

# Affordable Housing – Challenges and Constraints for Local Governance in Canada

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Received: October 17, 2023

Accepted: November 23, 2023

Online Published: December 27, 2023

doi:10.5539/jsd.v17n1p103

URL: <https://doi.org/10.5539/jsd.v17n1p103>

## Abstract

Housing and sustainable development is interdisciplinary research that requires cross functional knowledge-sharing to address operational and policy issues—limitations in understanding housing dynamics and policy design and implementation lead to unintended negative consequences. Policy development for affordable housing requires better conceptual understanding, determination of normative objectives and operational constraints, and the effectiveness of governance structure. This paper investigates operational and governance barriers to housing affordability in the Canadian context. The article adopted a key informant interview method to analyze qualitative feedback from technical and administrative experts from the municipalities across Canada. The study helped to understand the contextual challenges in housing affordability in Canadian municipalities. The study confirms that the weaknesses in governance structure, distribution of responsibilities, and allocation of resources limit municipalities' capacity to deal with housing affordability. Pro-growth objectives will not solve housing affordability challenges. It is important to adopt human centered and contextually relevant housing policies. To overcome operational constraints, municipalities need more significant provincial and federal financial and constitutional assistance to meet capacity challenges and to guide a unified approach to meet sustainability targets.

**Keywords:** affordable housing, human-centered, contextual policies, empowering local governments, horizontal and vertical coordination

## 1. Introduction

Rising population, weakening economy, increasing population, low housing supply, and ineffective housing policies are fading Canadians' dream of affordable housing. During the COVID-19 pandemic, the Canadian housing market has witnessed a sharp price increase. The province of Ontario has experienced an over 60 percent increase in average house prices between Jan 2020 and December 2021 (CREA, 2023). The Habitat for Humanity Canada (2022) housing affordability survey found housing cost is the third most concern for Canadians after inflation and healthcare. People believe that affordable housing is crucial for social stability. Key barriers, including lack of housing supply, NIMBY (Not-in-my-back-yard) sentiments, and discrimination, contribute to the affordability crisis. A crisis of this scale needs collective action by the governments of all tiers, individuals, non-profits, and corporations. Municipalities would require a more significant role in assessing their local needs and developing housing policies for people who need it (Habitat Canada, 2022).

The International Council for Science defines the urban environment as “the natural, built and institutional elements that determine the physical, mental and social health and wellbeing of people who live in cities and towns” (ICSU, 2011, p. 8). Which makes housing an integral part of urban structure, operates in an urban system of social values, environmental implications, and institutional and governance structure (Scott & Storper, 2015). Housing affordability is crucial for the right to suitable and adequate housing for everyone (UN-Habitat, 2016). It makes housing an interdisciplinary complex urban function that can be better understood by developing a conceptual and theoretical framework of housing policy adaption and actualization, including the process of translation and assemblage of policies and ideas that move through time and space (Baker & Evans, 2016; Clarke et al., 2020). Therefore, a widespread adaptation of similar policies across diverse markets will not be able to deal with

contextual housing affordability issues (Cheung et al., 2019). It makes the housing sector's role pivotal in achieving overall urban sustainability (Tupenaite et al., 2017).

Sustainability requires reconceptualizing policy narrative, transformation in operation and governance structure, and integration between institutions at a local scale (Gustafsson & Krantz, 2021). Subsequently, multidisciplinary knowledge sharing would be necessary to address operational and policy issues for sustainable housing (Silva et al., 2015). Such topics are sensitive to the socio-spatial context that compels an understanding of existing practices concerning objectives, values, and motivations, making it highly uncertain and dynamic (Verweij & Trell, 2019; De Roo & Silva, 2010). Consequently, it is difficult to view sustainable housing from a singular disciplinary lens, concept, theory, and model (Pike et al., 2011). It requires context specific innovative approach. Innovation is a non-linear path that requires continuous improvement through a multidimensional and multilateral interactive feedback process (Edquist, 2006). Thus, constant innovation can help manage socioeconomic and environmental priorities in pursuing sustainable development goals (Schiederig et al., 2012; Forestier & Kim, 2020).

Municipalities possess considerable influence over housing due to their closeness to the people, better understating the contextual requirements and fundamental role in land use planning and Federal and Provincial policy enactment. Housing affordability requires not only an operational capacity and financial liberty but also a capability to trade off sociopolitical and functional objectives, making it highly sensitive to policies (Clapham, 2019). Therefore, the subject demands a greater local government role, continuous study of circumstantial challenges and exploring alternative strategies (Sutela, 2023). This paper investigates operational and governance barriers for Canadian Municipalities to deal with housing affordability challenges for their communities.

## 2. Literature Review

Housing structures, a significant consumer of urban land and primary resources, contribute to around 70 percent of ecological impacts (Hertwich & Peters, 2009; Tukker & Jansen, 2006). The housing sector plays a crucial role in investment circulation, resource consumption patterns, and labor market dynamics, making it essential for the stability of economic and financial systems. Furthermore, assets and wealth created through the housing sector significantly impact social segregation and inequality (Regeneris & Oxford, 2010). Embedded in an urban ecological system, housing operates in a dynamic and complex relationship with development patterns, knowledge and innovation, economy, social structure, the natural environment, and governance.

