projects?**

The evaluation collected information on the general characteristics of AHI housing clients and the households in the comparison groups. This section looks at the socio-economic profiles of residents of AHI projects and units, including: household size and composition, incomes, Aboriginal and landed immigrant status, households with seniors and households with persons with a disability.

6.1 KEY FINDINGS

1. Phase Two rental programs successfully targeted low income households, as 90 percent of residents had annual incomes at or below Core Need Income Thresholds (CNITs) although this was not a specific requirement for ensuring the units were targeted to low-income households on or eligible to be on a social housing wait list. Also, while targeting low-income households was not a requirement under Phase One, 76 percent of the households in Phase One rental units had incomes below CNITs. This reflects the fact that most Provinces and Territories targeted low and moderate income households in their design of specific program requirements.
2. Incomes are very low for households in AHI Phase One and Phase Two rental programs compared to the rental comparison groups. In fact, 66 percent of the households living in Phase One rental units and 81 percent of households in Phase Two rental units have annual incomes less than \$24,000, while only 42 percent and 77 percent of households in private rental and non-profit rental comparison groups respectively have incomes below \$24,000. Both Phase One and Phase Two rental programs have the highest incidence of households with incomes less than \$12,000.
3. The highest incomes in the surveyed AHI groups can be found in the Other AHI Programs group (AHI Owner, Repair, Remote Programs). Households in this category, which included units funded under AHI Owner, Remote and Repair programs, typically earn \$28,800 per year. Median income for seniors living in Senior Supportive units in British Columbia and residents of units under Cost-Matched programs was \$21,000.
4. A higher proportion of Aboriginal people are accessing AHI-funded units than private comparison units. The highest incidence occurs in the Other AHI Programs group (AHI Owner, Repair, Remote Programs), with 38 percent of households including an Aboriginal member.
5. A higher proportion of AHI rental units are occupied by households with members having a disability or a senior than in the private rental stock. The majority of households with disabled members living in AHI projects have units that are specially equipped to meet their needs (80 to 85 percent of Phase One and Phase Two rental units respectively). With respect to units funded under the Ontario Cost-Matched program, nearly 100 percent of residents served by the program are disabled due to severe mental health challenges or developmental delays.
6. The Phase One and Phase Two rental and senior supportive programs serve primarily single person household types. Programs that are entirely homeowner or a mix of owner and rental are more likely to include children. For example, 48 percent of households occupying units funded under the Other AHI Programs group (AHI Owner, Repair, Remote Programs) include children.

6.2 DISCUSSION OF RESULTS

6.2.1 Targeting Low-Income Households

While there were no client group target requirement under Phase One of the AHI, Phase Two specifically targeted funding to households that were on or eligible to be on social housing waiting lists. As shown on Table 12, the Phase Two rental program effectively reached low income households, as 90 percent of residents had annual incomes at or below Core Need Income Thresholds (CNITs). While a small proportion of units are occupied by households with incomes greater than CNITs, this may be reflective of increases in incomes for certain households since initially occupying their AHI unit. Further, the thresholds used to determine eligibility to be on social housing waiting lists may have differed from the CNITs in certain jurisdictions.

The findings further show that as many as 76 percent of households in Phase One rental units had incomes below CNITs. This reflects the fact that while not a requirement of the Phase One funding, most Provinces and Territories targeted low and moderate income households as a program requirement.

The incidence of low-income households in the Phase Two rental group is comparable to the incidence of low-income households in the non-profit rental comparison group, as both groups targeted low-income households. The median annual incomes, which were the lowest observed across all study and comparison groups, were identical for both, at \$18,000 per annum. The fact that the Phase Two rental and the non-profit rental comparison groups have the highest incidences within their classes of households receiving income support at 31 and 21 percent respectively substantiates the observed lowest average and median incomes.

There are proportionately many more low income households in the Phase Two rental group, compared to the Phase One rental group. About 81 percent of households in the AHI Phase Two rental group have incomes below \$24,000 per year, compared to only 66 percent the AHI Phase One rental group. Both Phase One and Phase Two rental programs have the highest incidence of households with incomes less than \$12,000.

The median income of households in the AHI Phase One rental program, at \$20,400, is substantially lower than what is observed in the comparison group. In fact, 66 percent of households in the Phase One rental program have incomes below \$24,000, while only 42 percent of private rental comparison households have incomes below this value. Further, over two times as many AHI Phase One rental households collect income support, compared to the private rental comparison group.

Median annual incomes were highest for households living in Other AHI Programs units, at \$28,800. This group includes households in AHI Remote, Repair and Owner programs. Despite having the highest incomes in the surveyed AHI programs, it lags behind the annual incomes observed in both the private rental and owner comparison groups. With respect to the sub-set of households that own homes under the Other AHI Programs group (AHI Owner, Repair, Remote Programs), while sufficient income is required to own and maintain a home, the profile shows that households eligible for AHI funding are in lower income brackets relative to owners who can purchase their homes without assistance.

A review of the cost-matched programs in Ontario which targets disabled individuals revealed that over 90 percent of the residents living in these projects have incomes less than \$12,000 per year, as the current Ontario Disability Support Plan (ODSP) rate for single individuals is \$979 per month. The

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remainder have incomes in the \$12,000-\$24,000 range. A small handful of these individuals are employed, primarily on a part-time basis in supportive environments and a small number are students.

The highest incidence of low-income households based on Low-Income Cut Offs (LICO) can be found in the Phase Two rental and the non-profit rental comparison groups. Although this was not a program requirement under Phase One, the majority of households residing in units funded by the Phase One rental program are low-income (55 percent), compared to only 38 percent in the private rental comparison group. There are more Other AHI Programs (Owner, Repair, Remote Programs) households that are below applicable LICO, compared to households in either the private rental or the owner comparison group.

**Table 12:
Tenant Profile Summary**

	AHI Housing					Comparison Housing		
	Phase One Rental	Phase Two Rental	Senior Supportive	Other AHI Programs	Cost-Matched	Private Rental	Non-Profit Rental	Owner
Household income (2008)								
Less than \$12,000	28.6%	31.3%	18.0%	10.6%	--	9.9%	23.6%	2.7%
\$12,001 - \$24,000	37.5%	50.0%	60.0%	34.9%	--	33.0%	53.8%	--
\$24,001 - \$36,000	12.5%	10.1%	13.0%	19.9%	6.0%	16.6%	13.1%	10.4%
\$36,001 - \$48,000	11.7%	7.0%	7.0%	21.5%	--	17.9%	6.2%	--
\$48,001 - \$60,000	4.0%	1.0%	0.0%	6.0%	6.2%	9.7%	1.4%	--
\$60,001 - \$72,000	1.3%	0.2%	0.0%	3.3%	5.3%	4.1%	1.2%	8.5%
\$72,001 - \$84,000	2.8%	0.0%	1.0%	1.0%	5.3%	3.8%	0.0%	2.7%
\$84,001 - \$96,000	0.6%	0.5%	0.0%	1.4%	0.0%	2.0%	0.0%	1.7%
Over \$96,000	1.0%	0.0%	1.0%	1.3%	0.0%	3.1%	0.7%	--
Mean Income	\$25,484	\$18,702	\$21,699	\$31,947	\$27,273	\$36,959	\$21,377	\$62,551
Median Income	\$20,400	\$18,000	\$21,000	\$28,800	\$21,000	\$30,000	\$18,000	\$50,000
At or Below CNITs	76.0%	90.2%	78.8%	68.9%	--	56.1%	86.6%	--
At or Below LICOs	55.4%	72.1%	55.6%	41.0%	--	38.3%	72.1%	--
Household source of income								
Full time employment (%)	31.1%	23.5%	4.7%	52.6%	--	52.8%	24.2%	75.7%
Part time employment (%)	9.6%	7.4%	5.5%	9.9%	1.4%	14.6%	8.0%	0.9%
Employment insurance (%)	0.8%	1.7%	0.0%	0.9%	0.8%	0.2%	1.9%	0.0%
Income support (%)	19.8%	31.4%	10.2%	10.8%	--	7.4%	20.8%	
Pension or Old Age Security Pension (%)	33.6%	33.7%	77.2%	24.3%	--	20.4%	38.6%	16.3%
Other (%)	5.0%	2.3%	2.4%	1.5%	0.0%	4.5%	6.4%	4.6%

Source: Evaluation Study of the Affordable Housing Initiative, Survey of Residents, CMHC, 2008

1. Estimates have a margin of error of 7 percent or less at the 95 percent confidence level. Estimates are concealed (--) if the reliability level exceeds 10 percent and identified by the 'symbol if within 7 and 10 percent.

6.2.2 Programs Accessed by Aboriginal Households

Overall, as shown on Table 13, there is a higher proportion of households with Aboriginal members living in units funded under the AHI relative to the private and non-profit rental comparison groups. This is to be expected, as six of the twelve Provinces and Territories targeted Aboriginal people, based on a review of the Bilateral Agreements under the AHI. As well, Nunavut, Northwest Territories and Yukon have significant Aboriginal populations. Programs are accessed by Aboriginal populations at the highest rate in the AHI Other Programs group (Owner, Repair, Remote programs) at 38 percent.

6.2.3 Programs accessed by Persons with Physical Disabilities

All of the units in the AHI funded programs, with the exception of the AHI Other Programs group, have comparatively high proportions of households (the range among programs was 13 to 55 percent) that include persons who have physical disabilities that require special features in the home. The proportion in the private rental comparison group is only 9 percent, which is 60 percent lower than the incidence observed in the AHI Phase One rental group. This is consistent with Provincial and Territorial targeting of persons with disabilities and special needs. Nine out of the twelve jurisdictions included targeting of persons with disabilities and special needs. Most tenants with disabilities in units funded by AHI Phase One and Two rental programs and in units in the non-profit rental comparison group reported that their units were equipped with special features at a rate between 80 to 85 percent.

In the sample of nine cost-matched projects in Ontario, all projects were barrier free, and eight of nine housed some persons with physical disabilities that required special features, such as grab bars, railings, wheelchair access, etc. In all such cases, these special features had been installed.

6.2.4 Programs accessed by Landed Immigrants

Households that include members who are landed immigrants occupy 10 percent of AHI funded units. Seven percent of AHI Phase One rental units have landed immigrants, compared to 12 percent of households in the private rental comparison group. The proportion of landed immigrants in the AHI Phase Two rental group and the non-profit rental comparison group is similar, at approximately 7 and 5 percent respectively.

6.2.5 Programs accessed by Seniors

Overall, there is a higher proportion of households including a senior in the AHI rental and Other AHI Programs (AHI Owner, Repair, Remote Programs) than in the private market. As many as 23 percent and 31 percent of the Phase One rental units surveyed and nearly 25 percent of the units in the Other AHI Programs (AHI Owner, Repair, Remote Programs) included a senior; whereas, some 18 percent of the households in the private rental comparison group included a senior. While the proportion of seniors is higher in the non-profit comparison group, compared to the Phase Two rental group, it is not significantly higher. As expected, the highest proportion of seniors is found in the senior supportive program category, where as many as 75 percent of the households included a senior. The remaining 25 percent include adults with disabilities.

