

LIBRARY OF PARLIAMENT

Canada. Parl. Senate. Standing
Comm.on Finance, 1958.
Proceedings.

J
103
H7
1958

DATE	NAME - NOM
10/2/71	W. Pennington (Sen)

F5
A1

Canada. Parl. Senate. Standing
Comm.on Finance, 1958.

J

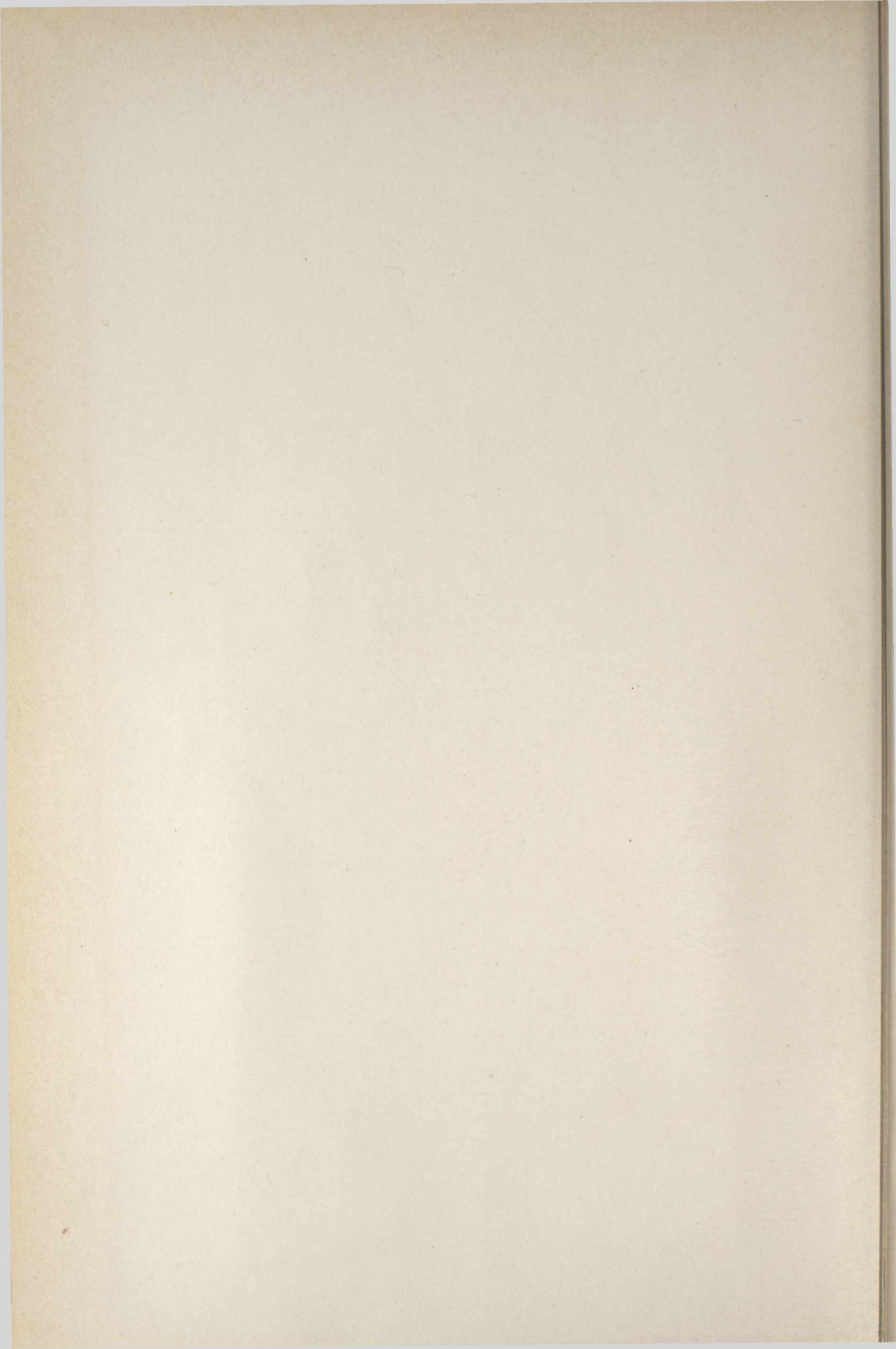
103

H7

1958

F5

A1



1958

THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE ON
FINANCE

on the Report of Central Mortgage and Housing
Corporation for the fiscal year ending
December 31, 1957.

No. 1



THURSDAY, JUNE 5, 1958

The Honourable C. G. Hawkins, *Chairman*

WITNESS

Mr. Stewart Bates, President, Central Mortgage
and Housing Corporation.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

THE STANDING COMMITTEE ON FINANCE

The Honourable C. G. Hawkins, *Chairman*

The Honourable Senators

Aseltine	Golding	Pratt
Baird	*Haig	Quinn
Barbour	Hawkins	Reid
Beaubien	Hayden	Roebuck
Bouffard	Horner	Robertson
Burchill	Howden	Smith (<i>Queens-</i> <i>Shelburne</i>)
Campbell	Isnor	Stambaugh
Connolly (<i>Halifax North</i>)	Lambert	Taylor (<i>Norfolk</i>)
Connolly (<i>Ottawa West</i>)	Leonard	Turgeon
Crerar	*Macdonald	Vaillancourt
Dupuis	McKeen	Vien
Euler	Molson	White
Farris	Paterson	Woodrow—41
Fraser	Pearson	
Gershaw	Petten	

(Quorum 9)

**ex officio member.*

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate

TUESDAY, May 20, 1958.

With leave of the Senate,

The Honourable Senator Aseltine moved, seconded by the Honourable Senator Pearson—

That the Report of Central Mortgage and Housing Corporation for the fiscal year ended the 31st of December, 1957, be referred to the Standing Committee on Finance for consideration and report.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

J. F. MACNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, June 5, 1958.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

Present: The Honourable Senators Hawkins, *Chairman*; Beaubien, Burchill, Crerar, Dupuis, Horner, Leonard, Pearson, Quinn, Reid, Robertson, Smith (*Queens-Shelburne*), Taylor (*Norfolk*), Turgeon, White and Woodrow.—16.

In attendance: the official reporters of the Senate.

The Committee proceeded to consideration of the order of reference of May 20th, 1958.

Mr. Stewart Bates, President, Central Mortgage and Housing Corporation, was heard.

At 12.30 p.m. the Committee adjourned until Thursday next, June 12th, at 10.30 a.m.

Attest.

JOHN A. HINDS,
Assistant Chief Clerk of Committees.

THE SENATE

STANDING COMMITTEE ON FINANCE

OTTAWA, THURSDAY, June 5, 1958.

EVIDENCE

The Standing Committee on Finance, to which was referred the report of the Central Mortgage and Housing Corporation for the fiscal year ended 31st December, 1957, met this day at 10.30 a.m.

Senator Hawkins in the chair.

The CHAIRMAN: Gentlemen, we have a quorum. Will you please come to order.

It will be recalled that at the organization meeting the question was brought up as to the adequacy of the terms of reference. Following the meeting the question was referred to the Steering Committee, and Senator Beaubien, Senator White and myself had a talk with the Government leader, Senator Aseltine. The leader thought that the terms of reference were wide enough to cover most everything we would need. However, he did say that if we had need for wider terms, to come back and he would facilitate our having them approved.

You will recall that the terms of reference, as moved by Senator Aseltine, on May 20th last were as follows:

That the report of the Central Mortgage and Housing Corporation for the fiscal year ended the 31st December, 1957, be referred to the Standing Committee on Finance for consideration and report.

In speaking to that motion, the leader said:

I would like to say a word on this motion now. It appeared last night from the debate which we had on Bill C-10, to amend the National Housing Act, 1954, that a number of senators would like to have the whole matter of housing fully investigated with respect to the past, present and future, and to have the National Housing Act itself looked into. The purpose of my motion is to give the work of this inquiry to the Standing Committee on Finance, which would call officials of the Central Mortgage and Housing Corporation and any other witnesses it might desire to hear.

I think these terms are broad enough, but I have had a talk with the Clerk of the Senate, who said that he thought we would first have to know what further powers we needed before we attempted to amend the terms of reference. If we reach that stage, we could bring a report to the chamber and ask for the authority we required. I gave this information to the Steering Committee, and it was decided that we should carry on as we were until we found what further authority we might need. I trust that action meets with your approval.

We have with us this morning Mr. Stewart Bates, President of the Central Mortgage and Housing Corporation, Mr. J. S. Hodgson, Liaison Officer of the Corporation, and Mr. K. C. Joynes, Executive Director of the Corporation. It will be recalled that at the organization meeting I said that Mr. Bates had

indicated his willingness to prepare a brief in connection with this matter. He is now here, and I will ask him to deliver his prepared material. Further, I would ask honourable senators to refrain from asking questions until Mr. Bates has completed his presentation.

Mr. Stewart Bates (President, Central Mortgage and Housing Corporation):

Gentlemen, I was not quite sure what you would require of me, and so I prepared what I thought would be a lead for you into this problem of housing, and also the Crown corporation. In fact, our annual report covers two distinct Acts: the National Housing Act and the Central Mortgage and Housing Corporation Act. I thought, therefore, that my statement to you this morning should be twofold, one covering the operation of the Corporation, in case you wish to investigate the Crown corporation to some extent, and, secondly, the part dealing with housing itself. So that as a lead I have here the two parts. I might say, gentlemen, that we are very happy to have the opportunity to come before you, as often as you please, because we are devoted to this problem, and to have a group such as you interest yourselves in it is the most desirable thing that can happen as far as we are concerned.

Mr. Chairman, may I proceed; and I think, gentlemen, you might just wish me to read this, and read not too quickly.

Mr. Chairman, may I be permitted at the outset to express my appreciation of the opportunity you have afforded me to appear as a witness before this committee. If it is your pleasure, I would like to make an introductory statement on the Corporation as an instrument of Government, on its physical organization, on its purpose and functions and on housing in Canada in its broadest terms. I will then try to the best of my ability to answer any questions and to amplify my statement in any way that you may wish.

The position of Crown corporations in our Governmental structure is not easy to analyse. They present, as a group, more dissimilarities than points of likeness in origin, purpose and modes of operation. I mean, for example, that a Crown corporation like the Canadian National Railway must, by definition, be given the powers and freedoms that are accorded to the Canadian Pacific Railway almost, because it has to compete with that institution. An organization like Polymer, on the other hand, something that is fairly remote from any citizen, can run itself in a fairly independent fashion. A corporation like the Canadian Broadcasting Corporation or Central Mortgage, which finally gets before households with all the problems of wet basements and doors that won't close, is quite clearly much more political in its total connections, much closer to the political scene. Every member of Parliament has some complaint brought to him by a potential or existing home owner. Therefore the contrast between, shall we say, Atomic Energy, and an operation like ours is very great indeed, in terms of relationship with the Government, with the minister and with the public. Some are direct agencies of the Government, attached to a Government department, while others are proprietary and governed by a Board of Directors responsible to the Government. Some obtain their funds in the form of Government loans, others receive statutory appropriations from Parliament.

In the case of Central Mortgage and Housing Corporation, a Board of Directors manages our affairs and conducts our business; we receive funds in each of the ways I have mentioned, through particular sections of the statutes under which we operate.

One of these statutes is the Central Mortgage and Housing Corporation Act, 1945 which established the Corporation. The others are the National Housing Act, 1954 and the preceding Housing Acts of 1935, 1938 and 1944.

The Annual Report of the Corporation is a blended review of operations under all the Acts. Because most aspects of housing come within the fields of property and civil rights—a subject that is, of course, reserved under the British North America Act to provincial jurisdiction—the National Housing Act provides for encouragement of the investment of funds for housing production rather than direct control of the production or use of the nation's housing stock. Central Mortgage and Housing Corporation is the Crown agency responsible for carrying out all functions of the Federal Government in the housing field. These are based almost entirely upon the provisions of the National Housing Act.

In enacting its housing legislation, Parliament has defined the areas in which the Corporation may operate, has provided the necessary funds, has imposed overall limitations, has generally expressed terms of a dollar volume of business beyond which the Corporation may not proceed without further Parliamentary sanction and has accepted liability for the Corporation's actions.

Broadly speaking, the Corporation acts in an advisory capacity to the Government and is responsible to Parliament through the Minister of Public Works. Approval by the Minister or the Governor in Council is required on all policy matters and all important financial items.

Central Mortgage and Housing Corporation consists of "the Minister and those persons who from time to time comprise the Board of Directors."

I think you will find that in most Crown corporations the minister is not included. That is one difference between us and others,—that in the Act itself the minister is defined as part of the corporation.

The Board of Directors consists of a President and Vice-President and eight other members—three of whom are selected from the public service of Canada. The remaining five are appointed from outside the public service and in practice they have been selected as representatives of various facets of Canadian endeavour, including the fields of architecture, social service and labour. The President and Vice-President hold office for a term of seven years.

The three directors selected from the public service are appointed by the Governor in Council and hold office during pleasure. The five directors selected from outside the public service are appointed by the Minister, with the approval of the Governor in Council, and hold office for a term of three years.

Our board is made up of eight people: three public servants appointed by the Government, five outsiders appointed by the minister and approved by the Government.

There are two appointments made by the board itself: those are the appointments of the president and the vice president, but these have to be confirmed by the Governor-in-Council. So in effect the Governor-in-Council has a close control over the total formation of the board.

The statute provides that there shall be an Executive Committee of the Board of Directors consisting of the President, Vice-President and two other directors selected by the Board.

Section 17 of the Central Mortgage and Housing Corporation Act provides for an authorized capital of \$25 million, which was paid to it by the Minister of Finance when the Corporation started operations on January 2, 1946. Under the same statute, the Corporation may establish a reserve fund of \$5 million out of its profits and, after building up this reserve, is required to pay, and has paid, all its profits to the Receiver General. The Corporation is required to pay income tax.

Section 31 of the Central Mortgage and Housing Corporation Act requires that the Minister shall, with the approval of the Governor in Council, appoint two auditors to hold office for a term not exceeding two years, to audit the affairs of the Corporation.

You recall, gentlemen, that under the Financial Administration Act of 1951 the Auditor General of Parliament was given power to audit all Crown corporations. In our case he has approved the appointment of outside auditors, each for two years, to act on his behalf.

The Corporation also has statutory borrowing powers. The legislation authorizes the Minister to advance to the Corporation from time to time out of the Consolidated Revenue Fund funds for purposes specified in the National Housing Act and the Central Mortgage and Housing Corporation Act. In return, the Corporation gives to the Minister debentures undertaking to repay such advances with interest.

The income of the Corporation is derived from interest earned on loans made under the Housing Acts, property rentals, interest earned on the Corporation's share of Federal-Provincial agreements, interest earned on insured mortgage loans, fees earned for services rendered to Government agencies and net profits realized on the sale of real estate.

These are fully spelled out in our financial statement. In the covering document that I have prepared for you today I have not gone into any detail with respect to this financial statement, but of course I would be happy to do so if you so wish.

In its early years, the Corporation was one of the Crown Corporations that had little to do with the public directly. It dealt with lending institutions according to a well-defined pattern set out in the statute and the Regulations. It enjoyed considerable autonomy. In 1947, two extensions of function increased the Corporation's contact with the public: by taking over Wartime Housing Limited, the Corporation became landlord to 17,000 tenants, a number that soon increased to 50,000 with the build up of Veterans' housing at the end of the war. Authorization was also given in that year to make direct loans. Since 1935, governmental participation had been in the form of a share of each loan jointly with a lending institution. The 1947 amendment enabled the Corporation to make the full amount of the loan in cases where mortgage financing was not otherwise available.

In 1949, an amendment to the National Housing Act made the corporation an agent of the Government, subject to Federal Government and Governor in Council approval, in negotiating Federal-Provincial housing and land assembly agreements. In addition, the Defence Production Act assigned the building of Department of National Defence housing to the Minister of Public Works, an authority that is, in turn, delegated to the Corporation.

I believe, Mr. Chairman, that my statement to this point may serve for the moment as a broad description of the nature of the Corporation, its management and its relationship with the Government and with Parliament. I would now like to turn, if I may, to the physical deployment of the Corporation and its personnel throughout the country.

By the very nature of its business, the Corporation enters into contractual relationships on a day-to-day basis with many individuals and organizations from one coast to the other. To facilitate these operations and to provide the speed and quality of service that the public has come to expect in housing matters, it has been necessary to establish a fairly extensive field office system.

In discussing our physical structure, it is perhaps proper to start with Head Office. This, as you know, is located in Ottawa on the Montreal Road. Then, there are five Regional Offices, one each in Halifax, Montreal, Toronto, Winnipeg and Vancouver. Members of the Committee will have noted on the inside back cover of the annual report the location of other field offices.

Under our presently constituted form of organization, head office and Government is responsible for "what" our field offices do; while the regional offices ensure that the duties are properly carried out. Including a head office strength of 520, our total staff numbers 1,889 persons. Three years ago it numbered 2,350 persons. I bring this to your attention, honourable senators, to indicate that although our business has increased in three years we have been able to effect certain economies in operation. This staff includes compliance inspectors, appraisers, plans examiners, supervisory staff, clerical personnel and technicians, including architects and engineers.

The Corporation is, for all purposes, an agent of Her Majesty and the powers it has may be exercised only as an agent of Her Majesty. There is only one exception—the employment of personnel.

We are free to hire or fire personnel. We do not come within the Civil Service Act nor do we come within the Superannuation Act of the federal Government. I might say that that freedom of hiring and firing is not quite so free as you might imagine. As a corporation in Ottawa, we have pretty well got to follow governmental classifications whether it is with respect to stenographers, architects or engineers. We are pretty well committed to government classifications. I think I may say in my three years with the Corporation I am only aware of two civil servants who have resigned from the Government to come to the Corporation. I am one of them. On the other hand, I am aware of hundreds of resignations by employees of the Corporation who have gone to the Civil Service. I think this is an indication that we are not overpaid at our end of the field. However, this is just a commentary break in passing. I think the employment of personnel is most important in permitting re-organization. We could not have re-organized as we did and dispensed with 500 personnel had we been under the Civil Service Commission.

Senator CREER: Hear, hear.

Mr. BATES: This could not have been done. These changes are more definite than the framework which constitutes the Civil Service. I would say, in passing, that we do regard ourselves as part of the public service of Canada.

Members of the Committee will have read on Page 2 of the Annual Report a very brief summary of the specific functions of Central Mortgage and Housing Corporation. Perhaps it would be helpful, Mr. Chairman, if I now amplified this statement of responsibilities.

The first of these in the order shown in the report is to insure mortgage loans on new housing made by private lenders—banks, life insurance and trust and loan companies and other approved lenders. This is an arrangement that was introduced with the National Housing Act, 1954. It was at the same time, and in an effort to encourage the flow of private mortgage funds into new housing, that the chartered banks became, for the first time in Canada, approved lenders under the Act.

I have continued here with a couple of paragraphs to try and define for you what an insured loan is. Some of you will know this but perhaps I could go through it anyway.

Perhaps I can best define an insured loan by describing quickly the procedures followed. An individual home-owner applicant may go to an approved lender of his choice with the plans and specifications for a specific house on a specific lot. If the lender is satisfied with the proposal and has funds available, he assumes responsibility for ensuring that the borrower is credit-worthy. He then submits an application to the local office of the Corporation. The lot is inspected by us, the plans are examined to ensure that they comply with the building standards and an evaluation of the proposed property is made. As of 1958, preparation of the building standards became a responsibility of the Division of Building Research, National Research Council, instead of the Corporation.

We find ourselves up to this point being in the invidious position of being the legislator. That is, we were making the standards and we were the policemen to police these standards and we were the judges to determine whether the standards were properly complied with or not. So we have been able to break out of this unpleasant situation and we have passed the legislative function of the making of standards over to the National Research Council, and we have become merely the policemen of the standards now.

Based on the evaluation or appraisal, a loan amount is determined from the formula set out in the statute and the approved lender is informed that the Corporation is prepared to insure a loan in that amount. If the borrower finds the loan amount acceptable, physical inspections are made by the Corporation during construction and, if mortgage advances are to be insured, the lender is advised of the amount and timing of such advances.

It should be emphasized that the funds used for an insured loan are those of the lender—that is, banks, life insurance and trust and loan companies and other approved lenders—but the lender is substantially insured against loss by the Government. The borrower pays an application fee in cash of \$35. That is supposed to cover our cost of the appraisal and the inspection of the house during construction. It costs us about \$120 to do this job. An insurance fee is charged against the mortgage account.

This fee makes up the mortgage insurance fund that was referred to in the discussions of the Senate, and as set out in our statement. We are the trustees of that fund. It now amounts to over \$30 million. The fee, 2 per cent, is paid by the borrower but the insurance is for the lender in case something goes wrong. If there is a foreclosure the fund is used to recoup the lender. He claims on the Corporation for his insurance.

A house builder may also obtain insured loans through an approved lender of his choice and the procedure is precisely the same until a purchaser comes forward. At that point, the purchaser assumes the mortgage obligation and the builder is released from the covenant. Similarly, rental accommodation may be financed by an insured loan. Here, the amount of loan is based on 80% of the lending value and the maximum period of repayment is 25 years.

It is under the insured loan arrangement that the bulk of National Housing Act loans has been made since 1954—at least until last year when private funds were flowing less freely.

Interest on an insured loan may be at any rate agreed to by the lender and the borrower but must not presently exceed 6% per annum. The amount of loan is based on 90% of the first \$12,000 of lending value—the Corporation's evaluation,—together with 70% of the balance of lending value. The maximum loan for a single family dwelling is \$12,800. Loans are repayable in monthly instalments, together with interest, over a period of 25 to 30 years.

Another function of the Corporation is to provide guarantees to banks on loans made for home improvement purposes and to life insurance companies and private investors of their returns from moderate rental housing projects built by them.

A home improvement loan is intended to finance the improvement of existing houses. The loan may be applied to the cost of labour, materials and equipment for any of a wide variety of alterations, repairs and permanent additions. The maximum loan available is \$4,000 for a one-family dwelling. Loans are repayable in monthly instalments, together with interest, in not more than 10 years. The current rate of interest is 6% and the lender is required to collect from the borrower an insurance fee of 1% of the amount of the loan.

Section 14 of the National Housing Act authorizes the Corporation, under certain conditions, to guarantee for a premium, returns of private investors from moderate rental housing projects. While this section is technically operative, the related loans under Section 15 are rarely available through approved lenders and the Government has instructed the Corporation that "direct" loans are not to be approved in this category.

The Corporation is also authorized to offer guarantees to life insurance companies for low cost or moderate cost rental housing projects or to institutional investors for land development. There has been no activity under these headings in recent years.

A third function of the Corporation is to make mortgage loans on low and moderate rental housing projects to prospective home-owners unable to obtain loans from private NHA lenders; and through agents of the Corporation to borrowers for low cost housing.

Under Section 16 of the National Housing Act, the Corporation, with the approval of the Government, may make a loan to a limited-dividend housing company to assist in financing the construction of a low rental housing project. A loan under this section may not exceed 90% of lending value. The present interest rate is 4½%. The period for repayment may not exceed the useful life of the project and, in any case, may not be for more than 50 years. The borrower enters into an operating agreement, with the Corporation fixing rentals, income ranges of eligible tenants and the establishment and use of reserves.

Section 40 of the National Housing Act authorizes the Corporation to make any type of loan that may be made by an approved lender under Part I of the Act where, in the opinion of the Corporation, a loan is not available to a satisfactory applicant through an approved lender. These loans are made on the same terms as if they had been made by approved lenders. This refers to parts of the country where there are no lenders, such as small towns and rural areas.

In 1957, a shortage of mortgage funds from approved lenders under the National Housing Act developed and, in spite of a substantial increase in the Corporation's direct lending operations, the volume of new residential construction declined and the building of smaller and lower priced homes suffered the most. A reduced rate of approvals also forecast a drop in construction during the winter of 1958.

To meet this situation, the Prime Minister announced on August 21, 1957 that the Government would make available about \$150 million for small home loans in all parts of the country. This amount was augmented by an additional \$150 million in December. The funds were made available to borrowers through the approved lenders acting as agents of the Corporation. In other words, federal Government funds were used to supplement the flow of private mortgage financing but the loans were placed by approved lenders for a fee. Loans were approved for home-owner applicants, builders and rental investors. Builders were limited to 25 loans in each area in which they were bona fide operators and rental investors were restricted to 100 units each. The so-called agency arrangement was suspended on April 10 because the funds provided by Parliament were virtually exhausted.

As members of the Committee will recall, a further amount of \$350 million was recently provided by amendment to Section 22 of the National Housing Act. It is the Government's intention—and the Corporation has been so instructed—that these funds be placed directly by the Corporation on a residual basis—that is, we are now concerned primarily with supplementing the supply of mortgage money for low cost housing in areas where normal lending facilities are not considered to be adequate.

For home-owner applicants, these areas include centres with populations in excess of 55,000; and a bona fide builder may apply in any area, regardless of population. Many of the limitations of the agency arrangement have been carried over for the present, including requirement that the aggregate of Corporation loans and loans obtained under the 1957-58 agency arrangement may not exceed 25 units for any one builder. That is, the builder is still under the 25-unit limit put on last September.

Applicants for Corporation loans will be required to obtain refusal letters from at least two approved lenders normally expected to make loans in the area.

In other words, we stand as a residential lender anywhere in the country. If a home owner or builder comes to us with a refusal letter from two approved lenders, we stand in a residual position ready to lend, if he is credit worthy and if the project is satisfactory. In other words, the agency arrangement is for the present cancelled, and we have become a direct lender—not through the agency operation, but directly as a residual lender; and the 25-unit limit is maintained on the builders as at present. It may well be modified by August in preparation for winter work. This may be reconsidered by the Government if there seems to be a demand for rental accommodation, and if it seems advisable to consider augmenting the next winter program; but at this moment there is an adequate flow of mortgage funds going to builders, and we stand ready with part of these new funds we have available to step in every instance where a loan is not available.

The authority of the Corporation to buy and sell mortgage loans is given by two statutes—the National Housing Act and the Central Mortgage and Housing Corporation Act. Under Section 11 of the National Housing Act, the Corporation may purchase an insured loan from anyone who owns one; make loans to an approved lender on the security of insured loans; and sell to an approved lender any obligation owned by the Corporation, insured or otherwise.

Parliament apparently had in mind that these insured mortgages might be given greater liquidity, that they might some day become a kind of mortgage bond to be traded, bought and sold in the secondary mortgage market. A small mortgage market has developed: some \$200 million of these mortgages have been sold over the past three years, mainly by banks selling them to pension funds and institutional bodies of that type. So, there is a small secondary mortgage market already developed.

So far as the Corporation is concerned, we have not been able to engage in the purchase of these mortgages, because the Government has not seen fit to use this instrument. Had the Government seen fit to do so last fall, instead of appointing banks our agents, we could have gone out and bought their mortgage paper from them on the understanding that they would put the new funds into housing.

This would have been another way of achieving the same end; we could have bought the mortgage paper from them, the funds could have gone into housing, we could have held the mortgage paper, and if at any future date the banks were flush with funds again, they could buy the paper back from us. But this kind of market operation has not developed. The sale of mortgages have been bilateral sales like banks to pension funds.

The funds for purchase transactions may be provided from the Corporation's capital or its reserve or out of money appropriated by Parliament under Section 22 of the National Housing Act. The only sales to date have involved the sale to the Bank of Montreal of approximately 200 residual direct loans. By a reciprocal arrangement, the mortgage loans so sold were re-sold to the Corporation's pension fund.

I found myself as a trustee of the pension fund in our Corporation, unable to buy one of our own loans because of some technicality in the National Housing Act. So, we had to sell the loan to the Bank of Montreal, which is an approved lender, and it re-sold it back to the pension fund.

The principal reasons for lack of activity under this section are that the life insurance companies generally invest for holding purposes; the banks, by policy, do not sell mortgages until insurance policies have been issued; and the Corporation has made no active effort to purchase loans from approved lenders.

The Corporation holds mortgage assets in respect of joint loans made under earlier legislation and also as a result of loans made to individuals or corporations under various lending provisions of the National Housing Act. We also hold mortgages and agreements of sale associated with sale of Corporation property. Statements IV and V on Page 31 of the Annual Report show the distribution of these assets.

Under Section 36 of the National Housing Act and complementary provincial legislation, the Government of Canada and the Government of a Province may enter into agreements for the construction of houses for rent or for sale. This is known as the Federal-Provincial arrangement. To the present time, activity under this Section has been limited by policy to rental projects—no houses for sale, only rentals.

Capital costs are borne 75% by the Federal Government and 25% by the Provincial Government. The Provincial Government may require the municipality to participate in the 25% Provincial share. Amortization of capital costs is spread over periods not exceeding 50 years. The rates of interest at which the Federal and Provincial Governments advance money are based on their current long-term borrowing rates. On completion of a project, the capital recoveries from rentals are shared by the governments. Any operating deficits are shared in the same way as original costs.

These rental housing projects are of two types. The scale of rent is decided according to a man's income and the number of children he has. For instance, a man may live in a four-bedroom unit and pay a rental of only \$25 a month, while another tenant in the same project with fewer children and a higher income may pay \$75 a month, and his subsidy may be nil.

In full recovery projects—that means recovery of capital and interest, where the project pays its own way—rents are set at a level sufficient to amortize capital costs and to cover operating expenses. Federal-provincial housing projects are initiated by the municipalities which submit applications to the province.

