



## STATEMENTS AND SPEECHES

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OUR HOUSING PROBLEM

An address by the Minister of Resources and Development, Mr. R.H. Winters at the annual dinner of the Canadian Institute of Plumbing and Heating, at the Seignory Club, Montebello, P.Q., October 22, 1952.

...I need hardly tell an audience such as this that we as Canadians are in a rapidly expanding economy. Not only are industry and other activity developing apace in our cities, but perhaps even more spectacular is the engineering and industrial development in the outlying areas. Throughout the nation there are more people employed than ever before; our gross national product is higher; there is virtually no unemployment, and the whole economy is buoyant. As might be expected under these circumstances, the number of our families has increased greatly. Although what I am about to say has been stated on more than one occasion, I think it bears repeating that whereas we entered the War with some 2½ million families, we now have something like 3½ million families. While our population increased by 25 per cent, the number of families increased by about 38 per cent during the ten years ending June 1951. This increase is good for Canada. It shows a great faith in the future by the people of this country - but it also poses problems, among them being the supply of new housing.

Housing Accomplishment

The first question which might be asked is, how have we done in meeting this problem? I think the answer to that is, quite well. Since the end of the War, about seven years ago, we have as a nation built 570,000 new housing-units. This is the result of the combined efforts of all of those who have directed their attention to this problem. When viewed in the light of all circumstances, I think that a good job has been done. However, the very substantial increment in the number of houses - and it is an increase of about 20 per cent since 1945 - has not been more than enough to keep up with our needs; but it certainly has been enough to put strains upon some of the resources necessary to effect a high level of new housing.

You will recall that in the early post-war years, building materials and, in some places, labour were in very short supply. Thanks to a magnificent job by producers of building materials I think it's a fair statement now that, save for cement, the availability of building materials is not a currently serious problem.

The question might be asked here, how are we doing now? Again, I should say, quite well, bearing in mind some of the circumstances under which we are operating.

And ... it is some of these circumstances which I would like to discuss with you tonight.

### Factors in Housing Problem

In my opinion, there probably are enough materials and labour to build somewhat more houses than are presently under way. This leads immediately into the question of what are the obstacles which prevent these materials being put in place in the form of housing.

It has been estimated - and I have no reason to quarrel with the estimate - that municipalities under our Canadian municipal system have the capacity to increase up to 3 per cent per annum without undue strain upon their administrative and financial capacities. By increasing 3 per cent I mean that if a community of 45,000 people has within its boundaries some 10,000 residential housing-units, then it probably is the case that this municipality can arrange to absorb something of the order of 300 front doors per annum.

But the growth in some of our municipalities has been, and is continuing to be, considerably greater than 3 per cent. When we came out of the war, many municipalities had extra services and, indeed a surplus of educational facilities, so that a large number of houses were added without causing any undue strain upon the municipality. The continued growth of residential construction at record levels ate up this surplus, and it was not long before virtually every new house in the average municipality meant new roads, new sewer, new water, new school buildings, and, generally, an extension of the municipality. At the same time, costs were rising, the expense of administration was increasing with resultant effect upon taxes, and in recent years the money markets have not been to the liking of the municipalities. It soon became clear that a small residential unit was indeed a deficit item upon the books of the municipality were a strict cost accounting practice to be followed. Roughly, under today's price structure, it costs about \$2500 in capital expenditure for services and schools to look after each new house which is added to a municipality.

As a result of all this, many municipalities are now requiring that the builder or the owner, at their own expense, install all services such as water, sewer, roads, sidewalk, street lighting, and, indeed, in some cases, even down (or perhaps up) to street signs. Some municipalities are not anxious to see a large volume of new small houses, even if the builder or owner will finance the services in the original instance. Such municipalities are discouraging new residential development within their boundaries. A few municipalities, faced with educational responsibilities which they feel are beyond their power to discharge, are requiring a cash contribution from the builder or owner before the building permit is issued. This cash contribution takes the form of a payment to the local school board to help the municipality finance the capital cost of new schools to meet the needs of children who will live in the new houses to be built.

I appreciate the problem of the municipalities and realize that it is a difficult one. I also know that the municipalities - just as in the case of the Federal Government - are primarily responsible to their taxpayers.

This responsibility may be considered to be greater than any obligation there is upon the municipalities to support rapid residential development.

Nevertheless, this condition is perhaps the main reason that housing starts in 1951 were 72,000 as compared with 93,000 the year before, and it is also the reason why housing starts in 1952 are at the level of about 75,000. Certainly it is the big reason why starts are down in the greater Toronto area, for example, at a time when the national housing-picture is improving. A number of you here tonight come from the Greater Toronto area, and I'm sure that for you I need not labour the points which I have made.