The housing system and its complexity make it highly sensitive and resistant to policies (Stermann, 2000). Governments worldwide have used the housing sector to exercise various policies to achieve various and sometimes contradicting goals. These goals are energy efficiency, reducing carbon emissions, tackling housing affordability, achieving economic goals through real estate and construction, and reducing social and health inequalities by market interventions (Macmillan et al., 2016). The conflicting objectives, primarily due to a lack of integration across government departments, are considered a significant barrier to progress (APPG, 2013). Interdisciplinary research in the housing industry was almost ignored for a long time. In political and institutional settings, the economic processes mediated by the state-market relationships are well justified in critically evaluating the housing affordability crisis, its emergences, consequences, and responses (Wetzstein, 2018).

Housing markets are subject to formal and informal regulations. However, the efficiency of housing regulations in achieving affordability is highly contextualized and debatable (Furth & Gonzalez, 2019). For instance, the policy outcome of the micro-politics of land use and environmental regulations, the most recognized political aspects, can still not determine victim and victor (Christopherson, 2011; Portney, 2013). Furthermore, the housing-human connection makes segregated housing policies subject to failure in achieving their desired outcomes (Gilbertson et al., 2012). Furthermore, limitations of our understanding of housing dynamics and complex systems as well as incorrect design and implementation of policies, are subject to both intended and unintended negative consequences (Shrubsole et al., 2014; Davies & Oreszczyn, 2012).

Housing availability, suitability, and affordability are major concerns for policymakers (Choi, et al., 2018; UN-Habitat, 2016; Woetzel et al., 2014). However, housing affordability is a relative term that relates to the ongoing cost of housing linked to household income levels (Leishman & Rowley, 2012). It has a strong social and environmental connection, which makes the governance of affordable housing entirely different from the institutional structure for other sectors (Zhang & Rasiah, 2016). Housing relies on cross-sectoral policies such as land-use planning, infrastructure, education, health, recreation, and financing mechanisms. Housing policy operates through a complex system of state, nonprofit, and for-profit actors. Furthermore, the inappropriate allocation of decision-making powers, access to funding, and operational capacity in a partially devolved system resulted in an increased reliance on market-based solutions that reduced support for low-income households. For

instance, the devolution of responsibility for social housing in Ontario needs to consider broader implications to meet the demand for affordable housing (Raynor & Whitzman, 2021).

There is no one solution; market actors and public institutions work together to provide housing within the socioeconomic circumstances, available resources, and governance structure. In a complex system of capacity, strategies, and motivation, it is tough to generalize any concept or theory to resolve contextual problems. For instance, some mixed-income housing development strategies have achieved long-term socioeconomic benefits and scalability. In contrast, some faced criticism such as privatization, state-led gentrification, inappropriate influence on public policy objectives, insufficient representation of marginalized groups, and compromising long-term policy development (Read & Sanderford, 2017). For instance, Davidoff, et al. (2022) found that a gentle densification adopted by the City of Vancouver's rezoning of single-family housing caused a negative spillover of price increase. Furthermore, et al. (2016) found a varying impact of low-income housing development on low-income and high-income neighborhoods. In contrast, (Turner et al., 2014) found no negative spillover of density.

Further to planning regulations, the outcome of tax interventions are also debatable. The literature is divided regarding the relationship between house prices and property-related taxation, and no definite answer is available to how helpful taxes are in controlling house prices (Benjamin et al., 1993; Fritzsche & Vandrei, 2019; Wei et al., 2019). There is a consensus that regulations and taxation have a distortionary impact on housing prices, and in some cases, contribute to increases in house prices (Glaeser & Gyourko, 2006; Gyourko & Molloy, 2015; Turner et al., 2014).

Similarly, disruptive evidence of housing subsidies indicates that they rarely contribute to higher homeownership rates. Kunovac and Zilic (2022) have shown that the housing subsidy generates additional housing demand making housing less affordable for non-recipients. Similarly, governmental programs to generate additional housing demand create provisions to capitalize on higher housing prices when supply is inelastic (Hilber & Vermeulen, 2016). Davidoff, et al. (2022) stated that it is best to evaluate redevelopment at a neighborhood level rather than the city level. Local authorities are fully aware of local economic conditions and population segregation, which would help them to analyze housing policies and their spillover effect (Ismail, et al., 2021).

Housing affordability lacks a unified definition and approach (Noring et al., 2022). Interdisciplinary research in the housing industry has been neglected for a long time, with conflicting objectives and a lack of integration across disciplines serving as barriers to progress (APPG, 2013; Wetzstein, 2018). Housing regulations' effectiveness in achieving affordability is context-dependent and a topic of debate (Furth & Gonzalez, 2019; Christopherson, 2011; Portney, 2013). The connection between housing and its impact on people suggests that segregated housing policies may not achieve their desired outcomes (Gilbertson et al., 2012; Raynor & Whitzman, 2021). There is a significant gap in assessing the effectiveness of housing policies, including land use planning and market interventions (Fritzsche & Vandrei, 2019; Read & Sanderford, 2017; Davidoff et al., 2022; Kunovac and Zilic, 2022; Rauf & Weber, 2022). Additionally, limitations in understanding housing dynamics and policy design and implementation can lead to unintended negative consequences (Shrubsole et al., 2014; Davies & Oreszczyn, 2012). Therefore, housing requires better conceptual understanding, determination of normative objectives and operational constraints, and the effectiveness of governance structure.