On much the same basis, Federal-Provincial land assembly projects are intended for the provision of serviced lots in areas where the lack of fronting services is impeding house construction. Cost of land assembly projects are financed 75% by the Federal Government and 25% by the Province. The Province may require the municipality to bear part or all of its 25% share. Municipalities are responsible for the initiation of land assembly projects.

The Minister of Public Works may enter into agreements with municipalities to assist in the clearance, re-planning, rehabilitation and modernization of blighted and substandard areas. The assistance is by financial contribution not exceeding one-half of the cost of acquisition and clearance of the area, paid either to the municipality or to the municipality and the province jointly. The Corporation acts as agent of the Minister for the purpose of such agreements.

In 1956, Parliament broadened the provision of this Section. Whereas cleared sites formerly had to be used for a low cost or moderate cost rental housing project or for public purpose, like a public park, the cleared area

is, under the amendment, to be used for its "highest and best use". This may be for commercial or industrial purposes as well as for housing or for a public purpose but the area, at the time of acquisition or after redevelopment, must be substantially residential. That is, before the redevelopment or after it must be substantially residential in order to justify the participation by the federal Government in the project.

The amount of Federal grant was also formerly limited to one-half the difference between the lesser or the actual or estimated cost of acquisition and clearance and the price or value of the cleared land. Under the amendment, the Federal Government may pay to the municipality up to one-half of the cost of acquisition and clearance. The proceeds from the sale or other disposition of the cleared site are shared equally by the municipality and the federal Government. That is to say, we pay half the cost, and we share half the proceeds.

Also under the National Housing Act and with approval of the Government, the Corporation may make arrangements with a Province, or with a municipality with the approval of the Province, for grants to conduct special studies of conditions in urban areas, regarding the improvement of housing, the need for additional housing or urban redevelopment.

The Corporation may construct, own and manage housing projects on its own account and on behalf of Federal Government departments and agencies. Following World War II, the Corporation assumed the management of housing units constructed for munition workers by Wartime Housing Limited and a number of projects constructed by Housing Enterprises of Canada Limited. In addition, the Corporation constructed housing projects for the families of veterans and has also undertaken the management of housing projects owned by other government departments or agencies. At the end of 1957, the Corporation had under management 13,690 units in single and multiple unit projects in more than 100 municipalities across the country.

During the peak years we had more than 55,000, but gradually we have disposed of these by sales to the tenants. So, we have gradually brought down our position as landlord to 13,000, as it stands today.

The Corporation has designed and administered the construction of housing and certain other buildings on its own account and for government departments and agencies. Its responsibilities comprise architectural and engineering designs, calling of public tenders and the administration of the construction contracts—including any necessary on-site surveys and engineering. On such contracts, the Corporation carries out full architectural and engineering inspections. Incidentally, the other departments of Government pay us a fee for doing this.

Under Part V of the National Housing Act, Central Mortgage and Housing Corporation is instructed to encourage the development of better housing and sound community planning and to conduct housing research. Similarly, under Section 26 of the Central Mortgage and Housing Corporation Act, the Corporation is directed to undertake research on mortgage financing. Consequently, the Corporation is concerned with building technology in the formulation of standards for housing construction, in the use of suitable materials and in the development of new building techniques. The economic research activities of the Corporation are focussed mainly upon measuring the value and volume of new residential construction, analysing the sources of funds used for new house building, measuring the flows of mortgage lending in Canada and studying the demand for housing as it is related to population increase, demographic characteristics, income levels and the stock of housing.

The Corporation also examines proposed project layouts of house builders or land developers applying for loan insurance under the National Housing Act. These developments range from small housing projects under 100 units to large scale enterprises, including the development of new towns. Apart from information provided direct, the Corporation has a statutory responsibility for causing a wider public understanding of sound community development. The principal instrument for this purpose is an independently-incorporated national society of volunteers, the Community Planning Association of Canada.

As a service to the public, the Corporation has published a series of books illustrating houses and the Canadian Housing Design Council, formed in May, 1956 and sponsored by the Corporation, is dedicated to the encouragement of the best in house design. The President of Central Mortgage and Housing Corporation is a member of the Council and the Federal Government, through the Corporation, gives support to the Council.

I am afraid this is developing into a lengthy discussion but with your permission, Mr. Chairman, I would like to proceed to consider briefly the subject of housing in general and to explain how the Corporation's activities relate to the general improvement of living conditions in Canada.

There are at present over 4,000,000 occupied dwellings in Canada. About $\frac{1}{2}$ million of these are on farms, nearly $\frac{3}{4}$ million in small communities, about $2\frac{3}{4}$ million—by far the largest part—in towns and cities and their immediate fringes.

Our housing stock is not a constant thing. Its composition changes continually as new houses are built and old houses are abandoned or destroyed. At any time, it will vary considerably as to quality and age. In recent years the total number of dwellings has been growing fairly rapidly, but not much more so than population.

Canada will need a bigger stock of housing in the future; how much bigger will depend upon many factors: the rate of population increase, movements of population and, to some extent, on the general standard of living. This suggests that a large volume of new house building must be put in place during the years ahead, both to provide the necessary expansion in the stock and to take care of replacement needs.

Members of the Committee will recall the Gordon Commission estimate that Canada's population by 1980 might be 26,000,000. Our present population is about 17,000,000. The actual number of houses needed to meet this increase will be based largely, of course, upon the net gain in the number of new families. It has been estimated that by 1980 there may be an additional 2,500,000 additional families in Canada. We know we have six million children under 18 at school. So this is not a fool's guess: we have these people with us now; they are our very own.

Not only families require dwellings. Many dwellings are occupied by single persons and by non-family households. To take care of this need, a further 250,000 new dwellings would be required. In addition, a sizeable number of housing units are destroyed or withdrawn from the stock each year. This process takes place irrespective of the number of families in the country. Houses are destroyed by fire; houses are torn down to make way for other uses, such as the building of streets or highways or industrial or commercial buildings; houses are condemned by municipal authorities.

Consequently, between now and 1980, some 200,000 dwellings might be required for replacement purposes. The figure could be much higher. An accelerated highway programme or a higher volume of slum clearance or a more stringent enforcement of local housing by-laws—any of these would increase the number of houses removed from the stock and raise the replacement figure.

Consideration must also be given to augmenting the housing stock to offset overcrowding. The last census of population in June, 1956 indicated there were 285,000 families sharing accommodation with other families. This is about the same number as in 1946. Moreover, the supply of rental accommodation in 1956 was reasonably tight—and it still is—and the number of vacant rental units was lower than some might consider desirable. A 2% vacancy ratio is generally considered to be normal.

Then, there are many dwellings that might merit immediate replacement because of their condition. We have built a great number of housing units—more than 1,150,000 since the end of the second world war. These have helped to improve overall quality, but there are still many low-income families living in poor and unsanitary housing. How seriously one considers this problem depends upon one's own views on adequate housing. You will appreciate, gentlemen, that this is a matter on which we as a corporation have no views. This is a matter of social decision, as to need. Some people may say "Today there are no people living in tents; therefore you do not need any additional housing". Other people will say "We have a quarter of a million people living in slums, therefore we do need additional housing." This is a social criterion; a social-political decision has to be made; and as far as we of the Corporation go we have no comment to make upon it. So if anyone says to us, "How many houses do we need in Canada?" I simply have to say "You had better tell me." We can tell you the number of overcrowded houses, the number of old houses, the number of decrepit houses; but it is a social criterion that has to be made somewhere politically to determine exactly what the need is. That is why we are avoiding that question with this fairly innocuous statement. Presumably our estimate of what is adequate will change as the general standard of living improves.

When the last comprehensive check on the state of our housing was made in 1951, it revealed that 20% of our rural and 9% of our urban housing was in need of major repair; that more than half the rural dwellings and not quite 6% of the urban dwellings lacked inside running water; that about 350,000 dwellings—or nearly 10% of our whole stock—was more than 75 years old and that a further 500,000 units were from 50 to 75 years of age.

In its study of housing requirements between now and 1980 and taking all these factors into consideration, the Gordon Commission estimated that some 3,500,000 new houses would be required. This would mean an average rate of building of 152,000 units per annum, higher than that which has obtained during the last two or three years. As shown in Table 1 of the Annual Report, starts in 1956 numbered 127,311 houses; in 1957, 122,340. As you know, Mr. Chairman, the number for this year is likely to reach 140,000 new dwellings.

So we are far behind the 152,000 mentioned by the Gordon Commission.

As I suggested earlier in my statement, most of the money for house-building in Canada comes from private sources. This is true even at times when the Government is conducting a large lending programme with public funds.

This situation arises in the first place out of the fact that one in every six dwellings is financed privately without mortgage assistance. Apart from large rental projects, usually of a luxury nature and financed outside the mortgage market, a considerable number of new homes is financed by the owners themselves. This type of housing may be found at either end of the income scale: it is built by the wealthy man who does not need a mortgage loan or by the poor man who cannot get a loan.

Senator HORNER: How does he get a house?

Mr. BATES: It is a do-it-yourself proposition. This is the shack group you see around all large cities; people doing building by flashlight in the evening; some, with a little bit of co-operation, as in Nova Scotia, but that is really the only province doing much co-operative housing. I am referring to the poor man at the lower end of the income scale, that is \$3,000 a year and under, who really cannot get into mortgage borrowing he must finance himself, perhaps getting a loan from a bank on the side, but doing it the very hard way often as a do-it-yourself proposition.

One-third of the new houses built are financed by conventional loans. These are provided either by private individuals or credit unions or by lending institutions, such as life insurance companies, trust and loan companies and fraternal organizations. Lending institutions are prohibited by law from making loans for more than 60% of the appraised value of a property. There is, of course, no limit on the amount of loans made by individuals and credit unions, but generally these lenders also limit themselves to a maximum of 60%. Terms of conventional loans, including rate of interest, are not controlled.

The remainder of the new housing is built with some form of participation by the Federal Government. During the last 10 years, this has been the case with between one-third and one-half of all the new houses in Canada. A small number are built for government use or result from direct government investment. Examples of the first type are married quarters constructed for the Department of National Defence or housing built for government employees in remote areas—Department of Transport and so on. In addition, there has been a small volume of public housing, the funds for which are provided partly by the Federal Government and partly by provincial or municipal governments.

Housing is also financed under government lending programmes other than the National Housing Act; these include the Veterans' Land Act and the Canadian Farm Loan Act. The numbers are small.

The bulk of the housing which involves Federal government participation is now built with National Housing Act mortgages, either under the insured loan arrangement or with funds provided by Parliament and advanced to the borrower by Central Mortgage and Housing Corporation. These loans provide for longer terms, lower rates of interest and smaller down payments than would be available elsewhere and many families are thus enabled to acquire a home of their own.

One of the continuing problems of new house financing is the need to ensure a steady and sufficient flow of mortgage money. The principal lenders are also large-scale investors in other forms of securities, such as government and corporate bonds. Thus, when the demand for long-term money by governments or corporations is high, the supply of mortgage money tends to be tight. In such times, rates of interests in the capital market rise. This affects, in particular, the supply of money for NHA insured mortgages since the maximum rate of interest that can be charged on such mortgages is limited by legislation. The rates are established by Order in Council; the government is subject to certain limitations in setting the rates. For example, the maximum rate on NHA insured mortgages cannot exceed by more than $2\frac{1}{4}\%$ the current yield on Federal 20-year theoretical bonds.

By contrast, there is no ceiling on rates of interest charged on conventional mortgages loans and lenders consequently prefer to direct their money into this type of loan, particularly when interest rates are rising. The main brunt of any shortage of mortgage money therefore falls on the National Housing Act sector of the housing program. This, as members of the Committee are aware, was what happened last year. Moreover, it was apparent at the time

that in the inevitable competition for the limited number of NHA loans being made by private lenders, families of modest means were finding it increasingly difficult to get financing.

I may say that, the supply of mortgage funds being limited, the lenders were able to select their borrowers with a little more care, and they were able to select a higher income group than they might have normally. It was in these circumstances that the Government last September announced the small loan programme.

Another factor in the Government's decision to broaden the Corporation's lending activities was its concern about the employment situation in the building trades. Whenever the volume of mortgage lending drops, the cutback in employment tends to be small for a time. Work continues on houses that have already been financed and are under construction. But, if the shortage of money continues, men are laid off as the houses are completed and the volume of building falls.

Work in the industry has always been extremely seasonal because of the difficulty and expense of carrying out certain building operations in the winter. It seemed, therefore, that because of a combination of circumstances an undue reduction in building operations might occur during the latter part of 1957. The Government's action in stepping up the rate of federal lending was therefore prompted on two scores.

Central Mortgage and Housing Corporation is expected at all times to have a full and complete knowledge and understanding of housing conditions. It then has the responsibility of advising the Government on the outlook and whether or not there will likely be sufficient mortgage money available from private sources to maintain any particular volume of new house building. However, the decision to enter the mortgage market on a large scale to make up an anticipated deficiency and, for that matter, any decision relating to the size of the housing programme considered necessary, must lie with the Government.

It is not enough merely to encourage the construction of new housing. It must be built in the right place and at a price that prospective home-owners can afford. This is the problem of distribution and it is equally true of rental accommodation.

The Corporation's actions have no direct effect on the type of housing built and financed outside the National Housing Act. But the terms and conditions on which the Corporation undertakes to insure and make loans, as well as the conditions under which the Federal Government invests money in public housing, do determine the type of housing built under the Act. By these means, the government can bring its influence to bear on sizeable proportion of the new residential construction built in any year.

The National Housing Act, 1954, was introduced primarily to assist middle income families to meet their housing needs—either by enabling them to acquire a home of their own or by providing rental accommodation they can afford. There is nothing in the Act to prevent Canadians with higher incomes applying for NHA loans. Some have, in fact, done so. The vast majority of higher income persons have, however, found it suits their interests better to finance their housing through conventional loans. As I mentioned earlier, the maximum NHA loan is \$12,800. There is no maximum loan amount for a conventional loan. Even though some lenders cannot make conventional loans exceeding 60% of the value of the property, such loans can, and often do, exceed the NHA maximum if the value of the property is high enough.

Unfortunately, there are families that do not qualify for NHA loans because their incomes are too low. The Corporation therefore encourages private enterprise to build low rental accommodation by providing loans to limited-dividend companies. To provide for families at even lower income levels, the Federal

Government joins with the provincial governments in erecting publicly owned rental housing. As I have already indicated, in some of these public housing projects the rents are subsidized. Even where the rents are not directly subsidized, the use of government funds for building permits lower rents to be charged than would otherwise be possible.

The Minister of Public Works has indicated on several occasions that the Federal Government is prepared to join with the provinces in building additional public housing where it is required, but that the initiative must come from the province and, even before that, from the municipality concerned.

The National Housing Act has undoubtedly been successful in encouraging home ownership. This arises in part out of the fact that the amount of loan available for a property of given value is higher under the home ownership sections of the Act than under the rental sections. Furthermore, some of the Corporation's direct lending programmes have been restricted by government policy to home-owners or to builders building for sale for home-owners. Loans for rental property, for example, were not made in the latter stages of the agency loan programme and, under the new small home loan arrangement, the Corporation is not providing—for the moment at least—loans to finance rental properties. This is by Government policy. This in no way affects the Corporation's special lending programmes, such as the limited-dividend arrangement to which I have just referred. Just the same, the bulk of new rental accommodation built in this country in recent years has been financed outside the National Housing Act.

It will be a surprise to no one that there has been a sizeable increase in the cost of new housing in recent years. This is equally true of houses financed under the National Housing Act and by other means. For example, the average cost of a single-family house sold by builders under the National Housing Act increased from \$10,456 in 1951 to \$13,462 in 1956, or an advance of nearly 30% in five years. During the last quarter of 1957—and this is the most recent figure available—the average price of such a house was \$14,362. In other words the rate of increase is still rising.

The increase in house prices has been accompanied by a fairly sharp rise in the average income of NHA borrowers, from \$4,103 in 1951 to \$5,312 in 1956. By the end of 1957, the average income of borrowers under the Act was \$5,737.

These statistics have been interpreted by some to mean that the National Housing Act is no longer fulfilling its true purpose that is, it is serving a more well-to-do clientele than originally intended. This, Mr. Chairman, is not entirely correct. For one thing, private lenders always accommodate those whom they consider as the best risks and during the last year or so, with mortgage money in short supply, lower income families have found it more difficult to obtain loans.

Undoubtedly, this explains part of the recent rise in the average income figure for NHA insured loan borrowers. Apart from this, however, incomes of Canadians in general have been rising. We have all tended to move up the income scale together, even if some managed to move up a little faster than others. So, on these grounds alone, an increase in the average income of those buying NHA homes might have been expected. The average income of buyers of almost every other kind of product also went up.

It is perhaps worth noting that, at least during the years 1951-1955, the demand for NHA housing increased in all income ranges—that is, among the lower third, the middle third and the upper third. The lower third has never bought more than a negligible proportion of NHA housing.

I believe it is entirely possible that the rise in the price of houses has forced some prospective borrowers out of the market. We know that under the agency loan programme the average income of borrowers has been consistently lower than under the insured loan arrangement. Monthly payments have been lower and the houses smaller. Both have tended to bring new buyers into the market.

The average income under the agency arrangement was under \$5,000 as against the \$5,700 I mentioned earlier against the N.H.A. So we have got down to a slightly lower income band.

The rise in the cost of houses during these years resulted from many factors. About one-fifth of the increase between 1951 and 1957 was attributable to an increase in the size of house built. The average floor area of houses under the National Housing Act has increased from 1,091 square feet in 1951 to 1,185 square feet in 1957. A very substantial average increase in the size of house. These figures do not include the floor areas of houses financed under the agency arrangement, since they were limited in size by regulation.

An additional one-third of the increase has been owing to higher land costs. The remainder (44%) arose largely out of increased construction costs. In other words, higher wages and higher material prices accounted for less than one-half the increase in the cost of new houses during this period.

Of all these influences on rising house costs, the most troublesome is, in our opinion, land—particularly in our urban centres. Acre after acre is swallowed up each year—yet the demand continues inexorably. And this is one reason, of course, for our problem—scarcity, even in vastness that is Canada. There is lots of land, but to be of use for new construction, water and sewer installations must be provided. This brings about the second problem—increasing costs of underground services. Thirdly, the average standard of these services has improved—adding still further to the costs. Then, to an increasing extent, services formerly paid out of local improvement taxes are being capitalized and charged to the borrower. Finally, there is no provision within the terms of the National Housing Act for financing trunk services to a new subdivision.

Some have pointed to the septic tank as a solution. We do not agree, Mr. Chairman; we have witnessed too often the almost disastrous results of a heavy concentration of septic tanks. We do believe, however, that there must be an answer and the search for an answer is a task we have set ourselves.

I am convinced that a major contribution the Federal Government has made towards improving housing and living conditions in Canada has been its encouragement to new house building by extending financial assistance to home-owners and builders and rental investors under the National Housing Act. More homes have been built than would otherwise have been possible and in this way the Corporation, through its operations, has helped to ease the housing shortage and to reduce overcrowding.

The Federal Government's program has also had a considerable impact on the quality of housing built. By insisting on sound building practices and on the use of good materials in all NHA houses, the Corporation has, I believe, raised the general standard of house building. NHA building practices are being adopted by an increasing number of builders, irrespective of how the houses they are erecting are being financed. Both the public and the lenders are demanding a higher standard of construction because of their familiarity with NHA building requirements.

The Corporation is also concerned with maintaining the quality of existing houses. It encourages owners to improve and modernize their properties by using the facilities afforded by the Home Improvement Section of the Act.

In some instances, a whole district of a town or a city may have become blighted. In these slum areas, it is no longer a question of patching and salvaging individual properties but of renewing and redeveloping the area as a whole. A slum is not only an eyesore, an affront to the sensitive. It is a stagnant pool in which are propagated disease, crime and delinquency and, as such, is a monstrous financial drain on the community.

Many municipalities in Canada are awakening with a rude shock to the realities of slums and are anxiously searching for ways and means of eradicating the blight, of providing a better human environment for its citizens. As I indicated earlier, the National Housing Act is available as a potent weapon in the war on slums. In the first place, the Corporation may share with a municipality the cost of its redevelopment program. In 1957, studies were completed in Halifax, Saint John, Winnipeg and Vancouver, and Federal grants were made for studies in Hamilton, Sarnia, Regina and Trail. Secondly, the Federal Government shares with the community on a 50-50 basis the net cost of acquiring and clearing the land, which may be put to an entirely new use more in accord with the present requirements of the city. Or, as in Regent Park South in Toronto or the Jeanne-Mance project in Montreal, the land may eventually become the site for a Federal-Provincial low-rental public housing project, the costs of which are shared by the Federal Government with the province 75-25.

Mr. Chairman, I apologize for the length of this review. I think you will agree, however, that housing is a vast and complex subject. I hope my remarks have been helpful to members of the Committee.

The CHAIRMAN: Mr. Bates, both personally and on behalf of the committee I wish to thank you for your most comprehensive statement. Admitting it has been long, it has covered the subject much better than would have been possible by approaching it in a piecemeal fashion. I do not think you need apologize at all for having taken any of our time.

Hon. SENATORS: Hear, hear.

The CHAIRMAN: The meeting is now open for general discussion and questions and answers.

Senator REID: As so much information has been just given to us in this statement by Mr. Bates I think it might be wise to give us a little time to think it over. The statement contains much material that many honourable senators, I am sure, have never been acquainted with. As this is a problem which we want to study very thoroughly, I would suggest that we be given time to look over the statement and then return to ask questions. It is just a suggestion and I am prepared that we continue to sit now.

The CHAIRMAN: I am pleased that you have suggested that, for I think it would be impossible to give an opportunity now to everyone to ask questions. We could adjourn now to return another day to ask questions. I believe you all have copies of Mr. Bates' statement, and by Tuesday evening I expect to have the printed copies of these proceedings available for honourable senators. In the meantime if anybody wishes to ask questions we would be glad to have them.

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, I wonder if I may ask Mr. Bates to comment on the technique of the Central Mortgage and Housing Corporation as to its encouraging the building of low-cost homes in the rural area. I am thinking in terms of fishing communities, and such, where a person may put in some of his own labour. At the same time, I would ask him to comment on whether or not he thinks the fact that this kind of program has not been taken advantage of in the Maritime provinces is in part responsible for the fact that there were fewer starts in that area this spring than last year? As I understand it, the starts in the spring are actually about 8 per cent.

Mr. BATES: Yes, I think it is true to say that at no time has the Corporation been encouraged by the Government to go out and try to sell its services in rural areas, or even in urban areas. The general attitude has been that we are standing behind the financial institutions and behind the Government, but that we are not doing any front desk selling job in terms of housing. Mr. Green has drawn this to our attention, and has asked us to devote increased attention to such areas as you are interested in.

We are now proceeding to follow this course. We are, for example, instructing our branch managers when they go through smaller towns—and we have a great many of them in Canada—to make a point of stopping and meeting the reeve or mayor, as the case may be, let him know what services we have available, leave some literature with him and some with the weekly newspaper, and in that way see if we can follow it up and do a little more development in the smaller areas.

It is an interesting fact that one will observe in a certain small town there may be perhaps ten new N.H.A. houses built in the past five or six years, while in a near-by village there are no N.H.A. houses. On inquiry we find that Mr. A. in the first community built an N.H.A. house, and he got the scheme started, while in the second community no one initiated it and so no houses were built.

With respect to your other questions, senator, we are very much concerned with the situation, but less so in Shelburne than in Newfoundland where a really different type of house has to be provided for the shore fisherman, for example. He cannot provide himself with the kind of housing that we would think of as being appropriate to the suburbs of Saint John, Halifax or elsewhere. A much lower cost house has to be found, and a house on which there can be a substantial amount of do-it-yourself operations.

We have been working with the people of Newfoundland on this type of project, and we have evolved a type of house that can be constructed in two stages: the first section could provide him and his family with adequate accommodation for about a year, and the second stage could be carried out by the fisherman himself without employing any labour. That is, he could have the basic unit started, and additional rooms later.

Senator DUPUIS: Excuse me. May I ask you, in those cases where the fisherman is allowed to do the work himself, is a certain amount for his wages allowed as a deduction from the loan?

Mr. BATES: Yes. We do not reserve this for fishermen only, but for house builders anywhere. We will make an allowance for the labour the owner puts into the house. For example, we do this in all the co-operatives in Nova Scotia: an allowance is made for what a man puts in himself; that is part of his equity, part of his down payment. We are quite willing to contemplate that in the case of any home owner, but clearly I think the point that the senator from Shelburne is raising would be the whole question of low cost housing.

May I say, it is very difficult to define what is low cost housing. I do not know what it means. I know what cheap housing is, but low cost housing is something different. If we are thinking in the terms of the lifetime of the house, its maintenance, upkeep, repairs and so on, it may be a very cheap house to begin with, but may run into a very substantial repair cost later on. For instance, a man may find a cheap lot 10 miles out of Ottawa and place a low cost house on that lot. Then he and his five children spend the rest of their lives driving in and out of Ottawa to business and school. In such a case the expenditures he makes on his automobiles are really part of the housing cost—he can't avoid it.

We have been working with the builders in the country on this question of low cost housing. We told the builders that while C.M.H.C. is maintaining the Standards, the builders are responsible for the cost of housing. We told them to go out and build us a house, not to the C.M.H.C. Standards, and if it was reasonable we would approve it.

One such house was built in Preston, Ontario, and a very good one; I believe that the builder is contemplating putting one up in Halifax. The cost of the house built in Preston, without the land, was \$7,500. In other words, by abandoning C.M.H.C. Standards completely, they effected a saving of \$450 or \$500, below what would have been the cost on a minimum standard house.

We cannot build an N.H.A. house for \$8,000, excluding land; but we are quite willing to go below that figure and approve the house for loan, if the builder can produce a lower cost house that will stand up.

Senator DUPUIS: And you will authorize the loan?

Mr. BATES: Yes.

Senator DUPUIS: May I ask another question? In the case where a man has a plot of land outside a town, and is required by the municipality to put in the water and sewage services, will the applicant be allowed the cost of these items out of his loan?

Mr. BATES: Do you mean, in the case where the applicant has to put in a septic tank and dig a well?

Senator DUPUIS: If he has to take water from the municipal water supply and tie on to the municipal sewage system, can he take the cost of such items from his loan?

Mr. BATES: Do you mean the cost of building a trunk line from somewhere to his lot?

Senator DUPUIS: Yes.

Mr. BATES: No, we do not go as far as that. We will allow him to put in the cost of the service on the project, that is all the frontal services and the laterals, but the Government will not allow us to finance a trunk line.

Senator DUPUIS: But if these services come in close proximity to the front of his house, the cost of putting them in is part of the loan.

Mr. BATES: Yes.

Senator HORNER: Of course the sewage and water services would mean greater value being placed on the house and land.

Mr. BATES: Yes, of course.

Senator SMITH (*Queens-Shelburne*): I am not sure whether Dr. Bates finished his comments on why there was this great difference in the number of starts over the national picture and the number in the Maritime provinces. Does it have a direct relationship to the fact that the people in the rural Maritime areas have not taken advantage of what you can offer them on reduced specifications?

Mr. BATES: I don't think that is really much of a factor, because if one drives through the Ottawa valley on a Sunday afternoon, one sees very little N.H.A. housing in such towns as Perth. These towns have grown in the past, but are not growing now. This is also true of Shelburne. It is not very different from the picture in the Ottawa valley, as I have seen it.

Senator SMITH (*Queens-Shelburne*): From your point of view, you have no explanation for it. It is a general economic reason, is it?

Mr. BATES: Yes, except as I mentioned earlier, we are instructing our managers to go out and look for business in these areas and see if we can whip up some. Perhaps we may be able to answer that question better in six months time.

Senator LEONARD: May I direct a question to Dr. Bates with respect to the cessation of the Agency program? I notice from the report that loans have been approved for 16,000 dwellings between September and the end of the year. That program appears to be a substantial contribution to the building of houses; now with the cessation of that program how is the demand, which no doubt exists, to be filled?

Mr. BATES: When the program ended we had made 27,000 loans, which of course are in process everywhere across the country today. They are just now beginning to get on the market: I don't know how many have been completed—perhaps 2,000 out of the 25,000 have been completed and sold. Many have been sold, though they are not completed.

So, when we ceased the program following the election, we had something like \$60 million worth of applications in our offices.

Senator LEONARD: That is over and above—

Mr. BATES: Over and above what had been made.

Senator CRERAR: Is that the election of June 10 or of March 31st?

Mr. BATES: That is at April 10th.

Senator CRERAR: 1957?

Mr. BATES: No, 1958.

We went to all the approved lenders, and those who were able agreed to take up some of these loans from us, and finance them out of their own resources. Something like \$35 millions of the \$60 millions were taken up by the banks and some insurance companies, and we were left with another \$24 million or \$25 million sitting on our desks.

When the Government provided us with the funds a few weeks ago, we proceeded and processed these to meet the applications made earlier. But as from that date the agency loan arrangement has stopped. The Approved Lenders had—not all of them, but many of them—put out their money, and when we stopped putting out money they began to put their own money out much faster. In effect, the number of starts which we will have in May or June will not be falling at all, because the Approved Lenders have been taking up this slack. Whether they take up the sack again in September, October, November and December is another point. They will take up some now, and it may be they will have run out of funds by that time, depending on the total capital market.

The total number of starts to the end of May of this year has been 40,000 as against 21,000 last year, or an increase of 86 per cent.

Senator LEONARD: At that rate, how would your program be in relation to your target of 140,000?

Mr. BATES: If we go at this rate the starts will reach 180,000; we expect the rate to taper off a bit in the summer and fall.

Senator LEONARD: But the small home will not be taken care of to the extent that it has been under the agency program?