By these remarks I don't mean to imply that the home-owner, by reason of having to install these services, is having to pay for something which he does not have to pay for when the more traditional method of installation of services prevails, and these services are repaid by municipal-improvement taxes. The new system, however, requires a large amount of working capital, which is only practical for the larger builders, and even for them is making the development of new housing more difficult.

#### Government Action

You might well ask me if the Federal Government can do something about this, in spite of the fact that matters of this kind are within the provincial jurisdiction, both constitutionally and administratively. My answer to this is that we have done something about it. In 1949, when this difficulty first became apparent, Parliament enacted Section 35 of the National Housing Act. Besides the traditional public-housing portion of this amended legislation, there is provision for land assembly. Briefly, the Federal and Provincial Governments, in partnership, with respective shares of 75 per cent and 25 per cent, can put together water, sewer, roads and other municipal services provided the municipality wishes it done and provided the proposal is initiated by the province. Up to date, some 3,500 acres, involving 14,000 lots are being prepared for servicing under the provisions of Section 35.

The puzzling thing about this problem of lack of serviced land, so well known to builders, home-owners, to municipalities and indeed to Provincial Governments themselves, is that there have not been more proposals to do something about it under Section 35. I can only say that every one of the 19 proposals received from the provinces for partnership assistance in the assembly of land for subsequent residential construction has been entered into by the Federal Government, through its agency, Central Mortgage and Housing Corporation. The provision is there in the Act and we are anxious that it be used to remove what is a real obstacle in the way of more housing.

#### Interest Rates

Another matter which has received some public comment during the last few months is the increased interest rates for loans under the National Housing Act to home-owners and owners of rental property. You will recall that until the end of August the rate payable by home owners or owners of rental property was 5 per cent. On September 1, 1952, this rate was changed to 5½ per cent.

The great bulk of loans made under the National Housing Act contemplate the lending of three-quarters of the loan by the lending institution and one-quarter of the loan by the Government through its agency, Central Mortgage. The effect of this operation and, indeed, the purpose of it is twofold. Firstly, the participation by Central Mortgage increases the ratio of loan from 60 per cent of the lending value of the house, as considered prudent by lending institutions, to 80 per cent. The second point is that the participation of Central Mortgage, with Government money at Government borrowing rates, reduces the interest rate on loans under the National Housing Act by about one-half of one per cent. The present rate of  $5\frac{1}{4}$  per cent would be  $5\frac{3}{4}$  per cent were it not for the fact that Central Mortgage provides one-quarter of the money at  $3\frac{3}{4}$  per cent.

The Act also provides that interest rates payable by borrowers under the National Housing Act shall fluctuate in accordance with the interest rate on Government securities; that is, the interest rate at which the Government can borrow. In the year preceding September 1, 1952, the interest rate on Dominion of Canada bonds, the prime security in the country, increased by approximately one-half of 1 per cent. The Government, however, did not go to the full extent of the increase in the basic rate, but rather increased the rate on loans under the National Housing Act by half that amount, namely, one quarter of 1 per cent. This extra one-quarter of 1 per cent costs the average home-owner about fourteen cents per thousand dollars of loan per month. If the average loan is \$7,500, the net difference as far as the home-owner is concerned is approximately one dollar a month on his monthly payments.

Undoubtedly a case can be made that it would be easier for a home-owner to buy a house if the interest rate were one-quarter of 1 per cent less; but that is not the real point. With the increasing of the general interest-rate structure, loans under the National Housing Act were becoming less attractive to the lending institutions. They were finding that there were other and more attractive avenues of investment. I don't have to remind you that although, from the home-owner's point of view 5 per cent money is better than  $5\frac{1}{4}$  per cent money, it is equally true that  $5\frac{1}{4}$  per cent money is better than no money at all at 5 per cent. And that was the position we were rapidly reaching. In fact, this condition did exist in June, 1951, and was corrected by action of Parliament which by a change in the Act authorized the Government to adjust National Housing Act loans so that too low an interest rate would not dry up the supply of funds.