### *2.1 Housing in Canada – A Context*

The Canadian urban population (82%), increasing housing costs, and declining affordable housing stock put cities at the forefront of the housing crisis. Canada's affordable housing stock accommodates less than 600,000 households (Tsenkova, 2022). Whereas Canada's rental housing market is dominated by private housing (96%), with a significantly smaller share (4%) of non-market, nonprofit, and cooperative housing providers (Bates, 2022). Although SDG 11 is the third most invested SDG in Canada, the core housing need is one of the most crucial challenges for the government (SDGFunders, 2022). Almost one in ten Canadians need core housing, accumulating to 1.7 million households. Therefore, rising housing prices and an inadequate supply of affordable and adequate housing result in increasing inequalities. It contributed to urban sprawl, often driven by housing affordability issues forcing lower-income families to move to the outskirts. Furthermore, the gap between indigenous and non-indigenous housing conditions is also growing. For instance, 21.7% of indigenous Canadians live in homes needing significant repairs compared to 6.8% of non-indigenous. Similarly, the rise in chronic homelessness (Gov of Canada, 2022) and the closure of supportive federal housing increased local governments' challenges in dealing with the housing crisis.

The Canadian government is actively going out of public housing while moving towards a more marketized approach to the housing sector (Raynor & Whitzman, 2021). It has ceased public investment in public housing and shifted its focus to collaborative models providing subsidies to nonprofits, targeting tax incentives for private

developers to provide low-cost units (Bates, 2022; Suttor, 2016). During this evolutionary phase, the government's neoliberal approach cut nonprofit and co-cooperative housing organizations from the policy consultation process, except for Quebec (Suttor, 2016). Similarly, Canada Mortgage and Housing Corporation (CMHC) has been taking measures to protect the private market from public and nonprofit sector competition (Bates, 2022), which led to a dualist rental market making it difficult for nonprofits to compete with for-profit housing developers (Thomas & Salah, 2022; Kemeny, 2006). Therefore, DesBaillets & Hamill (2022) termed the Canadian housing policy highly individualistic.

Historically, the federal government acted as a principal policy formulator and financier. The federal housing programs operate with the help of provincial and municipal leaders and other institutions such as Canada and Canada Mortgage and Housing Corporation (CMHC). The federal government formulated a National Housing Strategy (NHS) in 2019 to address challenges across the housing sector. However, the NHS is facing some criticism regarding commitment and efficiency. Although NHS has shown signs of moving away from the private sector, reducing investment in social housing and failing to fulfill the promises made by NHS, make it challenging to solve the housing crisis (DesBaillets & Hamill, 2022). Furthermore, it is argued that it is difficult for the Canada National Housing Strategy to adopt a cohesive approach due to a lack of harmony between provincial and local governments (DesBaillets & Hamill, 2022). However, Canada's geographic, social, and economic diversity makes it challenging to find a one-size-fits-all approach. Although, provinces and territories can develop their programs under the federal financial steams. However, uncertainty still exists due to unresolved matters between the federal, provincial, and local governments, lack of coordination with the other market actors, and, most importantly, the absence of political will to take a firm hand on the housing crisis (DesBaillets & Hamill, 2022).

The land use planning system relies on institutional design. The Canadian governance structure is very complex and based on a hierarchical structure (Macdonald et al., 2021). For instance, the Ontario housing delivery structure involves the federal institutions, provincial government, and municipal levels further divided between upper, lower, and single-tier municipalities. Municipalities must follow the Planning Act of the province of Ontario and conform to provincial green belt and growth plans. Multisector policies such as green belts and housing require coordination between policy domains, municipalities, and other market actors. For instance, greenbelt regulations imposed by the provincial government resulted in leapfrog housing development in some municipalities (Macdonald et al., 2021). Similarly, provincially administrated densification policy pushes municipalities to plan for more general densification, such as diversion or gentrification, without considering local density needs such as student housing (Revington & Wray, 2022). Therefore, the top-down approach ignores local conditions, causing problems for local policy planners, which makes the role of the province and regional governments crucial. In contrast, the Canadian provincial governments work as "regional government in absentia" (Macdonald & Keil, 2012, p. 141).

Thomas and Salah (2022) investigated the housing policy development in Nova Scotia. Their findings were two-fold: policy development and capacity. The provincial policy development disregards the involvement of nonprofits and cooperatives, ignoring sectoral limitations and prioritizing financial objectives over social values. Furthermore, policymakers and non-market housing providers are experiencing significant capacity limitations due to their size, lack of experience, and unawareness of existing policies and programs. Consequentially, nonprofit organizations are in constant tension between state and market values, facing significant constraints in their capacity to thrive (Thomas & Salah, 2022). Furthermore, Raynor and Whitzman (2021) assessed the intersectoral policy networks and found that the Canadian government either lacks the capacity or willingness to develop evidence-based policies. Instead of a comprehensive framework for housing, the makeshift arrangements and fragmented policy approach in Canada made the housing sector operate in isolation from other sectors (Suttor, 2016; Thomas & Salah, 2022; Bates, 2022).