Mr. BATES: We are still ready to lend on any home anywhere.

Senator LEONARD: But not to the same extent?

Mr. BATES: Yes, to the same extent, anywhere.

Senator LEONARD: The lending institutions would be concentrating as usual on the larger homes?

Mr. BATES: Maybe, but we are prepared to lend anywhere.

Although I may mention that when it was contemplated that we would not renew the agency program immediately we did see the approved lenders across the country, and I think generally speaking the approved lenders agreed

with this temporary cessation of the agency program until the country digests this tremendous amount of starts that we have had. We did not see any signs of indigestion anywhere. This is a very substantial volume.

Senator PEARSON: Would not this tremendous number of starts be likely to cause some inflation?

Mr. BATES: No, it has not put any strain on the building industry, and one might hope, in fact, it would increase the competition, the sales price competition at the sales end. But it has put no strain on the building industry in terms of labour and materials, and has not forced up costs in any way.

Senator McDONALD: May I ask, Dr. Bates, how you accomplished the very unusual feat of a reduction of staff, while at the same time you increased efficiency. It is a precedent of which other departments might care to learn the secret: how did you accomplish it?

Mr. BATES: We ran into slack times two years ago, or over a year ago. We had processed 65,000 loans in 1956. The following year it dropped to 45,000. So this gave us a chance to take a good look at ourselves. Our structure had been put together very hurriedly in the fall of 1954 when the insured mortgage operation was put into effect. We had to bring in appraisers from England, and we had to add very quickly to the staff. By 1956, when business went down a bit, and 1957, we had an opportunity to take a good look at ourselves. We were worried also by the thought that we were going to run into a deficit. This \$35 fee we were charging was not adequate: I wanted to increase the fee, but I did not want to ask to increase it until we in the corporation had made sure that we had put our whole house in order and had done everything possible to reduce costs. So we began, dismissing staff and not renewing staff vacancies. At a later date, we brought in a Price Waterhouse team: they have been with us nearly a year, and we have reorganized the whole corporation. At the moment we are running the same operation we did two years ago. Under our former method of organization our expenditures would be two and a half million dollars higher than it is at the moment. We closed down many branches, turned full branches into minor branches, consolidated rental operations,—a town like Hamilton can do all the rentals for Kitchener and St. Catharines—instead of having offices scattered all over the country we were able to consolidate. So this has been a very extensive operation. We have combined with it, a very extensive educational operation amongst our branches, because if we were to make our branch managers more representative of the general operation we had to change them from the standing of a merely loan manager to that of someone who understood the whole operations, somebody who understood section 36 operation and so on. We have run courses for our senior staff. We had 300 people in Ottawa for six weeks, each taking a training course, so that these managers all of whom were university graduates, would be able to take a branch in Moose Jaw or anywhere else and be a true representative of the federal Government in that area as far as housing is concerned.

Senator CRERAR: Does the corporation give assistance to the building of apartment blocks for living purposes?

Mr. BATES: Yes. They can come under the ordinary insured loan.

Senator CRERAR: But you do not do it direct?

Mr. BATES: We have not been doing it directly.

Senator CRERAR: What percentage? Have you any idea as to the extent of which apartments have been financed under the National Housing Act?

Mr. BATES: Yes. I think we probably have some figures here. Last year we found in the fall a great many applications in places like Toronto—we were not getting so many from places like Halifax—for rentals, not so much demand for rental accommodation, but applications by builders and entrepreneurs. We had in 1956 about 25,000 units. In 1957 we had 28,000.

Senator CRERAR: What do you mean by "units"?

Mr. BATES: A 100-unit apartment would be 100 units. A unit is a self-contained dwelling within an apartment block. That is the unit.

Senator CRERAR: Well then, a residential apartment block that had accommodation for 50 households would have 50 units?

Mr. BATES: That is right.

Senator CRERAR: How many units did you have?

Mr. BATES: We had 28,000 last year.

Senator TURGEON: Do you have a control over the general nature of the unit itself?

Mr. BATES: If it is financed under the National Housing Act, yes, others are built by private capital, especially in Toronto and in Montreal, with Swiss, American and British capital, especially the more luxurious apartments. There is a great deal of foreign capital. Apartment buildings, at large, have been constructed primarily by conventional lenders and private capital.

Senator CRERAR: Have you any information as to the total amount of accommodation supplied through these apartment blocks all over the country?

Mr. BATES: I suppose we could make a rough guess. Say 27,000. I suppose you can have a fairly typical apartment—they run different sizes—but I suppose one and a half bedroom apartment would be average, about 850 square feet area. 850 times 27,000.

Senator CRERAR: I know that in the city of Winnipeg these residential apartment blocks are being built all over the place. Another question, Mr. Bates: what would be the normal increase required in the housing accommodation, including apartment block units, to meet the increase in our population,—to meet the early needs?

Mr. BATES: Well, our family formation this year will be up a good deal from last year. We will have about 120,000 new families in Canada in 1958.

Senator CRERAR: Theoretically that will require 120,000 new houses or apartment units?

Mr. BATES: Theoretically, yes. It is not the best measure, because you have, as I mentioned before, to take account of the number of houses that are being knocked down,—gas stations replacing them—the number destroyed by fires: a substantial replacement has to go on as well. And, as the standard of living rises, there are a great many more non-family households; that is, working girls here in Ottawa going into apartments; leaving home, even if their home is in the same town; they are taking apartments because of the higher standards of living, so that you have got a new demand for non-family one-unit apartments in all big cities.

Senator CRERAR: It may be a question of how far it is desirable to encourage that by public spending?

Mr. BATES: I am not going into the morality end of it.

Senator REID: I have one or two questions.

Mr. BATES: To answer a previous question: About 23 million square feet was provided last year in apartments.

Senator REID: On page 5 you deal with reduction in the number of staff. It could be inferred, and I think you did state, that many who were formerly employed by you went back into the civil service. I think you said that.

Mr. BATES: In our regular turnover.

Senator REID: I was wondering if there were many architects or if any architects went into the Civil Service, because there have been so many blunders in a number of buildings lately that I have wondered where they are hiding.

Mr. BATES: We have lost some of our architects.

Senator CRERAR: Would you say that the number of houses built in 1957 was sufficient to meet normal requirements?

Mr. BATES: Yes, so long as you are not asking me to make some sociological decision as to the position of people who are living in the slums of Montreal or who are living in the slums of Toronto. But certainly, for the net increase in family formation, we had enough houses last year. The increase in family formations last year was just over 100,000, and we started about 122,000 houses, so we were a little better than the formation last year.

Senator REID: That leads to another question. In the last 10 months, according to your statements, the national housing corporation has been supplied with \$650 million. Now, did you expend all that? Will you run over the normal requirements? In other words, is \$650 million based on the actual need for housing, or is it partially a program of unemployment relief?

Mr. BATES: Well, the first \$300 million had run out by five or six weeks ago. Now it is not the intention that the present \$350 million be put out at that speed. In other words, it is anticipated by the Government that this \$350 million will keep us going for a year or two; and that is why we have stopped the agency arrangement at this moment of time and we are standing merely on residual loans to take care of those who cannot be picked up elsewhere. At the moment we are leaving it to the banks and other companies to carry the program. It may be that by next September that housing may be petering off in a way the Government does not like. If there has been a good demand for housing, if there are no unsold houses in December, it would probably be a wise policy for them to produce some more houses next winter. But it is my opinion, Senator, that by the end of the year, if we got into it again in September, we might have spent \$30 million or something of that kind. In other words, it is not contemplated that the total \$650 million will be pumped out quickly.

Senator CRERAR: I quite understand that and I am not criticizing it but I think it is important to find out the reason why you go ahead and build houses if you see by next September that normal requirements are reasonably well met. It may be said that there is no need for more houses now but as unemployment grows you will be under pressure from construction men and through public opinion to go and build more houses to provide work for unemployed people. Do you think that might be a reasonable expectation?

Mr. BATES: I would think the pressure would be there. If there was substantial unemployment the pressure would be there. As advisers to the Government we have to draw to their attention the fact that if you do have—I don't expect there will be—100 unsold houses in Winnipeg, you would be very unwise to turn on the tap and produce another 100 unsold houses. We would have to draw this to their attention.

Senator CRERAR: What effect will this have on reasonably good homes in a city or town where the owners say "I don't like climbing stairs. This house is 20 years old and I am going to take advantage of the opportunity given under Central Mortgage and Housing Corporation and get a brand new home, perhaps a bungalow style one." Say that he is able to do that. What effect will that have on the selling value of the house he leaves?

Mr. BATES: I do not think you can theorize on this very much. Each house is an individual unit. It stands on its own qualities, characteristics, its lot and the houses around it. Certainly if a mass of people in a block all move out from 20-year old houses you would see some depression in value.

Senator CRERAR: They would be difficult to sell.

Mr. BATES: That is right, but if it is merely one person moving out then the turnover is not of any consequence.

Senator DESSUREAULT: Do you have any surplus houses in any sections?

Mr. BATES: No, we have no surplus houses anywhere.

Senator DESSUREAULT: Including Quebec City and Montreal?

Mr. BATES: Yes.

Senator REID: I have four or five questions listed here that I would like to run through. I have a question bearing on page 3 of the brief. Have you anything to do with veterans' homes? I know you cover most houses.

Mr. BATES: No. The Department of Veterans Affairs looks after that.

Senator REID: Entirely?

Mr. BATES: Yes.

Senator REID: Is the type of house you build standard throughout Canada? Do they vary in any province? I ask that question because there are various types of houses to be recognized in each district. For instance, our houses out West, and in British Columbia particularly, are not entirely the same as those in the East. Are the standards established by Ottawa or according to the provinces?

Mr. BATES: According to the provinces; and there are great varieties. If you go through the housing development in Calgary and then go through the one at Scarborough you will not think they are in the same country at all.

Senator REID: What is a single-family unit?

Mr. BATES: A single-family unit is distinct from a duplex or a triplex or a quadruple. A single unit is for a single family.

Senator REID: How many rooms would a single-family dwelling have?

Mr. BATES: Two or three bedrooms. Most of them are three-bedroom houses now. At the end of the war the two-bedroom house was the typical sized one. The typical family was only one and a half and now it is three and a half, so three-bedroom houses are being built. Very few two-bedroom houses are being constructed.

Senator REID: On page 9 of your statement you say "For home-owner applicants, these areas include centres with populations in excess of 55,000; and a bona fide builder may apply in any area, regardless of population." I think that probably needs a little clarification.

Mr. BATES: Yes, I think it does. The reason it arose is that up until two weeks ago Central Mortgage and Housing Corporation, by Government decree, was not allowed to make a direct loan in any town with a population of under 55,000 persons. But two weeks ago this limit was taken off. I do not think it is too well expressed in the brief, but that is what is meant by saying we now can make loans in a town of any size.

Senator REID: Would there be any restrictions, then, on districts which have a population of less than 55,000?

Mr. BATES: No.

Senator REID: There are no restrictions at all?

Mr. BATES: No, you could build anywhere, even in Aklavik.

Senator REID: What is the reason for an amortization period of 50 years when the federal Government and a provincial Government join hands in a housing project while at the same time an amortization period of 25 years is the limit with respect to individual homes?

Mr. BATES: Usually in the case of federal-provincial arrangements you get into a fairly expensive type of buildings. For example, there is Regent Park.

Senator QUINN: I suppose this category would include apartment houses?

Mr. BATES: Yes. This type of housing is fairly expensive and is built to last a long time, say 80 years, so that you are able to have a longer amortization period. This helps to get the rent down.

Senator REID: I understand. That explains it. On page 10 of your brief you speak of federal-provincial housing projects initiated by municipalities. Have many municipalities applied for this?

Mr. BATES: For real projects?

Senator REID: Yes.

Mr. BATES: Yes, I understand that applications have been made by Toronto, Montreal, St. John's, Newfoundland, Saint John, New Brunswick, Vancouver, and I believe one has just been passed by the City Council in Halifax. I understand there are about 50 municipalities in all, including Hamilton, Windsor, and small towns like Goderich, Owen Sound, Smiths Falls and similar municipalities in Ontario. In all there are about 50 or 51.

Senator REID: It seems to me that a new principle is introduced on page 11 of your statement. Perhaps the question I wish to ask will not be considered a fair one to ask you now but on page 11 you refer to the Minister of Public Works. You say that he may enter into agreements with municipalities to assist in the clearance, re-planning, rehabilitation and modernization of blighted and substandard areas. So far as I know this is the first time direct agreements have been entered into between municipalities and the federal Government for this kind of work. Probably I should not ask the question when the Minister of Public Works is referred to, but at the same time it seems to be a principle which was not in existence before.

Mr. BATES: I think, Senator, it is merely a textual difficulty. The agreement requires, first of all, that the Government of the province in which the area is situated should have approved the classification and clearance thereto by the municipality. In other words, we still require provincial approval.

Senator REID: I am glad I asked that question.

Mr. BATES: Yes, because it is not explicit enough in the brief.

Senator REID: My last question has to do with septic tanks. I am not one who advocates the construction of septic tanks but we have some peculiar circumstances out in the West in some of our municipalities, and I suppose this is true of elsewhere in Canada. I know there are districts in Vancouver which are 50 years old where septic tanks are still used. I know in my own district approval has been given for a large project where all the sewage is to be taken to one tank. It is just a cesspool, and I expect that 50 years will pass before a sewer ever goes through that district because it is just that far away from the sea. I am thinking that some consideration should be given to letting people build septic tanks under certain conditions. The home in which I am living has a septic tank and we have not had any trouble with it in 40 years.

Mr. BATES: You have a big lot.

Senator REIDS: No, but—

Mr. BATES: I have been there with you. You do have a big lot, senator.

Senator REID: In any event, I claim that a modern septic tank is better than the cesspools that you have approved for some districts. They are far better; there is much less trouble with them. There was a lot of trouble with those cesspools last year. They will cause disease to spread because the sewage from 25 or 50 homes goes into one pool.

Senator PEARSON: What do you call a septic tank?

Senator REID: What do I call a septic tank?

Senator PEARSON: Yes, as compared with a cesspool?

Senator REID: A cesspool, in the case I am talking about, is a place where the sewage from 50 homes drains into.

Senator PEARSON: It is bled out into a field? Is that what you call a cesspool?

Senator REID: No, what I am talking about is a project where in probably 50 years they will run a sewer through to funnel all the sewage from the existing cesspool. But what ruins this plan is that houses have to have wash basins and baths too and it is a well-known fact that soaps and detergents will turn a septic tank into a cesspool.

The CHAIRMAN: Senator Reid, this discussion of septic tanks as opposed to cesspools is a rather technical one.

Senator QUINN: And it is getting off the track.

Senator REID: Well, I didn't interrupt when anybody else was speaking. I wanted to finish my questions and now I have.

Senator WALL: With respect to the number of municipalities entering into the special agreements, what percentage of the units built will be involved in all such agreements? In other words, suppose we take a normal year, last year, and we think of all these municipal arrangements for low-cost housing. I suppose that is what it is. What percentage of the units would be built under that scheme vis-a-vis the total number of the units that are built during the year?

Mr. BATES: About 1 per cent; 2,000 out of 120,000 last year.

Senator WALL: On page 19 of the brief Mr. Bates makes the statement: "Unfortunately, there are families that do not qualify for N.H.A. loans because their incomes are too low."

I would say that is a strange statement in view of the situation that maintains. Actually, although I do not wish to quarrel with the figures of the Quarterly Report of 1957 with respect to Canadian housing statistics, at page 11, dealing with family incomes, I see the surveys show that the median income of non-farm families in Canada increased from \$3,110 in 1951 to \$3,829 in 1955. I understand that this group comes in the lower third category with respect to incomes. I may not be interpreting this correctly, but the fact remains that in Canada in 1955 43.9 per cent of the families earned \$2,999 or less. So in effect the whole National Housing Act program does not come down to meet almost half of the Canadian families. I understand we are trying to build low-rental accommodation and trying to erect publicly-owned rental housing units, but that percentage would be woefully small in comparison to the 43.9 per cent of our families. The dilemma we have to face is: can we somehow reach down a little bit further and find other solutions. Perhaps we could decrease the income that a man must have in order to qualify for a loan. To me, the basic problem is to somehow make sure that a greater percentage of the national purchasing power and national income goes to meet the needs of the people who cannot qualify for mortgages under N.H.A.

Senator QUINN: Is not rental accommodation available to people in that class?

Senator WALL: There is, senator, but I think the percentage of such rental units is so small *vis-a-vis* the number of single units built as to be dismally disappointing. This, I think, is the basic problem.

Senator QUINN: We should encourage the building of more rental accommodation.

Senator WALL: We should either encourage it or reduce the requirements on the single-family dwelling so that families in the small income bracket may qualify for N.H.A. mortgages. Certainly, we cannot increase their incomes.

Mr. BATES: It might be easier.

Senator WALL: Perhaps we can decrease the basic requirements so that these people could qualify.

Senator QUINN: If the demand is there I wonder why the builders and the people who provide this type of accommodation do not take advantage of the opportunity of building that type.

Mr. BATES: The demand is not there—they haven't the money.

Senator WALL: The demand is there.

Mr. BATES: The demand is not there—it is the desire that is there. I am sure it is the desire of every Canadian to have a nice three-bedroom house on a lot in the country, but many people don't have the money for it.

Senator LEONARD: And they may not necessarily want a new house or new accommodation; they may be quite satisfied with the accommodation they have.

Mr. BATES: Yes. I think it should be remembered that in Canada we have an unusual circumstance: 70 per cent of our population live in single homes, and only the remainder live in rental apartments. This is a very high proportion in comparison with other countries: the Americans have only 61 per cent home owners as against our 70 per cent, and the British, only 40 per cent.

Senator QUINN: Is that not the cause of so much embarrassment on the part of the municipalities today, so many single unit houses going up which cost a great deal to service?

Mr. BATES: Yes, it is.

Senator ROBERTSON: Dr. Bates, you referred to the average price of the house now having risen to \$14,362. Have you any rough scale as to what carrying charges and the equivalent rental of such accommodation would be?

Mr. BATES: Yes. The compilation depends on what we assume is the down payment to start with.

Senator ROBERTSON: What would be the equivalent rental?

Mr. BATES: I suppose somewhere around \$90 a month.

Senator LEONARD: You have the figure of \$93 as being the average carrying charges.

Senator ROBERTSON: For that size of house?

Senator LEONARD: That is an average sized house.

Senator ROBERTSON: For that size of house costing \$14,362, the equivalent for rental purposes would be about \$90 a month.

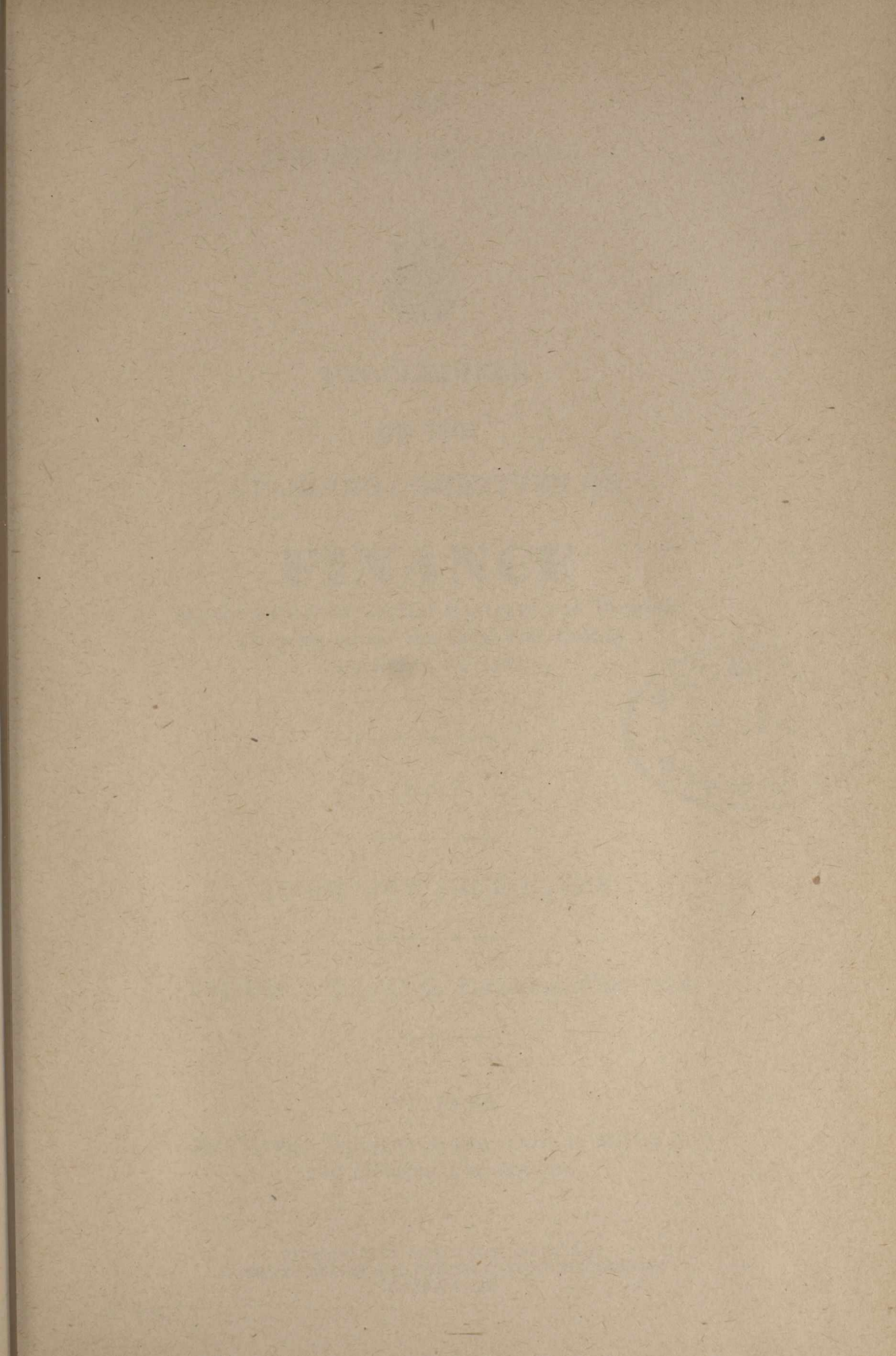
Mr. BATES: Yes.

Senator SMITH (*Queens-Shelburne*): Plus taxes.

Senator ROBERTSON: Yes, plus taxes.

Senator DUPUIS: I move the committee adjourn.

The meeting adjourned to the call of the chair.



1958

THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE ON
FINANCE

on the Report of Central Mortgage and Housing
Corporation for the fiscal year ending
December 31, 1957.

No. 2

THURSDAY, JUNE 12, 1958

The Honourable C. G. Hawkins, *Chairman*

WITNESS

Mr. Stewart Bates, President, Central Mortgage
and Housing Corporation.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958



Extract from the Minutes of the Proceedings of the Senate, Wednesday, June 11, 1958.

The Honourable Senator Aseltine moved, seconded by the Honourable Senator Quinn—

That the names of the Honourable Senators Brunt, Emerson and Thorvaldson be added to the list of Senators serving on the Standing Committee on Finance.

The question being put on the motion, it was—

Resolved in the affirmative.

J. F. MacNEILL,
Clerk of the Senate

THE STANDING COMMITTEE ON FINANCE

The Honourable C. G. Hawkins, *Chairman*

The Honourable Senators

Aseltine	Gershaw	Pratt
Baird	Golding	Quinn
Barbour	*Haig	Reid
Beaubien	Hawkins	Roebuck
Bouffard	Hayden	Robertson
Brunt	Horner	Smith (<i>Queens-</i> <i>Shelburne</i>)
Burchill	Howden	Stambaugh
Campbell	Isnor	Taylor (<i>Norfolk</i>)
Connolly (<i>Halifax North</i>)	Lambert	Thorvaldson
Connolly (<i>Ottawa West</i>)	Leonard	Turgeon
Crerar	*Macdonald	Vaillancourt
Dupuis	McKeen	Vien
Emerson	Molson	White
Euler	Paterson	Woodrow—44
Farris	Pearson	
Fraser	Petten	

(Quorum 9)

**ex officio member.*

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate

TUESDAY, May 20, 1958.

With leave of the Senate,

The Honourable Senator Aseltine moved, seconded by the Honourable Senator Pearson—

That the Report of Central Mortgage and Housing Corporation for the fiscal year ended the 31st of December, 1957, be referred to the Standing Committee on Finance for consideration and report.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, June 12, 1958.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

Present: The Honourable Senators: Hawkins, *Chairman*; Baird, Barbour, Beaubien, Brunt, Burchill, Campbell, Connolly (*Ottawa West*), Dupuis, Emerson, Euler, Isnor, Lambert, Leonard, McKeen, Molson, Reid, Smith (*Queens-Sherburne*), Taylor (*Norfolk*), Thorvaldson, Turgeon, Vaillancourt, White and Woodrow.—25.

In attendance: the official reporters of the Senate.

Consideration of the order of reference of May 20th, 1958, was resumed.

Mr. Stewart Bates, President, Central Mortgage and Housing Corporation, was heard and questioned by members of the Committee.

At 12.15 p.m. the Committee adjourned until Thursday, June 26th instant, at 10.30 a.m.

Attest.

James D. MacDonald,
Clerk of the Committee.

THE SENATE
STANDING COMMITTEE ON FINANCE

OTTAWA, THURSDAY, June, 12, 1958.

EVIDENCE

The Standing Committee on Finance, to which was referred the report of the Central Mortgage and Housing Corporation for the fiscal year ended 31st December, 1957, met this day at 10.30 a.m.

Senator HAWKINS in the chair.

The CHAIRMAN: Gentlemen, we have a quorum. Will you come to order, please? I have a slight correction to make in connection with the proceedings last week.

At the bottom of page 7, Mr. J. S. Hodgson is stated to be Liaison Officer of the Corporation and Mr. K. C. Joynes is stated as being an Executive Director of the Corporation. This is incorrect. The positions of these two gentlemen are reversed; Mr. Joynes is the Liaison Officer and Mr. Hodgson is an Executive Director of the Corporation.

We have with us this morning Mr. Stewart Bates, President of Central Mortgage and Housing Corporation and Mr. James Ross, Acting Treasurer of the Corporation.

Mr. Hodgson and Mr. Joynes are also present at this meeting.

You will recall that I said the other day that if there were some questions in connection with the financial report, we would arrange to have present one of the officers of the Corporation connected with that phase of it, and this morning Mr. Ross is here. But at the moment we will continue the questioning of Mr. Bates.

Mr. BATES: I think that at the last week's meeting Senator Robertson raised the question as to what the carrying charges would be on a house priced at \$14,362. We gave him an approximate answer. I thought, however, that for your purposes you should have a really complete answer, and I should like to read this into the record, and perhaps give it to the *Hansard* reporter.

The average sales price of \$14,362 includes the mortgage insurance fee. Assuming that our lending value and the average sales price, both excluding mortgage insurance fee, are equal, a total insurable loan of \$12,527 would be obtained. The monthly principal and interest repayments, based on a 25-year period at 6 per cent, would amount to \$80.15, which together with an estimated average tax figure of \$20 would produce total monthly carrying charges of \$100.15.

Additional Information

Lending value on above basis.....		\$14,118
Loan Amount.....	90% on \$12,000—\$10,800 70% on \$ 2,118— 1,482	
	_____	12,282
2% Insurance Fee.....		— 245.64
Total Insurable Loan.....		— 12,527.64
Equity required by purchaser.....		— 1,836

A loan of \$12,527 at 6% would entail the following salary requirements:

Term	Monthly Charges (inc. taxes at \$20)	Ratio of Charges to Income	Monthly Salary	Annual Salary
	\$		\$	\$
25 years.....	100.15	27%	371	4,452
25 years.....	100.15	23%	435	5,220
30 years.....	94.50	27%	350	4,200
30 years.....	94.50	23%	410	4,920

Senator BARBOUR: Over how many years would that be?

Mr. BATES: About 80 per cent of the cases just now are on a 25-year basis.

I would also like to table details of apartment units, requested by Senator Crerar last week.

TABLE SHOWING THE PROPORTION OF APARTMENT UNITS TO TOTAL UNITS FINANCED UNDER THE NATIONAL HOUSING ACT

Year	Single Family Dwellings	% of Total	Multiple Family Dwellings	% of Total	TOTAL
1951.....	13,844	71.7	5,459	28.3	19,303
1952.....	22,152	64.5	12,171	35.5	34,323
1953.....	25,217	65.2	13,431	34.8	38,648
1954.....	37,089	74.0	13,030	26.0	50,119
1955.....	51,586	79.0	13,750	21.0	65,336
1956.....	34,132	82.7	7,151	17.3	41,283
1957.....	36,610	74.8	12,323	25.2	48,933

The CHAIRMAN: The meeting is open, gentlemen, for questions.

Senator SMITH (*Queens-Shelburne*): There is one question to which I did not find an answer in the brief or in the books that we had. What is the amount of insurance fee that a home owner must take care of when he enters into an agreement?

Mr. BATES: The home owner in Canada pays a single fee. In the United States he pays an annual fee, but in Canada it is computed into one single payment, and this is paid when the mortgage is taken; and the fee is 2 per cent of the loan. This fee can be added to the mortgage, 2 per cent of the loan. This has to be added to the mortgage.

Senator BRUNT: Not 2 per cent of the whole of the loan?

Mr. BATES: Yes. It is the same thing.

