

culties that would result from dealing with a project consisting of a smaller number of units. We particularly fear the family investment of, say, four units in which in-laws are the occupants of a number of the units. We feel that in such an undertaking the owner might be inclined to rely upon the guarantee, rather than charge full economic rents. In the case of the larger operation, the owner in his own interests is concerned with full economic rents, rather than the guarantee. In other words, the section has application to persons engaged in the rental business.

(b) The period of the guarantee cannot exceed thirty years. It may be for a lesser period in the first instance, with provision for renewal. However, the full period of the guarantee cannot go beyond thirty years.

(c) The rents to be charged will be subject to a ceiling for the first three years. This ceiling shall be the economic rents as determined by the corporation, based on the cost of the project. We feel that the owner of a project, supported by a government guarantee, should not be allowed to charge more than the economic rentals, at least in the first instance.

(d) The rents that may be guaranteed cannot exceed 85 per cent of the economic rents set by the corporation.

Mr. HACKETT: How are economic rents determined?

Mr. HOWE: Economic rents are determined by examining the costs of the project and the costs of the services.

Mr. HACKETT: Are owners relieved from the determination of the rent by the boards which still have power in these matters, and which some people think are a source of impoverishment of the owners at the present time, because of the inadequacy of the rents?

Mr. HOWE: Those boards have no control over new construction.

Mr. JOHNSTON: Will it have any bearing upon its relations to rents of other houses in the district?

Mr. HOWE: No.

Mr. HACKETT: Would the minister be good enough to say just a few words in explanation of the method of determining economic rents, as mentioned by him a minute ago. Would it be a public hearing?

Mr. HOWE: No. This is an insurance company. It can take a risk, or not take it. It sets its own idea of economic rents. The economic rent is the—

Mr. FLEMING: The corporation sets the rental, does it not?

Mr. HOWE: Sets the ceiling on the rent, which is a matter of agreement between the owner of the project and the insurance company. If the owner of the project says his economic rent is such and such, he must produce his costs and carrying charges, plus two per cent; and the corporation must agree as to what the economic rent is. After it has agreed with the owner—if it can agree—it can then insure up to 85 per cent of the economic rent. If it cannot agree with the owner, it does not take the business.

The DEPUTY CHAIRMAN: Shall section 2 carry?

Some hon. MEMBERS: No.

Mr. HOWE: If I might proceed. I had reached paragraph (d).

(d) The rents that may be guaranteed cannot exceed 85 per cent of the economic rents set by the corporation. This is the ceiling figure of the guarantee. The actual amount will be a figure resulting from the various items which I have previously listed, but must not exceed this 85 per cent limitation.

(e) The corporation must approve the location of the project, the standards of construction, and the size and type of the unit. This places a control upon the type of construction that will qualify for the guarantee and will assure that the units will be family units in the moderate field.

We are not interested in the luxury class of housing. As I previously stated, the maximum rental that may be charged is \$80 a month. This maximum is for a fully serviced unit with hot and cold water, heating, stove, refrigerator and janitor service. It is hoped that such fully serviced units will be produced to rent down to \$55 a month. Unserviced units will have a lower rental range from approximately \$57 a month to \$40 a month.

The section reserves certain matters to be prescribed by the governor in council. The first is the fixing of the premium to be paid by the builder or subsequent owner. When this figure is determined, it will be specified in the contract with the builder. No regulation can, of course, be passed until the bill has been assented to. We have in mind, however, that the interest charges payable on the mortgage, plus the premium for the insurance, will not exceed the $4\frac{1}{2}$ per cent interest rate at present charged on National Housing Act joint mortgages. I will refer to the mortgage financing when we come to the next section, and will deal with the matter further. The premium on the basis I have mentioned would be in the order of two per cent of the rentals to be guaranteed. This might be expressed in another