Table 13
Tenant Profile Summary

	AHI Housing				Comparison Housing		
	Phase One Rental	Phase Two Rental	Senior Supportive	Other AHI Programs	Private Rental	Non-Profit Rental	Owner
Household make-up							
Average number of people per household	1.9	1.7	1.1	2.7	2.0	2.0	2.7
Households including a senior	22.9%	30.8%	75.0%'	24.5%	18.1%	33.2%	14.3%'
Households including an Aboriginal person	9.7%	11.2%	5.1%	38.4%	4.0%	3.7%	7.3%
Households including a person with disability	22.9%	14.7%	55.3%'	12.7%	8.8%	18.0%	4.4%
Households including children	32.5%	28.4%	0.7%	48.0%	28.0%	40.7%	--
Households including a landed immigrant	6.6%	6.6%	4.4%	1.9%	12.0%	5.3%	5.6%
Household size							
1 person	52.8%	60.7%	92.3%	35.3%	41.5%	48.2%	17.5%'
2 people	25.9%	22.4%	7.7%	21.5%	32.4%	20.6%	--
3 people	8.9%	5.8%	0.0%	14.4%	14.7%	16.5%	--
4 people or more	12.4%	11.1%	0.0%	28.9%	11.4%	14.8%	--
Number of children per household							
no children	67.5%	71.6%	99.3%	52.0%	72.0%	59.3%	--
1 child	16.6%	14.8%	0.7%	13.6%	16.4%	17.0%	--
2 children	9.4%	6.6%	0.0%	16.3%	8.3%	15.1%	--
3 children or more	6.5%	6.9%	0.0%	18.0%	3.3%	8.5%	9.3%
Household type							
Single senior person	18.4%	24.6%	67.0%'	12.5%'	12.4%	27.5%	1.5%
Single non-elderly person	32.0%	33.3%	23.2%	18.2%'	28.1%	19.5%	15.5%'
Couple	12.5%	9.3%	8.9%	16.0%	20.5%	8.0%	--
Two parents with resident child(ren)	14.6%	8.8%	0.0%	29.0%	14.7%	14.2%	--
One parent with resident child(ren)	18.4%	20.0%	0.9%	15.9%	11.4%	25.9%	9.4%'
Other	4.2%	4.0%	0.0%	8.4%	12.9%	5.0%	6.8%
Source: Evaluation Study of the Affordable Housing Initiative, Survey of Residents, CMHC, 2008							
1. Estimates have a margin of error of 7 percent or less at the 95 percent confidence level. Estimates are concealed (--) if the reliability level exceeds 10 percent and identified by the ' symbol if within 7 and 10 percent. The cost-matched group is not included in the table since all of its estimates had reliability ranges over ± 10 percent.							

6.2.6 Household Type Served

AHI programs primarily serve single person households. The percentages of non-elderly singles in AHI Phase One and Two rental programs are much higher than observed in rental comparison groups. However, there are slightly more senior singles in the non-profit rental comparison group than in either the AHI Phase One or Two rental group. The highest proportion of singles across AHI housing groups is observed in households living in units funded under the AHI Senior Supportive Program, at 92 percent.

Households with children represented 33 percent of households in units funded under AHI Phase One rental and 28 percent of units funded under AHI Phase Two rental . While these rates are comparable to the 28 percent of households with children observed in the private rental comparison group, they are much lower than the rate observed in the on-profit rental comparison group, at 40 percent. The higher percentage of households with children in the non-profit rental comparison group is partly due to the type of targeting when the program was created in 1986. The 1986 social housing programs aimed at sharing housing assistance equitably between families and seniors, based on need.

Households living in units in the AHI Other Programs group (Owner, Repair, Remote Programs) are more likely to include children than any other AHI program group, at 48 percent, since this group consists of a mix of owners and renters. Typically, families prefer to live in their own homes if they have the means.

Ontario's cost-matched programs targeted disabled individuals and most residents in the nine surveyed projects had disabilities, with approximately two-thirds experiencing severe mental health challenges and one-third experiencing developmental delays.

CHAPTER 7

ISSUE 5 - Did the AHI improve housing conditions and quality of life for the occupants of the housing?

AHI outcomes for clients served were assessed using indicators such as resident satisfaction, improved housing conditions, housing safety and quality, and housing management (for tenants), as well as related effects on residents' quality of life (including social and economic well-being).

7.1 KEY FINDINGS

1. Residents of AHI funded units are generally more satisfied than residents in the comparison groups with the condition, safety and security of their current home. As well, tenants in AHI rental projects report higher satisfaction with their landlord or housing management. The aspect of the home most often reported as having improved relative to the previous housing is the physical condition of the home and the safety of the building.
2. Satisfaction levels were generally on par or slightly lower than observed across the comparison groups on issues related to neighbourhood access and services. The least satisfied with access to services in their neighbourhood included seniors in the senior supportive program group and the residents of units funded under Other AHI Programs (AHI Owner, Repair, Remote Programs).
3. AHI funded programs improved the residents' network of friends or neighbours and the residents were more likely to feel that their use of community social services had improved relative to previous housing than non-profit rental comparison group residents. Seniors living in units funded under the senior supportive program felt whole heartedly that there were improvements across the surveyed aspects of social and family networks and community involvement.
4. Seniors occupying units funded under the senior supportive program marked their ability to do daily activities, such as entering/exiting the home, laundry and personal care, as significantly improved since moving into their current unit.
5. A significantly higher proportion of residents in AHI units reported improvement in their overall life than in the comparison groups.

7.2 DISCUSSION OF RESULTS

Resident surveys asked respondents to rate the perceived improvement in various aspects of their current housing conditions, neighbourhood, and social and economic conditions, compared to previous housing or since 2001, if their last move was prior to 2001, on a scale of one to five, where one meant significantly worse and five meant significantly better. To gauge whether residents thought that there were improvements, responses of four and five were aggregated and tracked across AHI and comparison groups. Residents were then asked to rate their satisfaction for each of these housing related aspects.

7.2.1 Improvements and Satisfaction with Current Housing

i) Housing Condition

The proportion of households that reported improvements in the various aspects of their housing condition are reported in Table 14. As shown, AHI residents were more likely to see improvements in aspects of housing conditions covered by the survey than comparison residents. Overall, the percentages of residents living in AHI Phase One rental units who saw improvements in various housing condition attributes ranged from a low of 36 percent for level of noise from the street to a high of 74 percent for the physical condition of the home. Residents in the AHI Phase Two rental group were least likely to see improvements in pest problems, at 41 percent, and most likely to see improvements in ease of access to the home and physical condition of the housing, at 63 percent each. Even the housing attributes with the lowest levels of observed improvements in these AHI groups were still higher than in their respective comparison groups.

The AHI group with the highest observed improvements can be found in the AHI senior supportive group. The relatively higher percentages of these households citing improvements compared to the other AHI housing groups suggest that residents of units funded under this program have experienced improvements in housing conditions. The percentages of these senior supportive households that saw improvements relative to their previous housing ranged from 48 to 81 percent.

The aspect of the housing condition cited most often as having improved relative to previous housing was the “physical condition of the home”. The majority of the units in each of the AHI groups perceived it as improved, compared to their previous housing. The AHI group with the highest percentage reporting an improvement can be found in the senior supportive group, at 81 percent, and the AHI group with the lowest percentage of reported improvement in the physical condition of the house is the Other AHI Programs group (AHI Owner, Repair, Remote Programs), at 71 percent. Only a minority of the residents in the two rental comparison groups thought that there was an improvement in the physical condition of the house. However, about 57 percent of the owner comparison group saw an improvement. This is to be expected, since people generally upgrade when they buy their own homes.

Table 14
Improvements and Satisfaction with Housing¹

	AHI Housing				Comparison Housing		
	Phase One Rental	Phase Two Rental	Senior Supportive	Other AHI Programs	Private Rental	Non-Profit Rental	Owner
Perceived improvement in current housing conditions							
Level of noise from the street	35.7%	43.8%	47.6%	44.5%	33.6%	31.1%	--
Level of noise from other tenants	50.7%	51.0%	66.7%	55.6%	37.1%	36.1%	--
Level of light in the unit	57.1%	58.7%	69.7%	57.1%	41.3%	35.7%	--
Temperature control	58.1%	54.2%	67.3%	63.0%	38.0%	35.6%	--
Pests	51.9%	40.6%	64.6%	44.6%	32.7%	33.8%	--
Moisture, dampness or mold	56.5%	49.6%	69.1%	50.6%	33.0%	34.3%	--
Indoor air/ventilation	55.3%	50.0%	66.7%	59.5%	35.2%	31.9%	--
Privacy from other neighbors	49.3%	58.0%	59.0%	53.2%	32.1%	39.6%	--
Ease of access to your home	53.5%	63.4%	70.5%	56.1%	37.0%	42.6%	--
Physical condition of your housing	73.7%	62.6%	81.1%	71.0%	44.3%	42.5%	--
Satisfaction with current housing conditions							
Satisfaction Score	75.0%	68.4%	62.5%	67.2%	58.9%	65.1%	79.4%
Perceived improvement in safety and security of current home							
Safety of the building	66.7%	66.9%	81.3%	62.3%	48.9%	48.0%	--
Security from crime	59.2%	56.7%	76.5%	53.1%	44.2%	44.5%	--
Safety from accidents	61.1%	58.2%	79.8%	57.3%	39.3%	41.9%	--
Safety from fire	63.6%	63.6%	79.8%	58.5%	42.2%	44.2%	--
Satisfaction with the safety and security of current home							
Satisfaction Score	77.0%	66.7%	64.8%	71.7%	66.7%	65.7%	90.7%
Perceived improvement in landlord or housing management							
Willingness of the landlord to make changes	51.7%	--	--	--	50.0%	42.2%	na
Helpfulness in providing information on community services	57.8%	54.2%	--	--	42.3%	46.7%	na
Fairness of rules for tenants	53.0%	56.9%	--	--	47.2%	43.6%	na
Maintenance of grounds and common areas	69.0%	65.1%	--	--	58.1%	47.7%	na
Protection from physical hazards	69.6%	--	90.9%	--	47.5%	49.8%	na
Repair of your unit	59.0%	55.8%	--	--	45.7%	47.1%	na
Cleanliness of building public areas	72.8%	--	86.4%	--	54.7%	51.3%	na
Consistency of care and help with your daily living activities	na	Na	93.3%	Na	Na	na	na
Satisfaction on landlord or housing management							
Satisfaction Score	68.5%	67.3%	55.9%	52.1%	59.8%	60.8%	60.8%
Source: Evaluation Study of the Affordable Housing Initiative, Survey of Residents, CMHC, 2008							
1. Estimates have a margin of error of 7 percent or less at the 95 percent confidence level. Estimates are concealed if the reliability level exceeds 10 percent (--) and identified by the ' symbol if within 7 and 10 percent. n/a denotes not- applicable.							

The high number of households reporting improvements in the physical condition of the house translated into a high percentage of these households being satisfied with the overall conditions of their current housing. Satisfaction levels ranged from a low of 63 percent in the senior supportive group to a high of 75 percent in households living in AHI Phase One rental units. Some 59 percent of the residents in the private rental comparison group were satisfied with the overall condition of their current housing. The significantly higher satisfaction level in the AHI Phase One rental group compared to the private rental comparison group provides evidence that, for this group of occupants, the AHI did improve aspects of their housing conditions. Households living in Phase Two rental units were also more likely to be satisfied with housing conditions, though not to the same extent as households in Phase One rental units. The highest overall satisfaction was in the owner comparison group.

ii) Safety and Security of the Home

AHI residents have seen an improvement in various aspects of their safety and security, with many more reporting improvements than in the comparison groups. The safety attribute cited most often as improved compared to previous housing was safety of the building. In fact, 81 percent of residents living in AHI senior supportive units thought that building safety had improved, 67 percent of the households in the AHI Phase One and Two groups saw an improvement in building safely, followed by residents in the Other AHI Programs group (AHI Owner, Repair, Remote Programs) at 62 percent. Conversely, less than 50 percent of the residents in the private rental and non-profit comparison groups thought there was an improvement in the safety of their current residence.

The residents occupying AHI units most satisfied with the safety and security of their current housing conditions were in the AHI Phase One rental group, with 77 percent of these households reporting that they were satisfied. About 72 percent of the households in the Other AHI Programs group (AHI Owner, Repair, Remote Programs) felt that they were satisfied with the overall safety and security of their current home, compared to only 67 and 66 percent of the private rental and non-profit rental comparison groups respectively. Residents in the Phase Two rental and senior supportive groups had lower satisfaction levels, with 67 and 65 percent feeling satisfied respectively. The proportions are on par with satisfaction in the rental comparison groups. Of note are the very large majority of homeowners, at 90 percent, that were satisfied with the current safety and security of their homes.

iii) Landlords or Housing Management

Table 14 demonstrates that the residents of the AHI Phase One and Two groups have seen an improvement in various aspects of landlord or housing management services compared to their respective comparison groups. The greater majority of senior supportive group residents saw an improvement in their protection from physical hazards, the cleanliness of public areas of the building and the consistency of care and help with daily living activities, compared to their previous housing.