Senator SMITH (*Queens-Shelburne*): I also notice that there is a balance of \$30 million in this insurance fund. My understanding of this situation is that this insurance fund is built up in case there should be a large number of mortgaged homes that have to be sold. That is to take care of the loss?

Mr. BATES: Any loss to an approved lender. That is right.

Senator SMITH (*Queens-Shelburne*): Is it the opinion of the Corporation that this \$30 million is sufficient or that it is too much money? You can see what I am getting at. I am just wondering if you can get the amount of the insurance down.

Mr. BATES: I think the true answer is that we don't know. We have had no experience yet. Against this fund of \$30 million there are standing liabilities of \$1½ billion. That is the risk of the fund. Against this is \$30 million, which means really that if we had 3 per cent defaults the fund would be used up. Three per cent defaults is very much larger than anything we have experienced since the fund was inaugurated four years ago. Three per cent is a very large

figure. However, if you look back at the experience of the depression—which we hope we will never have again but we must live with history as we know it—the defaults then ran to some 25 per cent. So we have a fund of \$30 million standing against the liability of \$1½ billion. If you ask me whether that is adequate or inadequate I cannot tell you. If we never have more than 3 per cent in defaults the fund will be adequate. If over the next 15 years we continue the experience of the last four years, then the fund will be more than adequate. We have had only seven claims on the fund in the last four years.

Senator BOUFFARD: Would you call a provincial moratorium a default?

Mr. BATES: I would think if you came to a situation where there was a provincial moratorium, this would arise because of the danger or presence of defaults on a large scale. So if we got into a situation like that it would probably mean we would have more than 3 per cent defaults.

Senator BOUFFARD: No doubt.

Mr. BATES: I would think so, yes. So I think, Senator Smith, the best we can do for the Government and the fund is to state the truth as we see it now. This is not a very large fund for risks one might face. I am not thinking merely of the risk of 1931 but of depressions of a much lesser magnitude. We are aware today, for example, with the present economy and experience in the country, that our arrears are growing. They are not what one would call dangerous but there is evidence in many parts of the country that unemployment is putting people into difficulty. This situation is growing. It has not led to many actual defaults yet but steps are being taken by the approved lenders to try to prevent a final default. This is the last desperate step in the mortgage business, to get into a default situation.

Senator EULER: How far do you let them get into arrears before you have a default?

Mr. BATES: In the case of our own property if at the end of the month someone has failed to make a payment, we make an immediate check and before the 10th of the next month we draw this to his attention. If the payment is not made by the end of the second month the person is invited to come in and explain the situation to us and we try to find some *modus operandi* by which he can make his payment. If at the end of the third month he has failed to turn up or answer our letters of inquiry, we then threaten him with action over the telephone or by calling on him. In most cases the person has come forward by this time to explain his problem. It may be sickness or unemployment. What we try to do in such cases is work out some kind of contribution towards his monthly payment. In other words, an attempt is made to try to handle each case on an individual basis. I think this is true of all approved lenders in Canada as well as of the Corporation.

Senator EULER: You have no definite time then on arrears, say, five or six months or longer, when you take action?

Mr. BATES: No. If the person in question is honestly trying to carry his load, whatever it happens to be, perhaps a sick wife combined with unemployment, and he is paying us only a token payment, will not be pressed any further than that.

Senator EULER: You have no rigid formula?

Mr. BATES: No. We think this has to be handled on an individual basis.

Senator LEONARD: That concerns your own lending but what about the loans made by approved lending institutions?

Mr. BATES: Generally the approved lending institutions try to follow the same pattern.

Senator LEONARD: Is there no insurance on their interest after a period of, is it three months?

Mr. BATES: Six months at the full rate.

Senator LEONARD: Is there some kind of urge on their part to take action sooner?

Mr. BATES: Yes, but even there, of course, there is no urge on them to force someone out of the house. An attempt is made to try to get at least a token payment; and I think the approved lenders, banks and insurance companies are very sensitive to this problem; I think the very last thing any of them want to do is get involved in a foreclosure.

Senator LEONARD: It would be easier for them, though, if the insurance covered a longer period of interest and arrears?

Mr. BATES: We give them six months at the full rate and twelve months at the rate, less two; in other words, there is an attempt to adjust for this problem.

Senator BRUNT: Have you had any foreclosures in that time?

Mr. BATES: We have only had seven claims from approved lenders—foreclosures.

Senator McKEEN: Out of how many loans?

Mr. BATES: The average loan is \$10,000; it would be 150,000.

Senator McKEEN: Seven or eight out of 150,000?

Mr. BATES: Yes.

Senator McKEEN: Have you any record of how many have transferred from one owner to another; in other words, a man might get into difficulties and somebody else take over. Has that happened?

Mr. BATES: Yes. We do not keep a record of this; it is too difficult to bring it down to the individual.

Senator McKEEN: I thought in the case of a man who got into difficulty for several months that he might endeavour rather than to lose his equity, to try to sell the property and get his equity out, and keep it, and there would be no monetary loss as far as his payments on the house were concerned.

Mr. BATES: Yes. This is happening all the time, and there are cases of difficulty we do not know about between approved lenders and borrowers. We only find out cases where the approved lender has come to the end of the road and has to foreclose, but there are many adjustments made between borrower and lender that we don't know about.

Senator REID: In a case of that kind, must they have the approval of your department before he sells his equity?

Mr. BATES: No. There are cases I might mention where the equivalent of foreclosures have been made, but the approved lender has not come on the fund for any insurance.

Senator McKEEN: He has made no loss?

Mr. BATES: He has made no loss.

Senator EULER: Would you not receive notice of the transfer of the equity? Would you not have some record of that?

Mr. BATES: Yes.

Senator BOUFFARD: I suppose the man who borrowed the money remains responsible, even if he sells his house?

Senator BRUNT: In Ontario, Senator Bouffard, you have to elect whether you want to take a man who is liable on the covenant of the mortgage or the present owner; you cannot have both.

Senator BOUFFARD: You have to make the choice?

Senator BRUNT: Yes.

Mr. BATES: None of these of course would be against the fund. These would be veterans' houses, for instance, that we had sold to some one and had failed to—

Senator BRUNT: But has your corporation had any foreclosures in the last four years?

Mr. BATES: It would be very, very few. I do not recall any coming on my desk, and they are apt to if we have them, because usually as we are a government organization, there is a political complaint of some kind.

Senator EULER: Has there ever been a charge against foreclosures?

Mr. BATES: No, sir. Up to the end of April we had made a gain of some \$4,900 on these properties. We had sold most of them. Most of these cases, in other words, had been unfortunate human problems, family disruptions, a breakup of family. I think almost all the seven cases that came before us were of this type where, in one case, both of the parties had disappeared and simply left the house. In some cases there was difficulty in finding the parties concerned—family breakups.

Senator BRUNT: Do I understand from you correctly that the seven foreclosures show a profit of some \$4,000?

Mr. BATES: This is rough.

Senator BRUNT: Is it the intention of the corporation to put that in the fund?

Mr. BATES: It goes automatically into the fund; it is the law.

Senator EULER: Would not the equity holder get some money back?

Mr. BATES: In these cases they could not be found.

Senator BRUNT: Eventually they may be found.

Mr. BATES: They may be found; this is a terrible situation to be in. I should like every senator to know that every branch manager in the corporation is warned to avoid this situation if it can be avoided. That is, to avoid a situation where a property is turned over to us. We are merely the trustees of a fund set up by Parliament, we have no access to it; but our staff is warned that steps must be taken to try to make clear to the unfortunate parties what their rights are, what their equity position is, and to try to advise them to sell the house rather than foreclose it, if this can be taken. Every branch manager knows this.

Senator REID: I am sorry, Dr. Bates, I did not get clearly the answer you gave a moment ago, and I think it is sufficiently important to repeat the question. When an approved borrower purchases a property and then sells it, does the person to whom he sells have to become an approved borrower, the same as did the man in the first instance?

Mr. BATES: No.

Senator REID: He can sell to anyone?

Mr. BATES: Yes.

Senator BRUNT: There are no restrictions on the sale?

Mr. BATES: No.

Senator BRUNT: There couldn't be.

Mr. BATES: No.

Senator LEONARD: I take it from what you said as to the insurance fund, Dr. Bates, when the loan is paid off the premium still stays in the fund, and does not return to the profit and loss account?

Mr. BATES: No.

Senator LEONARD: As the loans are paid off the fund will grow from 3 per cent, and at some stage will reach a figure which you consider adequate.

Mr. BATES: Yes sir. Of course, I do not know what that figure is going to be, nor do I know when that day will come.

Senator LEONARD: But it will be reached.

Mr. BATES: Yes sir. I think this is something we have to learn by experience over the next few years. If we have the kind of economy that is never going to dip down to the 1937 lows, it may be that in five or seven years' time the fund will look very adequate; and perhaps at that stage Parliament will consider a smaller premium. It may drop to one per cent.

Senator BRUNT: Dr. Bates, I want to be sure on this point: under the present legislation you are compelled to put all profit that is realized on foreclosure into this insurance fund?

Mr. BATES: Yes sir, of which we are merely the trustee.

Senator LEONARD: May I follow that up by asking whether the approved lending company is required to foreclose instead of taking what we call power of sale proceedings?

Mr. BATES: No, they are free....

Senator LEONARD: They are free to take power of sale proceedings?

Mr. BATES: Yes.

Senator LEONARD: And still claim against the fund for any loss that results?

Mr. BATES: No; they make up their minds one way or the other.

Senator LEONARD: If they claim they must foreclose?

Mr. BATES: Yes.

Senator LEONARD: And then the profit is turned over to the Central Mortgage and Housing Corporation?

The CHAIRMAN: Senator Smith?

Senator SMITH (*Queens-Shelburne*): I was wondering, Mr. Chairman, whether that subject had been exhausted. My question has nothing to do with that subject.

Senator ISNOR: May I ask, Dr. Bates, would you consider in view of the broadened extent of your loan policy that your risks will increase in future years?

Mr. BATES: This depends entirely on Government policy. If the Government policy decrees that our efforts should be directed more and more to the low cost housing and low income families, which I believe is the direction in which we are tending at the moment, then automatically we are going into a greater risk class. Therefore, senator, I think this depends entirely on Government policy. Clearly, in the past few years where the decision has been in the hands of approved lenders, who determine whether a party is creditworthy or not, they have been fairly selective. That is why our statistics show the average family earnings under N.H.A. have gradually crept up from \$5,000 to \$5,800 this year. This was because of the process of selection of some sort by the approved lenders. But the risk in these cases were obviously much smaller than they will be if we try to get a cheaper kind of house and get down to, say, the \$4,000 income, where the occupational risk tends to be greater.

The CHAIRMAN: Has your experience proved that, or is that an assumption on your part?

Mr. BATES: This is just an assumption on my part, because we have no experience in that field.

The CHAIRMAN: I would not want this to go into the record as indicating your experience, because I am not at all sure that your assumption is correct.

Mr. BATES: This is merely an assumption—that the lower you get in income the greater the risk.

The CHAIRMAN: I think you will find the experience of some lending institutions has been that most of their losses have been in the high income groups and in high amounts.

Mr. BATES: This is true of some, but I still think if we get down to the level of providing houses for people earning \$1,000 a year we are going to suffer more risk than if we provide houses for people earning \$5,000 a year.

Senator BARBOUR: Have you greater demand from purchasers to buy houses than you have houses for sale?

Mr. BATES: I don't think you can say we have a greater demand. We have not a smaller demand. As the houses come forward they are being taken up. For example, at the end of April this year we had in Canada, despite the tremendous house building program, the biggest spring production we ever had, and we had only two hundred unsold houses, or four days' supply. On the 1st day of April a year ago we had 2,900 unsold houses, and the supply had not been quite as big as this spring.

So, in answer to your question, senator, all one can say is that as houses come forward they are certainly being taken up, and are taken up rapidly. For this slightly lower cost house many people at the moment are buying not even holes in the ground, but they have seen a model and they have been promised a house of that type for, say, next December. But the hole in the ground has not even started yet; that is, in these lower-cost houses.

Senator BAIRD: In other words, you have sort of sold ahead?

Mr. BATES: More than sold ahead.

Senator LEONARD: I am somewhat concerned as to whether there is an effective demand for the 140,000 houses started this year? Are not the completions at the present time the result of starts made from June of last year, when there was really an abnormally low number of starts, and the activity at the present time will not be reflected in houses completed and for sale until, perhaps, July, August, September, up to November? It seems to me that there may well be a surplus over and above the effective demand by that time. Can you comment on that?

Mr. BATES: Yes. I think you should recall that it is taking a little less time to build a house today than it was some years ago. At one stage it was averaging ten months, and then it fell to six, and actually in the present program we have many houses completed in five months. The present Government's program began last summer; that is, the announcement was made; and starts were made before Christmas. Some of these houses are already on the market. I think about 4,000 of them have already been sold up to the end of April. So we have been experiencing, sir, since April, some of this increased flow of housing. It has been coming on the market since April and May; and it is true that the main volume will not reach the market until July and August. But we have no indication, sir, that builders have seen any difficulty in disposing of these houses. They are not foreseeing any difficulty; they are having enough forward orders. I am speaking of the country at large. There may be localities somewhere where, in fact, some small surplus has emerged; but if our general situation in connection with this continues as it is at this moment we do not foresee any national problem. There may be some local area where there is some small difficulty. I think I should

mention too that last year, 1957, the family formation in Canada was about 85,000. This year it is going to be at least 20,000 more than that, the way it has been running through the first five months.

Senator LEONARD: I wonder at that figure of yours, because the big jump last year was due to immigration, and immigration has fallen off very considerably.

Mr. BATES: Immigration is off.

Senator LEONARD: And it is not expected that there would be such an increase this year. Because marriages follow just a fairly normal increase.

Mr. BATES: The marriage age is still going down. Canadians are still marrying younger every year.

Senator LEONARD: I do not think the figures to date in 1958 show any appreciable jump over last year, so I don't know where the increase of 20,000 in the family formation is to come from.

Mr. BATES: I think you should remember this, sir, that when anybody comes into this country it is very seldom that he can buy a house in the first year that he is here. The effect of immigration does not show itself in the housing market until about two years afterwards, until they have been here long enough. Actually the first-year immigrant makes practically no difference. So any figure that the Bureau of Statistics puts out for 106,000 new marriages, or the family formation, they are thinking no doubt not only of the size of immigration but of marriage after immigration, and all the other things that take place.

Senator LEONARD: I think they use the figure of married women coming in, do they not, which rather indicates the setting up of a family at the time the married woman comes in.

Mr. BATES: Right. But we in the housing business would expect in 1958 to see the immigration of 1956 beginning to come into the picture.

Senator EULER: That is, immigration has not had any effect at the start.

Mr. BATES: Not on housing. It may have an influence on rentals.

Senator SMITH (*Queens-Shelburne*): I would like to mention something which was referred to at the last meeting, with regard to the encouragement of low-cost homes. Doctor Bates seemed to indicate to me that they were giving special attention to this problem in the province of Newfoundland, where it is felt that there is a greater need of new and better housing than they now have. If anything is done that will solve the financing problem, will it be in a form that will be adapted to all provinces, and not to particular localities?

Mr. BATES: I think that must be so. What faces us is the need for a much more modest type of house, for the remote area, shall we say. I don't care whether it is in Newfoundland or up at Killaloe or Barry's Bay, or in the north country somewhere. But, the need for a more modest type of house. We think that we have to design one of these. We know that the approved lenders would not lend on them in the past. Now we are in a direct lending position we can lend ourselves on them.

Senator BRUNT: Pardon me: you say that approved lenders would not lend on them in the past, even though the loan was guaranteed?

Mr. BATES: They have not particularly liked to.

Senator BRUNT: Did this come out, that they refused a loan on the type of house you are now describing?

Mr. BATES: The type of house we are now describing is a house around \$5,000.

Senator BAIRD: In the remote areas?

Mr. BATES: In the remote areas, particularly.

Senator EULER: They are not building those, are they?

Mr. BATES: This type of house is not built to start with. If it is, it is probably built by a flash-light builder who could not get a loan. The ordinary approved lender, with the kind of demand we have had in the last 10 years in the suburbs of Ottawa and Toronto, could use all his funds in loans on \$14,000 to \$16,000 houses, to men with incomes running around \$5,000 a year. Therefore he has simply not been required to pay attention to this smaller type of house in the remote areas. We are thinking of a type of house that perhaps some of you grew up in, where it was not necessary, for example, that every bedroom had to go off a corridor, though some bedrooms might, where there was a fairly large living room. I think perhaps that this house is much better than many fishermen have in the Maritimes and in Newfoundland, but it is a house which does not have quite the same number of these specialties to which people have become accustomed, in the urban centres. I think I should remind you also that in all urban centres in this country there are many municipal bylaws which just forbid a \$5,000 house being built. It is just impossible. They must have a certain amount of space and privacy elements in them, and so on, and it is impossible to build them at a cost of \$5,000. It is perhaps possible under most municipal bylaws to build a house around \$8,000 without land, but you cannot get much below that under the municipal laws in this country.

I might mention some of the items you could take from a house to cut down the cost. Most houses today have very fashionable kitchen cupboards with sliding doors. I am sure there are many people living in remote areas in this country who would be quite happy to have kitchen cupboards with shelves only in them if they could save \$300 or whatever the figure happens to be. This is one item we might consider taking out. We must have in our standards some type of clothes closets with a certain amount of footage in them and doors on them. Many people living in the remoter areas would be quite happy to have no clothes closets and to hang their clothes in other places such as behind doors.

Senator EULER: They might even do without a dining room and eat in the kitchen.

Mr. BATES: You must have interior doors and special hardware and finished flooring. Many people would be quite happy to walk on painted soft-wood floors. You must have a medicine cabinet and storm sashes and screens. This is something many men could make for themselves in the first winter after they get into the house. I did this myself. Then there has to be finished interior painting. Well, I did mine. I spent the last three months doing it.

Then you must have interior trim other than on exterior doors, and you have to have joint filling of wallboard finish. Then you have to have walkways and driveways, and you have to have platform landings at exterior entrances. You must have a platform. You can't just go down a few steps or a ramp consisting of three boards. The basement floors must be finished with a smooth finish.

All rooms must be finished. Obviously some rooms could be left unfinished. In a storey-and-a-half house the upstairs might be left unfinished and the man of the house could cover over the insulation with wallboard or something else. There have to be porcelain socket-type fixtures. In some of the poorer areas we could possibly omit the bath tub and do what I did when I was a boy. I used something else to wash myself. In other words, we could have, shall I say, an improved summer cottage, something that is well insulated and so on.

We are designing one of these now and we will lend on it if no one else will. We will lend on it in the outlying areas. We will draw up brochures showing these houses.

Senator SMITH (*Queens-Shelburne*): You haven't got them drawn up yet, have you?

Mr. BATES: No, but we may have in a month or two. We will give the brochures to the editors of weekly newspapers, and so on, and tell them "Here is a house for \$5,000 if someone wants a home better than the paper shacks existing in Hull and in parts of Ottawa today, and we will make a loan on them." We will not be afraid of the credit worthiness of the lower income group.

The CHAIRMAN: I am glad that statement is on the record.

Senator MOLSON: How did the standards of C.M.H.C. originate? I was reading the minutes of the last meeting and I noticed you were dealing with those.

Mr. BATES: There were standards in existence before C.M.H.C. came into existence ten years ago. There were municipal standards in all urban areas. There was a terrific variety of them. As a matter of fact, there were 13 varieties in Montreal alone. In other words there were 13 municipalities in Montreal each with a different set of standards. However, there were basic standards to start with. Before C.M.H.C. was in existence the approved lenders themselves had inspectors and they had their own sort of standards in mind. These standards varied between lenders. They were not all written out in the form of a national standard code, but they were in existence.

When the Building Research group of the National Research Council came into existence after the war it began thinking of a national housing code and it started to prepare such a code. This code is now in existence and is followed by some 450 municipalities throughout Canada. So that when we got into the inspection business in 1954, which was the first time C.M.H.C. was confronted with it, there was already in existence both in Ottawa and in the municipalities a hard core of standards. These were taken by C.M.H.C. and put into a booklet. The ambition at that time was to upgrade the housing in Canada, and this was a good long-term ambition. I don't think anybody will disagree with that statement.

Basically the standards had three things that all standards must have, even in cheap houses. They must be structurally sound and have all the tenets for public health, whatever they happen to be, and they must be constructed to minimize fire risks. That is, we cannot have stoves with clothes hanging over them, and so on. These are the three basic standards required, and every house must have these.

Our booklet of standards published in 1954 went a good deal beyond this, as has the National Building Code and the standards of the approved lenders. These standards have produced the kind of things I have been reading out to you. We did this job in 1954 because we had to. We had to set up standards. We have since gone out of the standard-making business. The standards are now in the hands of the Research Council. We are a member of the Board, along with the Plumbing and Heating Association, the Electrical Association and all these parties that go to the provision of material.

We are all members of the committee of the National Research Council that sets up the standards. Now, these standards are the minimum standards. You can still produce a house of \$8,000 under N.H.A. standards. But no builder will build that kind of a house. They all add something to the basic standards. We say that if the builder is going to have a certain kind of floor then it must be built to a certain standard, but we are not saying that he must

build that type of floor to begin with. These standards are minimum standards but all these extras have been added on and have, in effect, become what we might say the regular standards. They are no longer the minimum standards but the going standards.

Senator MOLSON: And the minimum price of the going standard is considerably higher, around \$14,000?

Mr. BATES: Of course. Senator Smith asked us about putting together a smaller house. We are going to put together two smaller types. One will be a house which meets our national minimum standards, a house that will sell for about \$8,000 per unit. We are trying to get a builder in Ottawa to put up a group of these now, and the other is a still lower cost type of house.

Senator McDONALD (*Kings*): The essential requirements will still be there?

Mr. BATES: Yes, they will have to be met but they are not difficult to meet. They are the standards having to do with structure, health and fire.

Senator CAMPBELL: Is there not another factor you have to bear in mind? A house has to be attractive enough to be sold. Is that not why a lot of extras are being added by the builders?

Mr. BATES: This is so. Dealers are not adding these because they want to particularly, they are adding them because they think this will make the houses sell, and they do make the houses sell. In some cases they have gone as far as \$22,000.

Senator CAMPBELL: What down payment do you want?

Mr. BATES: On \$22,000?

Senator CAMPBELL: Yes?

Mr. BATES: The maximum loan is \$12,800 under the N.H.A.

Senator LEONARD: He is not supposed to have a second mortgage?

Mr. BATES: He is not supposed to have a second mortgage. Your words are well chosen, sir.

Senator SMITH (*Queens-Shelburne*): I have one more question I should like to ask Mr. Bates. If you have designed a low-cost house, will you send me a copy, I would like to see what it is like?

Mr. BATES: To any of you honourable gentlemen who are interested in looking at this in embryo, before we issue it, we shall be very happy to have you come down to the corporation to see them and to talk to us about it, and to hear what you think about it. We would like to know in advance. I leave it to you, sir, and you might find others who are interested, and they can come down and see us and talk about it.

Senator REID: What do you say is the maximum loan under the National Housing Act?

Mr. BATES: \$12,800. For the \$22,000 home and upwards you are better off by getting a conventional loan. When you get up to \$30,000 you can get an \$18,000 conventional loan. There comes a point because of the breakoff of \$12,800 of the maximum loan, but the rest is really left to the approved lenders in the conventional loan field. The N.H.A. is designed for houses under \$16,000.

Senator CAMPBELL: What would be the cost of the land for a \$22,000 house you are speaking of here?

Mr. BATES: It would be \$4,200 to \$4,500.

Senator CAMPBELL: Roughly 20 per cent?

Mr. BATES: Roughly 20 per cent.

Senator CAMPBELL: In your experience over the past four years have land values increased more than building costs?

Mr. BATES: Oh, substantially.

Senator CAMPBELL: That is one of the problems of the urban centres?

Mr. BATES: This is a major problem. In 1954 the average across the country, and this is low because it takes in many small towns, was \$1,600.

Senator CAMPBELL: Have you it in percentages?

Mr. BATES: The average land cost has risen from \$1,600 in 1954 to \$2,300 in 1957.

Senator EULER: I suppose you would not want to give an opinion on this, because it is a matter of policy, but it occurs to me that the man who wants to buy a \$22,000 or \$25,000 house should not receive the benefit under these housing acts, and that that benefit should be devoted to helping out the fellow who can only live in the \$5,000 or \$6,000 house. The man who buys the \$22,000 or \$25,000 house should be left pretty much on his own, I think.

Mr. BATES: Actually, sir, the number of N.H.A. borrowers at that level is very infinitesimal, but there are quite a number of \$18,000 buyers coming into N.H.A., but there is a sort of breaking point in there. I can give you some figures for last year, but they are not prices of houses, but rather incomes of applicants. We had only five per cent of the total N.H.A. borrowers with earnings of \$10,000 a year up. Only ten per cent of the borrowers had incomes of over \$7,000 a year. Ninety per cent of our people earned under \$7,000 a year. Thirty-five per cent of the borrowers were under \$5,000 a year.

I have here the house prices and these are percentage figures: Houses of \$16,000 and over in 1957 took 29 per cent of our funds.

Senator CAMPBELL: Those are the urban areas?

Mr. BATES: Yes.

Senator LEONARD: You used to have a regulation I believe that you could not loan below 70 per cent of the lending value, which was to prevent competition with conventional loans.

Mr. BATES: It was taken out in 1956, I think. There is no cutoff in the lending value now for single family dwellings.

Senator LEONARD: There is a field of competition?

Mr. BATES: Yes.

Senator WALL: Before I ask the one question concerning the application of the extension of the N.H.A. to dormitory buildings of universities, I should like to comment on this low cost type housing. I notice on page 29 of the quarterly report that table 35 is very, very significant. It says that in 1946, 33 per cent of the loans of applicants were from applicants earning \$2,000 or less; 46 per cent of the applicants under the National Housing Act were earning less than \$3,000 a year; which meant that the National Housing Act was directed to what would be at that time low income people. If you swing over to 1956 you will find that only .4 per cent of the applicants were earning \$3,000 or less, and 15 per cent were earning \$4,000 or less. Now, if you compare that with the incomes of families, I think the booklet that was used for some of his information in the last survey said that in 1955 we had 62 per cent of the Canadian families earning \$4,000 or less; so that basically the act is not reaching people of low income as well to-day as was the fact when the act was started. Anything we can do to reach down into this level of lower income families is very important. You might do that by bringing in a low cost type home. Could that be done by raising the income percentage requirement from 27, as it now is, to some other figure, or by extending the term of the loan? What other avenues are there, Dr. Bates, for reaching down to these low income people who really need the home?

Mr. BATES: First of all, when you refer back to 1946, it should be pointed out that the average house being built in Canada was 800 square feet; when you come to 1956, the average size house is 1,172 square feet. In other words, the house in that time has grown by one-third. So, if you want to get back to the low income group you have to perhaps think of a more modest commodity. Instead of building all Cadillacs, we should perhaps think of the "model T" or perhaps of the "model A". This is part of the discussion we have been having this morning, and I think this is a very important part of it.

There are other steps that can be considered from a financial point of view: the down payment provisions could be made lower than they are. Of course, this does not help very much because as you lower the down payment you, in effect, increase the size of income the man must have to carry the additional debt. You are caught in a dilemma.

There is also the question of interest rates,—I am not suggesting that it be subsidized—whether the interest rate might be closer to the point at which the Government borrows. But these are matters of Government policy, and not our concern. I think most of the houses we are building today are going to last as long as the houses you gentlemen are living in. I don't know, however, that they will last as long as the houses our grandfathers built, but we have a large number of houses in Canada over 50 years old.

The amortization period could be lengthened beyond 25 years as we have it today. Home owners in Canada are today looking after their homes very well indeed. One has only to look at the Manor Parks, or the Etobicoques, or the developments in St. John's. So, I think the amortization period could be stretched out a bit. These are the financial considerations.

Someone raised the question of land cost. One reason why land cost has gone up so much is that many municipalities have run away their ordinary pre-war responsibility of bringing out trunk sewers and services to the land; these were operations that they did before the war on a borrowing basis, with a municipal improvement tax.

Senator BRUNT: Did you say "run away"?

Mr. BATES: Yes, run away.

Senator BRUNT: I don't think that is fair at all.

Mr. BATES: I will change the wording: they had to run away.

Senator BRUNT: They just could not do it.

The CHAIRMAN: Continue.

Mr. BATES: I want to be clear on this one point: one reason why land price has gone up so much, is that they have put what was formerly the municipal improvement tax into the mortgage. The developer is compelled to bring in sewers, to lay streets and sidewalks, and in some communities is compelled to build a school. You can call this running away from responsibility or not, I am not going to argue it, but this has happened. This cost gets into the price of the land and into the mortgage.

As far as the home owner is concerned, this does not matter very much. He pays this additional amount off over 25 years instead of over 15 years. But those figures get into our statistics, our mortgage fund, and into the flow of mortgages. Instead of an insurance company issuing municipal bonds for a municipality which wants to do a developmental job, that company is putting the money out in the form of mortgages. This is one reason why the cost of land has risen so high. If, for example, there were provincial or federal aids to municipalities to provide for the big pipes for sewage and what have you, this again would bring down the initial cost of the house.

But as I say, these too are matters of Government policy, and they are not our concern. You asked for the various items that go into the present high

cost of housing, and this is one of the very substantial items. Some provinces are only beginning this process of allowing municipalities to press the developer to do a number of things which normally were municipal expenditures and obligations.

Senator LAMBERT: Is there a personal covenant of the individual purchaser in the mortgage?

Mr. BATES: Yes.