#### Increased Loan - Reduced Down Payment

You will recall that in October 1951 we took steps jointly with the lending institutions to increase the amount of loan to 80 per cent of the agreed sales-price of the house. Prior to that, the loan was related to lending values which remained relatively stable while building costs increased. Accordingly the amount of the down payments had risen considerably. In conventional mortgage practise, lending institutions consider a 60 per cent loan to be normal. To induce them to participate in loans up to 80 per cent of lending value, it was necessary to extend Government guarantees to their share of joint loans when the Act was formulated in 1944. It now became necessary to extend these guarantees to obtain

their participation on the increased loans, with resultant reduced down-payments, when the loan formula was changed to "80 per cent of agreed sales price" from the old 80 per cent of lending value. The stand taken by the lending institutions was a valid one.

However, the Government wanted increased loans and lower down-payments for prospective home-owners and felt the appropriate steps should be taken with the lending institutions. At the same time, in order to encourage housing in defence production areas, it was announced that the Government would make 90 per cent loans to construction workers. To date, the lending institutions have not seen fit to participate in these loans and Central Mortgage and Housing Corporation has therefore dealt with housing for defence workers on a direct loan basis.

### Results Achieved

All these moves, designed to cope with the exigencies of the moment, have produced results and have kept the rate of housing at a much higher level than could have been anticipated two years ago. You may be interested in just a few figures.

To date, over 1,700 loans have been made for a total of over 2,500 housing-units for defence workers under the 10 per cent down-payment provision. An additional 130 houses have been built in defence-production areas under the Government's capital-assistance programme. Under Section 35 of the National Housing Act - that is, the public housing section, - over 14,000 lots either have been or are being provided with municipal services in 19 different municipalities, in 4 provinces. Over 800 subsidized units have been built or authorized in five provinces and 1,455 units have been built or authorized for occupancy at economic rental levels in 17 municipalities. Instead of the 50-60,000 starts that were being widely forecast earlier this year, it now appears that the total number of housing units started in Canada in 1952 will be of the order of 75,000. House building has turned sharply upward. The industry is quite buoyant and for the past few months starts have been at about the same level as in the record year 1950.

In terms of dollars, the performance is quite substantial. I should imagine there are few Canadians who would guess that the Canadian Government's investment in housing in Canada today, by virtue of direct ownership, loans and guaranteed loans, is approximately \$468 million. I think this is not too bad a record for some 14 million people who are devoting their primary energies today to a heavy defence-programme. It illustrates the emphasis the Government has been attaching to housing.

### Home Improvement

...There is one subject upon which I should like to make a few remarks, even if I do run the risk of speaking longer than is my habit. All of you who were in the heating and plumbing industry in the year 1937 will recall legislation under the title of "Home Improvement Loans Act." Under that legislation the chartered banks, with the guarantee of the Government, spent \$50 million for the improvement of homes. It will be recalled that at that time the chartered banks were not very keen upon

making this type of loan. The Government felt, and I believe wisely, that a Government guarantee would have the effect of providing needed funds so that the many homes in Canada which needed improvement would have ready financing to effect such improvements. This legislation was an unqualified success. The banks lent the authorized \$50 million in a period of less than two years. For all practical purposes it might be said that the total losses under the Home Improvement Loans Act were something of the order of one-quarter of 1 per cent. So successful was this legislation that when the National Housing Act was rewritten in 1944, Part IV was included. It is almost a re-enactment of the Home Improvement Loans Act of 1937.

During recent months the question has been asked on a number of occasions why the Government does not proclaim this section. I think all of you would agree that up to fairly recently, it would have been most unwise to have done so. Your industry, which incidentally is the one probably most interested, would have been the first to agree that you were having a hard enough time finding plumbing and heating equipment to look after our supply of new housing, without being further burdened by an extra demand created by the proclamation of Part IV of the National Housing Act.

Lack of materials ceased to be the important reason for non-proclamation just about a year ago. However, by that time another very real difficulty had arisen. The Government (and, again, I believe wisely, and events have proved it so), felt that steps should be taken to restrict the continued expansion of credit. I need not remind you of the steps which were taken. But you will appreciate that while these steps were being taken, it would have been most contradictory and unwise for the Government to proclaim Part IV of the Act. This would have had the effect of increasing pressures upon the country's credit structure at a time when the banks were in a tight cash-position. Moreover I think it is rather doubtful if proclamation of this part of the Act would indeed have brought forward loans from the chartered banks for home improvement.

Although the Government has relaxed most of the measures taken to prevent the continued expansion in the supply of credit, nevertheless it is felt that there are enough elements of the danger of an over-expansion in credit to justify the Government in a continuation of its policy for the time being of non-proclamation of Part IV of the National Housing Act. The policy, therefore, is not to proclaim it at the present time but to keep the situation under continuous review so that proclamation may take place when it appears in the national interest to do so.