## *2.2 Sustainability, Localizing and Housing*

The sustainability of cities and communities is explicitly addressed by SDG 11. SDG 11 promotes equality within cities by realizing everyone's right to adequate housing, connecting housing with poverty. Whereas housing contributes to most of the SDGs, enabling household resilience and sustainability. Housing is sensitive to socioeconomic, environmental, and political circumstances, which can only be effectively managed at a local government level (Bates, 2022). Similarly, poverty is also localized, causing inequalities between territories and cities. Therefore, it would be tough to take everyone to prosperity without contextual understanding (UCLG, 2018). Consequently, housing affordability will remain a relative term varying geographically. Therefore, it would not be possible to have a unified definition of affordability at provincial, national, and global levels (Noring et al., 2022). In contrast, urban policies treat the city's housing with a single lens, ignoring the rationality of urban form and social structure. Therefore, it requires a holistic approach and devolution of authority to local government (Wakely, 2022).

Housing is a multidisciplinary and contextually sensitive subject which requires horizontal and vertical integration of policies, actors, and knowledge to address local housing challenges (Morphet & Clifford, 2017; Turk, 2019; Potsiou et al., 2022; Zhang & Rasiah, 2016). The conventional makeshift approach to learning and innovation has been too narrow, in both functional and normative terms, and has lacked a territorial connection in addressing context-specific sustainability challenges (Gibbs & O'Neill, 2017; Rauf & Weber, 2021). The socio-spatial dynamics and interaction of actors create both opportunities and challenges in regional development (Healy & Morgan, 2012). The geographic concentration of economic activities in one city can influence neighboring cities' development patterns. Local governments may simply mimic policies or allow policy diffusion ignoring local contextual requirements (Bocci et al., 2017; Schoenefeld et al., 2023). It will lead to a spatial and economic interdependence within cities and regions, influencing local development patterns that may result in socioeconomic appreciation or backlash (Myrdal, 1957). For instance, housing affordability in peripheral regions is highly sensitive to the housing market behavior at the region's economic center.

The role of local government is crucial in the transition to sustainable development (Fei et al., 2021; Koch & Krellenberg, 2018). However, local actors are avoiding large-scale disruption, preventing them from realizing sustainable development's conceptual and functional requirements. Affordable housing sits at a critical nexus of economic, social, and political conditions and building a relationship between ecology and social sustainability (Bates, 2022; Fell & Mattsson, 2021). Furthermore, a trade-off between ethical concerns and economic challenges makes it difficult to operationalize sustainability in many urban functions. These challenges are susceptible to local capacity and political discourse. In this context, no solution will fit all, making the role of regional geography, policy configuration, and governance quite significant (Healy & Morgan, 2012; Hudson, 2007). Affordable housing development necessitate place-based policy that can revitalize low-income communities (Diamond & McQuade, 2016; Revington & Wray, 2022). Tsenkova (2022) emphasized the importance of people-based and place-based outcomes for successfully integrating housing policies. Therefore, Local socioeconomic conditions and political and governance structures significantly affect the local authority's capacity to provide affordable housing. Morphet (2018) found that the local capacity building can provide a customized contextual solution to deal with rising social and housing costs (Morphet, 2018)

The discussion above indicates the complexity of housing that demands an integrated policy approach to address socioeconomic, environmental and governance objectives. While seeing from a sustainability lens, the theory of complexity helps to understand the behavioural analysis of the housing delivery system and its constituent parts (Peter & Swilling, 2014). Moreover, the development theory establishes a normative base for sustainable development (Sen, 1999). However, the policy development process and outcomes may only be understood well by realizing socio-political objectives, economic constraints, governance structure, operational capacity, and regional connections. Rauf and Olaf (2021) proposed a normative, functional, and contextual framework to integrate complex objectives in policy development. At the same time, operations demand greater liberty for local governments for efficient use of local knowledge and resources aligned with the principle of subsidiarity (Allen et al., 2020).

Inclusive and sustainable growth demands a systems approach for a balanced policy approach to deal with local needs and constraints. The housing industry interacts between geographic markets influenced by economic agents, institutional structure, administrative linkages, policy accumulation, and human behaviour (Muellbauer & Murphy, 1994; Holmans, 1995). Moreover, housing affordability is greatly influenced by inward and outward demand and supply factors, economic performance, social configuration, and policy objectives. It makes housing a complex web of social and economic theories, making it highly sensitive to sustainability performance. Therefore, more than a linear approach may be required to incorporate sustainability in the housing industry. Instead, it would require an innovative approach to consistently review and improve policies and outcomes (Schiederig et al., 2012; Forestier & Kim, 2020). It is evident from the discussion that housing and housing affordability cannot be understood from a single theory. It would require an integration of innovation theory, subsidiarity principle and place-based policy (Rauf, 2023).

### **3. Methodology and Research Questions**

Housing is a multidisciplinary and geographically connected urban function. At the same time, housing affordability is a diverse and complex problem that requires a multi-faceted and holistic approach. The Canadian economic and geographical conditions provide a unique opportunity to study housing constraints at the municipality level. The research inquiry centered on Canadian municipalities' difficulties when addressing housing affordability. The primary aim was to gain insights into how cities manage housing issues administratively and pinpoint the primary obstacles to affordable housing. Adopting a qualitative approach, the following semi-structured questions are used to gather responses from key informants from the selected municipalities.