Overall, a higher percentage of residents in the AHI Phase One and Two groups were satisfied with their landlord or housing management than in their respective comparison groups. While the majority of comparison residents were satisfied, they still lagged behind in satisfaction levels. Compare 69 percent of the households in the AHI Phase One rental group that were satisfied with 60 percent of the private rental comparison households that were satisfied. In addition, 68 percent of the households in the AHI Phase Two rental group were satisfied, while 61 percent of the on-profit rental comparison households were satisfied. There were fewer residents in the Other AHI Programs group (AHI Owner, Repair, Remote Programs) who reported that they were satisfied with their rental landlords than in either of the rental comparison groups.

7.2.2 Improvements and Satisfaction with the Neighbourhood

i) Access to Services

As shown in Table 15, the percentage of AHI residents who saw improvements related to access to neighbourhood services was higher or on par with the percentage in the respective comparison group, depending on the type of access. Of note are the dramatically higher percentages of Phase Two rental group households that saw an improvement in access to social services and public transit, compared to the non-profit rental comparison group. About 61 percent of Phase Two rental households saw an improvement in access to social services, while 40 percent of the non-profit rental comparison households saw an improvement. The proportion in the AHI Phase Two rental group who saw an improvement in access to public transit is even higher, at 73 percent. As well, fewer non-profit rental comparison group households saw an improvement in public transit, at 54 percent.

The great majority of residents in the senior supportive group reported improved access to neighbourhood services. The percentages of these households ranged from 73 percent citing improvements related to access to social services to 75 percent citing improvements related to access to public transit.

The residents in the Other AHI Programs (AHI Owner, Repair, Remote Programs) group were less likely to report that access to neighbourhood services had improved compared to their previous housing. Since the majority of residents in this group are in the AHI Remote and Repair programs, geography may play a role in the lower percentage.

When asked to rate satisfaction with overall access to neighbourhood services, slightly more residents in the comparison groups were satisfied compared to the AHI groups. It should be noted that the senior supportive and Other AHI Programs (AHI Owner, Repair, Remote Programs) groups had the lowest levels of satisfaction, at 55 and 57 percent respectively.

ii) Neighbourhood Conditions

Residents across the AHI and comparison groups reported similar levels of improvement with respect to various aspects of current neighbourhood conditions compared to their previous housing. The AHI group with the highest percentages of reported improvements is the senior supportive group. The majority of these residents, in every case except for traffic congestion, cited improvements. In fact, nearly 79 percent of them felt that the sense of community with other residents had improved compared to their previous housing. Residents in the AHI Phase One rental group were significantly more likely to see improvements in the sense of community with other residents than in the private rental comparison group. Interestingly, AHI Phase Two rental group residents were much more likely to see improvements in traffic congestion and the number of physically unsafe areas than the non-profit rental comparison group. With respect to the Other AHI Programs group (AHI Owner, Repair, Remote Programs), residents were most likely to see an improvement in the sense of community with other residents over all other attributes, at 57 percent.

The AHI groups with the highest proportion of residents reporting that they were satisfied with overall current neighbourhood conditions can be found in the senior supportive and Other AHI Programs groups (AHI Owner, Repair, Remote Programs), both at 77 percent. The percentages in the AHI Phase One and Two rental groups are slightly lower, at 70 and 68 percent respectively. Interestingly, the great majority of residents in the owner comparison group were satisfied with overall current neighbourhood conditions.

Table 15
Improvements and Satisfaction with Neighbourhood¹

	AHI Housing				Comparison Housing		
	Phase One Rental	Phase Two Rental	Senior Supportive	Other AHI Programs	Private Rental	Non-Profit Rental	Owner
Perceived improvement in access to services in neighbourhood							
Access to community services	57.5%	63.0%	73.6%	46.8%	55.8%	52.1%	--
Access to social services	54.5%	60.6%	72.9%	38.3%	49.0%	40.0%	--
Access to shopping, recreation facilities	59.3%	63.7%	75.2%	42.7%	60.8%	52.8%	--
Access to public transit	62.4%	73.0%	75.0%	42.5%	66.6%	53.6%	--
Satisfaction with access to services in neighbourhood							
Satisfaction Score	73.0%	63.7%	54.9%	57.0%	77.9%	76.1%	75.2%
Perceived improvement in current neighbourhood conditions							
Safety from crime in your area	47.6%	46.8%	66.1%	46.5%	41.5%	34.1%	--
Number of physically unsafe areas	47.5%	48.7%	71.8%	40.9%	39.8%	35.5%	--
Pollution	38.1%	41.7%	60.6%	35.8%	35.9%	29.7%	--
Traffic congestion	35.4%	42.7%	44.6%	47.0%	33.9%	28.0%	--
Appearance of neighborhood	59.7%	55.9%	72.6%	52.8%	52.7%	45.1%	--
Sense of community with other residents	57.4%	56.9%	78.6%	57.2%	39.0%	46.3%	--
Satisfaction with current neighbourhood conditions							
Satisfaction Score	69.7%	67.9%	76.5%	76.5%	67.5%	68.6%	85.3%
Source: Evaluation Study of the Affordable Housing Initiative, Survey of Residents, CMHC, 2008							
1. Estimates have a margin of error of 7 percent or less at the 95 percent confidence level. Estimates are concealed if the reliability level exceeds 10 percent (--) and identified by the ' symbol if within 7 and 10 percent. The cost-matched group is not included in the table since estimates had reliability ranges over \pm 10 percent.							

7.2.3 Improvements related to Social Well-being and Economic Enablement

i) Social Well-being

Tenants in the AHI Phase One rental group were more likely to feel that there were improvements in the number of friends/neighbours who help each other out over their previous residences, at 59 percent, than tenants in the private rental comparison group, at 44 percent. The same is true of residents in the Other AHI Programs group (AHI Owner, Repair, Remote Programs), with 58 percent reporting an improvement in this attribute, compared to 44 and 49 percent in the private rental comparison and non-profit rental comparison groups respectively.

Improvements in the use of community services reported by residents in AHI Phase Two rental households was dramatically higher, at 57 percent, compared to 38 percent in the non-profit rental comparison group. Nearly 81 percent of households under the senior supportive program felt that the time they spend doing family/social activities had improved, compared to previous housing. A significantly higher proportion of senior supportive households reported improved involvement in community organizations and volunteering activities, and use of community social services, compared to previous housing.

Table 16
Improvements of Life in General¹

	AHI Housing				Comparison Housing	
	Phase One Rental	Phase Two Rental	Senior Supportive	Other AHI Programs	Private Rental	Non-Profit Rental
Perceived improvement in community involvement and empowerment						
Number of friends and/or neighbors who help each other out	59.1%	49.6%	--	58.4%	43.6%	49.1%
Involvement in community organizations/volunteering activities	50.5%	42.7%	72.6%	38.6%	38.8%	35.9%
Use of community social services	36.6%	57.0%	65.1%	37.7%	40.5%	38.4%
Time spent doing family/social activities	49.9%	53.2%	80.9%	51.9%	48.8%	47.9%
Children's participation in extracurricular activities	--	45.8%	--	51.2%	--	52.1%
Children's performance at school	--	--	--	54.4%	--	--
Perceived improvement on economic enablement						
Ability to acquire new skills/improve old skills	47.4%	51.3%	72.1%	43.0%	40.5%	37.9%
Ability to complete educational qualifications	42.0%	45.0%	47.1%	36.5%	43.8%	38.4%
Employment	39.8%	42.3%	32.0%	32.9%	38.3%	38.4%
Perceived improvement on household's life						
Overall life in current home	69.0%	62.5%	83.6%	68.5%	54.3%	56.2%
Source: Evaluation Study of the Affordable Housing Initiative, Survey of Residents, CMHC, 2008						
1. Estimates have a margin of error of 7 percent or less at the 95 percent confidence level. Estimates are concealed if the reliability level exceeds 10 percent (--) and identified by the 'symbol if within 7 and 10 percent. The cost-matched/owner comparison groups are not presented as estimates had reliability ranges over $\pm 10\%$.						

CHAPTER 8

ISSUE 6 - **What was the impact of the AHI on long term project affordability and viability?**

This issue is examined by documenting the provincial and territorial government controls over AHI project rents and sales. This is supplemented with responses to the AHI rental landlord and government official surveys.

8.1 FINDINGS

1. According to the AHI Agreements, the Provinces and Territories were required to impose and enforce a requirement under each program that the housing be, and remain, affordable for not less than 10 years. Overall, the majority of Provinces and Territories have extended the minimum affordability term up to 25 years, depending on the program. In British Columbia, the minimum term was set at 60 years.
2. Provinces and Territories have measures in place to ensure the ongoing affordability of projects, including direct public ownership of the project and contribution or loan forgiveness agreements with the landlords that specify funding terms and conditions, as well as sanctions in the event of a breach. Contribution or loan agreements are generally registered on the title and are binding and enforceable in case of a change of ownership.
3. The responses to the AHI rental landlord survey show that although one-quarter of the landlords indicated that their projects experienced a net loss in the last fiscal year, less than one-in-eight projected that their projects would operate at a net loss over the next ten years. Landlords also showed strong intentions of continuing to offer the same mix of unit rents upon termination of the operating agreement.
4. The responses to the government official survey indicate that the majority of provincial, territorial and regional governments have a strategy in place, or are currently developing a strategy, to assist those receiving rent supplements, upon the termination of federal funding.

8.2 DISCUSSION OF RESULTS

8.2.1 Provincial and Territorial Government Controls on AHI Rents

The AHI Agreements define *Affordable Housing* as housing that is modest in terms of floor area and amenities, based on household needs and community norms, and priced at or below average market housing rents or prices for comparable housing in a community or area. Phase Two Agreements further require that rents be “affordable” to the occupants. No formal rent-geared-to-income scale was imposed, this being left up to Provinces and Territories.

The AHI Agreements further require that the Provinces and Territories impose and enforce a requirement under each program that the housing be, and remain, affordable for not less than 10 years; that they enter into a contribution agreement for each approved project that would specify the terms and conditions for payment of any CMHC funding and contributions by others for the project, and that

they monitor and ensure compliance with the agreement after project completion. The provincial and territorial measures to assure affordability were outlined in bilateral AHI Agreements. Provinces and Territories have also instituted provisions related to project sales. These measures are summarized in Table 17.

Overall, the provincial and territorial affordability assurance measures consisted of direct public ownership of the project and contribution or loan forgiveness agreements with the landlords that specified funding terms and conditions, as well as sanctions in the event of a breach. Under the latter, the AHI funding was provided as a contribution or loan to be forgiven over the term of the Agreement and was generally registered on the title of the property. This ensures that recourse is possible where funding conditions are not met. As shown in Table 17, the majority of Provinces and Territories have extended the affordability term beyond the minimum 10 year requirement, up to 25 years depending on the program. In British Columbia, the minimum term was set at 60 years.

Other affordability assurance measures in place and specified by respondents of the government official survey include monitoring of rental rates, referral agreements and annual reporting requirements.

In all cases, the contribution or loan agreement is binding and enforceable in case of a change of ownership and the Province or Territory is to be notified prior to the transfer of the property title. In most jurisdictions, written consent from the Province or Territory, or the Municipality where they deliver, is required prior to the sale of the property. Some jurisdictions further register a covenant on the title, which restricts the use of the property to affordable housing or gives the Province or Territory the right of first refusal in the event of a proposed sale. Two Provinces further require that any profits from the sale of AHI projects be donated toward the provision of affordable housing.