Senator LAMBERT: If that purchaser has had a substantial loan on his house and he wants to sell it, is he bound in any way by the personal covenant?

Mr. BATES: No.

Senator LEONARD: I wonder whether Dr. Bates understood that question. Wherever the provincial law allows the personal covenant, the mortgagor is on the personal covenant. Is that not right?

Mr. BATES: This would be true in Ontario, for example.

Senator LEONARD: It is true in Ontario, but it is not true in those provinces where no personal covenant is allowed.

Mr. BATES: Yes. This, of course, is outside our control.

Senator LAMBERT: But it enters into the element of security of the loan.

Mr. BATES: It enters into the element of security of the loan.

Getting back to the point raised by one senator, I think one of the evidences of lack of responsibility comes when the municipality hands these responsibilities over to a developer and says, "You must have a 66-foot highway in every street; you must have concrete curbs and concrete sidewalks." Municipalities, when they are not paying for these things, can get very luxurious ideas as to the kind of equipment that should be laid down in a street. Many subdivisions in this country could be laid out the same as Rockcliffe, with no sidewalks. Instead, some municipalities are laying down regulations asking for mile after mile of hardtop. It is good business for the Imperial Oil Company; they make more money out of housing than you would imagine. This arises because the municipalities are passing what are their normal obligations to the developer. There is no restraint on expenditures that can go into a subdivision. So, we get very high costs of the umbilical cord under the street, and very high cost of surfacing.

Senator BOUFFARD: Do the municipalities offer any concessions as far as tax are concerned?

Mr. BATES: No.

Senator BRUNT: Taxes are lower as a result of these improvements having been done.

Mr. BATES: They are lower on the whole municipality, but they are higher on the people in the subdivision who have had to pay the total tax. It is not spread over the whole municipality as it would be if it were a normal improvement tax, but falls specifically on these people.

Senator REID: What Mr. Bates says is quite true. I know British Columbia has gone all out in connection with such costs. In my own case, I sold lots for \$400, and the man who bought those lots charged \$1,500, to comply with the municipal regulations. The assessment pushed up until the burden became almost unbearable.

Senator LEONARD: What is your policy in connection with leasehold land, such as at St. John's, Newfoundland, where a great deal of the property is under lease with an option to purchase? Do you lend on that type of property?

Mr. BATES: Yes.

Senator LEONARD: That overcomes this problem we are discussing now.

Mr. BATES: It does not overcome it, it postpones it.

Senator LEONARD: Indefinitely?

Senator BURCHILL: Mr. Chairman, before we leave the subject of low cost housing—

Senator WALL: Low type housing.

Senator BURCHILL: —I think it is worth noting for the record, and perhaps Mr. Bates is not aware of it, that a house has actually been started in the town of Chatham, New Brunswick upon which a loan of \$6,300 has been processed. That house is 26 by 37 feet, contains three bedrooms, and is ample accommodation for the requirements of the man who is going to live in it, and we hope it will meet the requirements of that low income class. It is a pilot, an experiment, but plans have been approved and, as I say, the house is actually started.

Mr. BATES: Yes, and there is another house in Halifax similar to it. It does not come down to our minimum standards yet, but it has been approved by us. Some 7,000 people in Halifax have already looked at this \$8,000 house, and it was only opened last Saturday. Already we have 25 orders in Halifax. So, there is a market for it.

Senator WALL: What income would a house like that presuppose?

Mr. BATES: Here is the story. The construction cost of the house is \$7,800. This includes \$300 for a septic tank. The lot in Dartmouth is \$2,000. So the house came to \$10,000. The down payment was \$1,650, and the loan \$8,400. The monthly carrying charges, including taxes, are \$60.

Senator LAMBERT: The cost of that house is what?

Mr. BATES: The cost of the house is \$7,800.

Senator LAMBERT: Does that include appliances of any kind?

Mr. BATES: This is a regular N.H.A. house. This does not include stove, or refrigerator; there is a kitchen cupboard; hot water heating; insulation.

Senator LAMBERT: Have you any average figure of the cost of appliances in the new type of house? I think it is \$2,000 in the United States.

Mr. BATES: Yes. We have twice made a review in this country. I wrote to new housewives and asked them how much they spent when they went into a new N.H.A. house, and after they had been there for six or eight months, and the figure was remarkably the same, whether one communicated with people in Toronto or in Hamilton. It worked out very close to \$1,500. Some were \$1,800, some down to \$1,200.

Senator LAMBERT: Including light fixtures, bathroom appliances—?

Mr. BATES: Yes, new rugs, drapes, stove, washing machine. They set all these things out for me, and it came very close to \$1,500.

Senator LAMBERT: How was that financed?

Mr. BATES: Financed on instalment plan, household finance; but mainly instalment plan.

Senator WALL: I am going to ask a provocative question. As the demands come in for N.H.A. money, or a direct loan, is there any internal subdivision in the corporation's regulations which would mean that so much is going to be set aside for this, so much money for that, and when this or that part of the money is used up it is not going to be shifted from, say, a low-cost type house here to another area. Or is it all in one kitty, and when the demands come there is no internal subdivision?

Mr. BATES: There is no internal subdivision of funds. First come first served.

Senator WALL: Would there be any advantage if Parliament were to make such an internal subdivision?

The CHAIRMAN: I do not believe that question should be asked.

Senator LEONARD: Your available lending is still under section 40, which requires a loan to not be available from conventional sources? There is a control: before the loan application gets to you it must have been turned down, or not have been available from conventional institutions?

Mr. BATES: That is so, in the case of section 40. We are in a residual position behind the other lenders.

Senator WALL: Without documenting a case for universities and dormitories—there are no provisions now under which any university or college could present plans for a dormitory? Could they apply for a loan as other people do for an apartment or something, or for an insured loan, and in effect be able to benefit from some of the money that is provided out of the national treasury for meeting the costs of dormitory buildings for universities? Has anything like that been done by any university or college? Has any application been made?

Mr. BATES: Many. The National Housing Act, as it stands today, cannot include dormitories. We can only lend or insure on self-contained housing units, whether they are single houses or whether they are self-contained apartments. We cannot lend on anything except a housing unit. We cannot lend on dormitories. There is nothing to prevent a university, perhaps, establishing an apartment building for its professors, getting an ordinary insured loan—on its own grounds. This could be done, I suppose. An argument might be made in the case of students on section 16, the limited dividend section; it might be made applicable to university accommodation say for married students who are going to live with their wives in self-contained units. The university could set itself up as a limited dividend company and ask for a 90 per cent loan. But obviously that does not meet the universities' problems. There have been requests to the Government, particularly in the last year, from universities, drawing attention to the fact that in the United States their legislation covers university dormitories, and suggesting that our law should be amended in Canada to do the same. That of course is a matter of Government policy. I would like to remind you gentlemen that the Canada Council has already made grants to universities for dormitory purposes, so the federal Government is already in the field in that sense.

Senator CONNOLLY (*Ottawa West*): Those are grants, they are not loans.

Senator LEONARD: I have seen some sound self-liquidating propositions on the part of universities in respect of university dormitories, and I would suggest that Senator Wall's question is very well put at the present time, and that if the C.M.H.C. were disposed to recommend some form of assistance or some form of bringing their facilities of loaning into that field, it would be well worth while.

Mr. BATES: Well, you will understand that this is entirely a matter of Government policy.

Senator LEONARD: And I would think that you will have to make a recommendation one way or another.

Mr. BATES: If we are asked to.

Senator REID: What effect has the National Housing Act had on private builders? Let us say that a man has a piece of property and he wants to develop it himself. I have heard a lot of people in this position say that they cannot accept the same down-payment that you are asking under Central

Mortgage and Housing Corporation. I was wondering if there were any figures to show how the small individual builder has been able to get along? I find that type of complaint pretty general throughout many parts of this country.

Mr. BATES: I don't understand this. The existence of the National Housing Act lowered the downpayments from what they used to be. They did get the rate of interest down. They produced a longer amortization period. The N.H.A. has directly contributed to one-third of the housing that is going on in Canada, and indirectly to another large portion. It is this that has caused our cities to spread out over the countryside. It is this that has brought into existence all these new builders. They have come into existence by the thousands since 1946. People who were tailors and trimmers and dancers and what have you became builders. And wouldn't this be true also in British Columbia, Senator Reid? Take the Vancouver area.

There has been a great increase in the number of smaller builders and there has been an emergence of some very large builders, contractors who construct 500 houses and upwards. They could not do that in the days when the availability of mortgage money was uncertain and when a mass market was not available to them. I do not say that the N.H.A. created this vast housing market. It was erected by the economic boom, but the National Housing Act did stimulate the market.

Senator MOLSON: Wouldn't the individual builder be just as well off? Surely a man who builds a lot of houses under the N.H.A. scheme makes just as much profit businesswise as he would from building fewer houses?

Mr. BATES: We have no control over the price.

Senator MOLSON: No.

Mr. BATES: The price is entirely up to the builder and buyer. It is a free market and everything suggests that it has been a very lucrative one. Just look at the number of builders who have entered into the business in the past decade.

Senator BOUFFARD: Do you have to supervise the construction of these houses?

Mr. BATES: Yes, we inspect the building.

Senator BOUFFARD: Your inspectors do?

Mr. BATES: Yes. They do this during at least five stages, and it usually works out to six or seven stages.

Senator BRUNT: Did you not at one time have a regulation fixing the price?

Mr. BATES: Yes.

Mr. BRUNT: Why was it taken out?

Mr. BATES: Because it is a free market and a capitalistic country. We have private enterprise.

Senator BRUNT: Did you think it was a little socialistic?

Mr. BATES: The reason it was taken off in 1954 was that by that time the tremendous shortage in housing was not so pressing. The rent restrictions were moving off and it seemed about time to let the market float. There was really no change in builders' prices when the price level was taken off. There was no sudden increase in prices. It just floated at that level, but I think it was regarded as being desirable to get back to the private entrepreneurial market, and the time was then right.

Senator BRUNT: Do you make the appraisal of each of these houses or do you leave that to the lenders?

Mr. BATES: We make the appraisal for the lenders. They ask us how much we will lend on a particular house, and each house has to be appraised by an appraisal staff. An appraisal and an inspection are two fairly expensive operations.

Senator SMITH (*Queens-Shelburne*): Would your files show whether or not there was a large number of cases in which the private lender's appraisal of a house was higher than that of your own people? Do you have much of a quarrel with the private lenders over the price value?

Mr. BATES: Not much. There were a good many differences of opinion in 1954 when we got into this business first, but today there are very few differences. One of our problems at the time was the scarcity of appraisers in Canada. We do not have a school which trains appraisers, as they do in many countries, and in order to get into this business we had to bring in a substantial number, I think about 60, from England, and of course they were not always familiar with the Canadian conditions and it took a little time to get over some of these problems. We have been quite happy with these men. Unfortunately, we have lost a great number of them to municipalities who have taken them over as assessors, and so forth. We have had to bring in new appraisers from the Old Country. Today there are few differences of opinion. Sometimes a good deal of difference exists between us and the builder as to what the lending value should be. He thinks it should be much higher and very seldom does he think it should be lower. I think I once met a builder who thought the value should be lower, but usually they think it should be substantially higher.

Senator WALL: In the geographical distribution of our lands and dwelling starts, and so on, how do your regulations or practices function? Say I am living in a small community in Manitoba.

Senator SMITH (*Queens-Shelburne*): Like Winnipeg.

Senator WALL: No, say Winnipegosis or Gypsumville, and I buy a piece of land for \$300 or \$400 and I want to build a house under the N.H.A. What is the practice of applying for a loan, and so on, in small communities like that?

Mr. BATES: Well, if there is a local bank of any kind that is the first point of contact. Most banks do put notices up saying that they make home loans or home improvement loans, as the case may be. This is the first point of contact. People in these areas where there are no banks, actually write to us and we communicate with them. We advise the local branch manager near Gypsumville—

Senator WALL: That is Brandon.

Mr. BATES: —that the person seeking the loan has written to us. We ask him to get in touch with the person. We write a letter to the man in Gypsumville and we enclose a copy of that letter to the branch manager in Brandon, and he gets in touch with the person. It might be done through the local Member of Parliament or through a municipal officer. But there is vast correspondence between our Corporation and people living in small areas. We have instructed our branch managers—and I think I mentioned this last week to the committee—to go to these communities in their travels and to talk to anyone who will listen, a reeve, a mayor, the Kiwanis Club or the Women's Temperance Union, and so forth, about the facilities of the N.H.A., and to talk to the editors of the weekly newspapers and provide them with the information.

Senator CAMPBELL: Would you care to comment on the mortgage market that has developed with respect to the transfer and sale of mortgages? Is that within your experience?

Mr. BATES: Yes. As you gentlemen are aware, the insured mortgage held by the approved lender is a transferable piece of paper. That is, it can be bought and sold by the institution. Since 1954 I think about \$138 million worth have been sold by approved lenders. These sales have been made primarily by the banks. When insurance companies and trust companies buy a mortgage they usually hold them to mature them, but about \$138 million worth have been sold mainly to pension funds I think, and some to the United States. But the small market is already in existence to that extent, and it is likely to increase.

Senator CAMPBELL: There is an effort being made to develop that market and invest in that type of mortgage?

Mr. BATES: Yes. I do not know how big an effort is being made, because the effort so far has been bilateral, between banker and customer, and banker and some American pension fund.

Senator CAMPBELL: It is substantial; I am rather surprised.

Mr. BATES: Yes.

Senator BOUFFARD: That market exists in the United States?

Mr. BATES: Yes, there is a much bigger market in the United States. In Canada it is somewhat different, there is no agency for the sales of mortgages; there is no intermediary agency in existence yet. We are all hopeful some day there will be such an agency. In the United States this function is filled by a government agency, the Federal-National Mortgage Association. In Canada in our National Housing Act, and our C.M.H.C. act, our corporation has the powers to enter into this market. We have been very reluctant to exercise these powers, and have suggested really that here is a place for private enterprise to come in and fill this gap in the capital market, rather than a government agency do it, as in the United States.

Senator BEAUBIEN: With regard to Senator Wall's question about building in Winnipegosis if the private lenders, such as the banks or insurance companies, will not loan to build a house such as Senator Wall wants in Winnipeg, then the applicant corresponds with you or your associates?

Mr. BATES: Yes.

Senator BEAUBIEN: And if they cannot get a private lender, what chance has a man to build a house in Winnipeg, or any other place of that kind?

Mr. BATES: Well, this will depend very much on the credit-worthiness of the man himself.

Senator BEAUBIEN: I am talking about a man that has an income—

Mr. BATES: If he has the income to carry it, then he will get a loan directly from us, but if he cannot carry the mortgage, then we have to be sorry and say we cannot help him out.

Senator BEAUBIEN: And could he build a house that would suit him and which would not come under your minimum requirement?

Mr. BATES: We will let him build down to the barest minimum requirements. In other words, we will not compel a man in the Winnipegosis to build the same kind of house as in an urban centre.

Senator WALL: Are there any strictures or sanctions as to the kind of builder I have to have?

Mr. BATES: It is a matter entirely between the borrower and the builder himself.

Senator WALL: There are no problems there?

Mr. BATES: We have no black list, or anything of that kind.

Senator WALL: Would you care to comment on the fitness of the distribution of the National Housing Act across the country? Say, when we compare

the number of people in the small rural towns, communities, or farms, are we tending to have too many of our loans go into certain areas?

Mr. BATES: No sir; the loans have simply followed the growth. Those communities that have grown have got loans. When you get to static communities where there are no large influxes of population, only minor changes, there is not a demand for new houses.

Senator WALL: But you also raised the fact that there has not been any other communication of knowledge of these things, and you have to tell your managers to go out into these communities; so that there is a problem?

Mr. BATES: Well, there is an unknown there. I think we all know communities that have not changed really in the past twenty-five years. Some very close to Ottawa have not changed at all in size, with practically no new houses, nothing has been knocked down; there has been a freedom from fires-well-run, nice little communities, so there is no demand for houses. If there had been a few bad fires, a few new gas stations, and so on, that might have resulted in a demand for houses. When a community has remained static there is not the demand. So the loans have followed the growth. It may be that by pushing hard we can get a few more loans in the smaller communities, but we do not expect to get many in a small town.

Senator ISNOR: I was not clear with regard to the subject of universities, which Senator Wall asked about. Am I to understand that a student council, or a party representing a university, or a university itself, could make application to you on the limited dividend plan?

Mr. BATES: For self-contained units; an apartment.

Senator LEONARD: That would not apply to students?

Mr. BATES: No, nor to professors. They are not low income families.

Senator BRUNT: That is debatable, though.

Mr. BATES: I was one. I know that a university might argue that students are in the low income class and that therefore Section 16 could be made available, but these would be self-contained units, not dormitories; the act does not permit us to finance dormitories.

Senator ISNOR: Have you jurisdiction at all when you say—

Mr. BATES: No jurisdiction. The act is quite plain, it is for housing units, self-contained.

Senator MOLSON: Your loss experience, your claims experience, has been extraordinarily good to date, has it not?

Mr. BATES: The same as the other lenders.

Senator MOLSON: Yes, but I was just wondering if that is partly because of the method under which the whole act operates, and if the setup with the combination of the approved lenders and your own organization, and so on, has meant that there has been sufficient investigation, and early investigation of these matters, and that has kept the loss ratio down. In other words, it is a pretty good system?

Mr. BATES: Well, the system has improved over what it was in the depression. In the depression it was fairly general, then, that there would be a six monthly period for the payment of principal on mortgages; it was often six months. In many cases it was an annual payment of the principal, or of the tax, and so when people got unemployed, perhaps, this thing could drift on for months until the critical moment came to have to provide a very large sum for taxation and principal. Now we have a monthly payment of principal, interest and taxes, so that if at the end of the first month there is any trouble it is spotted immediately and some steps can be taken to try to help through.

That is, when a man is getting some unemployment insurance some token payment can be made and some arrangements to see him through, and that change in system, I think, has meant some easing of the problem.

Senator MOLSON: That must be on account of the earlier investigation and of the appraising, and inspection, and all those things that have gone into it?

Mr. BATES: This has helped; but the general buoyancy of economic conditions, combined with the monthly payment technique, are the two main factors.

Senator LEONARD: Mr. Chairman, I have another question which perhaps should be directed to one of the other witness rather than to Dr. Bates. Can he tell us something about the pension plan of the corporation, and compare it with the Civil Service superannuation plan, as to contributions and administration of the fund?

Mr. BATES: I think as a general principle I may say that we try to follow the Civil Service Superannuation Act to the last letter. Sometimes we get behind and sometimes we may be ahead, but because we are a Crown company in Ottawa we really have to try to keep our conditions very close to those of the Civil Service. In terms of general principle, this is so. We have these details all spelled out in a document here, but that is the general principle.

Senator LEONARD: Does that mean that the employee pays the same percentage as a civil servant?

Mr. BATES: That is right.

Senator LEONARD: And does the employer contribute the same amount?

Mr. BATES: We contribute 12 per cent to the fund. The fund is looked after by outside actuarial people who make this recommendation.

Senator LEONARD: That is the amount needed to pay the benefits, rather than the fixed amount related to salary.

Mr. BATES: Yes.

Senator LEONARD: So that is similar to the Civil Service Superannuation Act?

Mr. BATES: There is no fixed percentage in the Civil Service. When they run into the red they come back to the Government for an extra payment.

Senator LEONARD: Are the benefits the same?

Mr. BATES: They are the same, because the two funds are interchangeable: anyone working for us can take his benefits into the Civil Service, if he moves there, and a civil servant can carry his benefits straight into our fund. The two are identical.

Senator LEONARD: What is the amount of the fund at the present time?

Mr. BATES: I think it is about \$9 million.

Senator LEONARD: And it is actuarially certified as being sufficient to meet the requirements of the pensions that are liable to be paid.

Mr. BATES: Quite. We have a rather odd age structure in the corporation, in that the average age is around 35 years; there are very few older people like myself in it. The ages are bunched up there.

Senator LEONARD: Roughly speaking, the benefit is 2 per cent of salary per year of service?

Mr. BATES: It is identical with the Civil Service.

Senator BRUNT: For a maximum of 35 years?

Mr. BATES: Thirty-five years.

Senator LEONARD: And 70 per cent of the average salary?

Mr. BATES: Quite.

Senator LEONARD: And it is administered by trustees?

Mr. BATES: Trustees.

Senator LEONARD: Who are they?

Mr. BATES: Myself, the vice-president and two outside members of the Board.

Senator LEONARD: And you have power to invest in the same securities that loan and trust companies may invest in?

Mr. BATES: That is so.

Senator LEONARD: You invest in a cross section of securities, and stocks—?

Mr. BATES: No stocks. We invest only in Government bonds, that is federal and provincial securities.

Senator LEONARD: Is the fund audited by the auditors of Central Mortgage and Housing Corporation?

Mr. BATES: The fund is audited by our external auditors. We are investing more heavily now in mortgages.

Senator BRUNT: You are limited in your investments?

Mr. BATES: Twenty per cent of the fund will be in mortgages.

Senator LEONARD: In insured mortgages?

Mr. BATES: Insured mortgages. The yield is about 4.5 per cent.

Senator LEONARD: Your gross yield on the fund is about 4.5 per cent?

Mr. BATES: Yes.

Senator ISNOR: Are you in any way restricted in regard to your investments?

Mr. BATES: We have applied the limitation to ourselves, under the Trustees Act of Ontario. We have accepted their limitations, and that is why we are not in common stock.

Senator ISNOR: You say you have a return of 4.5 per cent?

Mr. BATES: Yes.

Senator ISNOR: You are doing very well.

Mr. BATES: Once you begin to pile up mortgages at 6 per cent it brings the average up very rapidly.

Senator BOUFFARD: Does the corporation also work for other Government departments?

Mr. BATES: Yes, we work for various Government departments which require housing. We act as agent for these departments, and they must get the funds from Parliament through their own vote. We have worked for the Department of Transport, the Department of National Defence, the Mounted Police, and so on—any department requiring housing. We design the project according to their wishes; we put out tenders, supervise construction, payments and so on. For this we get the small fee of around 2 per cent— they don't pay very well.

The CHAIRMAN: I have a motion to adjourn. Before we break up may I say that the committee will meet next on June 26. In the meantime I will be in touch with the Steering Committee, but may I say now that even though we have heard from Mr. Bates, we would like to have him back after we have heard other witnesses.

May I thank Mr. Bates and express our appreciation to him and his officials for having given the committee a good background of information on this important subject.

Hon. Senators: Hear, hear.

—Whereupon the committee adjourned until June 26, 1958.

1958

THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE ON

FINANCE

on the Report of Central Mortgage and Housing
Corporation for the fiscal year ending
December 31, 1957.

No. 3

THURSDAY, JUNE 26, 1958

The Honourable C. G. Hawkins, *Chairman*

WITNESSES

Mr. John Caron, Vice Chairman, Housing Committee,
Canadian Construction Association.

Mr. S. D. C. Chutter, General Manager, Canadian
Construction Association.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

Extract from the Minutes of the Proceedings of the Senate Wednesday,
June 11, 1958.

The Honourable Senator Aseltine moved, seconded by the Honourable
Senator Quinn—

That the names of the Honourable Senators Brunt, Emerson and Thorvald-
son be added to the list of Senators serving on the Standing Committee on
Finance.

The question being put on the motion, it was—

Resolved in the affirmative.

J. F. MacNEILL,
Clerk of the Senate

THE STANDING COMMITTEE ON FINANCE

The Honourable C. G. Hawkins, *Chairman*

The Honourable Senators

Aseltine	Gershaw	Pratt
Baird	Golding	Quinn
Barbour	*Haig	Reid
Beaubien	Hawkins	Roebuck
Bouffard	Hayden	Robertson
Brunt	Horner	Smith (<i>Queens-</i> <i>Shelburne</i>)
Burchill	Howden	Stambaugh
Campbell	Isnor	Taylor (<i>Norfolk</i>)
Connolly (<i>Halifax North</i>)	Lambert	Thorvaldson
Connolly (<i>Ottawa West</i>)	Leonard	Turgeon
Crerar	*Macdonald	Vaillancourt
Dupuis	McKeen	Vien
Emerson	Molson	White
Euler	Paterson	Woodrow—44
Farris	Pearson	
Fraser	Petten	

(Quorum 9)

**ex officio member.*

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate

TUESDAY, May 20, 1958.

With leave of the Senate,

The Honourable Senator Aseltine moved, seconded by the Honourable Senator Pearson—

That the Report of Central Mortgage and Housing Corporation for the fiscal year ended the 31st of December, 1957, be referred to the Standing Committee on Finance for consideration and report.

After debate and—

The question being put on the motion, it was—

Resolved in the affirmative.

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, June 26th, 1958.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

Present: The Honourable Senators Hawkins—*Chairman*, Barbour, Beaubien, Bouffard, Brunt, Connolly (*Halifax North*), Connolly (*Ottawa West*), Crerar, Dupuis, Euler, Haig, Horner, Isnor, Leonard, McKeen, Molson, Pearson, Pratt, Reid, Robertson, Smith (*Queens-Shelburne*), Stambaugh, Thorvaldson, Turgeon and White—25.

In attendance: The official Reporters of the Senate.

Consideration of the order of reference of May 20th, 1958, was resumed.

The following representatives of the Canadian Construction Association were heard and questioned by members of the Committee:—

Mr. John Caron, Vice Chairman, Housing Committee.

Mr. S. D. C. Chutter, General Manager.

At 12.30 p.m. the Committee adjourned until Thursday, July 3rd next, at 10.30 a.m.

Attest.

JOHN A. HINDS,
Assistant Chief Clerk of Committees.

THE SENATE
STANDING COMMITTEE ON FINANCE

OTTAWA, THURSDAY, June 26, 1958.

EVIDENCE

The Standing Committee on Finance, to which was referred the report of the Central Mortgage and Housing Corporation for the fiscal year ended 31st December, 1957, met this day at 10.30 a.m.

Senator HAWKINS in the Chair.

The CHAIRMAN: Gentlemen, we have a quorum. Will you come to order, please?

We have with us this morning Mr. John Caron, who is Vice-Chairman of the Housing Committee of the Canadian Construction Association, and Mr. S. D. C. Chutter, who is the General Manager of that organization. Mr. H. J. Ball intended to be present, but on account of his having had some very bad news in connection with his son in France, who was in an accident last night, he finds it impossible to be here; and he has asked to have his regards extended to you.

Now, without any further talk about this, I would call on Mr. Caron, who has a brief of which, I think, you all have copies, and I would suggest that it might be better if he could proceed with the reading of his brief, and have some questions afterwards.

Mr. JOHN CARON: Thank you, Mr. Chairman. It is my pleasure to thank this committee for giving us the opportunity, on behalf of the Canadian Construction Association, to present this brief. I am going to ask our manager, Mr. Chutter, to read it. I think that is the quickest and best way to get the meeting going.

Mr. S. D. C. CHUTTER: Mr. Chairman and gentlemen: The Canadian Construction Association has greatly appreciated past invitations to submit its views to Parliamentary Committees concerning the Dominion and National Housing Acts and welcomes this opportunity to comment upon the 1957 Annual Report of Central Mortgage and Housing Corporation and on our national housing legislation.

The Association was incorporated in 1919 and has a membership of over 1,150 leading firms in the construction industry throughout the country and forty-seven affiliated local and provincial construction association with an additional membership of roughly 8,500. The C.C.A. represents those engaged in all phases of construction activity, including general contractors and builders, trade contractors, municipal contractors (roads, services, etc.) and manufacturers and suppliers of construction materials and equipment.

For several years prior to 1958 the C.C.A. Housing Committee laid particular stress on three factors:

1. The original intent of the National Housing Act of enabling people with modest incomes to own their own homes was not being realized.
2. Housebuilding has progressed from a simple matter of a man assembling a house to an extremely complex operation in which the builder is but the focal partner. The various levels of government, availability of mortgage funds and land, design etc., are other key factors.

3. Housing needs and concepts vary considerably from one region to another and in accordance with the size of the community. A flexibility in the approaches taken to alleviate the problem is therefore essential.

The above three points will form a basis for much that follows in the way of comment on the period under review in the C.M.H.C. Annual Report and on the National Housing Act, in accordance with the terms of reference given to your Committee for this inquiry.

Review of 1957

1957 was a difficult year for the housebuilding section of the construction industry and demonstrated the very considerable way in which the level of residential construction is dependent upon government policy. Had it not been for the timely and vigorous approach to the problem of a shortage of private mortgage funds by the Federal Government in August, it is apparent that the volume of housebuilding and employment would have been much lower during the fall and winter months. Like most years, 1957 was affected by a number of conflicting influences in the housing field; some good and some bad. On balance, the favourable factors had won out by the end of the year. Completions rose to over 117,000 compared to a predicted total of 100,000 and the large number of housing starts in the second half of the year and a predicted decrease in competing demands for investment funds gave promise of an increased housing program in 1958.

In addition, amendments to the National Housing Act long advocated by the C.C.A. were adopted, providing for lower down payments, higher debt service-income ratios and mortgage funds for those with modest incomes. There was also an indication that lending values would in future more nearly approximate the actual construction costs of new homes and, effective the end of 1957, the essential differences between C.M.H.C. "Building Standards" and National Building Code housing standards were eliminated. Both these developments were also in keeping with past recommendations of the C.C.A.

