

on sites which they have prepared themselves. They thus obtain a high-quality article, which is delivered to them in a complete form, which makes life much more easy for them.

The Deputy Chairman: It puzzles me that with housing costs so high that we cannot even begin to think about building for less than \$25,000 or \$30,000, we can drive eight or 10 miles from Ottawa and see beautiful little summer cottages with three bedrooms selling for approximately \$5,000 or \$6,000. Preparing a foundation for a house such as that and placing the house on it would be so much cheaper than the ordinary building of a home that it puzzles me why there should be such a spread between the costs. That type of house is much better than those lived in by many. Today they can be winterized and made habitable, yet only wealthy people who already have a home take advantage of moving such a building to a country site.

Senator McElman: Did you say \$5,000 or \$6,000, Mr. Chairman?

The Deputy Chairman: Yes.

Senator Bonnell: I have never travelled on that road.

The Deputy Chairman: Yes, you can buy bigger ones. You would be surprised.

Senator McElman: How big would that one for \$5,000 or \$6,000 be—nine by 12?

The Deputy Chairman: No, some have two or three bedrooms. It would be worth your while to drive around and see some of them on display. I do not know what the prices are today, but I saw them last year. You can also just read the advertisements in the newspapers and see them listed by Beaver Lumber and others.

Mr. Hignett: But they are generally "build-it-yourself" houses and the price is only for parts.

Senator Heath: My question relates to section 15 and may be rather hypothetical. When a non-profit organization builds, for instance, a condominium-type senior citizens' home, very often the community arranges for the land, which can be one of the greatest expenses for any type of building. The municipality may forgive the taxes, and make the land available at a very reasonable price and service it almost at cost. Local landscapers will donate their services. What would happen to the surrounding land values because of this type of operation taking place at extremely low cost, services being brought in and so on? Would this increase the surrounding land values, or would it decrease them because this is a non-profit type of housing development?

My question has a second part. I assume that CMHC is a mortgage company. If the building organization cannot continue with the running of the project, does the mortgage company foreclose and take possession? What happens in such a case to the total value of the very expensive development in view of such a large proportion of it being donated? What is its actual value and how is it disposed of?

Mr. Hignett: To begin with, support for non-profit housing corporations does take a number of forms, including those you have mentioned. For example, in British

Columbia any non-profit housing corporation building houses for the elderly obtains a grant from the province of one-third of the cost. This means that they only have to borrow two-thirds, which is the only part that is reflected in the rents, which are just sufficient to pay the cost of building and operating the project. The fact that some communities have provided and will continue, hopefully, to provide free or very low cost sites for housing projects sponsored by non-profit organizations has no effect, either upwards or downwards, on the value of the land surrounding the project. Occasionally we hear that the fact that low income groups live in an area has a downward effect on land values. I do not think anyone in the country can ever produce any evidence of this. So the housing built by non-profit corporations does tend to be neutral.

Senator Heath: Could it not have the opposite effect for land speculation? If services were brought in which could not be brought in otherwise, it would be very easy for the surrounding property then to be developed by a speculator who could go to the city council and tell them that as all these services are already there he wants to be hooked up to them. Could that happen and would it matter?

Mr. Hignett: No, I don't think so, because it would be unusual indeed for a municipality to carry services through any substantial acreage of unserviced land to the site of a non-profit project. When municipalities approve subdivisions they sometimes require that some part of them be held for public houses, non-profit housing, or housing for low income groups of one kind or another.

The Deputy Chairman: Are there further questions?

Senator Denis: What is the average rate of interest actually paid by those who borrow from the Central Mortgage and Housing Corporation at the present time?

Mr. Hignett: For all our programs, that is all of the programs in this bill, and public housing, student housing, sewage treatment, programs currently in the act, the rate of interest is a small mark-up on the yield on Government of Canada bonds. Currently it is 7 5/8 per cent. In the last 18 months it has varied between 7 1/4 per cent and 7 5/8 per cent. That is the general level at current Canada Bond votes in the market.

Senator Denis: If I understand you correctly, you do not lend money; you guarantee the loan.

Mr. Hignett: In the insured lending program, that interest rate is set by the market, and it relates to all other interest rates. It relates to Government of Canada bonds, to corporate bonds, to the conventional mortgage rate, the rate at which industries borrow, and the mortgage interest rate tends to find its place in the total capital market. We entered this year with the NHA interest rate being at about 9 per cent, or shading a little under it. Interest rates in the first half of the year have been rising and are now, I think, a little below 9 1/2 per cent.

Senator Denis: There are two ways of lending money for home purposes. In one instance you guarantee the money. You borrow from the bank or from another organization, or you make a loan directly with your own money. In what degree?