Table 17
Provincial/Territorial Government Controls over AHI Project Rents and Sales

Province/ Territory	Affordability Assurance Measures as Outlined in the Federal/Provincial Bilateral Agreements	Provisions Related to Project Sales as Reported by Provinces and Territories
Newfoundland & Labrador	<ul style="list-style-type: none"> • Direct NLHC management or operating agreements detailing initial maximum rent and guidelines governing rent increases and criteria for eligible households. Operating agreements are to be binding and enforceable for a minimum period of ten (10) years, even in the case of change of ownership, and will also detail: • Reporting processes, • Whether owners are required to make Units available for rent supplement, and • Sanctions for breach of the agreement's terms and conditions 	<ul style="list-style-type: none"> • AHI contribution is registered as a forgivable loan on title and the Province must be notified prior to transfer of title. • Forgiveness is earned over 10-25 years. In the case of a sale, any profits must be donated toward the provision of affordable housing.
PEI	<ul style="list-style-type: none"> • Operating agreements or other binding documentation appropriate to the Housing type, tenure and target households, detailing terms and conditions including earning of CMHC Funding and Contributions by Others over a minimum of 10 years to ensure continuing affordability. For rental housing, direct PEIHC management is an alternative to agreements 	<ul style="list-style-type: none"> • AHI contribution is registered as a forgivable loan on title and secured by a promissory note. The Province must be notified prior to transfer of title. • Forgiveness is earned over 10 years.
Nova Scotia	<ul style="list-style-type: none"> • Direct management or operating agreements detailing reporting processes and sanctions for breach of the Agreement's terms and conditions 	<ul style="list-style-type: none"> • AHI contribution is registered as a forgivable loan on title and the Province must be notified prior to transfer of title. • Project sponsor cannot sell or otherwise transfer units in AHI projects for a period of 15 years without permission of the Province. • Forgiveness is earned over 15 years.
New Brunswick	<ul style="list-style-type: none"> • Earning agreement for capital contribution forgiveness, or direct management. • NBHC or New Brunswick government will contribute rent supplements for a minimum of ten years where required to assure affordability. Rent Supplement Agreement or direct management. 	<ul style="list-style-type: none"> • AHI contribution is registered on title and the Province must be notified prior to transfer of title. • Forgiveness is earned over 20 years.
Quebec	<ul style="list-style-type: none"> • SHQ shall make sure that the owners who receive a CMHC contribution pursuant to this Agreement agree, for the first ten years, to respect the maximum rent established on the basis of the contribution granted. 	<ul style="list-style-type: none"> • Written consent from the Province, or the municipality where they deliver, is required prior to the sale of a project. A new owner must agree to the conditions of the contribution agreement. • In some cases, title includes a restriction on use limiting the project to affordable housing. • Forgiveness is earned over 10-25 years, depending on program

Table 17
Provincial/Territorial Government Controls over AHI Project Rents and Sales
(Cont'd)

Province /Territory	Affordability Assurance Measures as Outlined in the Federal/Provincial Bilateral Agreements	Provisions Related to Project Sales as Reported by Provinces and Territories
Ontario	<ul style="list-style-type: none"> • Agreement with owner requiring: • Initial rent set at or below average of the community • Annual rent increases limited by provincial rent control as currently described in the Residential Tenancies Act for a minimum of ten years for all units (i.e. occupied and vacant) • Building owners required to offer some units to the Service Manager for rent supplement. • The agreement is to be binding and enforceable, even in case of change of ownership. Agreements signed with owners after April, 2005 require affordability for a minimum of twenty years. The agreement may have a provision forgiving up to the full amount of the principal during the term of the agreement. 	<ul style="list-style-type: none"> • AHI contribution is registered as a forgivable loan on title and the Province must be notified prior to transfer of title. • Provincial and Service Manager approval is required to sell a project. Contribution agreement is binding and enforceable even in the case of change of ownership. • Forgiveness is earned over 20 years.
Manitoba	<ul style="list-style-type: none"> • Direct ownership by MHRC or agreement between MHRC and project owner/sponsor ensures units remain at or below median market rents for period of ten years. 	<ul style="list-style-type: none"> • AHI contribution is registered as a forgivable loan on title and the Province must be notified prior to transfer of title. • Forgiveness is earned over 15 years.
Alberta	<ul style="list-style-type: none"> • Funding agreement which forgives the value of the federal and/or provincial contribution at a rate of 1/20th per each year the project charges affordable rents. The remainder of the contribution becomes payable as debt to the Crown if the operator defaults. 	<ul style="list-style-type: none"> • If a project is sold and a new owner does not assume the obligations of the contribution agreement, a default under the contribution agreement occurs.
Saskatchewan	<ul style="list-style-type: none"> • Loan forgiveness or contribution-earning agreement or direct management. 	<ul style="list-style-type: none"> • AHI contribution is registered as a forgivable loan on title and the Province must be notified prior to transfer of title. • Any change in the project's status, including change of ownership, must have written consent from the Province while the AHI contribution is being earned. • The Province has the right of first refusal in the event of a proposed sale. • Forgiveness period varies and increases as the AHI funding amount increases. The minimum forgiveness period is 10 years. • The province has recently added the requirement that any surplus resulting from the sale of a project must be reinvested in affordable housing.

**Table 17:
Provincial/Territorial Government Controls over AHI Project Rents and Sales
(Cont'd)**

Province/ Territory	Affordability Assurance as Outlined in the Federal/Provincial Bilateral Agreements	Provisions Related to Project Sales as Reported by Provinces and Territories
British Columbia	<ul style="list-style-type: none"> • Long-term operating agreements between BCHMC and project sponsors restrict use to social housing for 60 years. 	<ul style="list-style-type: none"> • A covenant is registered for each project that restricts use of the property to affordable housing and requires that the Province be notified prior to sale and have the option of purchasing the project.
Nunavut	<ul style="list-style-type: none"> • NHC ownership or contract with developer to ensure 10 year affordability. 	<ul style="list-style-type: none"> • Since the territory retains ownership of the AHI funded projects, affordability is assured over the course of the agreement.
NWT	<ul style="list-style-type: none"> • NWT ownership or contract with developer to ensure 10 year affordability. 	<ul style="list-style-type: none"> • Since the territory retains ownership of the AHI funded projects, affordability is assured over the course of the agreement.
Yukon	<ul style="list-style-type: none"> • YHC/government ownership/management or effective agreements will ensure affordability for at least 10 years. 	<ul style="list-style-type: none"> • Since the territory retains ownership of the AHI funded projects, affordability is assured over the course of the agreement. In the case of renovation assistance, a promissory note to repay any unearned assistance is signed by the recipient.
Source: Affordable Housing Program Agreements Between CMHC and Provinces/Territories (Phase 1), CMHC		

Textbox 1 below further illustrates the application of government controls using the case study of a privately operated Phase One project in Ontario.

Textbox 1
Case Study -- Government Controls over AHI Project Rents
(Privately Operated Phase I Project in Ontario)

- “Affordable Housing” means Housing Charges that are equal or less than \$638 per month for a one-bedroom unit and \$725 per month for a two-bedroom unit.
- Rent must not be increased by more than the prevailing rent increase guideline established for each calendar year pursuant to the *Tenant Protection Act* (since replaced on January 31, 2007 by the *Residential Tenancies Act*).
- From the beginning of the 11th year until the 20th year (the year of termination of the agreement), rent may be increased by 0.55%, in addition to the increase permitted above.
- A Phase-out Period is in effect for a 5-year period immediately following the 20th year, whereby rent may not be increased for *in-situ* tenants by more than the rent increases stated above. During this time, rent charges to new tenants may be at any level agreed upon.
- The Service Manager establishes the maximum income levels at the time of initial tenancy and an approach to income verification in order to ensure households in need are targeted. For 2008, the combined gross income of all persons 16 years of age and older that will be occupying the unit must not exceed \$33,120 for a one-bedroom unit and \$39,792 for a two-bedroom unit.

Federal/provincial/territorial contributions are fully backed by Loan Forgiveness Agreements with the Landlord, whereby the loan amount shall be fully forgiven on the last day at the end of the term of the loan, provided that the Landlord has fulfilled all of the requirements of the Agreements. Any breach of these Agreements will require repayment of principal monies provided plus accrued interest.

Source: Operating agreement for a privately operated Phase I project in Ontario

Note that, in 2005, further changes were implemented in Ontario requiring that rents for any AHI funded projects be set at or below 80 percent of the CMHC Average Market Rent (AMR).

8.2.2 Surveys of Landlords and Project Viability

Respondents to the AHI rental landlord survey were asked a number of questions about project costs and revenues, and about the key factors that they thought were driving their financial results.

i) Financial Outcome of Project in Last Fiscal Year

Overall, results show that 38 percent of the respondents reported that their projects broke even in the last fiscal year, while one-third experienced a net profit in rental revenues over operating costs. In contrast, approximately one-quarter of the respondents reported that they experienced a net loss.

In turn, only eleven percent of respondents indicated that their projects experienced lower than projected revenues in the last fiscal year. The main contributors were vacancy losses on both AHI and non-AHI units and rent arrears on AHI units. While no difference is noted between vacancy losses reported for AHI and non-AHI units (approximately 33 percent), rent arrears reported are greater for the AHI units. Over 30 percent of landlords reported rent arrears in funded units as a reason for lower

revenues, whereas rent arrears in non-AHI units were reported by less than 15 percent of the respondents.

In contrast, forty-eight percent of the respondents indicated that their projects experienced higher than projected costs in the last fiscal year. Approximately 44 percent of respondents reported maintenance staffing costs and/or labour costs as a reason for the shortfall and another 32 percent reported property taxes. Other reasons reported include insurance and utility costs, maintenance supplies, administration and management costs and, to a lesser extent, financing costs. Legal or audit costs and bad debts were reported as a reason by less than 3 percent of the respondents.

ii) Projected Financial Outcome of Project

On average, respondents are projecting that their operating costs will grow at a higher rate than revenues over the next ten years (1.7 percent vs. 1.4 percent at mean values). Although respondents are projecting operating costs growing faster than revenues, in some situations, the capital appreciation is enough to justify the investment. Also, from the non-profit organizations' perspective, owners may decide to continue to operate the project even if costs are greater than revenues. Another important point to highlight is the difference between cash revenues and expenses and non-cash revenues and expenses. For instance, depreciation is a non-cash expense, which is deducted for tax and accounting purposes from operating income but does not require an actual outlay of cash. The end result is less tax is paid, which represents a cash savings.

Despite these projections, it is further noted that less than 12 percent of the respondents projected their projects to operate at a loss over the next ten years. Further, results provide strong evidence of AHI landlords' intentions of continuing to offer the same mix of unit rents upon termination of their operating agreement. These intentions were consistent across private and non-profit AHI landlords, with no notable differences.

8.2.3 Surveys of Government Officials and Affordability of Units

Respondents to the government official survey were asked about the status of strategies to assist those receiving rent supplements, upon the termination of federal funding. Overall, nearly 68 percent of provincial/territorial government officials and 55 percent of regional/local/municipal government officials have indicated they have a strategy in place or are currently developing a strategy.

About 22 percent of the respondents from regional governments who had a strategy indicated that their strategy involves a reduction in the number of rent supplement units funded and 11 percent indicated that the amount of rent supplement assistance per household would be reduced. Nearly 40 percent of these respondents indicated that households will be offered some other forms of housing upon the termination of the federal funding.

About 25 percent of the respondents from provincial governments who had a strategy indicated that their strategy involves continuing to fund the same number of rent supplement units and 3 percent indicated that they would continue to provide the same amount of rent supplement assistance per household. Over 70 percent provided other comments, including: the province is still working on developing a strategy, households will keep their positions on social housing waiting lists and different forms of housing and assistance are needed as individual needs change over time.

CHAPTER 9

ISSUE 7 - Have the AHI Framework and Agreements provided adequate accountability mechanisms and communication procedures?

Firstly, the suitability of the reporting requirements set out in the Accountability Framework and the ability of government officials to complete and submit the required reports in a timely fashion were examined. Secondly, knowledge and awareness of the AHI and the views of government officials on the suitability of the Accountability and Communications Protocol were reviewed. A review of press releases for randomly selected AHI projects was also completed.

9.1 FINDINGS

1. Reporting requirements set out in the Accountability Framework were found to be suitable for ensuring all parties had the necessary information for accountability purposes.
2. Information required was generally available and government officials were able to report in a timely manner. The main challenges as regards timely reporting raised by the provincial/territorial and municipal officials included lack of staff and delays in staff training and developing reporting procedures.
3. Awareness of provincial/territorial affordable housing programs implemented under the AHI was generally higher than awareness of the AHI. The AHI landlord group showed the highest level of awareness for both provincial/territorial programs and the AHI. Resident groups including AHI housing residents showed very low awareness of provincial/territorial programs.
4. Government sources were the key information providers to housing stakeholders and AHI rental landlords, while informal sources were identified as the initial point of contact for AHI residents; the media played a key role where comparison owner residents, comparison private rental residents, comparison non-profit rental residents and comparison private landlords were concerned.
5. The knowledge of the role of the federal government in the AHI was best understood by government officials and housing stakeholders. AHI rental landlords were more knowledgeable about the role of the Provinces/Territories than the role of the federal government.
6. There was general satisfaction with the joint federal/provincial and federal/territorial communication committee and communication protocols among all federal and provincial officials; however, responding municipal officials gave lower satisfaction rankings to these indicators and to the approval process for communication plans and materials.