## 1. Localized housing and affordability challenges

- a. What are the major barriers to affordable housing?
- b. How effective are multi-scalar housing policies? Which tier of governance is more effective in providing affordable housing?
- c. Which policy aspect is more effective to solve affordability?
- d. Policy focus is on partial subsidies not general affordability across the board. Do you think marketized policy solutions can solve the problem of access to housing and affordability for low-income households?
- e. How motivated are municipalities to provide affordable housing? Do you see any value in municipality provided public or non-market housing as a potential source of municipality revenue?

In addition to the literature review, primary data is collected by interviewing City Managers and their technical representatives. The sample includes thirty-seven out of forty Census Metropolitan Areas (CMAs) in Canada (Statistics Canada, 2021). CMAs are defined as the subdivision with a minimum population of 100,000 with at least 50,000 residing in the city core. Further to the population, the selection was made on geographic and administrative significance such as provincial and territorial capitals and representations from upper and lower tiers of municipalities. With a response rate of thirty-five percent, sixteen participants from thirteen cities were interviewed. Participants were invited by email. The participating cities from nine provinces included Mississauga, Brampton, Waterloo, Peterborough, Quebec City, Charlottetown, Fredericton, Brandon, Winnipeg, Regina, Edmonton, Calgary, and Victoria.

Participants were given an advance copy of questions to help them prepare for the interview. All interviews were recorded with the consent of the participants. Interview transcripts obtained from Microsoft Teams are analyzed and coded by adopting the most common methodology of data reduction (Huberman & Miles, 1994; Mezmir, 2020). The semi-structured questions and follow-up discussion provided initial themes and reduced unintended bias. The barriers identified from the first question were connected to significant policy aspects such as a pro-growth marketized approach, multi-scale policies, subsidies, etc. These themes were then segregated based on normative, functional, contextual, and governance significance. Using spreadsheets, multiple rounds of data reduction and categorization helped to achieve distinct categories to develop a narrative around the research objective (Thomas, 2006).

## 4. Results

### 4.1 What Are the Major Barriers to Affordable Housing?

Municipalities agree that inter-jurisdictional matters such as housing and carbon action require resources the national and provincial governments possess. The upper tier of government may set a predominant objective for sustainability (for example, sustainability goals set by British Columbia). Subsequently, regions can play their part in coordinating between municipalities to overcome functional constraints. One of the participants referred to the housing assessment report introduced by the Capital Regional District of British Columbia to facilitate local municipalities. However, grants and voluntary participation influenced the most in the greater success of the project. It indicates that local constraints and priorities drive municipalities' decisions. Despite a clear mandate, local priorities set by jurisdictional and operational conditions and individual beliefs may cause a conflict between cities and the upper tier of government. For example, the objective of affordable and green communities is influenced by public preferences for single-family housing and private transportation.

Municipalities' role in affordable housing in Canada is limited and varies provincially. Generally, it is a part of the provincial or regional government's responsibility. Municipalities' role is more about land management and convening and facilitating the delivery of housing projects initiated by federal or provincial governments. The concern was about policies' effectiveness in the prevailing distribution of authority and the capacity of actors. All respondents emphasized the importance of the role of the Federal and Provincial governments in addressing housing affordability issues. Three significant roles were highlighted concerning federal and provincial governments: provision of resources, regulations, and coordination between municipalities and functions. Participants have shown concern about the insufficient role of Federal and provincial in affordable housing. At the same time, the cities are not equipped to address housing issues independently due to financial and operational constraints. As stated, "A big part of allowing municipalities the capacity and financial means to respond to some of these crises and critical."

#### *4.2 How Effective Are Multi-Scalar Housing Policies? Which Tier of Governance Are More Effective in Providing Affordable Housing?*

Multiscalar policies are necessary to address multidimensional governance challenges. In the current governance structure, cities rely heavily on provincial and federal governments to allocate resources for housing programs. Therefore, Inter-government and inter-departmental collaboration are vital but require a clear framework and allocation of appropriate resources. As stated, the firefighting approach prevails in affordability policies. Another participant said, "The multiscalar policies have done a kind of stopgap measures but could have been more effective."

Furthermore, participants highlighted a need for coordination between upper and lower tiers of government that restricts cumulative positive outcomes of the assessment of condition, policy development, and execution in the housing sector. For instance, multiple federal funding channels exist, including direct funding to nonprofit organizations competing in the same city (Brandon). As mentioned, "There is a lot of like passing the buck back and for in terms of who needs to stand up and make some changes." Similarly, Prince Edward Island's role in issuing short-term rental permits without consulting cities "will remain good on paper, not in practice."

#### *4.3 Which Policy Aspect Is More Effective to Solve Affordability?*

The federal government is offering various levers through the National Housing Strategy, which is not enough to overcome the decade of backlog, meet the current demand, and compensate for the rising construction cost. Furthermore, participants have shown concerns about time constraints, sufficiency, and frequent changes in the federal and provincial housing programs. Further added that the funding uncertainty creates issues with long-term planning for municipalities. For instance, one participant mentioned that housing solutions could not be time-constrained and require consistent effort. Another participant noted that "the amount of interest received through the rapid housing initiative far exceeded the supply." Furthermore, the program's prerequisites take a lot of work to fulfill, as "negotiations are long and arduous."

