

Municipal Housing Schemes

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It is generally conceded that the need of constructing homes for our workers is real and urgent.

Contemplated legislation on these matters is now much in the foreground, it behoves every Canadian Municipality to secure powers, either by General Act or Special Charter for the purpose of obtaining the necessary authority for undertaking, whenever required a Municipal Housing Scheme.

The important factors which have first to be considered, when deciding upon the practicability of such a scheme are:

Establishment of extent of demand for dwellings.

Survey of present vacant dwellings and of their habitable conditions.

Availability of sites.

Cost of sites.

Cost of construction (labor and materials.)

Loan charges.

Maintenance charges.

Approximate rental revenues.

Approximate nett annual gain (if any.)

Approximate nett annual loss (if any.)

Increase of municipal assessment.

Actual and intangible economic benefits by inducing workers to reside within municipality.

Sites and Designs.

The sites and designs of the dwellings to be constructed should be selected with the greatest care, both from an artistic as well as from a sanitary consideration, it will only be found profitable to construct dwellings that will be permanently attractive. When deciding upon the designs of the dwellings, the work and opinions of the local architects should never be passed over without a thorough study being made of them, these gentlemen, as a general rule, are better able than strangers to judge of the requirements of the district, and of the character and quality of the materials to be used. Uniformity of appearance should be studiously avoided, it will not add to the popularity and saleable value of the houses if their connection with the municipal scheme is glaringly apparent.

Construction Costs.

The municipality will be confronted with the alternatives of:

The employment of direct labor.

The delegation to contractors.

At the present time, the question of finding remunerative work for men who have been engaged directly, or indirectly with the war, supervenes all others, for this reason alone the employment of direct labor will be in general favor. Most of our municipalities have retained the services of a competent engineer, to supervise and direct their outdoor services and works; it will not therefore be unreasonable to expect that he should also take over the supervision of a Housing Scheme adopted by his municipality.

The unit costs will be reduced by the increase in the number of buildings to be constructed at the same time; the maximum number of dwellings required should be therefore carefully estimated and undertaken.

Attention should be given to the careful charting of the time when materials are required to be delivered, and the placing of orders for same in advance, this will help the supply men to distribute their burdens over a longer period of time and will also help to stabilize the demand for labor.

It will be permissible and expedient to increase the construction cost by the carrying charge of loan interest, from the date of actual outlay of the several items, until the buildings are completed and ready for occupation, always providing that no unnecessary delays occur in the construction. A further charge for supervision, representing the cost of the time of the engineer and his staff will also be not unreasonable, for if the work were delegated to a contractor, his profits would be included in the contract price.

Financing.

The initial capital outlay will be obtained from one or more of the following sources

Open Market

Plotation of negotiable securities or execution of a mortgage.

Superior Authorities

Direct loan from Provincial or Federal Government.

Municipalities' Funds

Surpluses on revenue or tax accounts.

Sinking fund accumulations.

Temporary Loans

Bank accommodations, sundry creditors (supply men and contractors), these will afterwards be liquidated by any of foregoing methods.

Dwellings destined to be the permanent property of the municipality.

Redemption Periods.

The assets of a housing scheme of the above nature being very tangible and permanent, it will be expedient to make the redemption period of borrowed capital as long as possible. The maximum period in Britain is eighty years (80). See Housing of Working Classes Acts, 1890 and 1900. A loan period of eighty (80) years will require an annual sinking fund instalment of less than 1-5 of 1 per cent, when computing the sinking fund earning power at 4 per cent throughout the period. It will thus be seen that there is but little difference in the annual charge for interest only, and that of interest and sinking fund, when spread over such a long period. There is, however, an important principle to maintain, that of amortization, or the avoidance of perpetual debt.

Dwellings Destined to be Sold to Occupants.

The loan period for this class of dwelling need not be made so long as that for the permanent municipally owned dwelling for the following reasons:

1. The annual charges for repayment and interest will not, generally speaking, be a burden upon the municipal funds.
2. The annual reduction of the municipalities' equity, renders the residue more secure and any refunding loans therefor will be easily floated at most favorable market rates.

A substantial margin should however, be made between the periods of the redemption of the municipality's housing debt, and that allowed to the occupant purchasers thus avoiding the refinancing of any overdue amounts of principal from the purchasers.

Expediency of Temporary Financing.

If it is decided to have recourse to the open market for obtaining the necessary funds to carry out any Housing Scheme; there should be issued only short term securities of from five to ten years duration, or what would be equally effective and perhaps more marketable; long term securities with the right of redemption at call after a definite period.

By issuing, during the present period of high interest yields, only short term securities, the municipalities will retain the power to take advantage of any fall that may hereafter occur in the market rates.

When funds are obtained from any of the superior governing bodies, a fraction only, say not more than $\frac{1}{4}$ of 1 per cent should be charged by the lending authority over and above what that authority pays for borrowed money; this fractional increase will be required for administration purposes by the said lending authority, no further profit should be exacted from the municipalities who will be the actual operators.

This point is now practically settled by the declaration of the Federal authority, that \$25,000,000 has been set aside for the purpose of loaning same to the provincial authorities and to municipalities at a fixed annual rate of interest of five per cent. The money to be used for the construction of dwellings for the working classes and the cost of any one dwelling not to exceed \$4,500.

No specific mortgages should be executed by the municipalities upon any properties destined to be sold to their occupants; it will be better to issue the securities against the general funds of the whole of each municipality, and thus avoid future trouble in giving clear titles when required.

Utilization of Sinking Fund Accumulations.

To the extent allowed by statutory requirements, the gradual absorption of outlays in a Housing Scheme by the investment therein of sinking fund accumulations, appear to be a most profitable method of financing, for a municipality, such investments being limited by law to a part only of the full assessable value of any realty, other forms of financing will be required for the necessary funds