9.2 DISCUSSION OF RESULTS

9.2.1 The Effectiveness of the Accountability Framework

The Bilateral Agreements set specific accountability requirements for projects and expenditures under the AHI. These are contained primarily in Schedule C Accountability Framework and include a requirement to submit an Annual Audited Statement of Expenditures and an Annual Performance Report. To determine whether these reporting requirements were effective, it is necessary to examine whether all parties had the information they needed to report fully and in a timely fashion.

i) Suitability of Reporting Requirements

Under the Accountability Framework, two reports are to be submitted to CMHC by provincial/territorial government officials each year: the Annual Statement of Expenditures and the Annual Performance Report. Templates of these forms are generally provided in the Agreement with each province/territory.

The Annual Statement of Expenditures is to be audited in accordance with generally accepted auditing standards. The opinion of the auditor as to whether or not the Statement presented the data fairly, and whether or not the province/territory was in compliance with the terms of the Agreement, is to be included with the Annual Statement. If the auditor identified any irregularities or non-compliance, details were to be provided, including the estimated or actual dollar amounts involved. Each province/territory is required to remedy any deficiencies noted in the auditor's report within a "reasonable time" or CMHC funding could be withheld or revoked, although the specific time requirements for remedying deficiencies are not set out in the Agreements. The purpose of this report is to provide CMHC with the information it needs to report to government on AHI expenditures, and to confirm that cost-matching requirements have been met.

A review of the information collected in the Annual Statement of Expenditures, and the requirement that the Statement be audited, finds that the level of detail reported is sufficient to provide information to both parties on the funds provided by CMHC, Contributions by Others and funds expended to date. The opinion of the auditor further provides CMHC with the assurance that the Provinces and Territories have fulfilled their share of contributions in compliance with the terms of the AHI Agreement.

The purpose of the Annual Performance Report is to provide CMHC with project level information to allow analysis of AHI activity. This report does not require the reporting agency to provide information on the specific unit receiving funding. The information collected and reported does provide sufficient information to allow tracking of AHI funding using completed projects.

In the Accountability Framework, it is stated that CMHC will lead two national reviews of the AHI in 2006 and 2007 respectively (one each for Phase One and Phase Two). For these reviews, Provinces and Territories were required to submit financial and client information to allow an accurate evaluation, and were invited to participate in the review. The planned national reviews have been combined in this Evaluation of the Affordable Housing Initiative. While the Provinces and Territories have cooperated with the evaluation process, the collection and reporting of contact information for each individual households and units receiving funding was challenging particularly in those jurisdictions where delivery was decentralized to third parties. A number of Provinces and Territories also expressed concerns regarding the provision of client data for the evaluation in the light of the legislative requirement to protect personal information under the Privacy Act.

ii) Completion and Timeliness of Provincial/Territorial Reporting

As at June 5, 2008, the majority of the Annual Statement of Expenditure and the Annual Performance Reports that the Provinces and Territories are required to submit were completed and submitted to CMHC. Only three jurisdictions had not submitted the Statements by the due date. It is therefore apparent that the Provinces/Territories are able to successfully collect the required program data. In the cases where reports were not received by the required date, Provinces and Territories provided explanations and expected submission dates at the time of the review. Typical reasons given for late reporting were related to ensuring the requirements of the auditors were met.

iii) Views of Government Officials on the Reporting Requirements

As part of the government official survey, municipal, provincial, territorial and federal government officials were asked whether their level of government is required to report on AHI commitments and expenditures to the Government of Canada or the provincial/territorial governments, and whether they are able to submit the required reports on time.

Overall, the largest majority of provincial/territorial and municipal officials indicated they were able to submit all or most of the material on time. Less than 12 percent of the provincial/territorial officials and none of the municipal officials reported not being able to submit most information on time.

Government officials who reported not being able to submit the information on time were asked to select possible reasons why and rank them in importance. Provincial/territorial government officials noted the most difficulty with insufficient staff to complete the reports, delays in developing reporting guidelines and procedures, and delays in training staff to prepare the reports. Similarly, municipal government officials reported the greatest challenges related to lack of staff available to complete the reports, delays in staff training and development of reporting procedures.

9.2.2 The Effectiveness of the Communications Protocol

Communication procedures for the AHI were outlined in the Communications Protocol included in the Bilateral Agreement. Overall, the Protocol sets out procedures for communicating with applicants and the public, which ensure that contributions from all parties are recognized, and makes provisions for joint federal/provincial or federal/territorial communication committees to oversee the development and approval of communication plans, materials and activities.

i) Assessment of the Level of Awareness of the AHI

A series of questions were asked of all survey respondents to help gauge the level of awareness of the provincial/territorial housing programs implemented under the AHI and the awareness of the AHI in general.

Firstly, all survey respondents, with the exception of government officials, were asked to indicate whether or not they were aware of the affordable housing programs implemented by their provincial/territorial governments prior to the survey and whether they were aware of the AHI.

Overall, the highest awareness of provincial/territorial affordable housing programs was reported by landlords within the AHI rental programs group, followed by housing stakeholders and, to some lesser extent, by landlords within the non-profit rental comparison group. As many as 95 percent of the landlords within the AHI rental programs group indicated awareness of affordable housing programs

prior to the survey. In comparison, 52 percent of landlords in the private rental comparison group reported awareness of these programs. Of the residents responding to this question, the lowest awareness was reported by residents in the non-profit rental comparison group, while AHI residents ranked only slightly higher, with 45 percent indicating awareness of provincial/territorial housing programs.

Awareness of the AHI showed somewhat lower responses than awareness of the affordable housing programs implemented by the provincial/territorial governments. While landlords of AHI projects, housing stakeholders and landlords in the non-profit rental comparison group continued to report the highest awareness of the AHI, housing stakeholders and landlords in the non-profit rental comparison group report lower awareness of the AHI than of provincial/territorial housing programs. Low levels of awareness were seen for all other groups, including landlords in the private rental comparison group, and residents of AHI and comparison group housing, with none of these groups showing higher than 31 percent awareness of the AHI.

The source identified by respondents for initial awareness of the AHI further demonstrates the difference between these respondent groups. Information from government sources, including CMHC and the Provinces/Territories, was noted by the majority of housing stakeholders and landlords of AHI projects as the initial point of contact with the AHI. In contrast, the media were identified as the primary initial source of information by residents in the private rental and non-profit rental comparison groups, as well as landlords in the private rental comparison group. Informal sources, such as neighbours, brochures, word of mouth and contractors, were most often identified as primary initial information sources by residents of AHI units, as well as other sources, such as support service agencies and landlords. Landlords in the non-profit rental comparison group reported both government and other sources of information, such as sector associations, as their initial information sources.

ii) Awareness and Knowledge of the Role of Governments

To measure the level of knowledge of the role of the federal, provincial/territorial and municipal governments with respect to the AHI, all respondent groups were asked to indicate which level of government was responsible for providing financial assistance, developing programs and selecting projects for funding under the AHI.

Of those who responded to this question, federal government officials were most knowledgeable of their role in the AHI, with both provincial/territorial and municipal government officials demonstrating a good understanding of the provision of financial assistance by the federal government, but less understanding of its role in the area of developing programs and selecting projects for funding. Both housing stakeholders and AHI rental landlords demonstrated a relatively similar knowledge level. Knowledge of the role of the federal government was lowest in resident groups. Some 14 percent of AHI residents were aware of the federal government's role in providing financial assistance under the AHI.

Knowledge of the role of provincial/territorial governments would vary depending on the design of the program in each province/territory. It is interesting to note that AHI rental landlords demonstrated a clearer understanding of the role of the province/territory than housing stakeholders. As in the responses regarding the role of the federal government, landlords and residents in the private rental and non-profit rental comparison groups demonstrated a lack of knowledge in this area, although the landlords did show a somewhat higher understanding. As well, the level of awareness of the AHI residents with respect to the role of the provincial and territorial government in providing financial assistance, developing programs and selecting projects ranged between 20 and 27 percent.

Similarly, the responses from the various groups regarding knowledge of the role of municipal governments reflected the differences in how the AHI was rolled out by the Provinces and Territories. In some cases, municipal bodies were directly involved in providing financial assistance, developing programs and selecting projects for funding. A significantly lower level of understanding was seen in resident groups.

A high level of respondents indicated they did not know which level of government was involved in each of the three aspects. As shown on the following table, 9 to 14 percent of municipal officials responded “don’t know” to these questions, while 21 percent of housing stakeholders were not aware of the entity selecting projects, and 15 percent could not identify which level of government developed the programs. The lack of awareness was particularly significant among resident groups, including AHI residents. Between 66 and 74 percent of AHI residents did not know what role the various levels of government played with respect to the AHI.

Table 18
Respondents Unable to Identify the Role of Governments in the AHI

	Providing financial assistance	Developing programs	Selecting projects for funding
Provincial/territorial government officials	9%	9%	14%
Municipal government officials	8%	10%	8%
Housing stakeholders	3%	15%	21%
AHI rental landlords	16%	13%	10%
Comparison rental landlords	39%	55%	55%
AHI residents	66%	73%	74%
Comparison private rental residents	73%	77%	81%
Comparison non-profit rental residents	65%	73%	73%
Comparison owner residents	72%	66%	69%
Source: Evaluation Study of the Affordable Housing Initiative, AHI Evaluation Surveys, CMHC, 2008			

iii) Views of Government Officials on the Communications Protocol

Respondents to the government official survey were asked whether a joint federal/provincial and federal/territorial communication committee existed in their jurisdiction and, where it existed, to rate aspects of the communication committee and the communications protocol. Responses to the survey provide insight into the effectiveness of these processes.

In terms of the process for the approval of communication plans and materials, federal government officials strongly agreed that it was both timely and effective. Provincial/territorial officials were relatively neutral in their opinion of both the timeliness and effectiveness of the approval process, while municipal officials disagreed or strongly disagreed that it was timely and effective.

When respondents were asked whether they agreed or disagreed with the statement that their jurisdiction experienced no difficulties with the AHI Communications Protocol, federal officials neither agreed nor disagreed, provincial/territorial officials had a modestly higher level of agreement and, overall, municipal officials disagreed or strongly disagreed.

A higher incidence of satisfaction with the level of visibility of the federal government in communication was noted from all three government official respondent groups, with both federal and provincial/territorial respondents reporting overall agreement, while municipal respondents reported modestly lower levels of agreement.

High satisfaction was seen with the level of visibility of the provincial/territorial governments in public AHI announcements among federal and provincial/territorial officials, while municipal officials neither agreed nor disagreed. Similarly, both federal and provincial/territorial officials were satisfied with the level of visibility of municipal governments in public AHI announcements, while municipal officials ranked considerably lower in this area.

When asked whether they agreed that the Communications Protocol was appropriate, most municipal officials indicated they disagreed with the statement that the Protocol was appropriate, while both federal and provincial/territorial officials generally agreed.

iv) Analysis of Press Releases

An analysis was made of the press releases and other material issued by CMHC or the Provinces and Territories regarding AHI projects. Press releases issued by CMHC between 2003 and December 2007 and posted on the CMHC website were analyzed and summarized in the following table. It should be noted that communiqués were not issued by CMHC for AHI projects in either the Northwest Territories or Nunavut although the Northwest Territories did issue a limited number of press releases.