Political roles and commitment at all levels of governance are vital in understanding community needs and defining a broader lens to devise strategies required to solve affordable housing challenges. However, pro-growth objectives bend political interests in favor of developers. Participants further added that multiple political parties, different political purposes, shorter political tenure, and continuously changing priorities at all three levels of government resulted in a lack of commitment to affordable housing. The government has proven a consistent trend in de-investing and deinstitutionalizing affordable and public housing and shelter homes. For example, shutting down mental hospitals creates more problems for local governments by putting more people on the road.

Similarly, the government is not keen to invest in public housing, instead actively selling the existing stock. Such approaches define a lenient and pro-market approach of the Federal and Provincial governments, which makes it harder for municipalities to counter affordability challenges. The participants added that the role of city councils and the general public is crucial to dealing with local challenges such as removing planning and administrative barriers and shaping public opinion for inclusionary zoning.

#### *4.4 Policy Focus Is on Partial Subsidies Not General Affordability across the Board. Do You Think Marketized Policy Solutions Can Solve the Problem of Access to Housing and Affordability for Low-Income Households?*

Participants have expressed concerns about the housing market's financialization and the pro-growth development policy, which causes tension among the housing stakeholders to offset conflicting objectives. For instance, balancing suburban development and intensification, a trade-off of environmental standards with construction costs, and balancing revenue needs with restrictions to regulate the market is challenging. As said, the public and developers are keen to accumulate profits, and "we are kind of facilitating speculation" by avoiding restrictions. But, on the other hand, it is not easy to convince developers to sacrifice their profit margins if the market demonstrates the ability and willingness to pay. Furthermore, municipalities' resource constraints and lack of ability to generate revenues motivate them to reserve local resources to fulfill their economic objectives rather than investment in no-return projects such as affordable housing.

An aggressive and collective approach would be required to address pressing issues like housing. Regulations and taxation can play a role in controlling housing speculation. As said, there is an opportunity to put "brakes on things" by taxing land transfer, but most municipalities do not possess these powers. There must be more than regressive property taxes to influence the housing market. It requires harsher approaches such as capital gain tax, sales tax, vacant home tax, and transfer restrictions. However, such taxes are politically not appreciated (Mississauga). Municipalities have little control over legislation, regulations, and taxation. In contrast, the provincial role is more lenient towards the market. As stated, "we don't have a provincial government that is supportive of policies that

intervene in the market. Therefore, political will at upper and lower levels is vital to devise aggressive policies to overcome housing affordability challenges.

Participants agreed that a combination of factors contributes to affordability. However, the effectiveness of partial subsidies remains a question. The participants mentioned that it is convenient for municipalities to adopt a less risky path of managing grants rather than developing housing. Some participants think government policies supporting market supply are more effective than government-run non-market housing. In contrast, others are convinced that marketized approaches, such as density bonusing, capital grants, and tax exemptions, do not produce numbers equivalent to non-market housing. Similarly, time-bound incentives for affordable units cannot bring a lasting solution. Further added that housing developers' role in affordability is very shallow compared to nonprofit housing, which goes deep into affordability by having the right mix in each building. As said, "I do not believe that we will achieve the type of affordability we need through policies that just target market rental housing." Similarly, financial support to first-time home buyers might effectively address the issue of market access. In contrast, one of the participants considers such subsidies a kind of "pushing the ceiling" by funneling money to the sellers by raising the buyer's capacity to pay more.

#### *4.5 How Motivated Are Municipalities to Provide Affordable Housing? Do You See Any Value in Municipality Provided Public or Non-Market Housing as a Potential Source of Municipality Revenue?*

All the participants have shown greater interest in providing affordable housing. Municipalities are keen to find a solution for this pressing issue. However, their contribution and effectiveness depend on their socio-economic priorities and capacity. The discussion highlighted that municipalities' common approaches revolve around generic principles of increasing supply, retention of existing stock, diversity of housing options, and partnership with housing providers and other levels of government. Such multi-scaler housing policies are effective if they provide contextual solutions to the municipality's local circumstances. A respondent from Regina highlighted a need for studies to investigate housing delivery models at the municipality level. Similarly, a respondent from Calgary highlighted a gap in the current housing policies ignoring the missing middle of housing types such as row-housing and fourplexes in the low-density zoning. Whereas Fredericton stressed ensuring single-room occupancy policies are more supported. Participants agreed that there is no silver bullet, no single solution that will be able to solve the housing problem. In addition to new experiments and out of box thinking, it is advisable to incorporate market-tested methods such as incentives, inclusionary zoning, pro-active land use policies, multiple delivery options, including non-market and co-op housing, and engagement of private and nonprofit organizations. Furthermore, participants have shown interest in revenue-based models that could facilitate municipalities to localize housing. In the end, it was also emphasized that housing should be considered a fundamental human right to be delivered as part of public service.