The appointment of an Advisory Housing Committee to C.M.H.C., as provided for in Section 34 of the National Housing Act, has not as yet taken place. In its absence the C.C.A. invited national organizations representing the other key factors in the provision of housing to participate in a conference to discuss ways and means of increasing the opportunities for the under-\$5,000 a year income group for improved housing. The response from the various associations was excellent, the Minister of Public Works kindly agreed to open the conference and the President and other senior officials of C.M.H.C. provided much useful information in their capacity as observers. The initial two-day conference was held in mid-November 1957, and delegates were of the unanimous opinion that the exchange of information, experience and viewpoints between members of the construction industry, governments—both federal and municipal—finance and the other partners in the nation's housing program serves a most useful purpose. Housing remains Canada's most serious social problem and it is vital that the main interests involved should fully understand each other's positions and pool their efforts to reach solutions to the greatest possible advantage of the Canadian people.

The increased interest in government circles, the press and the public in general during the year to the Association's plea that opportunities for home ownership be improved for those whose annual incomes are less than \$5,000 a year was most gratifying. As was pointed out to the House of Commons Committee studying the 1954 Bill to amend the National Housing Act, the original intent of our national housing legislation was to help those with modest incomes to own their own homes but relatively few in this group were able to obtain N.H.A. loans. By mid-1957 the average N.H.A. loan was issued on a house costing about \$14,600 to a person aged 35 with an income of over \$5,800.

However, the Federal Government announcements on August 21st and November 26th, 1957 concerning the allocation of National Housing Act funds directly related the moneys to smaller housing units and the averages for loans in this group by the year end were reduced to \$12,509 age 33 and \$5,026 respectively.

The close of 1957, then, saw improved financing arrangements, N.H.A. mortgage funds earmarked for the "forgotten man", a carryover of some 72,500 units under construction and indications of an easing of the "tight money" situation which had previously brought about a relative scarcity of funds for N.H.A. mortgages and municipal services. The prompt response by prospective homeowners to the agency loan program for low-cost units, the heavy immigration program of 1957, the backlog of housing needs in Canada and the growth and migration of our population gave further indication to the magnitude of the housing market. The relative scarcity of serviced land, especially in the large urban areas, remained a major problem.

Subsequent Developments:

The agency loan program was suspended in April 1958 when C. M. H. C. virtually ran out of funds. Indeed, loans for rental projects under this plan had been cut off even earlier in the year. In May, however, Parliament allocated another \$350 million to the Corporation to finance directly various types of low-cost housing in cases where private mortgage funds are not available. This residual role for C.M.H.C. funds reflects the current increased interest in residential mortgages by the private lending institutions. House-building activities have shown a notable general increase so far this year and it would appear that the predictions that the previous record number of starts of over 138,000 in 1955 would be exceeded in 1958 will be borne out.

The C.C.A. Housing Committee has been very interested to learn of the Federal Government's new proposal to make mortgage funds available for a structurally sound but more basic type of house for which there is a demand in the smaller communities. The average annual income of those obtaining homes under the agency loan program approximated the \$5,000 level. The further widening of the scope of lending operations now being contemplated so as to include families of even more modest incomes is very much in keeping with the objectives which brought about the establishment of Canada's national housing legislation in the first place. Further announcements are therefore awaited with interest.

The Association has also been pleased to note the increase in interest in both the home improvement and community improvement, or "urban renewal", Sections of the Act. There are obviously many economies to be gained through the proper repair and modernization of existing houses and although the decayed cores of our urban areas may have to be torn down, at least the existing municipal services can be used for the new buildings which replace the old. A valuable by-product of the home improvement program which deserves widespread endorsement is that it has stimulated wintertime employment since most of this type of work is not affected by questions of climate.

A second C.C.A. Housing Conference was held in Ottawa last week. It followed the same pattern as the initial conference, but had an enlarged attendance in the form of representation from consumers and community planners. In reviewing the developments which had taken place during the seven-month period since the initial conference, delegates concluded that the factors of land cost and availability are generally more of a problem than actual construction costs or, currently, the availability of mortgage funds. It was also the consensus that greater emphasis should be given to multiple-type rental and ownership projects in the larger urban areas and that the difficulty reported by municipalities in providing feeder watermains and trunk sewers

constituted a fundamental barrier in many centres to the construction of lower cost housing units. A copy of a statement released at the close of the conference is attached to our brief.

Recommendations and Comments:

The main C.C.A. policies concerning the National Housing Act are summarized briefly in the Housing Resolution adopted at the Association's Annual Meeting in January 1958 a copy of which is attached to our brief.

The following remarks are designed to furnish amplification:

(i) Home ownership should be encouraged:

In recent years a good many Canadian families, although eligible for an N.H.A. loan from an income standpoint, could not obtain one from the lending institutions because of a relative shortage of investment funds. The "agency loan" program and the present system whereby C.M.H.C. may make direct loans if N.H.A. loans from private lenders are not available to eligible borrowers have done much to overcome the above problem.

Continuing attention to this aspect of the housing program is strongly urged since it has long-term as well as current aspects. The development of a home-ownership market for those with modest incomes is not only very desirable in the social sense but will also be one of the main factors in the maintenance of a high volume of residential construction, which in itself is so important to the Canadian economy.

The construction industry has of course a great responsibility in meeting this challenge through the development of well-constructed and economical houses and their effective merchandising in the face of aggressive competition from consumer goods, cars, entertainment and travel. It should be emphasized, however, that the builders have to work under policies and conditions that are not of their own making and over which they frequently have little or no control. Moreover, the saving of even \$1,000 in construction costs through new designs, materials and techniques may easily be wiped out by an increase in land cost of interest rate. The establishment of higher standards in specifications and town planning controls may well be desirable but they also result in higher initial prices to the house-buyer. The tendency to require contractors to service the land rather than to have this work performed by the local municipality is also reflected in higher sales prices and larger mortgages. The provision of home ownership opportunities is therefore a joint responsibility.

Should the supply of investment funds for N.H.A. houses increase, there is still considerable scope for extending the provisions of the Act to facilitate home ownership for families with modest incomes. The terms of the Canadian legislation, for example, are more stringent than the equivalent legislation in the United States of America where down payments and carrying charges are lower; mortgages can be obtained on existing houses; and mortgage interest and municipal taxes may be deducted for income tax purposes.

The Association would also like to reiterate its recommendation that a specific Home Savings Program be promoted to help people accumulate enough money for their down payment and so overcome what is usually the greatest barrier to home ownership.

(ii) It is recommended that assistance should be given in the financing of feeder watermains and trunk sewers for low-cost housing projects.

Many municipalities find it very difficult to finance the installation of services, particularly the "big pipes" for water and sewage. If builders are required to supply them, the cost per unit when included in the mortgage increases the down payment and carrying charges and many families are prevented from buying a home. Federal funds are available for local services

under the land-assembly provisions of the National Housing Act and provincial assistance is available in some areas. The provision of major services in the larger cities, however, is excluded. An extension of the provisions of the National Housing Act, outright grants for a limited period and low-interest rate loans have been suggested as possible alternative courses of action. Any assistance along these lines would be most helpful in overcoming a serious barrier in many centres to residential construction, especially of a low-cost nature.

(iii) It is recommended that N.H.A. provisions for multiple-unit projects should be made more attractive to investors.

Notwithstanding the advocacy of encouragement to home ownership in (i) above, it must be recognized that it is desirable that more rental projects be built in urban areas in Canada. Approximately 70% of Canadian dwellings are owner occupied. This percentage ranks with the highest in the world and demonstrates the preference for individual houses held by Canadians. At the same time, the relative shortage of serviced land and the expensive problems of "urban sprawl" in most of our large cities inevitably mean that greater emphasis will have to be given to apartment blocks, row housing and semi-detached houses, in such area.

In general, private funds are available for high-rental projects where there is a demand for this type of accommodation and the provisions of the National Housing Act for limited-dividend companies are available for low-rental projects where the tenants are subject to income qualifications. The latter type of project, however, is not designed to attract investment funds in the ordinary way; sponsors are usually service clubs or other non-profit organizations.

Whereas the size of the N.H.A. loans available for individual houses was increased last year, no accompanying increase was made in the size of the loans for rental projects. Moreover, it is recommended that the Federal Government give consideration to the granting of loans for low-cost rental units on a similar basis to the previous agency loans available for this type of project in cities where there is a need for this type of accommodation.

It is also noted in passing that multiple-unit housing projects need not be on a rental basis. Home ownership and a more economical use of land are both possible and it is likely that there will be an increase in this type of arrangement for multiple units.

(iv) The National Housing Act provisions for public housing and urban redevelopment are considered to be satisfactory in their present form.

The C.C.A. advocated as a social measure, a modest program of subsidized, low-rental housing prior to the major revision of the National Housing Act in 1949. The Association believes that the present provisions are quite satisfactory and notes that the Municipal and Provincial Authorities are becoming increasingly aware of them.

(v) Interest rates should be kept under constant review.

The present rate of interest on insured mortgage loans under the National Housing Act is 6% and is related to the rate on long-term Government bonds. It would seem that the 6% rate is necessary at this time in order to attract investment funds from the private lending institutions. The Association would like to stress to members of the Committee, however, the very important effect that changes in the rate of interest have when calculated over the life of a mortgage. An increase of $\frac{1}{2}$ % will run into four figures of dollars on this basis. Expressed the other way, a reduction of $\frac{1}{2}$ % in interest rates would be the rough equivalent of adding another room at no extra cost. Even if new techniques brought about really substantial savings in construction costs, a reduction in interest rates of $\frac{1}{2}$ % or 1% would likely bring about larger savings in total costs, when considered over the life of the mortgage.

A close and continuing watch should therefore be maintained on the possibility of reducing interest rates. There would be sizeable savings even if the reduction applied only to part of the mortgage. For example, inasmuch as governments may generally loan money at lower rates than the individual citizen, it is cheaper if the services are installed by the local authority than if they are included in an insured mortgage under the N.H.A. at 6% or in the amount of a conventional housing loan at 7%. Then again, local improvements could be amortised by a municipality over 50 years, or twice the length of an average housing mortgage, with ensuing reductions in annual costs.

Similarly, it is submitted that no attempts should be made to create an accumulating asset with regard to the premium paid for the insured loans. Losses under the Act during the whole post-war period have been negligible. While it is admittedly difficult to make predictions for future experience with N. H. A. mortgages, it does not appear that the thought behind the insurance plan of giving needed help to marginal borrowers has been operating to any extent.

- (vi) Cooperation of authorities needed regarding land availability and planning controls.

Another factor that is usually outside of the builders' control is the availability of land at a reasonable cost. Much has already been said about the cost of servicing land. A related problem which also seriously hampers housing construction is that of restrictive zoning and planning which are not based in accordance with sound professional advice. Frequently restrictions of a traditional nature on lot sizes, setbacks and against multiple-unit or lower cost houses are not as effective in enhancing property values as over all community and regional planning. Some of the standards set for streets and services are unnecessarily high and the feasibility of erecting modest homes is often a serious problem. The time required to process a subdivision plan may well be one or two years.

- (vii) Various resources of the building industry should be used to the utmost.

Reference has been made to the fact that the construction of housing is a responsibility shared by builders with designers, manufacturers, suppliers, financial institutions, governments, research organizations, planners, labour, real estate dealers and others. A deficiency in any one group seriously hampers the efforts of the construction industry or the other partners in the housing program. All must make their full contribution.

Similarly, it is essential that the various types of builder should be allowed to play their full part in the housing program, whether they be the merchant builder who frequently carries out multiple housing projects in the larger urban cities or the builder who works on a smaller scale in centres large and small on a more "custom" basis. The need for housing is great and both approaches should be assisted to the full. Houses erected in large developments or on individual lots will have different yardsticks for basic costs and appraisals.

The above is not intended to suggest that the services of all builders should be utilised, irrespective of efficiency or capacity. Indeed, the fact that the average life span of a housebuilding concern is under five years suggests that some form of minimum qualifications are in order. It is noted that a growing number of builders are providing warranties and are publicizing approved standards for electrical, heating and other installations. Bonded warranties and inspection for owners after completion of the house are other possibilities now being studied by our Housing Committee.

Conclusion:

Delegates at the recent C.C.A. Housing Conference agreed that the construction industry can by conventional methods produce a three-bedroom

house for persons having incomes of \$3,600 a year in areas with moderate land costs. These houses conform in all respects to the "Canadian Housing Standards" published by the National Research Council. It was also agreed that Canadian construction methods and on-site costs compared favourably with those of any other country. On a square foot basis, there is better value today than ten or twenty years ago.

The construction industry stands ready to build housing of all types throughout the country and has the capacity to carry out larger programs without serious strain, especially if there is a larger volume of wintertime construction.

A substantial improvement in the housing situation has taken place in Canada during the post-war period. With our population, average incomes and housing standards rising steadily, it is doubtful that we will ever be completely satisfied with the adequacy of our housing. The campaign to bring about steady improvement should be as comprehensive as possible and it is felt that the program of the Minister aiming at 140,000 starts in 1958 could and should be carried out this year without causing undue inflationary pressure, thereby improving the living quarters of a substantial portion of our population, giving more families a tangible stake in their community and providing additional employment both on the job sites and throughout a large number of supporting industries providing the materials, installations and furnishings incorporated into each new dwelling unit. The assistance given by federal housing legislation since its inception has been of considerable value in facilitating the erection of a substantial part of our housing program. A better combination of the various key factors in our housing program should bring even more spectacular results. Various authoritative studies indicate that this will be necessary if we are to keep pace with the growing demand for housing units during the next generation.

Thank you very much, gentlemen.

The CHAIRMAN: Have you anything to add to that, Mr. Caron?

Mr. CARON: No, sir, I have nothing to add to the brief as such. I would like to say that our Chairman, Mr. V. L. Leigh, of Victoria, would have been here, but unfortunately he could not stay over, because of the postponement of this particular meeting.

The CHAIRMAN: Now, honourable senators, before we proceed any further, are there any questions you have in mind?

Senator CONNOLLY (*Halifax North*): I wonder, Mr. Chairman, if we could have an explanation or a description of the home referred to on page 11,—families in the \$3,600 wage class, three-bedroom homes?

Mr. CARON: Mr. Chairman, that house was the result of a survey from scratch, including the design of a house carried on by the National House Builders Association. They designed a three-bedroom house with an overall area of roughly 1,000 feet, with no basement, with a hot air heating system. Its particular features, in order to bring its cost down, and not reduce its quality structurally speaking, were, plywood floors, the walls were plaster, there was no basement, but there was what we call a "crawl space" of some two feet underneath. The whole building sat on a normal eight-inch-thick foundation wall, concrete poured, and suitably insulated itself, because the heating system was under the floor, slung to the floor, with openings around the baseboard, and the pipes from the heating furnace were horizontal and only a matter of six feet along or so from the furnace, so the heat found its way up. It had an asphalt shingle roof and storm windows, of course, and was painted.

Senator EULER: What is the cost of such a house?

Mr. CARON: That house in the survey, including the land, worked out to around \$8,000. There are one or two extras such as a carport or a bit of a porch over the front door and an asphalt drive which would add another \$700 or so. Speaking personally I believe that in this particular case, the profit for that house was much too low; it was \$400. Well, to me that is a ridiculously low price. No builder should have to expend the energy, incur the financial risk and fight with municipal, provincial and federal Governments—I use the term “fight” loosely!—for \$400; it is not enough profit for a house.

Senator EULER: What would be the cost of the land, take on an average?

Mr. CARON: That type of house should not go on a lot that cost any more than \$1,000. But there are cases where comparable houses would be placed on lots going as high as \$1,500. But \$500 would be about right.

Mr. CHUTTER: In Hespeler on a \$500 lot, what is called the “Hipel House” was built for about \$8,000. In Dartmouth they put up this house for \$7,800, including land; and twenty-five of these buildings are now being built there.

Senator CONNOLLY (*Halifax North*): That is in the suburbs.

Mr. CHUTTER: Yes.

Senator SMITH (*Queens-Shelburne*): We have information that it cost \$7,800, and \$2,000 for the land.

Mr. CHUTTER: In Dartmouth they were reasonable; the land was probably around \$500.

Senator SMITH (*Queens-Shelburne*): That was not the information we got from Dr. Bates. I made a note of his answer.

Senator THORVALDSON: When you refer to \$1,000 a lot, do you mean serviced?

Mr. CARON: Not necessarily. More often it is not serviced. Additional cost goes into the house to put in a well and septic tank system. I would like to add a few more words with reference to this particular house. There is no problem in constructing that house, and even adding a few more dollars to make the profit worth while to the builder, and the mortgage would be such that a man earning as low as even \$3,000 a year could afford to buy it. But there is a social problem that comes into the thing. It is very difficult to find a municipality that will allow that quality of house to be built.

In the case of the house built at Hespeler, Ontario, it took quite a while for the National House Builders' Association to find somebody who would allow them to build a house in their municipality. So I mention this additional problem.

Senator CONNOLLY (*Halifax North*): Because it does not conform to building standards in those communities?

Mr. CARON: No, sir. It generally conforms to the building physical standards as such, but it does not conform to Joe Doakes across the street, who thinks he is better than the man who is going to live in that house.

Mr. CHUTTER: In some areas it would not be allowed because the municipal code would require fireproof construction. While it will conform to the Canadian Housing Standards, the local building codes in a good many centres would preclude its erection, because of local conditions.

Senator HAIG: I would like to ask one question. I notice that they emphasize in this report—as well as I could hear what the gentleman read; he did not read very distinctly, but he read it, and I would like to have it a little clearer, so that I could hear exactly what he was emphasizing. However, I did not hear any praise of any private lenders. The only praise I heard was to the effect that the Government was lending money on housing. What is the

reason that the insurance companies, trust companies and private lenders are not lending money under this scheme? What is back of that? Let me tell you that in my city it is practically impossible to get a loan from anybody except C.M.H.C.

Mr. CARON: I will answer that question to the best of my ability as a builder. Apparently the lending institutions have not the same volume of funds to lend. Therefore, they are going to take the very best ones they can. If they can lend money at a higher rate of interest at a larger volume per loan they are going to do so. That is my impression, and I think that is the answer to your question.

Senator HAIG: I suggest to you another reason. About five years ago the private investor in house building was prohibited from taking a depreciation on income from housing property. The Income Tax Act prohibited it. Prior to that time there was a good deal of investment in housing by private investors. They will let you take depreciation now but if you sell the building in 10 years for more than the depreciated value, they make you pay income tax on that. I live in one of the smallest cities in Canada,—

Senator CONNOLLY (*Halifax North*): Name it.

Senator HAIG: These witnesses wouldn't know it anyway. They are from Ontario. In my city a great many people, men like yourself, builders, invested in two or three houses. Sometimes they would own five houses and they delighted in making that kind of an investment. That sort of thing has all disappeared and I say it is because of the income tax regulation with respect to depreciation that was put on. They get practically nothing now but in most other things you get the benefit of depreciation.

Mr. CARON: I am afraid, Mr. Chairman, I do not quite follow the term depreciation as it has been used. You say, senator, that prior to a certain date the lending institutions—

Senator HAIG: The owners. They can get loans from the local institutions because the value has been depreciated and they are getting the benefit of it. Loan companies make a larger claim against it and get larger payments because they have that depreciation earned and they take that payment into account. I know what I am talking about.

Mr. CARON: I am sure you do, sir. Incidentally, may I ask: did you say that I was from Ontario?

Senator HAIG: I am not from Ontario.

Senator CRERAR: He lives in the "village" of Winnipeg.

Mr. CARON: I am sorry but I had not heard the part about Winnipeg. I was quite sincerely interested in knowing because I like to know where people come from.

Senator HAIG: I have only been here a little while. You wouldn't know me.

Senator CRERAR: I think the point raised by Senator Haig has some validity. I presume it applies to urban dwellers as well, but take a farmer who builds a new house. He cannot claim depreciation on that house on his income tax return but he can claim depreciation on his binder, for instance.

Senator HAIG: Yes, he can.

Senator BRUNT: And he can on part of the house.

Senator CRERAR: What part?

Senator BRUNT: I think he can take depreciation on 25 per cent.

Senator CRERAR: When did that come into effect?

Senator BRUNT: I think it has been in for quite some time.

Senator CRERAR: I will have to take another look at it then.

Senator BRUNT: You take a percentage of the value of the house and base your capital cost allowance on that.

Senator CRERAR: That is within a recent time.

Senator BOUFFARD: It does not apply to anybody else but farmers.

Senator CRERAR: I think the point has been very well taken. The point Senator Haig makes, as I understand it, is this. I built a house a few years ago in Winnipeg. That house depreciates in 30 or 40 years and if I look after it it will be through in 50 years. In other words, there is a depreciation on it each year. I cannot put a claim in my income tax return for a depreciation on that house. That is the point.

Senator HAIG: That is correct.

Senator CRERAR: I think there is something to it.

The CHAIRMAN: You are living in it though, are you not?

Senator CRERAR: Of course I am living in it.

Mr. CARON: It is not clear to me how this would affect the lending institutions. I can see how it would affect the individual who buys a house and eventually sells it at a loss.

Senator HAIG: I was in the house-building business for nine years, from 1922 to 1930. I didn't build very much but we had a payroll of \$400,000 to \$500,000 a year. I was in partnership with another man, and we never had any trouble getting private funds during all those years. We didn't have to go to anybody. We didn't even have to go to trust companies and life insurance companies, but we did go sometimes and they gave us all we wanted. We told them we had a depreciation of 4 per cent on the value, and they could increase their annual payment by 4 per cent of the value and we would pay it because we would have a deduction on depreciation. We got all the loans we wanted at a good rate of interest.

Senator BOUFFARD: You couldn't get loans for more than 40 or 50 per cent.

Senator BRUNT: Sixty per cent.

Senator HAIG: We got loans for 60 per cent.

Senator BOUFFARD: But in these cases they need a loan that goes up to 90 per cent.

Senator MOLSON: Is it not a fact that this low-cost experiment at Dartmouth is being financed by a private lending institution, the Bank of Montreal, if I am not mistaken? Therefore, as far as this particular act is concerned there is private money available for low-cost housing.

Senator BOUFFARD: That is on insured mortgages.

Senator MOLSON: Yes.

The CHAIRMAN: Probably some consideration is being given to the credit worthiness of the borrower.

Senator MOLSON: It is on insured mortgages.

Senator BOUFFARD: In the last two or three years trust companies, banks and insurance companies have put millions of dollars into these insured mortgages.

The CHAIRMAN: I should not be asking questions but how do they get around the \$5,000 income bracket if the loan is on an insured mortgage? It would be interesting to know how that is done.

Senator BRUNT: Perhaps Mr. Bates could give us that information.

Senator LEONARD: There is no difficulty so long as the person for whom the house is being built has sufficient income to carry the amount of the mortgage.

The CHAIRMAN: But generally speaking they do not allow you to build a house for \$3600 and get an insured loan on it.

Senator LEONARD: I take it the evidence of the witness is that the carrying charges of this particular house would be within the 27 per cent limit of a person earning \$3,600 a year. Is that not the evidence you are giving?

Mr. CARON: That is correct. In the survey, they designed the house, went to the Central Mortgage, and said, "What mortgage will you give us on that?" With that answer they worked backwards and said, "Fine, a man earning so much is eligible financially to be given this mortgage."

The CHAIRMAN: What is all this talk about lowering the income ratio? Maybe we should not be badgering you with these questions.

Mr. CARON: I think I can answer that one. We have picked the figure of \$5,000. Actually, taking the whole country at large we should perhaps be thinking in terms of about \$3,400, because \$5,000 is a fairly high figure, and many people who appear to require housing the most and who for the most part are capable of handling the mortgage, that is, have the will and the good faith to carry out the deal, are earning in the neighbourhood of \$3,200 to \$3,500.

Senator REID: Can you not give us exact figures?

Mr. CARON: I have not got the exact figures, Mr. Chairman, but the average as I remember it throughout Canada is that people earning in the order of \$4,200 a year are buying houses whose average cost to them is somewhere between \$11,600 and \$12,000. Now, that is certainly subject to check, because I am speaking from memory.

Senator REID: Are you advocating the U.S. system should be considered here, to buy a home and obtain a loan?

Mr. CARON: It is not recommended as such but we suggest that it is easier for a person in the United States under comparable regulations to obtain housing. Personally I think that the man buying a house must have a sufficient equity in the house to make him a responsible person, a responsible signer of that mortgage.

Senator CRERAR: What percentage would you put it at?

Mr. CARON: I would put it at about eight per cent more or less, sir.

Senator CRERAR: That is, for a cost of \$5,000 you put up \$400?

Mr. CARON: Mathematically, that is correct.

Senator EULER: Beside the lot?

Mr. CARON: No, including the lot. Now, what is happening is that a lot of people are buying houses and putting up anywhere from ten to eleven per cent cash, but of that cash oftentimes fifty or sixty per cent of it is some private loan by some member of the family, so that actually he is pretty close to the line in so far as the equity is concerned.

Senator CRERAR: In that case, if he got a private loan from his brother it would not affect his security?

Mr. CARON: No; I agree.

Senator SMITH (*Queens-Shelburne*): I would like to ask the witness a question in connection with a statement made in the brief on page 12, to the effect that 140,000 starts in 1958 could be made without causing undue inflationary pressure. The first question is, by "inflationary pressure", does that mean price inflation or currency inflation?

Mr. CARON: Price inflation.

Senator SMITH (*Queens-Shelburne*): Would you care to comment as to the possibilities of currency inflation in view of the Government financing that must be done this year of almost \$3½ billion?

Mr. CARON: I am not sufficiently competent, Mr. Chairman, to answer that. I would like to put one remark in here. Those figures are the feeling

of the minister and our conference that we had last week. My personal feeling is that if Montreal is any criterion I do not think we could sell that many of them. If that many houses are built you will have a glut on the market and they are not going to sell.

Senator SMITH: You mean to say there are not enough family formations and people who will be in a position to buy houses to take care of that many?

Mr. CARON: I would put it this way, that there is not sufficient buying power—period. Just how that is brought about, I do not know.

Senator SMITH: Do you think that situation might be changed if an emphasis were put on low-cost housing? I am glad to hear that you feel the desirability of taking into account the man with the needy income, because \$3,600 is far from average in some parts of the country. Do you think that if somehow emphasis could be put on the lower type house, that that number of starts, namely, 140,000 might be slowed up by the economy?

Mr. CARON: Yes, I do.

Senator SMITH: One more question: I would like a little further comment on a statement which is made at the bottom of page 9 of the brief, which says, "it is submitted that no attempt should be made to create an accumulating asset with regard to the premium paid for the insured loans." We had evidence the other day from Dr. Bates to the effect that the amount in the fund is now \$30 million, and that if we had three per cent defaults this fund would be wiped out. Would you care to comment on the opinion Dr. Bates expressed here?

Mr. CHUTTER: When the insurance premium was put in the industry asked that a close check be kept to see that the extra expense was warranted. A lot of our association feel that the national housing legislation was intended to help what you might call marginal cases of people who could not afford a conventional mortgage. The number of foreclosures has been negligible in the post-war period. Under the insured loan system I think there have been seven loans, or something like that, which just had to be given up by the borrower. Our people feel, I think, that if the legislation is to do a real job the Government should anticipate that there will be a number of people who cannot continue to carry their mortgage. This is to help the marginal people. A check should be made as to whether or not, having regard to the insurance premiums which have already accumulated, \$30 million will be sufficient. It is felt that the administration of the act should contemplate losses, if it is to do that job that is it intended to do. It should not be reckless, of course; but this clean record of practically no losses may be or may not be a thing to be proud of.

Senator McKEEN: Is not one of the reasons of low losses due to the fact that when a man was in default on his mortgage, he sold his equity and the new buyer assumed the mortgage and continued the payment on the property? So in this case, although the original owner would be in the position of having to default he avoided this by a sale. But if as the witness says here he does not think we can handle or market 140,000 starts, may not the situation arise where these original buyers on mortgages will not be able to sell out, and then there will be a calling on the insurance fund which may deplete it completely, as it would only take 3 per cent of mortgages to cause this to happen?

Senator REID: On page 5 of the brief, dealing with municipalities and the problem of providing feeder watermains and trunk sewers, which it is stated constitutes a fundamental barrier in many centres to the construction of lower cost housing units. My question is, are you merely drawing our attention to that, or are you advocating that the dominion Government should interest itself in matters of that kind?

We feel that the Government through the C.M.H.C., should interest itself in that problem; in other words, to finance the small municipalities in the installation of their trunk sewer systems.

Senator BRUNT: By subsidies?

Mr. CARON: Definitely not.

Senator BRUNT: How ?

Mr. CARON: By a straight loan.

Senator BRUNT: The Ontario Government has that set up already for you now. The Government has set up a corporation in Ontario for the purpose of purchasing bonds issued by a municipality for the purpose of financing service installations. Do you want a duplication of that service from the Dominion Government? Is that what you are advocating?

Mr. CARON: That is one possibility.

Senator BRUNT: There is another thing. If the Dominion Government is going to do this, then is the landowner and developer, and in many cases the landowner and developer is the builder, going to cut his profit on the land down to 10 per cent? Would you advocate that also? When you come to the Government on the one hand asking for assistance what are you willing to contribute as a builder-owner and land-developer?

Mr. CARON: Mr. Chairman, I have an answer to that. You have spoken, Senator Brunt, I think rather generally when you say that most house-builders are the land-developers. In my area that is not the case.

Senator BRUNT: It is the case in my area, which is around Toronto.

Mr. CARON: Well, it is certainly not so in Montreal. Our problem in Montreal is that the cost of land has rocketed. There has been no control. I do not say there should have been control but nevertheless there has been no control at all, and a great deal of foreign money has come in and bought up this land and they are just hanging on to it waiting for me to come along and pay them a tremendous price in order to develop it.