Table 19
Program Funding and Completion Announcements,
CMHC Press Releases

Province	Funding Announcements						Project Completion Announcements					
	2003	2004	2005	2006	2007	Total	2003	2004	2005	2006	2007	Total
Newfoundland and Labrador	0	0	4	0	2	6	0	0	1	2	1	4
New Brunswick	0	12	11	8	6	37	0	0	11	9	8	28
Nova Scotia	0	12	10	0	2	24	0	0	0	1	3	4
Prince Edward Island	1	0	5	2	1	9	0	2	5	0	3	10
Quebec	0	7	0	0	0	7	0	14	30	10	3	57
Ontario	8	27	34	23	7	99	0	1	11	25	24	61
Manitoba	13	10	11	24	3	61	0	0	1	5	5	11
Saskatchewan	7	3	13	4	9	36	0	1	3	9	5	18
Alberta	4	35	14	8	23	84	1	4	3	6	9	23
Yukon	0	0	4	1	0	5	0	0	3	0	1	4
British Columbia	12	42	23	7	4	88	11	8	6	19	27	71

Source: CMHC website, www.cmhc-schl.gc.ca

For the most part, projects in CMHC-issued press releases were identified in either a project funding announcement or a project completion announcement. In some cases, a single press release was issued to announce the funding and/or completion of multiple projects. In a limited number of instances, funding announcements or completions for the same project were mentioned in more than one press release.

In addition to the above analysis of press releases, a total of 11 projects were randomly selected: one from each Province and one from the Yukon Territory. Nunavut did not issue press releases regarding AHI projects, while the Northwest Territories did issue a limited number of press releases. Findings from the review of press releases for the selected projects found that, in general, CMHC, the Provinces/Territories and Municipalities providing funding were identified.

Aside from the CMHC website, additional websites including the Human Resources and Skills Development Canada (HRSDC) website and the websites of the provincial/territorial housing agencies often contained copies or links to AHI press releases. Generally, press releases on AHI projects are reviewed and approved by CMHC before being posted on other government websites.

CHAPTER 10

ISSUE 8 - Is the AHI a cost-effective instrument for increasing affordable housing and delivering low-income housing assistance?

This section measures the relative effectiveness of Phase One and Phase Two rental programs in increasing the supply of affordable housing.

10.1 KEY FINDINGS

1. Under Phase One, the maximum federal contribution could not exceed on average \$25,000. In addition, units in receipt of assistance needed to be at or below average, or median market rents for comparable housing; however, there was no affordability requirement.

Results of the cost-effectiveness analysis show that for each \$1 million in total AHI contributions under Phase One rental programs, including contributions from all levels of government and contributions leveraged from third parties, 107 housing units were created.

2. For Phase Two, eligible households needed to be low income and on, or eligible to be on, a social housing wait list. Units also must be affordable to these targeted households. The maximum level of federal assistance per unit could not exceed the lesser of \$75,000 or 50 percent of the capital cost per unit.

Results for Phase Two rental programs are not conclusive as there were insufficient Records of Commitments with final costing information for Phase Two rental projects available at the time of the evaluation. In addition, survey results for the rental projects were disproportionately higher from Ontario and therefore not representative of Phase Two rental on a national level. However, based on information available at the time of the evaluation, it is estimated that for each \$1 million in total AHI contributions under Phase Two rental programs, including contributions from all levels of government and contributions leveraged from third parties, 74 housing units were created. This finding reflects the necessity for greater upfront contribution or ongoing subsidy to reduce rents to affordable levels for the low-income household target population.

10.2 DISCUSSION OF RESULTS

10.2.1 Analysis of the Cost-Effectiveness of AHI Rental Programs in Increasing the Low End of Market Housing Supply

As per the Bilateral Agreements, the rents on units funded under Phase One were to be set at or below median or average market rents or prices in the case of home ownership. The rents on Phase Two units were to be “affordable” for the low income households on or eligible to be on a social housing wait list. Rent geared to income was not a requirement for either phase of AHI. The affordability was to be ensured for a minimum of 10 years under both phases.

This section assesses the relative effectiveness of the two approaches in increasing the supply of affordable rental housing i.e. housing renting at or below the median market rent. This measure captures the basic supply objective of the AHI only and accounts for all units including low-rent units marginally below target levels to low-rent units substantially below target.

i) Estimated Increase in the Affordable Housing Supply by Program Costs

To assess the cost-effectiveness of the AHI rental programs in increasing the supply of affordable housing, the cost incurred in developing the AHI rental housing units that are renting at or below the median market rent was calculated. While it is recognized that a number of AHI rental projects have benefited from underwriting flexibilities to CMHC's standard requirement for rental mortgage loan insurance as well as lowered or discounted insurance premium rates depending on the level of affordability, only the AHI contributions have been considered for the purpose of this analysis.

To measure costs, the average AHI contributions per unit in rental projects completed under both phases of the AHI as at December 31, 2007 and for which Records of Commitment (ROCs) were submitted to CMHC by the Provinces and Territories were examined. Overall, ROCs were available for projects containing 6,061 Phase One rental units and 265 Phase Two units. Given the limited availability of data from Phase Two rental projects, results for the Phase Two rental program should be viewed as a proxy for likely achievement of Phase Two rental projects with similar characteristics and may not be representative of the portfolio.

AHI contributions include the federal contributions provided as front-end capital assistance and contributions by others, which include front-end capital assistance, cash or in-kind contributions, or the net present value of a stream of subsidies or benefits. Contributions from Provinces, Territories and third parties, including municipalities, the private sector, the volunteer sector, charities and individual donors, are also included in contributions by others.

Further, in recognition of the fact that average AHI contributions reported reflect the front end net present value of all AHI contributions and to allow comparison with the actual long term benefits generated by the programs, the average total AHI contributions were transformed into an average annual value. The resulting average annual contributions are defined as the annual contributions each year over the operating agreement, such that the net present value of this stream of payments will equate to the total front end contributions. To calculate this, a discount rate of 4 percent was used and a 15-year affordability term for landlords was assumed. Although the affordability of AHI units was to be ensured for a minimum of 10 years, many Provinces and Territories have imposed terms beyond the minimum requirement.

As shown on the following table, average AHI contributions in the projects reviewed amounted to \$73,883 for Phase One units and \$130,243 for Phase Two units. Assuming a 15-year affordability term, average annual AHI contributions per unit in these projects was estimated at \$6,645 for Phase One units and \$11,714 for Phase Two units.

Table 20
AHI Contributions per Rental Unit in Selected Rental Projects¹

	Phase One	Phase Two
Federal AHI funding	\$130,439,469	\$8,325,994
Other federal funding	\$11,458,578	\$1,000,000
Contributions by others	\$305,907,404	\$25,188,514
Total AHI contributions	\$447,805,451	\$34,514,508
Average per unit AHI contributions	\$73,883	\$130,243
Average Annual per unit AHI contributions ²	\$6,645	\$11,714
Source: AHI Records of Commitments (ROCs) 1. Selected projects include all projects completed as at December 31, 2007 and for which AHI ROCs were submitted by the Provinces and Territories. Since only limited data was available for the Phase Two projects completed, costs may not be representative of the portfolio. 2. The average annual contributions represent the annual contributions over a 15-year operating agreement, such that the net present value (PV) of this stream of contributions equals the PV of all contributions as reported in the ROCs		

To calculate the cost of increasing the low-end of market housing supply under Phase One and Two rental programs, the actual number of AHI rental units created that is renting at or below the median market rent in the surrounding CMA, CA or urban centre, was estimated. The findings from the resident surveys indicate that 71.4 percent of the respondents residing in Phase One rental units and 87.1 percent of the respondents residing in Phase Two units were paying rent at or below the median market rent.

As shown in the following table, when adjusting annual contributions under the program to take into account only those units renting at or below the median market rent, the average effective annual contributions per rental unit increase to \$9,307 under AHI Phase One and \$13,449 under Phase Two. These figures can also be interpreted as the annual cost of developing one affordable rental housing unit over a 15 year period.

Table 21
Increase in the Affordable Housing Supply per AHI Contributions

	Phase One	Phase Two
Total units (count of units as of December 31, 2007) ¹	7,636	5,523
Percentage of units renting at or below median market rent ²	71.4%	87.1%
Estimated number of units with rent at or below median market rent (count of units)	5,452	4,811
Average effective annual AHI contributions per unit renting at or below median market rent ³	\$9,307	\$13,449
Number of units created with rents at or below median market rent per \$1M of annual AHI contributions	107	74
Source: Evaluation Study of the Affordable Housing Initiative, Resident Survey, CMHC, 2008, Records of Commitment (ROCs) submitted by Provinces/Territories for projects completed as at Dec. 31, 2007.		
1. Total units excludes the Quebec portfolio.		
2. Estimates have a margin of error of 7 percent or less at the 95 percent confidence level. Since surveys completed under the Phase Two rental programs were disproportionately higher from Ontario, the percentage of units renting at or below the median market rent may not be representative of the Phase Two rental portfolio on a national level		
3. Since only limited data was available for the Phase Two projects completed, costs may not be representative of the portfolio		

Results of the cost-effectiveness analysis presented above show that for each \$1 million in total AHI contributions under Phase One rental programs, including contributions from all levels of government and contributions leveraged from third parties, 107 housing units were created.

Results for Phase Two rental programs are not conclusive as there were insufficient Records of Commitments with final costing information for Phase Two rental projects available at the time of the evaluation. In addition, survey results for the rental projects were disproportionately higher from Ontario and therefore not representative of Phase Two rental on a national level.

However, based on information available at the time of the evaluation, it is estimated that for each \$1 million in total AHI contributions under Phase One rental programs, including contributions from all levels of government and contributions leveraged from third parties, 74 housing units were created.

This lower number of affordable rental units created under Phase Two rental programs reflects the necessity for greater upfront contribution or ongoing subsidy to reduce rents to affordable levels for the low-income household target population. While increases in capital or operating costs may provide some further explanation for the variation in costs and the number of units created, this factor is believed to have had minimal impact since much of the program activity under Phase One and Two of the AHI occurred simultaneously.

SUMMARY OF KEY FINDINGS

Relevance:

Issue 1 - Is there a continuing need for governments to increase the supply of affordable housing?

1. Government actions to address the housing needs of Canadians go back to the early days of the twentieth century. Historically, the Government of Canada has played a varying role in supporting affordable and adequate housing, often in close collaboration with other governments, to address Canada-wide economic needs or to meet social objectives and priorities.
2. The AHI was introduced under the umbrella of social policy objectives and priorities to assist those in need of affordable housing. Government involvement at the time was rationalized on the basis of the extensive need for affordable housing and the market failure to provide sufficient affordable housing supply to address need.
3. The governments recognized that flexible approaches are required in order to be responsive to need and to geographical differences with respect to housing. Overall, the mix of AHI programs would include new rental housing, limited construction and acquisition of ownership housing, renovation of existing housing and special needs housing. While homeownership and repairs programs do not specifically increase the supply of affordable housing, these programs help reduce the demands on the existing affordable housing stock by providing alternative housing options such as homeownership to those who can afford it and by helping preserve the existing stock of affordable housing. The mix of programs further provides governments with the flexibility needed to be responsive to geographical differences with respect to housing.
4. Since 2001, improvements in the market housing supply have been noted. The average number of housing starts intended for the rental market increased from 8,033 per year between 1996 and 2000 to 18,305 per year between 2001 and 2007, for a total of 128,137 rental housing units. The majority of this housing activity was led by the private housing market. However, according to the CMHC Rental Market Survey (RMS), the average market rent for units in newly constructed structures was consistently higher than the average market rent for all structures.
5. Vacancy rates on the national level have also improved since 2001. However, vacancy rate trends in Canada's major centres have varied considerably. Overall, approximately half of Canada's Census Metropolitan Areas (CMAs) saw an upward trend in their vacancy rates from 2001 to 2007. The remaining CMAs saw either a downward trend or no apparent trend in vacancy rates.
6. With regard to affordability, the rate of increase in rents has slowed down since 2001, while the median renter household after-tax incomes grew at a significantly slower rate. This had an impact on the number of Canadian low-income households with a shelter-to-income-ratio (STIR) greater than 30 percent. While the proportion of low income households facing affordability problems compared to the overall population has decreased slightly since 1996, the number of low income households paying more than 30 percent toward housing costs increased to 1.32 million in 2001 and 1.34 million in 2006 whereas both the proportion as well as the actual the number of renters with affordability problems have been decreasing since 1996.

7. A large majority of provincial/territorial and municipal government officials and housing stakeholders indicated that they expect an increase in the demand for affordable housing within the next five years and an increase in both the length of social housing waiting lists and the wait times on these lists, especially in major urban centres. More than half of the landlords of AHI and Post-85 Section 95 Non-Profit Rental Program projects believe that the waiting lists for their specific projects and the wait times are increasing.
8. Ninety percent of government officials and stakeholders surveyed support the need for government involvement to stimulate the supply of affordable housing in Canada and to provide housing assistance to low income households. The majority also believe that there will be an increase in the demand for affordable housing within major urban centres; however, less than half the respondents at virtually all levels believe there will be a major demand for more affordable housing in rural areas.