Affordable housing will always be a multi-jurisdictional issue requiring multidimensional solutions. Participants have shown great concern for the effectiveness of the prevailing system and policy development framework. As stated, the housing crisis is a systemic problem involving multidimensional things that led to the massive problem. Further added by another participant, the municipality financing framework is entirely out of whack and needs to be significantly modernized. Similarly, the prevailing decision-making structure is complicated and challenging to navigate. Therefore, municipalities would not be very influential within the current governance and financial system. As stated, "a massive shift in the sector is required, which is not easily obtainable overnight." Therefore, it is necessary to be more adaptive and agile in response to varying housing challenges.

## **5. Discussion**

Many of the findings of this study are very much in line with the previous literature. The challenges associated with affordable housing mainly revolve around operational capacity, authority, political motivation, and cross-functional integration and territorial coordination between various levels of governance (Gustafsson & Krantz, 2021; Allen et al., 2020). We have summarized key challenges (see Table 1) and the solutions (see Table 2) highlighted during the discussion.



Table 1. Housing delivery challenges and constraints

<b>Challenges and Constraints</b>		
<b>Normative</b>	<b>Functional &amp; Contextual</b>	<b>Governance</b>
Conceptual Understanding	Social Structure	Market Based Approach
Preferences - Single Family Housing	Economy Structure	Policy Jurisdiction
Preferences - Ownership	Access to land	Role of upper tier of Government
Preferences - Profit	Economic Priorities	Multiscalar Policies
Preferences - Interest (will)	Capacity - Resource	Partial Subsidies
Housing as a Basic Need	Capacity - Operational	Segregated Responsibilities
Housing as a Commodity	Capacity - Financial	Lack of Public Investment
Social Housing Needs	Capacity - Regulatory	Low Interest Rates
Diversity of Interest	Operational constraints	Cheap Farmland
Social Stakeholders	Operational Trade-offs	Insufficient Proportion of Grants
Socioenvironmental Trade-offs	Process Stakeholders	Excessive Supply of Money
	Convenience	Lenient Regulations
	Changing Priorities	Pro-growth Policies
		Financialization
		Administrative Barriers
		Changing Priorities

Table 2. Suggestions - Revitalization of housing delivery & governance structure

<b>Suggestions</b>		
<b>Normative</b>	<b>Functional</b>	<b>Governance</b>
Defining Objectives	Standardized Definitions	Distribution of Authority
Human Centered Approach	Need Assessment	Distribution of Responsibility
Defining Demand	Systems Perspective	Financial Framework
Aggressive Approach	Policy Relevance	Decision Making Framework
Commitment	Policy Performance Evaluation	Empowering Local Government
Housing as a Public Service	Consistency / Certainty	Public Investment
Fundamental Human Right	Partnership & Coordination	Provision of Resources
Financial Assistance	Accountability	Responsiveness
	Long-term and Lasting Solution	
	Adaptive and Agile	
	Active Management of Demand and Supply	
	Adopt Market Tested Methods	
	Innovative and Localized Approach	
	Local Government Proactive Role	
	Localized Delivery Model	
	Revenue Based Models	
	Diversity of Housing Options	
	Retention of Existing Stock	

The discussion concluded that conceptual understanding, market knowledge, and governance priorities set the course of policy development. Furthermore, affordable housing policies rely on market practices, socioeconomic circumstances, political will, policy jurisdiction, operational capacity, and the role of the upper tiers of government (Raynor & Whitzman, 2021; Turk, 2019). Canadian municipalities have their unique challenges due to socioeconomic and geographical circumstances, a complex hierarchy of decision-making, changing priorities, and the local government's incapacity to act (DesBaillets & Hamill, 2022; Guha & Chakrabarti, 2019; UCLG, 2018; UNDP-WBG, 2016). Consequently, local governments adopt a convenient path by choosing a system facilitation role influenced their objectives and process groups (City of Surrey, 2016; OECD, 2016). Furthermore, multiscalar policies ignoring local circumstances and segregated responsibilities without considering functional and jurisdictional constraints make it harder for local governments to respond to contextual housing needs.

The outcome of this research emphasized on the dominance of norms and ethics in policy development, decentralization of authority and resources, clear lines of responsibility and accountability, and reliance on the competence of local authority (Dylus, 2021; Spiller, 2022). Considering the challenges of municipalities, it is essential to revitalize the urbanization process to achieve the target of inclusive, safe, resilient, and sustainable cities (UNDP-WBG, 2016). Knowledge sharing, stakeholder awareness, and voluntary local reviews to ensure accountability criteria will promote coordination between the industry actors and improve the housing delivery mechanism (UCLG, 2018). A devolution of authority and resources (Bortel, 2012; Morphet, 2018) and innovative (Bates, 2022; Mullins et al., 2018) and place-based policy development such as revenue-based affordable housing models (Morphet & Clifford, 2017; Nizau & Trillo, 2019; Potsiou et al., 2022; Noring et al., 2022; Vasoo & Jia, 2018) would help to revolutionize the Canadian housing delivery structure.

Housing is crucial for people's welfare and should be considered a public utility accessible by everyone. Housing drives the Human Development Index and Multidimensional Poverty Index outcomes in health, education, and standard of living (Habitat, 2021). Therefore, it cannot be left entirely to the private sector as it can undermine the delivery of welfare services (Zhang & Rasiah, 2016). Reducing state support for public housing and the neoliberal approach leads to an increasing income gap and reducing access to suitable housing (Dorling, 2015). The assessment of Habitat III highlighted urban inequalities resulting from a market-based approach to housing (UCLG, 2018), which puts housing at the center of the urban development agenda and is a significant component of the global quest to achieve Sustainable Development Goals. It requires decentralization of policymaking, resource accumulation, and moving away from sectoral financing and individual entitlements. It is further stated that an innovative local approach requires integration between governments, private actors, and communities (Turk, 2019; UCLG, 2018; Wakely, 2022).