...Before leaving this subject, I should like to make one more observation. It will be recalled that in 1937, when the Home Improvement Loans Guarantee Act came into force, the chartered banks had not been in the habit of making this type of loan. However, with encouragement from the Government, the chartered banks had a very fine experience and as a result, even without the benefit of the Act, this type of loan continues to be made by them to their customers. Therefore, I have a feeling, that even if Part IV were proclaimed, one could not look for the spectacular amounts of money to be lent under its

provisions as was the case for the 1937 Act, for the simple reason that the chartered banks, without any Government guarantee are from day to day making many of the loans contemplated by Part IV of the Act.

### Summary

My excuse for the length and type of this speech is that this is the first opportunity that I've had to address your gathering and there were some things of mutual concern which I wished to say. I ask the special indulgence of the ladies who are here tonight. I feel though that in the final analysis it is they who have the keenest interest of all in our housing problems.

The policy of the Government is to press forward with an increased supply of new housing by measures which seem to be prudent, reasonable and which fit into the conception of the majority of Canadians as the role which Government should play in an undertaking which has been and should remain essentially one for private enterprise..

Two years ago we introduced our now well-known Section 35, which provided for traditional public housing involving rental subsidies to families whose income was so low that economic rentals could not be paid by them. I bring to your attention that this measure was brought forward only on the basis of participation with Provincial Governments. The Federal Government feels that Provincial Governments, and their emanation the municipalities, have the best knowledge of what is needed for each municipality. Our operations in the public-housing field only go forward when the province and municipality make proposals to us. But, as I said before, the legislation is there and we are quite prepared to have it used.

Subject only to the public-housing section and to the slum clearance grants, the National Housing Act provides assistance and stimulus rather than subsidy to the development of housing in Canada. The National Housing Act is designed to provide important encouragement and stimulus by the Federal Government, but at the same time it is designed so that the Federal Government, through its agency Central Mortgage and Housing Corporation, shall remain in a secondary rather than a primary position. I am sure that many Canadians will find this policy very much to their liking. It seems to me that there are many and practical dangers to be encountered if the Government were to become the landlord of large numbers of Canadians. It's for this reason that under the public housing section of the Act, provision is made for the appointment of local housing-authorities to manage each project in respect to the many problems which will arise in the allocation of units to tenants and the collection of rents.

What I have just outlined is the general policy. But the Federal Government has not hesitated and will not hesitate in the future to step into the field of private financing when this becomes necessary to stimulate the production of housing. May I say here that, by and large, I have no criticism of the lending institutions who are the big operators in this field. They have done a good job and will I am sure continue to make a real contribution toward the solution of the problem.

But...a case in point has occurred within the last six months. When the lending institutions, with

less in the way of investible funds to place under the National Housing Act, withdrew from some 75 communities of 5,000 to 50,000 population, we found ourselves with a blind spot in this field in exactly the same way as two or three years earlier we found ourselves with a blind spot in respect to communities of under 5,000 in population. As a result, Central Mortgage, with the approval of the Government, has taken steps so that in all communities up to 50,000 in population, if the lending institutions do not consider that they can make loans under the National Housing Act, then such loans will be made by Central Mortgage and Housing Corporation, with or without the lending institutions acting as its agent in making the loans. The cut-off at 50,000 population may appear rather arbitrary to you, but it so happens that in communities of Canada above 50,000, funds under the National Housing Act are readily available from the lending institutions. The point which I wish to make is that although the policy of the Federal Government is to remain in a secondary position in respect to housing, should circumstances warrant it, as indeed they did in these smaller communities, there will be no hesitation to act on the part of the Federal Government.

Our country is growing very quickly and it's essential that Canadians be adequately housed. A satisfactory economy is based primarily upon the welfare of the people who form our nation. It's for this reason that the Government places great importance upon a satisfactory volume of new housing for Canadians. The Government has shown that it is prepared to take, and does take, every reasonable step to ensure that within the circumstances of the moment, the volume of new housing is kept at an optimum level. I know that your industry, with its magnificent record, will be one of the greatest supports of a satisfactory programme of new housing over the years to come.

#### Conclusion

I should like to repeat what I said when I opened my remarks. I speak not only for myself but also other members of the Government in telling you that we appreciate the co-operation which we have received from your industry. We feel that you have had a sympathetic understanding of the problems which face Government in the housing field. My wish, and I know it will prove to be the case, is that the co-operation over the years to come will be equal to that which we have had ever since 1939.

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