Impact:**Issue 2 - To what extent has the AHI increased the supply of affordable and modest housing?**

1. As at December 31, 2007, nearly 27,000 units funded or recognized for cost-matching purposes under the AHI had been completed in Canada. Of these, approximately 21,500 were completed under Phase One and Two rental programs designed to increase the supply of affordable housing.
2. When comparing rents paid by residents of AHI rental units to the median market rent for comparable housing in the surrounding census metropolitan areas (CMA), census agglomerations (CA) or urban centres, results of surveys of residents show that approximately 71 percent and 87 percent of the residents in Phase One and Two rental units were paying rent at or below the median market rent for comparable housing in the aggregate urban areas. Provinces and Territories are responsible for determining whether rents for AHI funded projects are at or below average market rents for comparable housing in a community or area and for delivery purposes this may not be at the CMA, CA or urban centre level. On average, rents paid by AHI residents were significantly lower than the median market rent for comparable housing in the aggregate urban centre.
3. Survey results show that AHI projects have amenities similar to private rental projects. When comparing the average size of units, the difference between AHI and private units was rather small, less than 4 square metres for three bedrooms units and just over 1.5 square metres for one bedroom units.
4. The AHI Bilateral Agreements required, at a minimum, the cost-matching of federal funds at the provincial level. A review of the Audited Annual Statements of Funding and Expenditures submitted by the Provinces and Territories for the period 2001 to March 31st 2007 provides evidence that housing expenditures under the AHI exceeded the minimum 1:1 cost-matching requirement. Audited Statements submitted by the Provinces and Territories indicate that \$557 million in federal funding was expended under Phase One as at March 31, 2007 and the associated contributions from others, including Provinces, Territories and third parties, was \$1.1 billion. Similarly, while close to \$147 million in federal funding was expended under Phase Two during this period, contributions from others for programs administered under Phase Two reached over \$251 million.
5. The survey of landlords and homeowners suggests that the majority of homeowners and landlords would not have proceeded with their projects without the AHI. Only 8 percent of AHI rental landlords stated that their projects would have been developed in the absence of AHI funding and,

of the few projects that would have been developed in the absence of the AHI, only half would have been offered at a price equal to or lower than AHI housing. The impact of the AHI on homeowners' decisions to purchase or repair their existing housing was found to be lower.

6. The lower incremental impact reported by homeowners may be attributed to the fact that the AHI homeownership programs were targeted primarily to rural remote areas with fewer housing options and targeted to households with sufficient income to afford owning and maintaining a home. Repair programs were often targeted to housing with repair needs which if not completed would mean they would be demolished and therefore lost from the affordable housing stock.

Issue 3 - Did the AHI provide housing that is affordable for its occupants and that meets adequacy and suitability norms?

1. Overall, relatively small proportions of residents in AHI Phase One and Two rental units have adequacy or suitability problems -- approximately 4 percent and 7 percent respectively. Higher incidences of adequacy and suitability problems were noted in the Other AHI Programs group (AHI Owner, Repair, Remote Programs); however, these incidences were in line with what was observed in the private rental and owner comparison groups.
2. In line with previous social housing evaluations, a substantial proportion of residents of AHI units have an affordability problem. Residents under Phase Two rental programs show the highest incidence of affordability problems with 76 percent of the residents spending more than 30 percent of their income on shelter. The depth of the affordability problem is also greater for residents under Phase Two rental programs. Nearly 50 percent of residents under the Phase Two rental programs are spending more than 50 percent of their income on shelter.
3. Interestingly, while the Phase One rental programs did not require that housing be affordable to the occupants, a higher incidence of affordability problems is noted amongst resident of Phase One rental programs than the private rental comparison group. Approximately 61 percent of the residents of Phase One rental programs are spending more than 30 percent of their income on shelter. However the proportion of residents under the Phase One rental programs spending more than 50 percent of their income on shelter is similar to the proportion found in the private rental comparison group.
4. A review of shelter costs and incomes among the AHI and comparison group residents confirms that the higher incidence of affordability problems noted under Phase One and Two rental programs is largely attributable to the very low income profile of the occupants. Nearly 81 percent of the residents under Phase Two rental programs have annual incomes of less than \$24,000 per year and 31 percent have annual incomes below \$12,000. In Phase One rental programs, 66 percent of the residents have annual incomes of less than \$24,000 and nearly 29 percent have annual incomes less than \$12,000.

Issue 4 - What are the characteristics of households currently living in AHI funded projects?

1. Phase Two rental programs successfully targeted low income households, as 90 percent of residents had annual incomes at or below Core Need Income Thresholds (CNITs) although this was not a specific requirement for ensuring the units were targeted to low-income households on or eligible to be on a social housing wait list. Also, while targeting low-income households was not a requirement under Phase One, 76 percent of the households in Phase One rental units had incomes

below CNITs. This reflects the fact that most Provinces and Territories targeted low and moderate income households in their design of specific program requirements.

2. Incomes are very low for households in AHI Phase One and Phase Two rental programs compared to the rental comparison groups. In fact, 66 percent of the households living in Phase One rental units and 81 percent of households in Phase Two rental units have annual incomes less than \$24,000, while only 42 percent and 77 percent of households in private rental and non-profit rental comparison groups respectively have incomes below \$24,000. Both Phase One and Phase Two rental programs have the highest incidence of households with incomes less than \$12,000.
3. The highest incomes in the surveyed AHI groups can be found in the Other AHI Programs group (AHI Owner, Repair, Remote Programs). Households in this category, which included units funded under AHI Owner, Remote and Repair programs, typically earn \$28,800 per year. Median income for seniors living in Senior Supportive units in British Columbia and residents of units under Cost-Matched programs was \$21,000.
4. A higher proportion of Aboriginal people are accessing AHI-funded units than private comparison units. The highest incidence occurs in the Other AHI Programs group (AHI Owner, Repair, Remote Programs), with 38 percent of households including an Aboriginal member.
5. A higher proportion of AHI rental units are occupied by households with members having a disability or a senior than in the private rental stock. The majority of households with disabled members living in AHI projects have units that are specially equipped to meet their needs (80 to 85 percent of Phase One and Phase Two rental units respectively). With respect to units funded under the Ontario Cost-Matched program, nearly 100 percent of residents served by the program are disabled due to severe mental health challenges or developmental delays.
6. The Phase One and Phase Two rental and senior supportive programs serve primarily single person household types. Programs that are entirely homeowner or a mix of owner and rental are more likely to include children. For example, 48 percent of households occupying units funded under the Other AHI Programs group (AHI Owner, Repair, Remote Programs) include children.

Issue 5 - Did the AHI improve housing conditions and quality of life for the occupants of the housing?

1. Residents of AHI funded units are generally more satisfied than residents in the comparison groups with the condition, safety and security of their current home. As well, tenants in AHI rental projects report higher satisfaction with their landlord or housing management. The aspect of the home most often reported as having improved relative to the previous housing is the physical condition of the home and the safety of the building.
2. Satisfaction levels were generally on par or slightly lower than observed across the comparison groups on issues related to neighbourhood access and services. The least satisfied with access to services in their neighbourhood included seniors in the senior supportive program group and the residents of units funded under Other AHI Programs (AHI Owner, Repair, Remote Programs).
3. AHI funded programs improved the residents' network of friends or neighbours and the residents were more likely to feel that their use of community social services had improved relative to previous housing than non-profit rental comparison group residents. Seniors living in units funded

under the senior supportive program felt whole heartedly that there were improvements across the surveyed aspects of social and family networks and community involvement.

4. Seniors occupying units funded under the senior supportive program marked their ability to do daily activities, such as entering/exiting the home, laundry and personal care, as significantly improved since moving into their current unit.
5. A significantly higher proportion of residents in AHI units reported improvement in their overall life than in the comparison groups.

Issue 6 - What was the impact of the AHI on long-term project affordability and viability?

1. According to the AHI Agreements, the Provinces and Territories were required to impose and enforce a requirement under each program that the housing be, and remain, affordable for not less than 10 years. Overall, the majority of Provinces and Territories have extended the minimum affordability term up to 25 years, depending on the program. In British Columbia, the minimum term was set at 60 years.
2. Provinces and Territories have measures in place to ensure the ongoing affordability of projects, including direct public ownership of the project and contribution or loan forgiveness agreements with the landlords that specify funding terms and conditions, as well as sanctions in the event of a breach. Contribution or loan agreements are generally registered on the title and are binding and enforceable in case of a change of ownership.
3. The responses to the AHI rental landlord survey show that although one-quarter of the landlords indicated that their projects experienced a net loss in the last fiscal year, less than one-in-eight projected that their projects would operate at a net loss over the next ten years. Landlords also showed strong intentions of continuing to offer the same mix of unit rents upon termination of the operating agreement.
4. The responses to the government official survey indicate that the majority of provincial, territorial and regional governments have a strategy in place, or are currently developing a strategy, to assist those receiving rent supplements, upon the termination of federal funding.

Issue 7 - Have the AHI Framework and Agreements provided adequate accountability mechanisms and communications procedures?

1. Reporting requirements set out in the Accountability Framework were found to be suitable for ensuring all parties had the necessary information for accountability purposes.
2. Information required was generally available and government officials were able to report in a timely manner. The main challenges as regards timely reporting raised by the provincial/territorial and municipal officials included lack of staff and delays in staff training and developing reporting procedures.
3. Awareness of provincial/territorial affordable housing programs implemented under the AHI was generally higher than awareness of the AHI. The AHI landlord group showed the highest level of awareness for both provincial/territorial programs and the AHI. Resident groups including AHI

housing residents showed very low awareness of provincial/territorial programs.

4. Government sources were the key information providers to housing stakeholders and AHI rental landlords, while informal sources were identified as the initial point of contact for AHI residents; the media played a key role where comparison owner residents, comparison private rental residents, comparison non-profit rental residents and comparison private landlords were concerned.
5. The knowledge of the role of the federal government in the AHI was best understood by government officials and housing stakeholders. AHI rental landlords were more knowledgeable about the role of the Provinces/Territories than the role of the federal government.
6. There was general satisfaction with the joint federal/provincial and federal/territorial communication committee and communication protocols among all federal and provincial officials; however, responding municipal officials gave lower satisfaction rankings to these indicators and to the approval process for communication plans and materials.

Cost-effectiveness

Issue 8 - Is the AHI a cost-effective instrument for increasing affordable housing supply and delivering low-income housing assistance?

1. Under Phase One, the maximum federal contribution could not exceed on average \$25,000. In addition, units in receipt of assistance needed to be at or below average, or median market rents for comparable housing; however, there was no affordability requirement.

Results of the cost-effectiveness analysis show that for each \$1 million in total AHI contributions under Phase One rental programs, including contributions from all levels of government and contributions leveraged from third parties, 107 housing units were created.

2. For Phase Two, eligible households needed to be low income and on, or eligible to be on, a social housing wait list. Units also must be affordable to these targeted households. The maximum level of federal assistance per unit could not exceed the lesser of \$75,000 or 50 percent of the capital cost per unit.

Results for Phase Two rental programs are not conclusive as there were insufficient Records of Commitments with final costing information for Phase Two rental projects available at the time of the evaluation. In addition, survey results for the rental projects were disproportionately higher from Ontario and therefore not representative of Phase Two rental on a national level. However, based on information available at the time of the evaluation, it is estimated that for each \$1 million in total AHI contributions under Phase Two rental programs, including contributions from all levels of government and contributions leveraged from third parties, 74 housing units were created. This finding reflects the necessity for greater upfront contribution or ongoing subsidy to reduce rents to affordable levels for the low-income household target population.