The interconnectedness of housing elements requires synergies and tradeoffs to overcome potential hindrances and supplement multilateral efforts (United Nations, 2018). Similarly, complexity of housing system demands multidimensional approach, multisectoral integration, and tradeoff between socioeconomic and environmental objectives. Such complexity wouldn't be easy to address without innovative and out-of-the-box solutions to address socioeconomic and geographic differences between cities. It would further facilitate the global nature of societal problems that can be diffused on a regional scale with similar challenges through a standardized framework of policy tools (Wanzenbock & Frenken, 2020).

## 6. Conclusion

The study helped to understand the contextual challenges in housing affordability in Canadian municipalities. The study confirms that the weaknesses in governance structure, distribution of responsibilities, and allocation of resources limit municipalities' capacity to deal with housing affordability. Housing sensitivity to economic performance, environment, human prosperity, and urban governance makes housing affordability a diverse and complex problem that requires a multi-faceted and holistic approach. Therefore, housing contributes to most SDGs and drives household resilience and sustainability. Housing, a crucial component of urban function, is an essential driver of sustainable development and a prerequisite for inclusive, resilient, equitable, and sustainable cities. The complexity and multidimensional nature of housing make it challenging for local governments to find sustainable housing.

Municipalities consider housing affordability a crisis that requires both short-term and long-term solutions on a priority basis. Conceptual understanding, market knowledge, and governance priorities set the course of policy development. Affordable housing policies depend on market practices, socioeconomic circumstances, political will, policy jurisdiction, capacity, and the role of the upper tiers of government. Furthermore, the difference in the conceptual understanding (for example, housing tenure, purpose, inclusion, affordability, accessibility, suitability) and socioeconomic priorities of regulators, operators, developers, and users establish housing policy direction that

could be a barrier to finding a comprehensive solution for housing affordability. Similarly, general market preferences such as single-family housing, cheap farmlands, ownership, and investment returns are shaping the demand for housing.

Municipalities have unique challenges due to socioeconomic and geographical circumstances, governance structure, changing priorities, and the incapacity to act. For example, multiscale policies, partial subsidies, segregated responsibilities (Jurisdiction), and lack of public investments impact the affordable housing supply. Similarly, circumstantial challenges such as access to land, economic activity, and dealing with urgent housing needs such as homelessness, short-term rental, and student housing influence their policy objectives in the short run. Furthermore, municipalities' limited regulatory powers, inability to access funds, and lack of operational capacity limit their capability to deal with housing affordability challenges independently.

Furthermore, pro-growth policies, economic priorities, financialization of housing, low-interest rates, excessive money supply, lenient regulations combined with the lack of profits for the developers, and insufficient proportion of government grants contributed to the crisis. It is understood that cities should be proactive in finding local solutions for housing affordability in coordination with the Federal and Provincial governments, which is crucial in the current governance structure. However, the relevance and effectiveness of the current policy approach, the relationship between actors, and the distribution of responsibilities in the housing domain remain a question.

Achieving operational and geographic integration of functions that require an innovative and evolving approach incorporating local circumstances would be challenging. Sustainable housing requires reconsidering the prevailing housing delivery system by adopting the human-centered approach, devising contextual policies, empowering local governments, and increasing horizontal and vertical coordination. Therefore, to overcome operational constraints, municipalities need more significant provincial and federal financial and constitutional assistance to meet capacity challenges and to guide a unified approach to meet sustainability targets. Furthermore, treating housing as a fundamental public service, not a commodity, is recommended. It is necessary to adopt non-market solutions, reduce construction, ease the approval process, and have active participation by the federal and provincial governments to increase the housing supply. Municipalities should have greater access to resources to find a lasting solution for their communities. Cities can explore further innovative housing delivery mechanisms, including revenue-based models for out-of-market housing.

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### **Acknowledgments**

The authors are grateful for the individuals and city administrations who participated in their time and knowledge sharing for this project. Additionally, we would like to thank the Sustainable Development Solution Network (SDSN) Canada for its guidance and support.

### **Authors contributions**

Not applicable.

### **Funding**

This research was funded by the Social Sciences and Humanities Research Council of Canada under Grant No. 435-2019-0594 and Economic and Social Development Canada under Project No. 16556557.

### **Competing interests**

The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

### **Informed consent**

Obtained.

### **Ethics approval**

This study has been reviewed and received ethics clearance through the University of Waterloo Research Ethics Committee (ORE #41177).

The Publication Ethics Committee of the Canadian Center of Science and Education.

The journal's policies adhere to the Core Practices established by the Committee on Publication Ethics (COPE).

### **Provenance and peer review**

Not commissioned; externally double-blind peer reviewed.

### **Data availability statement**

The data that support the findings of this study are available on request from the corresponding author. The data are not publicly available due to privacy or ethical restrictions.

### **Data sharing statement**

No additional data are available.

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