In my case, as the builder, not now but during a period since the war I actually have built houses with a selling price that was controlled. In other words I was controlled but the owner of the land was not.

Senator BRUNT: But you are not controlled now.

Mr. CARON: No.

Senator BRUNT: And now is the time you are asking for this assistance. What I want to know is what have you to offer in return?

Mr. CARON: We are not asking for assistance in a direct sense, we are asking that the municipalities be assisted in financing these installations because, and again returning to Quebec, I can think of one particular municipality which could not sell their bonds to obtain the money for service installations.

Senator BRUNT: But still that is for the benefit of the builder.

Mr. CARON: It is for the benefit of the man who is going to purchase the house.

Senator BRUNT: But he is not here with the brief, it is the builder who is here with the brief today asking for this assistance and benefit. Now, what have you to offer in return? I think we should have something. Are you going to cut your profit down, cut down the price of the land so that everybody will be making a contribution to lowering the cost of housing.

Senator SMITH: Mr. Chairman, does that not follow from what the brief says? Does that not cut the cost of the serviced land down, to the benefit of the person who wants to buy a house?

Mr. CARON: That is the answer, thank you Senator Smith.

Mr. CHUTTER: May I say, Mr. Chairman, that if the builder is going to be called on to install the "big pipes" this automatically increases the size of the mortgage and precludes the family with a modest income from financing the purchase of accommodation. The background of this recommendation came from the conference which was attended by representatives of all the key groups in the housing industry who sought to earmark all the handicaps to the construction of lower cost housing. It is a key factor, that the municipalities, even though there are various methods of financing open to them, say that they are not able to install these large sized pipes. It is a very expensive operation. Perhaps they could do it in many cases but nevertheless it is a big problem for them. If you try to earmark your problems this one of the installation of major services is a key one. The Dominion Government has already provided for sharing the cost of land assembly with regard to local services in conjunction with the provincial and local authorities. The Federal Government is prepared to advance 75 per cent of the cost of these smaller pipes under certain conditions.

As Senator Brunt mentioned a short while ago there is provision in Ontario whereby the Water Resources Commission finances the installation of big pipes for water but that is usually restricted to the smaller municipalities. In the larger urban areas this is still a fundamental problem. We offer three alternative methods of solving this problem in the case of low cost housing: first, that the National Housing Act be expanded so as to cover not only local services but the larger services as well; secondly, through the form of an outright grant; and thirdly, through the provision of lower interest-rate loans to the other Governments. These are three alternative suggestions which have been discussed on previous occasions with the Department of Finance, the Minister of Public Works and C.M.H.C. officials for some time.

Senator ISNOR: Mr. Chairman, I want to ask a question but first I want to make a comment in connection with the statement made by the witness to the effect that he does not think 140,000 units can be constructed and sold this year. May I point out that there were 138,000 units constructed and sold, with very little loss, in 1955. With financial arrangements better today than ever before surely we can construct and sell the additional 2,000 units. That is my thought.

Mr. CARON: Mr. Chairman, in answer to that, may I say that that was in 1955. I am sure that Senator Isnor has seen the Wall Street Journal reasonably frequently of late and if he just takes a look at that he can realize the value of my argument in the fact that we could construct them but we could not sell them. May I say Mr. Chairman, that I am speaking personally on this and not as a representative of the construction industry.

Senator ISNOR: You say conditions are not as good today for the selling of 2,000 additional homes as compared to conditions in 1955?

Mr. CARON: I say so, yes, particularly in the urban areas, and by urban areas I mean such places as Winnipeg, Vancouver, Toronto, Montreal.

Mr. CHUTTER: I think there is quite a general feeling in the housing industry that it would be pretty hard to maintain our housing program of 140,000 units of the type of medium and higher cost units selling in the post-war period. If the lower cost housing market could be expanded, however, there is a very large potential market there which would enable the maintenance of a very large volume of house building activity even exceeding 140,000 units. In other words, the demand is there, but in the past, the factors which are necessary in combination to bring this about have not been there. Either the funds have not been available or one or more other key factors have not.

This is in essence the main thought expressed in our brief: it is necessary to consider all of the key factors you need in combination to provide a large, long-range housing program. If that type of market for lower priced homes can be developed, I think the feeling of our association is there would be no difficulty in maintaining a larger housing program. In fact, most of the authoritative analyses on housing volume predictions, such as that of the Gordon Commission, indicate a program of from 180,000 to 200,000 units a year being required 10 or 20 years from now, when the current school children are married and building up their own families and need housing. This is the potential demand which would appear at that time.

Senator ISNOR: You must bear in mind the Government has set no standards so far as these 140,000 units are concerned.

Mr. CHUTTER: That is true, yes.

Senator ISNOR: Mr. Chairman, the question I really wanted to ask was, what would be the average so-called service charge in dollars and cents, referred to in the brief?

Mr. CARON: I take it, Mr. Chairman, the senator means for water, sewer and street.

Senator ISNOR: Yes.

Senator HORNER: And land?

Senator ISNOR: No, just the service charge.

Mr. CARON: As a rough average, Mr. Chairman, I would say the cost per property for 50-foot frontage—that is a little on the small side, but it is the one I have been dealing with for the most part—would be in the order of between \$1,700 and \$2,000, which includes the sewer main, the water main, the sidewalk, and half of the cost of the road and pavement in front of the house.

Senator ISNOR: In other words, if the service charge were eliminated you could increase the amount of the mortgage by \$1,500 to \$2,000?

Mr. CARON: I don't follow your questions.

Senator ISNOR: You said that you are looking for assistance from the Government, and you ended up with the suggestion that you do away with certain charges to help the municipalities, one of them being the service charge.

Mr. CARON: The trunk service charge. We are thinking primarily in this instance of where a man wants to make a subdivision in a place that is some distance removed from the existing trunk sewer, and there is a gap between the two, the cost for which the municipality could not tax the property owner, and could not possibly tax the individual who happened to own the property located in that gap. We are thinking of federal Government assistance, financially speaking, by way of a loan; the owner would pay it back as he does in his improvement taxes, for trunk sewer assistance that would stretch up to even a couple of miles.

Senator ISNOR: But you do say in your brief that the service charge is taken into consideration when the application for loan is being considered.

Mr. CHUTTER: I think, sir, the distinction made was that in the past the cost of services has been borne by the municipality and repaid by local improvement taxes; in other words, the municipality would install various services and get payment back over a period of years through local taxes.

Senator ISNOR: Right.

Mr. CHUTTER: So that when a person went to buy a house, the mortgage would be based only on the cost of the house itself; he would put up a certain percentage as down payment, and he would pay the municipal taxes for the cost of the services. There has been a growing tendency for more and

more municipalities who are experiencing financial problems of an overall nature, to say to prospective builders, "if you are to get a permit for this project you must install all the services." This means that the cost of services is added to the cost of the house and bundled together in the mortgage; and instead of the down payment being, say, 10 per cent of the cost of the house, it is now 10 per cent of the cost of the house and the serviced land. This increases the down payment and the carrying charges, and it also means that a great number of people are cut out of the housing market by reason that they can no longer qualify under the limitation of the 27% debt services to income ratio if you throw the cost of services into the calculation.

Senator ISNOR: I am putting it in the reverse, and saying if that is eliminated your mortgage could be large, because the cost to the builder would be less.

Mr. CARON: The cost to the builder is not less; somebody has to pay it some time. But if it is financed through the local improvement tax system, then the mortgage is lower at the outset.

Senator PRATT: Mr. Chairman, reference has been made to the gearing of the instalment financing to incomes of \$3600 and upward with 27 per cent as the qualifying percentage to take up the amortization and expenses.

Mr. CARON: That is to amortize a loan, to pay fire insurance and taxes.

Senator PRATT: I have just made a calculation that a program involving 140,000 units a year, on the basis of Canada's present population, and taking an average of five per family, would mean that 4 per cent of the homes in Canada could in one year come under instalment obligations of 27 per cent of income and continue as such for 20 or 25 years. That indicates to me a pretty inflationary condition. At an average cost of \$12,000 per unit, this would run to nearly \$1,750 million in one year.

I am all for a house building program, but I think we have been gathering too many figures and looking at too many reports, good as they are, such as the Gordon Report, telling us what is going to happen in Canada 20 to 25 years hence. We are apt to adopt all at once too much of the long range program which, in terms of piling up debt, is inflationary. Long range planning we must do, but thinking in terms of 4 per cent of all families of Canada incurring, say, \$1,740 million in loans every year we operate under this scheme indicates a pretty inflationary state of affairs.

Senator WALL: Mr. Chairman, could I ask for a clarification on some of the generalizations which appear on page 2 of the brief. I read these words at the bottom of page 2:

There was also an indication that lending values would in future more nearly approximate the actual construction costs of new homes.

What is the present problem? What is the disparity between land values and actual construction costs? You have a generalization here: what is the exact problem?

Mr. CARON: Where the house would cost the builder \$9,000, the actual cost before he puts anything in, Central Mortgage would say, from the various factors involved, and perhaps the way the appraiser happened to feel that day—the human factor happens to come into it—"That house should be valued at \$8,600 or some such figure." There is your disparity. And when you get a difference of \$400 in a house that is going to sell in the neighbourhood of \$10,000 or \$11,000, it is quite a big factor.

Senator WALL: When you say that that house costs you \$9,000, do you supply figures to the person who is doing the adjudicating?

Mr. CARON: Very much so. You are given a form. You apply for a mortgage; the builder applies for his mortgage to build, and there is a breakdown on the back of the form of carpentry, concrete, bricks, and so on along

the line. There is no place in the form, the breakdown for the man's profit, so what he does, he takes his profit, which is going to be so much, and he adds a little all the way down the line, so at the bottom the cost is what he wants to sell that house for. The Central Mortgage and Housing figure has always been less. Whether you put it up at the final price, or whether you put it at the net cost of the house, the figure is always less. You never get a mortgage based on the figures you put on that form.

Mr. CHUTTER: The loan is not based on the actual cost of the house but on the appraised value put on the house for lending purposes. In the past, it was felt that the appraisals were on the low side, and there have been adjustments in the last six months or more whereby more things have been taken into consideration in the establishment of the appraised value, so that the loan has been increased somewhat. That tendency has been helpful.

Mr. CARON: I would like to say, in all fairness to Central Mortgage and Housing, it is pretty close to it. There is not a great deal of difference.

Senator WALL: At the bottom of page 4 you have a fascinating idea,—the ear-marking of national housing funds for specific purposes to meet the intended requirements. That is really what the basic thesis is. How can that ear-marking be extended to meet the needs or the intended requirements in the first place so as to provide money for the person who needs the house?

Mr. CARON: I can answer that by telling you what the Central Mortgage and Housing has already done with respect to what they call agency loans. Now, agency loans were loans from Government funds but released through the lending institution, and they were designed to help the alleged "forgotten man." What they did was to restrict the area of the house to a given maximum number of square feet. You no doubt are familiar with the rental building financing plan known as "limited dividend". There is a case where the prospective tenant's income cannot be above a certain figure, and what interests me is to see just what they do when his income passes that figure, and how they are going to get him out of there?

Senator WALL: I understand that. But the thing that fascinates me is, supposing you have the Central Housing and Mortgage Corporation with \$300 million. It ear-marks that money and says, \$100 million is going for limited dividend purposes, building purposes, and when the builders or the lending institutions use up the other money, and there isn't any available, then in effect the construction industry would be forced to pay more attention to the areas of construction that they do not pay attention to.

Mr. CHUTTER: I think the reason for this reference in the brief, is that in the past, the intent of the act was not being realized. A person could afford a down payment and the carrying charges but, previous to the agency loan program in recent years, the mortgage funds supply situation was such that he could not find anybody who was willing to extend mortgage funds to him under the National Housing Act. The Central Mortgage and Housing Corporation could only make direct loans in certain size communities. In the larger communities the demand for funds was such that the lending institutions would be pretty selective, and if they could extend a mortgage on a larger house there would be the natural preference to do that, rather than lend on a small house. Therefore, a number of eligible people, though they had the income for financing a house under the National Housing Act, could not get the funds. The small homes program, however, specified that funds would be available for housing units with a maximum floor area of modest size. There was a very heavy demand in respect to this program.

Senator BRUNT: What I would like to refer to is paragraph (vi) on page 10. There are a number of matters there which seem to restrict the providing of houses. Are not all of these matters a provincial and municipal problem, and

has the dominion Government anything to do with holding up a plan for one or two years? They have nothing to do with lot sizes, other than the Central Mortgage and Housing Corporation requires certain definite sizes and these other things that are referred to in detail.

Mr. CARON: They are strictly municipal affairs.

Senator BRUNT: I have one other question and I would just like an explanation about it. Starting at line 7 on page 6 of the brief it reads: "Moreover, the saving of even \$1,000 in construction costs through new designs, materials and techniques may easily be wiped out by an increase—" and I am not going to read the next three words because I understand about that—"in interest rate." I would like a further explanation as to that.

Mr. CHUTTER: We have had several examples in recent years when the interest rate has been increased. If you take the overall cost of a home you have to take the whole 25-year period of the mortgage. I remember that in the 1954 hearing there was material supplied by C.M.H.C. showing the effect of increases or decreases in the interest rate spread over a 20, 25 or 30-year mortgage. An increase of $\frac{1}{2}$ per cent say, from $5\frac{1}{2}$ per cent, would amount to an additional \$1,000 or more over a 25-year period.

Senator BOUFFARD: This is a carrying charge?

Mr. CHUTTER: This is the overall cost.

Senator BRUNT: Does the average house buyer ever inquire about the overall cost?

Mr. CARON: Only in so far as his monthly disbursements are concerned. We do get the occasional person who is an auditor or a would-be auditor who works it out and says, "My gosh, instead of paying \$10,000 back I am paying \$14,000 back."

Senator BRUNT: And that increase in the overall cost does not in any way prevent the sale of a house with respect to a man's income?

Mr. CARON: Only in this respect, that it is within the realm of possibility that if a loan, say at $5\frac{1}{2}$ per cent were made it would require a certain capital payment to amortize, and that, multiplied by 12, equals the annual. Then it is increased to 6 per cent. As I say, it is possible that a man's income might be close to the line and he is no longer eligible for an N.H.A. loan on the 27 per cent of income carrying charge basis. Then the lending institution makes a particularly careful credit investigation of that man and I would say that for the most part the advantage is given to him.

Senator BRUNT: That is all, thanks.

Senator MOLSON: It seems to me there is one aspect of this question we have not touched upon, and that is the actual cost of houses in general. I would like to ask Mr. Caron how the cost per square foot of these houses has varied in, say, the last five years? We have been speaking about inflation and the limitations of people to buy houses, but how has the cost of these houses changed?

Mr. CARON: Take a bungalow which sells for \$11,500, \$12,000 or \$12,500, exclusive of the land. Taking the area once and ignoring the basement, that house costs roughly \$10.50 a square foot. Five years ago it cost about \$8.50. What has taken place, Mr. Chairman, is that the builders have become more efficient. They have used more power tools, for instance. The price of materials have recently come down but the price of labour has crept up a little so that it is almost even-Steven. It is a little more expensive now per square foot than it was.

Senator MOLSON: You have said \$2 more per square foot.

Mr. CARON: Yes, roughly \$2.

Senator MOLSON: It is a good deal more expensive then, isn't it?

Mr. CARON: The percentage profit has not moved and if anything it has come down.

Senator BRUNT: What would be the area of an average bungalow that you have referred to?

Mr. CARON: About 1,065 to 1,100 feet.

Senator BRUNT: It would be \$220, the increase.

Senator MOLSON: What is the change in the labour cost? You say materials have come down but labour has gone up. What is the increase in labour costs in five years?

Mr. CARON: It is a little difficult to say over a five-year period they creep up about 10 to 15 cents an hour every year in our area.

Senator REID: What about productivity? Carpenters are not doing half the work they were doing 10 years ago. The same is true of bricklayers.

Senator MOLSON: Could I get an answer to my question about the cost of the labour content?

Mr. CHUTTER: Going back to the average cost per square foot over a five-year period, in 1957 the average cost per square foot under N.H.A. was \$10.71, whereas in 1953 it was \$9.05. So over a five-year period the average price per square foot of an N.H.A. house has risen about \$1.66, part of which represents increased standards.

Senator BRUNT: Mr. Chairman, might I just correct something I said. My mathematics were bad when I said \$220. I think it should have been \$2,200.

The CHAIRMAN: Yes, sure it should have been.

Senator CRERAR: Just a slight error.

Mr. CARON: I am sorry you brought that out. I was patting myself on the back.

Senator PEARSON: The cost of land has gone up as well.

Mr. CARON: Oh yes, terrificly.

Senator PEARSON: And that increases the cost to the purchaser.

Mr. CARON: Yes.

Mr. CHUTTER: According to the index of construction wage rates there has been a national average of roughly 20 per cent over the last five years.

Senator WALLS: What years?

Mr. CHUTTER: 1953 to 1957.

Senator REID: I would like to ask a question as to productivity of the artisans. I know that wages have gone up but I also know from personal experience that carpenters and bricklayers are not doing anything in the way of productivity that they did years ago. What about the productivity of the artisans and other workers? If they do not produce as much it would add to the cost.

Mr. CARON: I can base my answer on my own experience, and I have been in the housebuilding business since the end of the war only.

It is my experience that if a builder can keep sufficiently busy to maintain a reasonably-sized organization where he is using the same men, his productivity fluctuates up and down, for instance, and there is no building in winter, and productivity stays level as the cost of the labour increases, but where business in summer you get going again, it appears to be getting less all the time.

Senator REID: Is it not true that there are unions holding down men to do so many doors or windows, and to lay so many bricks a day? We did four times the work years ago than they do now.

Mr. CARON: That impression goes for any industry. It would appear to me that any time we have a war, the incentive to work following that war period decreases, and there is a general attitude of 'let the Government do it'.

Senator REID: And it add to the costs?

Mr. CARON: Absolutely.

Senator LEONARD: Could you give us a rough idea of what percentage of \$10.71 a square foot, the cost at the present time, goes to labour on the job, and what for material?

Mr. CARON: Yes, that is about 50 per cent for labour and, 45 per cent for materials and sub-contractors cost (which includes labour naturally) and 5 per cent of what you have forgotten about.

Senator REID: I must disagree with that statement, when you say on a square foot basis. Do we get better value today?

Mr. CARON: In reply to that remark, which by the way I have heard before, my father's house having been built by artisans in 1912, I would say that regarding the houses that are selling today at, let us say, \$11,000 which in the early thirties were probably selling at \$6,000; I reiterate, sir, that the comparable house today is higher grade, it is a better house, the materials themselves are better, and Central Mortgage and Housing specifications are such that we make a better house. Now, I cannot argue that with regard to houses that cost, let us say, from \$50,000 upwards. If I may return to my father's house, where I was brought up, there are certain materials in there, mahogany panelling, and the like, that you cannot get today, but for the \$5,000 a year man, for the run of the mill house, I will stack against the old one any time the house that is built today.

Senator WALL: May I ask a question? The Canadian Construction Association has a statement on page 7 of the brief which says, "National Housing Act provisions for multiple-unit projects should be made more attractive to investors", and it goes on to speak about apartment blocks, row housing and semi-detached houses. In view of the probable developments of multiple-unit projects, has this association given any thought to making this type of multiple-unit project available to owners on some co-operative basis? What is the trend in the thinking, and what are the steps that are being taken to sponsor this type of an idea?

Mr. CHUTTER: If I may answer that, there are a small but growing number of examples. There are many such building in Europe, but here in Canada there are relatively few. References were made in the brief to examples of that type of ownership, of an apartment, or half of a house, or a unit in row housing. It is on the increase. At the moment these projects are mainly being sponsored by people getting together on a co-operative basis.

Senator WALL: Supposing, for instance, fifty of us get together to build an apartment block, what are some of the problems that would deter people from doing that kind of thing?

Mr. CHUTTER: We are told by the financial institutions that there is no reason why it should not be done on a greater scale. Probably has not taken place because people are not used to it and it is not part of our tradition.

Senator BOUFFARD: There are more examples of it in Europe?

Mr. CHUTTER: Yes.

Senator REID: For information, on page 7, the brief says, "The terms of the Canadian legislation, for example, are more stringent than the equivalent legislation in the United States of America where down payments and carrying charges are lower." Could I take it that there is no age limit for a person

buying a home? You would not, for example, sell a man a home if he was over 50 years of age, or would you?

Mr. CARON: Well, there is an age limit.

Senator REID: Why is age limit put in?

Mr. CARON: This refers to lower down payments and lower rates of interest.

Senator REID: But a younger man has a longer period of years to pay off.

Mr. CARON: Well, yes; I do not know what the situation is in the United States; however, in Canada if a man is 55 they take a good close look at him.

Senator PEARSON: Would the position of the low income man be improved if you had a scheme for the remodelling of older houses?

Mr. CARON: We certainly think so.

Senator PEARSON: What I am thinking about is the houses in the central part of the city which are going down greatly in value, and looks, and accommodation, and everything else, but if those were brought up to standard there would not be such a demand for low cost houses in the outside areas, where it is so difficult for a man to get in to his work, and adds to his expenses.

Mr. CHUTTER: It is often more expensive to buy an old house which may be still structurally sound than a new house. It is felt by the construction industry that if older houses could be purchased under N.H.A. terms and home improvement loans used to modernize them or to correct defects, then more people would get into the housing market. Everybody does not buy a new car, but a lot buy a second hand model at a lower price under the same financing arrangements.

Senator BRUNT: There are facilities now for home improvement loans?

Mr. CHUTTER: Yes.

Senator PRATT: What is the average cost of taking over the mortgage financed homes, in the last say four or five years, or what would be the approximate average cost?

Mr. CARON: You mean the average price of the house? Somewhere in the order of \$13,250.

Senator PRATT: I was thinking of the average construction cost.

Senator CRERAR: May I ask if there is any change in the demand for style?

Mr. CARON: Yes, Mr. Chairman. It has been most interesting, as a matter of fact. Six years ago the great demand was for two-story houses or the two-storey cottage as they called it. The tremendous volume of American publications on housing caused the style to change to bungalows, first, and then to split levels. They just poured on to the market. This year, however, we see a trend going back to the two-storey house for two reasons: the basic reason is that you can put it on a smaller lot and the land will cost less and there is less lot to look after on the part of the owner. That is a factor that is often forgotten. Secondly, there is a trend towards people wanting their bedrooms on a different level from their living rooms.

Senator PEARSON: I suppose it is better to have the youngsters away from the entertainment that is going on in the evening by having their sleeping quarters upstairs.

Mr. CARON: Yes, that naturally comes about. Even when they are not entertaining they are noisier at night, and the children are more easily wakened.

The CHAIRMAN: What do you find in the cost per square foot relationship as between the ranch house, the bungalow, the split level and the two-storey house?

Mr. CARON: I quoted \$10.50 a square foot for a bungalow, and for a two-storey house with maybe a little more volume of house it would run about \$10.00 or \$9.80, in there somewhere. It is definitely less.

The CHAIRMAN: But not too much?

Mr. CARON: But enough to be worthwhile.

Senator SMITH: Did you say that the two-storey house has more square footage?

Mr. CARON: Slightly.

Senator SMITH: Then does that not make the cost exactly the same—you are getting more square footage and it is costing a little less per square foot?

Mr. CARON: You get more square footage and it is costing a little less per square foot. However, I have just taken \$10.50 and \$9.80 offhand, but I could work it out mathematically for the same number of square feet.

Mr. CHUTTER: I think, Mr. Chairman, the two-storey house, generally speaking, is more economical than the rambling ranch house because of less wall and less roof.

Senator BOUFFARD: And less foundation.

Mr. CHUTTER: Yes.

Senator MOLSON: Would the heating costs be more economical?

Mr. CARON: Very much so.

Senator MOLSON: And maintenance?

Mr. CARON: Well, no, the things you have more of in the outside surface of a bungalow wear or last much longer, so if there is more of it it is no serious difference in maintenance costs. Generally, a two-storey house has more wood and material that requires more painting and looking after.

Senator MOLSON: What about snow on the roof and so on?

Mr. CARON: I would not think that makes much difference. The snow is going to stay there if the house is properly insulated, and do no particular harm.

Senator SMITH: What is the cost factor in the story and a half house?

Mr. CARON: I can answer your question, Senator Smith, quite accurately from personal experience. In a story and a half house the cost is just as much as in a two-story house because of extra man-hours that go into the roof and the partitions which cause the builder to lose any advantage he may have had.

Mr. Chairman, could I go back to a point that was mentioned by Senator Pearson, who mentioned the possibility of getting N.H.A. mortgages on old houses in town because if a man lived in town he will be closer to his work. It is rather an interesting fact that for a lot of people living in the centre of the urban area their work is away out on the outskirts, and vice versa. We are running into that problem union-wise because in Montreal we have a great deal of trouble in that the unions want their members to be paid for travelling time. Now, the question is where do you start travelling time? Where the streetcar ends? It is a never-ending problem and we have not the answer to it yet. But from that point of view it makes no difference where you are living.

Senator CRERAR: Did you say that they want to be paid for the time taken to travel to their work?

Mr. CARON: Yes, they do.

Senator CRERAR: Have you run across any demand yet where they want to be paid when they are sleeping?

Mr. CARON: It would not surprise me at all if that was in the cards. I am negotiating Chairman of the Montreal Builders Exchange and it has turned

out to be a very interesting job to see what the unions are asking for their members. However, Mr. Chairman, I would like to stop there.

The CHAIRMAN: Has anybody else any questions to ask?

Senator McKEEN: Mr. Chairman, with regard to the installation of utilities built as between the municipality or by the builder, I would like to know how much the buyer of a house would save in the overall cost of the house. If the utilities are installed by the municipality then of course the payments under the N.H.A. would be less, but the cost for installing these utilities has to be paid for by local improvement taxes, so the annual taxes may be higher. Of course, the municipality being able to borrow money at a lower rate than the builder can borrow under the National Housing Act the prospective homeowner would save something due to the difference in the interest rates. How much do that amount to? A buyer may be fooled when he buys a house thinking he is getting it that much cheaper, but when a municipality installs the utilities the owner's taxes are going to go up.

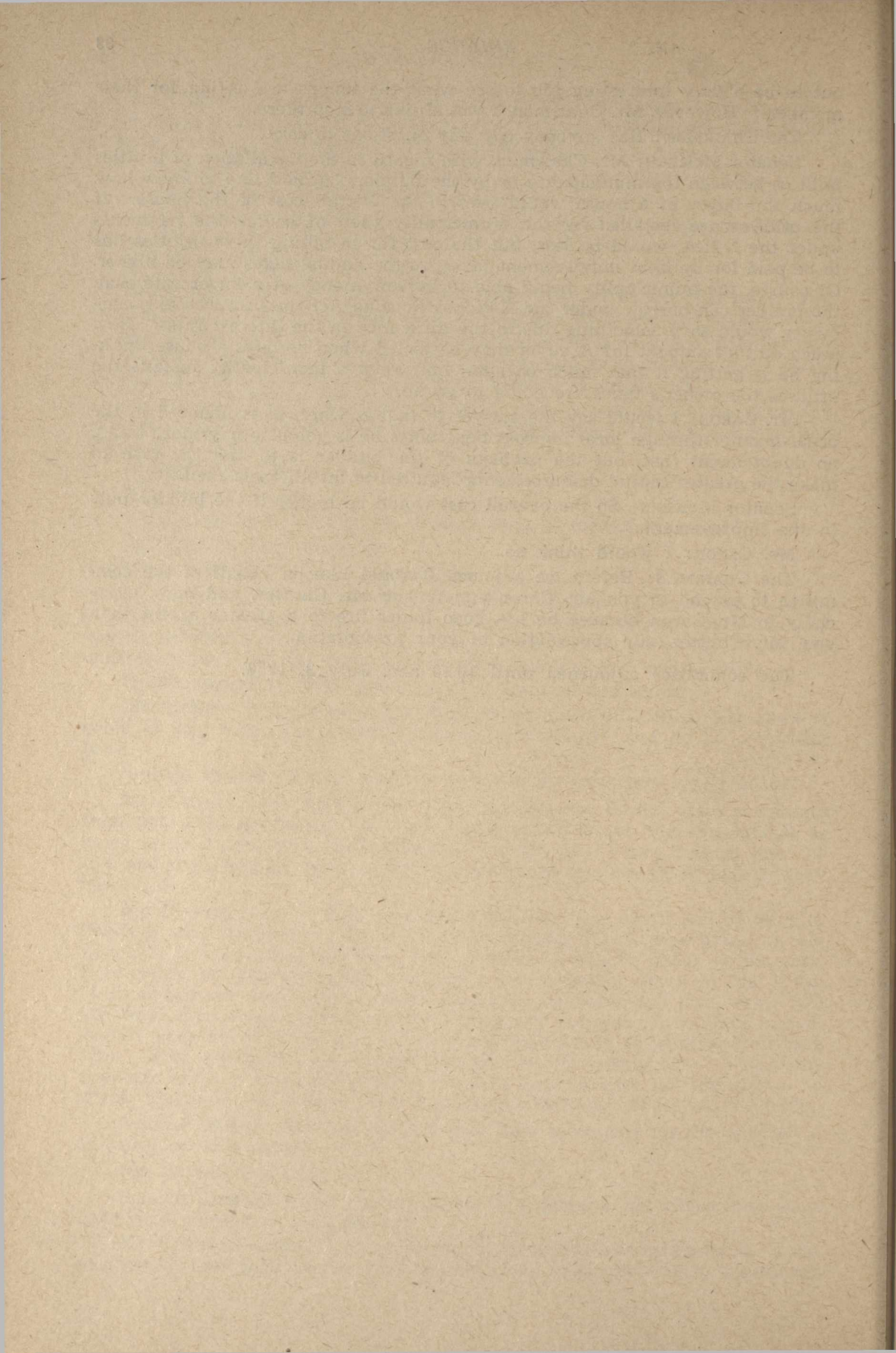
Mr. CARON: I would say the answer to that is where it is financed in the usual manner through local improvement taxes he is going to pay more taxes, no doubt about that, but the problem of the builder is to find the cash to make the greater capital disbursements required to install these facilities.