APPENDIX 1
KEY AHI PROGRAM PARAMETERS BY PHASE

Elements	Phase One	Phase Two
Eligible programs	<ul style="list-style-type: none"> Rental Homeownership (up to 25 percent of urban funding is limited to redevelopment areas – no limit in remote areas) Major renovation Rent Supplement 	<ul style="list-style-type: none"> As in Phase One
Client targeting	<ul style="list-style-type: none"> No requirement for targeting 	<ul style="list-style-type: none"> Low income households, eligible to be on the waiting lists for social housing Service to the specific groups including persons with disabilities, Aboriginal persons and recent immigrants was also encouraged
Geographical targeting	<ul style="list-style-type: none"> Designated allocation for remote areas 	<ul style="list-style-type: none"> Communities and areas with considerable needs P/Ts provide unit allocation plan to CMHC
Budget allocation	<ul style="list-style-type: none"> \$80M for territories and northern/remote areas of 7 provinces and territories \$600M for non-remote areas, allocation based on 2001 population 	<ul style="list-style-type: none"> \$320M allocated to P/Ts based on 2003 population
Housing charges	<ul style="list-style-type: none"> At or below median/average market rents or median house prices 	<ul style="list-style-type: none"> Units to be affordable to low income households, although RGI scale not mandatory
Maximum CMHC unit assistance	<ul style="list-style-type: none"> Funding up to \$25,000 average over all units 	<ul style="list-style-type: none"> Funding equal to 50 percent of capital costs to a maximum of \$75,000 per unit
Stacking and other programs	<ul style="list-style-type: none"> AHI funding may be 'stacked' with some other federal programs such as RRAP, SEP, SCPI RRAP/SEP stacking on AHI requires P/T cost share of at least 50 percent AHI funding not to be stacked on federally-funded social housing programs other than new affordable units on social housing regeneration sites Some project sponsors may be eligible for CMHC SEED funding for initial proposal development <p>AHI projects eligible for NHA mortgage insurance "affordable housing" fee waiver</p>	<ul style="list-style-type: none"> As in Phase One

Elements	Phase One	Phase Two
Cost-sharing	<ul style="list-style-type: none"> • 50 percent P/T matching on portfolio basis <ul style="list-style-type: none"> ○ Includes P/T share of subsidies on AHI units ○ Includes affordable housing subsidies under cost-matched programs, including third-party contributions ○ Contributions may be cash, in-kind contribution at market value or present value of stream of payments ○ Contributions under other F/P/T Agreements may not be counted 	<ul style="list-style-type: none"> • As in Phase One • Housing subsidies provided by other departments on AHI units counted as part of P/T share • P/T contributions over 50 percent on Phase Two may be counted as contributions to Phase One • Limit of 10 percent or traditional amount from the provincial share may be contributed from municipal sources
Other	<ul style="list-style-type: none"> • Uncommitted Phase One budget could be used according to Phase Two rules 	<ul style="list-style-type: none"> • May combine Phase One and Two contributions to create mixed rent and income projects

APPENDIX 2

LISTING OF PROVINCIAL/TERRITORIAL PROGRAMS ELIGIBLE
 FOR FUNDING UNDER THE AHI¹

Province or Territory	Names and Descriptions of Eligible Programs Under AHI
<p>Newfoundland and Labrador</p>	<p>Affordable Rental Housing Program Capital assistance in the form of a forgivable loan for the creation of new affordable rental housing or the rehabilitation of severely deteriorated existing rental housing intended for low- to moderate-income households. ²</p> <p>Affordable Remote Homeownership Program Assistance to create new affordable ownership housing and rehabilitate severely deteriorated existing ownership housing for low to moderate income households in Labrador. ²</p> <p>CMHC-Funded Rent Supplement Program Low-income households on or eligible to be on social housing waiting list pay 25 - 30 per cent of their total monthly household income towards rent. NLHC and landlords have agreements that set aside one or several private rental accommodations for rent to low-income households. (Note this program is included in their agreement but has not been used).</p>
<p>New Brunswick</p>	<p>Affordable Rental Program/Logement locatif Capital assistance in the form of a forgivable loan for the creation of new affordable rental housing or the rehabilitation of severely deteriorated existing rental housing intended for low- to moderate-income households. ²</p> <p>Affordable Rent Supplement Program/Supplément au loyer pour le logement abordable Low-income households on or eligible to be on social housing waiting list pay 30 per cent of their total monthly household income towards rent. NBHCS and landlords have agreements which set aside one or several private rental accommodations for rent to low-income households.</p>
<p>Nova Scotia</p>	<p>New Rental Housing Initiative Up-front capital funding for projects to create, or convert non-residential buildings, to new affordable rental housing for low to moderate-income households.</p> <p>Rental Housing Preservation Program Up-front capital funding to renovate existing rental housing, or convert non-residential buildings, for low to moderate-income households. ²</p> <p>New Home Purchase Program Offers financial assistance for down payment or reduced purchase price for low to moderate-income first-time homebuyers for modest housing (new construction or conversion of existing non-residential buildings) at or below average market rates in urban revitalization areas.</p> <p>Homeownership Preservation Program Helps low to moderate income homeowners by providing financial assistance for major repairs or renovations to ensure homes meet minimum health and safety standards. ²</p>

Province or Territory	Names and Descriptions of Eligible Programs Under AHI
Prince Edward Island	<p>Affordable Housing Program</p> <p>New Rental Construction Financial assistance to reduce the capital costs of new rental housing construction in the private, public and non-profit sectors for low and moderate-income households.</p> <p>New Homeownership Construction Financial assistance to reduce the capital costs of new house/townhouse units for families and persons with disabilities or special needs.</p> <p>Rehabilitation/Conversion Financial assistance to reduce the capital costs for renovation, rehabilitation, and/or conversion (including non-residential), and for incidental acquisition, for private, public and non-profit rental housing or home ownership.²</p>
Quebec	<p>Affordable Housing Québec (AHQ) Funding in the form of a forgivable loan to construct or convert non-residential buildings to new affordable rental housing, particularly in municipalities with very low vacancy rates. There are four components (Phase 1):</p> <ul style="list-style-type: none"> ▪ Social and community - assistance to non-profit organizations and housing bureaus to develop projects for low- or modest-income households (Phase 1 and 2). ▪ Private component - private sector housing developers to produce new housing for moderate-income households. ▪ The Kativik component is intended for households living in the Far North of Quebec. ▪ The North of Quebec component, which is intended for low- or moderate income households living between the 49th and 55th parallel (but on the north-shore of the St-Laurence River). <p>AccèsLogis Funding in the form of a forgivable loan to build social and community housing for low or moderate income households.</p>
Ontario	<p>Community Rental Housing Program Capital grants to private and not-for-profit corporations for the creation of new affordable rental units. This program had a pilot project component with a Request for Proposals for affordable housing projects for 12 service manager areas identified as high-need.</p> <p>Homeownership Program Provides first-time low to moderate income home buyers with interest-free down payment assistance loans of up to five per cent of the home purchase price.</p> <p>Remote Housing Program (Phase 1)/ Northern Housing Program (Phase 2) Financial assistance to renovate affordable rental or ownership housing in remote areas (retitled as Northern Ontario Program in Phase 2 agreement).²</p> <p>Strong Start Program Capital grants to fast track the development of affordable rental housing units for projects ready to proceed before March 31, 2006. Projects could include acquisition and rehabilitation of rental stock and repairs to social housing not receiving on-going federal subsidies.</p> <p>Rental and Supportive Program Capital funding for new construction, renovation and conversion of non-residential buildings to create affordable rental or supportive housing for identified target groups. The <i>Brownfield Initiative</i> is included under this program and provides capital grants for environmental assessments and approvals for affordable housing in older, urban areas where the land was formally industrial or commercial purposes.</p> <p>Housing Allowance/Rent Supplement Program Housing allowances/rent supplements for low-income households on or eligible to be on social housing waiting lists in rental markets with high vacancy rates.</p>

Province or Territory	Names and Descriptions of Eligible Programs Under AHI
Manitoba	<p>New Rental Housing Supply Program One-time funding for capital costs for affordable rental units for low to moderate income households.</p> <p>Repair/Conversion Housing Program Financial assistance to eligible landlords to rehabilitate severely deteriorated properties or to convert non-residential buildings into affordable rental or homeownership units for low- to moderate-income households. ²</p> <p>Homebuyer Downpayment Assistance Program Provides down payment assistance loans between 10 and 15 per cent of the home purchase price for low to moderate income first-time homebuyers in targeted urban revitalization and remote areas.</p> <p>New Homeownership Supply Program Provides a one-time contribution to be used to reduce capital costs to increase homeownership for low to moderate income households in targeted urban revitalization and remote areas.</p>
Saskatchewan	<p>Centenary Affordable Housing Program Homeownership, Rental and Life Lease Options – A one-time capital assistance to increase the supply of off-reserve affordable housing in Saskatchewan for low to moderate-income households. The program allows individuals and organizations to access funding.</p> <p>Centenary Affordable Housing Program Secondary Suites Option - The provision of financial assistance to property owners to encourage the development of secondary suites in order to increase the supply of affordable housing for low to moderate- income households.</p> <p>Rental Development Program One-time capital funding to assist non-profit corporations, co-operative groups, municipalities and the private sector to develop affordable rental units for low to moderate-income households.</p>
Alberta	<p>Seniors Supportive Housing Incentives Provides capital funding to increase the supply of low-cost supportive housing for seniors and persons with special needs.</p> <p>Affordable Housing Partnerships Capital grant to offset the cost to provide new or to convert non-residential buildings to affordable rental or ownership housing for low-income families, individuals and households with special needs. ²</p> <p>Sustainable Housing in Remote Communities One-time grant for eligible capital costs to assist in funding creation of new housing, or renovating rental or homeownership units to accommodate lower income households in need living in remote northern communities. ²</p>
British Columbia	<p>Independent Living BC Program Provides capital grants and operating subsidies, with municipal governments waiving or reducing development cost charges to increase the supply of supportive and assisted rental housing for seniors. Tenants in private assisted living homes may be eligible for provincial rent supplements and developers can use these to leverage more units.</p> <p>Community Partnership Initiative BC Housing partners with municipalities, nonprofit societies and other community groups to implement innovative strategies that create more affordable housing for people in need. The CPI program provided one time grants, mortgage financing, or rent support for unique housing solutions, without the need for on going operating subsidies.</p> <p>Provincial Homeless Initiative Provincial Homeless Initiative provides a continuum of housing and support services. Funding is provided for the creation of new supportive housing units.</p> <p>Provincial Housing Program (PHP) Funding for the creation of affordable housing for families, seniors, singles and households with special needs. Some developments are funded through the Phase I Agreement and others are solely funded through the Provincial Government.</p>

Province or Territory	Names and Descriptions of Eligible Programs Under AHI
<p>Northwest Territories</p>	<p>Independent Housing Program Assists low-income persons in eligible communities to obtain and/or repair a modest home.</p> <p>Assisted Rental Housing Program Provides new rental housing for senior and single households in core housing need.</p> <p>Supported Lease Program Assistance is provided through a lease on a Housing Corporation home. After completing a successful two-year lease period, the tenant is expected to transition into owning the unit. <i>The above programs were funded under the AHI but are no longer in existence.</i></p>
<p>Nunavut</p>	<p>Downpayment Assistance Program Provides a 10-year forgivable loan to help first-time buyers purchase or construct a new home.</p> <p>New Assisted Housing Program Increases the stock of assisted rental housing in communities with the greatest need.</p> <p>Affordable Rental Housing Program Creates affordable rental housing units.</p> <p>Conversion of Existing Units Program Reduces overcrowding by increasing the size of existing units.</p>
<p>Yukon</p>	<p>Social Housing Program Funding for the acquisition, renovation, and upgrading of social housing units to create affordable seniors housing.</p> <p>Home Repair Program Low-interest financing to address one or more of the following home improvement items: structural; electrical; plumbing; heating system; fire safety; overcrowding; energy efficiency or accessibility. ²</p> <p>Industry for Sale Program whereby the Yukon Housing Corporation works with private sector developers, and provides subsidies, in order to augment the provision of affordable housing.</p>
<p>Source: Affordable Housing Program Agreements, Provincial/Territorial Housing Agencies</p> <ol style="list-style-type: none"> 1. The AHI program names are those used in the public domain. 2. Housing must require renovation/regeneration that is beyond what could be addressed by the Residential Rehabilitation Assistance Program (RRAP) and without which the housing would be lost from the stock of affordable housing. 	



AFFORDABLE HOUSING INITIATIVE

Evaluation Report