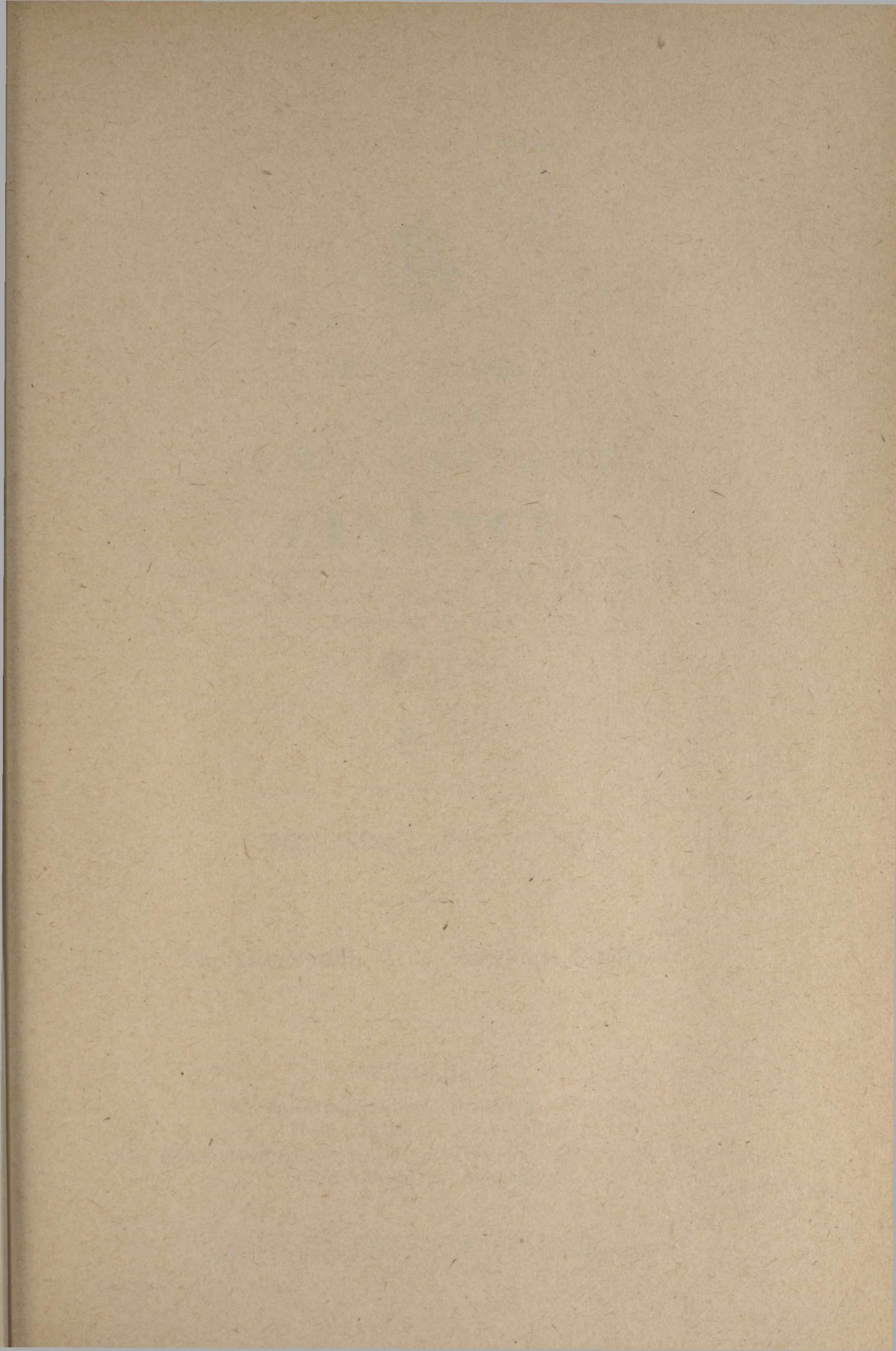
Senator McKEEN: So the overall cost would be higher if the builder puts in the improvements?

Mr. CARON: I would think so.

The CHAIRMAN: Before we adjourn, I would like on behalf of the committee to extend to you Mr. Caron and to you Mr. Chutter, and more especially to Mr. Caron because he has been under fire to a greater extent than you, Mr. Chutter, our appreciation of your presentation.

The committee adjourned until 10.30 a.m. July 3, 1958.







1958

THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE ON
FINANCE

on the Report of Central Mortgage and Housing
Corporation for the fiscal year ending
December 31, 1957.

No. 4

THURSDAY, JULY 3, 1958

The Honourable C. G. Hawkins, *Chairman*

WITNESSES

Mr. Maurice Joubert, President, National
House Builders Association.

Mr. John Caulfield Smith, Executive Vice-President, National
House Builders Association.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958



Extract from the Minutes of the Proceedings of the Senate Wednesday, June 11, 1958.

The Honourable Senator Aseltine moved, seconded by the Honourable Senator Quinn—

That the names of the Honourable Senators Brunt, Emerson and Thorvaldson be added to the list of Senators serving on the Standing Committee on Finance.

The question being put on the motion, it was—
Resolved in the affirmative.

J. F. MacNEILL,
Clerk of the Senate.

THE STANDING COMMITTEE ON FINANCE

The Honourable C. G. Hawkins, *Chairman*

The Honourable Senators

Aseltine	Gershaw	Pratt
Baird	Golding	Quinn
Barbour	*Haig	Reid
Beaubien	Hawkins	Roebuck
Bouffard	Hayden	Robertson
Brunt	Horner	Smith (<i>Queens-</i> <i>Shelburne</i>)
Burchill	Howden	Stambaugh
Campbell	Isnor	Taylor (<i>Norfolk</i>)
Connolly (<i>Halifax North</i>)	Lambert	Thorvaldson
Connolly (<i>Ottawa West</i>)	Leonard	Turgeon
Crerar	*Macdonald	Vaillancourt
Dupuis	McKeen	Vien
Emerson	Molson	White
Euler	Paterson	Woodrow—44
Farris	Pearson	
Fraser	Petten	

(Quorum 9)

**ex officio member.*

MINUTES OF PROCEEDINGS

THURSDAY, July 3, 1958.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

Present: The Honourable Senator Hawkins, *Chairman*; Barbour, Bouffard, Brunt, Burchill, Connolly (*Halifax North*), Connolly (*Ottawa West*), Crerar, Haig, Horner, Isnor, Leonard, Pearson, Pratt, Reid, Robertson, Smith (*Queens-Shelburne*), Stambaugh, Taylor (*Norfolk*), Turgeon and Woodrow—21.

In attendance: The Official Reporters of the Senate.

Consideration of the order of reference of May 20th, 1958, was resumed.

The following representatives of the National House Builders Association were heard and questioned by members of the Committee:—

Mr. Maurice Joubert, President.

Mr. John Caulfield Smith, Executive Vice-President.

(Mr. Smith was also heard on behalf of the Urban Development Institute of Ontario.)

At 12.15 p.m. the Committee adjourned until Thursday next, July 10th instant, at 10.30 a.m.

Attest.

John A. Hinds,
Assistant Chief Clerk of Committees.

THE SENATE
STANDING COMMITTEE ON FINANCE

OTTAWA, THURSDAY, July 3, 1958.

EVIDENCE

The Standing Committee on Finance, to which was referred the report of the Central Mortgage and Housing Corporation for the fiscal year ended 31st December, 1957, met this day at 10.30 a.m.

Senator Hawkins in the chair.

The CHAIRMAN: Gentlemen, we have a quorum. Will you come to order, please?

We have with us this morning Mr. Maurice Joubert, President of the National House Builders Association, and Mr. John Caulfield Smith, Executive Vice-President of the National House Builders Association, who intends to present a brief on behalf of the association. Mr. Smith also intends to present a brief on behalf of the Urban Development Institute of Ontario. Mr. W. M. Thompson, President of that organization, had intended to present the brief himself but he cannot be here. I would now call upon Mr. Smith to present the brief of the National House Builders Association.

Mr. JOHN CAULFIELD SMITH: Mr. Chairman and gentlemen, I am the Executive Vice-President of the National House Builders Association and as such I look after the day-to-day routine matters of the organization. However, in view of the fact that our President, Maurice Joubert of Montreal, is here, I believe it might be more fitting that if you have any questions to ask directly bearing upon construction or land development, you direct them to him. Mr. Chairman, is it your pleasure that I read this presentation?

The CHAIRMAN: Yes.

Mr. SMITH: First, honourable senators, a word or two about this organization. The National House Builders Association was incorporated under federal charter in 1943. At the present time it is composed of 34 local builders' organizations having a total membership in the neighbourhood of 2,400 in principal cities from St. John's, Newfoundland, to Victoria, British Columbia. The membership is made up not only of builders, although they constitute the majority, but of subcontractors and suppliers. Reliable figures are hard to obtain but it has been estimated that 75 per cent of our total housing production comes from builders erecting houses for sale. These builders are independent businessmen, risking their own investment capital, with of course certain assistance provided through conventional mortgage channels and N.H.A. mortgage channels. The important thing to remember, I think, is that they are risking their own money, and they do not depend in their operations upon advances from owners upon architect's certification. These people are entrepreneurs in their own right, and while some are general contractors as well as builders, as a group builders should be distinguished from general contractors.

The brief follows:

To the Chairman and Members,
Standing Committee on Finance,
The Senate, Ottawa.
Honourable Senators:

PART I

The National House Builders Association appreciates being given this opportunity to comment on the administration of the National Housing Act by Central Mortgage & Housing Corporation.

In the opinion of our Association, the Corporation has fairly and competently administered the legislation. At all times, the Association has been encouraged by the national, regional and local officers of CMHC in expanding the range and scope of its activities.

Support given by the Corporation to our building research program, annual convention, and various other projects also deserves mention.

Close liaison has been established between our Association's component local associations and local CMHC offices in all centers where such local associations and offices exist. Joint meetings between a builders' committee on one hand and corporation officials on the other, provide a means of settling questions before they become disputes, for pooling ideas and exchanging information.

When an issue arises which cannot be settled locally, it is brought to the attention of CMHC head office by the National Association. Sometimes recourse is had to the appropriate regional office of the Corporation for preliminary discussion, but the NHBA is not organized on a regional basis. Therefore, the greater part of its work has to be done at the local and national levels.

Occasionally, a member of a NHBA component local association may voice a complaint against CMHC, as an individual. In cases where this happens, the member may be unaware of the liaison mechanism existing between his organization and the Corporation, or he may choose to circumvent it.

If the facilities provided are not used, it cannot be said that either CMHC or the National House Builders Association are at fault.

Suggested Recommendation:

As a method of improving administration of NHA, the recommendation is made that even closer liaison be contemplated by Central Mortgage in its dealings with the National Association.

Sharing of advance thinking of the Corporation at its top level would help to pave the way for readier, more intelligent compliance by home builders with CMHC rules, regulations and interpretations. At present, these sometimes come to them as a surprise. Exposure to builders' points of view, ideas and suggestions on specific proposals, could result in the Corporation's administration of the Act being more acceptable and workable.

PART II

Some general observations as regards housing and the house building industry follow, in the belief that they will be of interest.

Finance Source of Worry:

By and large, builders have two main concerns. The first is the recurring shortage of mortgage money. The second is the growing scarcity of serviced land.

With respect to mortgage money, the federal government has accepted a residual position in financing the construction of low cost houses. However, ministers of the crown have stated that this is but a temporary expedient. They say that the government does not wish to be directly involved in mortgage financing on a permanent and substantial basis.

The fact must be faced that Canada suffers from a lack of long term capital. Mortgages must compete with many other types of essential investment. Insofar as the low cost house is concerned, conventional lenders usually rule it out for reasons of size, type and/or location. If low cost houses are to be built year after year, in the numbers required by Canadians, the government will have to devise an adequate financing plan with as much practical application for lenders as for builders.

It is believed that such a plan should offer:

- (1) Additional incentive for the lender, perhaps in the form of an increased guarantee.
- (2) Supplementary assistance to the house purchaser with respect to his down payment.
- (3) If necessary, a special mortgage fund created through the sale of national housing bonds.

Serviced Land Another Problem:

As a problem, lack of serviced land is as important as uncertain mortgage financing. Land that is served by feeder watermains and trunk sewers is not only scarce, it threatens to grow scarcer. Therefore, such serviced land as does exist, and can be made available, is rising in price.

Measures are called for which will ensure that the supply of serviced land will keep pace with demand for it. Even better, a "stock pile" of serviced land might be created.

This proposal does not visualize the installation of water and sewer facilities on every street in areas designated for residential development. Such was the practice prior to 1930 and adherence to it resulted in financial embarrassment to many municipalities. No, what is meant is the provision—in advance of use—of feeder mains and trunk sewers only.

With a steady supply of serviced land, it is logical to expect that competition amongst builders would hold the line on new house prices, and eventually help to reduce them.

This would have its effect on used house prices as well. At present, the value of much of our inventory of older dwellings is inflated. Availability of more serviced land would help to bring about an adjustment.

At the same time, if the purchase of a used house were to be made possible under the N.H.A., on approximately the same terms as those prevailing in the United States, many people who now cannot afford the high down payment required on an older dwelling, could buy one.

What Steps Should Be Taken?

It is at the municipal level that most obstacles to the provision of serviced land are encountered. These obstacles exist for perfectly understandable reasons, but so far no serious effort has been made to come to grips with them. Land servicing is dealt with on a hand-to-mouth basis, with the result that a maze of conflicting, often non-co-operating authorities have been created. Their operations often result in expensive delays that further boost prices.

The federal government has recognized, in the National Housing Act, that under certain circumstances it has a responsibility to help in providing land on which to build housing. Some provincial governments and a few municipalities have undertaken to share this obligation. But the result, in the form of serviced land, is a mere drop in the bucket.

It is realized that the British North America Act places municipalities under provincial jurisdiction. Yet an issue of national importance confronts us. Because of the size and nature of the investment required, surely all three levels of government can co-operate in evolving an adequate financing plan that will produce a reliable and steady supply of serviced land.

As a start, could not the federal government lead in sponsoring legislation with respect to the servicing of land, which would be as constructive in its way as the first Dominion and National Housing Acts were as regards mortgage financing when they were introduced?

Role Played By Research:

With adequate mortgage financing and an assured supply of serviced land, builders would be able to pay more attention to achieving lower building costs through research.

As a group, builders possess a native ingenuity and inventiveness. They are quick to evolve and to adapt new developments in residential design, building materials and techniques that suit the markets they serve.

Evidence of what can be accomplished in this direction is shown by the construction in 1957, in Hespeler, Ontario, of the National House Builders Association budget research house. Gentlemen, you will find on your desk a copy of the National House Builder, on page 6 of which you will find the beginning of this story of the budget research house which spells out in some detail the construction techniques and the cost economies effected.

It was built by George Hipel, a member of our Research Committee; this 3-bedroom frame house cost \$7,045—not including charges for water and sewer, legal and financing charges, insurance and land.

It was financed by CMHC under the National Housing Act. The budget research house does not conform in several aspects to the building standards established by the Corporation. But, then, nothing would have been proven if it had! Building to CMHC standards would have cost an additional \$400 or so. To build using brick instead of frame, would have cost another \$400.

In years to come, our Association wants to initiate and execute a much more ambitious research program. It hopes that its findings can be speedily translated into amendments to the National Building Code, a document whose adoption it advocates as the official building code of every Canadian city and town.

Some progress has been made in this direction, but much remains to be done. One code for the entire country would permit the benefits offered by technological advances in residential building materials, methods and equipment, to reach the housing market with less delay.

Long Range Recommendations:

The issue of housing is a big one. How can we best provide on a long term basis with efficiency and economy, the housing which will be required by future generations? Only a bold approach will serve the purpose. Our Association believes that it will prove effective if directed in two ways:

1. Creation of a more permanent solution to the problem of mortgage financing for the low cost house.
2. Enactment of measures to ensure continuous provision of an adequate supply of serviced land.

Respectfully submitted,

The CHAIRMAN: Mr. Smith and Mr. Joubert, I want to congratulate you on your presentation of a very thought provoking brief, and I am sure that it will stimulate a lot of questioning from the committee. At the moment the committee is open for questions.

Senator REID: Mr. Chairman, may I ask the witness if any progress has been made towards building houses that can be put up by the purchaser, or the owner of the lot on which it is to be erected, a house that can be made up of the parts bought from a construction company? Where I come from in British Columbia a person can buy a house in that way for \$6,000 not included in the cost of the lot, and that price includes everything.

Senator HORNER: How many bedrooms would be in that house?

Senator REID: Two bedrooms, with a carport for an automobile. There is one lumber company especially which specializes in that type of house. I am wondering if your association has done anything of that kind in the east?

Mr. SMITH: As an association we have not had too much participation in prefabrication or factory production of units, but many of our members are engaged in just that business, particularly in the western provinces.

Senator REID: It is very popular.

Mr. SMITH: And solves many problems.

Senator REID: One further question: do I take it that you are advocating that the Government go into the mortgage business? On page 4 of your brief you say that the Government does not wish to be directly involved in mortgage financing on a permanent and substantial basis. Are you advocating that the Government do that very thing?

Mr. JOUBERT: We recognize the Government should stay out of regular lending. We recognize this is part of a free enterprise system in Canada, and it is not necessary that the Government engage in permanent mortgage financing; but we suggest under the item of low cost house financing, that if the need arises it may be useful to have a special fund, because currently the regular lenders are afraid to loan on low cost houses.

Senator BOUFFARD: Who would put the money into the fund?

Mr. JOUBERT: It would be by the ordinary means, by subscription to bond issues or something like that. It is a special tool or way of solving a particular problem.

Senator BOUFFARD: If there was a bond issue the Government would have to be responsible for it.

Senator BRUNT: They would have to guarantee it.

Mr. JOUBERT: They would have to give some help in that field.

Senator PRATT: We heard evidence the other day from the Central Mortgage and Housing officials that emphasis was being laid by them on their aim to have low cost housing developed.

Mr. JOUBERT: Yes.

Senator PRATT: I was wondering what more is necessary from the point of view of Government sponsorship for the low cost housing. That comes under the C.M.H.C. plan now, where they have a definite objective to have a bigger proportion of low cost houses financed by their organization.

Mr. JOUBERT: We agree that it is the role of C.M.H.C., and the National Housing Act was set up for that purpose; although, currently loans for houses below \$10,000 are difficult to be had in any numbers for the development of low cost housing. That is a very delicate situation, but it is one of the reasons why more low cost houses are not built.

Senator BRUNT: This \$350 million that was voted by Parliament for housing is to be used for low cost houses?

Mr. JOUBERT: Yes, it is directed for that purpose.

Senator BRUNT: You do not think that is sufficient?

Mr. JOUBERT: It is residual lending, and we believe that the position of the Government remaining as a residual lender is the correct one.

Senator BRUNT: You do not think there is enough money in the \$350 million to look after the low cost housing?

Mr. JOUBERT: We are not discussing the \$350 million in our brief, but this would bring us to mention that the \$350 million appropriation is a kind of reserve that is set up by the Government, and the reserve currently is for a certain number of housing units, over a certain number of undetermined years. It could be used at different times according to whether the situation was regarded as serious or not.

Senator BRUNT: There are no restrictions on time with respect to the \$350 million.

Mr. JOUBERT: There are no restrictions.

Senator BRUNT: So that anyone building a low cost house who has been turned down by two recognized lenders, can go to the fund and get the money.

Mr. JOUBERT: Yes.

Senator BRUNT: Do you not think that the fund will provide enough money for low cost housing?

Mr. JOUBERT: It is difficult to say whether the \$350 million is enough or not. This money has just been voted, and I am not an expert on financing to say whether it is enough.

Senator BRUNT: I understood you to say it was difficult to get mortgages on low cost houses. I don't see why it should be difficult, with that sum available.

Senator BARBOUR: Is the \$350 million all to be used in low cost housing?

Mr. JOUBERT: There is a distinction to be made there as to how it is to be used. Of course, much of the low cost housing is difficult to characterize. You may find that in some cities a \$12,000 house is an average-cost house or even a relatively low-cost one, while in some other places, for some other income groups, a \$12,000 house is unobtainable. You should aim at \$8,000 or \$9,000 or \$10,000. The purpose of the research house that was built was to show that a \$7,000 house could be built with a probable market price of \$8,000 or \$9,000 according to the cost of sewers, land and financing.

Senator PRATT: When we talk about a fund to encourage financial assistance for low-cost or higher-cost houses, what about the difference in areas? For instance, take St. John's, Newfoundland. Costs there are very much higher, for various reasons, than they are in some other areas of Canada. If the Government had a set plan of some kind that favoured houses at a certain price level, and so forth, it would work a great disadvantage in some areas. Owing to the fact that there is no precise similarity in costs in various areas, it would be a rather dangerous principle to establish, wouldn't it?

Mr. JOUBERT: Yes; it is a very difficult matter, even with the application of the maximum area per house basis that has been decided upon. The Government, of course, has to have certain rules so that all the financing will not be applied on higher-cost homes. There is a field for discussion here, for you may find with respect to a medium house that sometimes the cost per square foot on an additional 100 or 150 square feet is much less than the cost on the original 1,000 square feet. It is a matter of finding a happy medium in the various areas. It is a very controversial matter.

Senator METHOT: The cost of houses must vary depending on weather conditions in the different sections of the country. For instance, there must be quite a difference in the cost of house building in Newfoundland as compared to that in British Columbia.

Mr. JOUBERT: Yes, there is a difference in the various regions.

Senator METHOT: A large difference.

Mr. JOUBERT: Information on this is being computed by C.M.H.C.

Senator HAIG: You say that \$350 million can go quite a ways. Is that your idea?

Mr. JOUBERT: I think the housing figure per year is about \$1½ billion. It is a matter of finding out for how long this \$350 million would apply. Does it apply to a one-year period?

Senator HAIG: Let me help your memory a little, if I may. When the present Government came into power about a year ago it voted \$250 million to be spent on housing, but by January it was all gone.

Mr. JOUBERT: Yes.

Senator HAIG: The demand for housing is as keen now as ever, and the Government has voted another \$350 million. That may last until September or October and then what will happen?

Mr. JOUBERT: It is not my place to discuss the intention of the Government, but the Government is a residual lender to help out in difficult situations. The housing industry has an annual production of \$1½ billion, so that if the Government were to concurrently supply the money, then of course \$350 million would not be sufficient. But we have to take into account the regular lending that is made by established mortgage institutions.

Senator HAIG: But they do not want to lend.

Senator BRUNT: Oh yes they do.

Senator HAIG: How many loans have the life insurance companies made in the last six months?

Mr. JOUBERT: It is very difficult for me to answer that.

Senator HAIG: What percentage of their lending money has been used for housing?

Mr. JOUBERT: We have had declarations from the Mortgage Lenders' Association to the effect that their current budget for investment is about the same as last year, and they have shown the percentages as being between 60 and 80 per cent of their portfolio according to the various types of companies they represent. Some are insurance companies, others are trust companies, etc., and according to the type of investment, their proportion varies. But they have declared definitely they will lend their usual proportion.

Senator METHOT: How much money have they loaned? You have told us they already have \$1 billion, so \$350 million is one-third of that. The Government is helping actually to the extent of one-third.

Mr. JOUBERT: We should not consider the \$350 million, as was pointed out to us, as being on an annual basis, a six-months basis or a two-year basis; it is money to be put on the shelf for emergency periods. I cannot state that it will be a certain proportion. I would like to be told by the Government for what period it will apply. It would only be then that I could answer you with any accuracy as to whether it is sufficient or not. Now we do not know.

Senator HAIG: You have not answered my question yet. You deal in housing and I want to know from you if the life insurance companies are lending as much proportionately now as they did five years ago in the housing business?

Mr. JOUBERT: From the indications I have I would say they are not lending less, but they are a little afraid about lending on lower-cost housing where low income groups are concerned.

Senator HAIG: Would you say that the Sun Life Assurance Company of Canada, the London Life Insurance Company and the Great-West Life Assurance Company, which are three big companies, are lending as much on housing today as they did five years ago?

Senator BRUNT: More.

Senator LEONARD: Mr. Chairman, we will have a witness from the Dominion Mortgage Investment Company, who can give us accurate information on that.

Mr. JOUBERT: Frankly I do not feel competent to discuss their budget. They can answer that question better than I can.

Senator SMITH (*Queens-Shelburne*): Before we leave the subject of low-cost housing, the inference I draw from reading the middle paragraph on page 3 of your brief with regard to "sharing of advance thinking" is that you are not asked to share in the advanced thinking on any of the work that is going on in the Central Mortgage and Housing Corporation. In view of the statement by Dr. Bates that C.M.H.C. is now preparing plans and specifications for what they will call a low-cost type house, I was wondering whether or not your organization has been consulted with respect to the preparation of those particular plans and specifications?

Mr. JOUBERT: There is plenty of co-operation. Our own research committee, which supervised and built the house that is displayed in this magazine, has been working in co-operation with C.M.H.C. officials, and any new house that will be built by the same committee will be discussed thoroughly with C.M.H.C. officials. Of course, they may plan similar houses and we do not pretend that we have the right to supervise their work. We are not asking for that. They have a perfect right to prepare and work on other plans. We do say, however, that if closer co-operation existed with respect to some phases of discussion, we think we could be helpful in giving the point of view of the builder.

Senator SMITH (*Queens-Shelburne*): You do not know, then, whether or not at the present time your organization has been called into consultation in the preparation of the plans and specifications for the low-cost type of house to which I have referred?

Mr. JOUBERT: Yes, in so far as we are aware there is current consultation with our research committee on it.

Senator SMITH (*Queens-Shelburne*): Yes, I would hope there would be. I have another question. It was stated that there would be 140,000 starts in house building this year. Do you think the market for new houses today is such that it could absorb that number of starts?

Mr. JOUBERT: Up till now the sales reports are very good, and it seems that the market will absorb the production.

The CHAIRMAN: Senator Crerar?

Senator CRERAR: Well, Mr. Chairman, some of us think the Government are getting too far into this business and going too wide afield. Your brief gives me the impression that you want the Government to extend its incursions into business. Have you any comment to make on that?

Mr. JOUBERT: Yes, I have a comment to make on that, because we would not like you to conclude that we are encouraging the Government to go completely into regular business channels. We are suggesting that for very urgent situations like the building of a low-cost house for the low-wage earner, the first help the Government may give is to create, or help to create the appropriate channels. We are not asking for direct assistance in any way.

Senator CRERAR: As a general principle, do you think it desirable for governments to extend their activities?

Mr. JOUBERT: The Government has apparently been organizing channels in every field, agriculture, and many other industries, and I think the Government may through its boards and research activities help organize channels. When I mention organizing channels I specifically mean helping in say having

as more fluid market for any type of house, and helping create the market also means consultation with different regular bodies like lenders and builders.

Senator CRERAR: Of course, your association is naturally interested in building houses?

Mr. JOUBERT: Yes.

Senator CRERAR: That is the way you make your living, is it not?

Mr. JOUBERT: Yes.

Senator CRERAR: May I suggest that your viewpoint may not be altogether unprejudiced?

Mr. JOUBERT: Of course it is prejudiced in favour of the building of houses, but we have a very strong point on this matter: we think we cannot recommend to the individual to build his own house, any more than we would recommend to any man to build his own "Ford", because we cannot achieve mass production that way, and there would be false economy. We have seen it happen very often that when the labourer builds his own house, if he is skilful he will succeed, but sometimes at the expense of his own health, and sometimes he could have made more money in his own field than building his own house. That is a very strong point we make.

Senator CRERAR: In the concluding paragraph of your brief, you say:

"The issue of housing is a big one. How can we best provide on a long term basis with efficiency and economy, the housing which will be required by future generations?"

Is it your responsibility to build houses now for future generations?

Mr. JOUBERT: Well, we think that this is a field where much thinking has to be done in advance. The provision of land is a very difficult problem, and a builder must plan for many years ahead in his operation. Maybe we are extending it a little by saying "future generations" in the plural!

Senator CRERAR: Your proposals would mean, by this substantial expansion, the use of Government money? Who would provide the money for servicing, for instance, of sewers and water mains, and all that sort of things?

Mr. JOUBERT: Well, this matter of servicing is a matter of stock piling.

Senator CRERAR: Who would do the stock piling?

Mr. JOUBERT: The stock piling may be done by the municipality, provided it had appropriate financing plans which would help shelve such services. Most of the speculation that has been done is on serviced land. We all know Canada is large enough to hold any development, but when we talk of shortage it is not on raw land, but on serviced land.

Senator CRERAR: Let us proceed with that for a moment. That would mean that the assistance would have to be given by cash loans to a municipality, or by guaranteed bond issue?

Mr. JOUBERT: Most probably by guaranteed bond loans.

Senator CRERAR: Have you any other method you would suggest?

Mr. JOUBERT: No, because any municipality in its administrative affairs is by definition short of money. It has to pass a by-law to get the money, and when the municipality reports to the Municipal Affairs Commission, or to brokers, on its financial position, it has to show it is worth so much, and it may borrow so much to a very definite use. That is what we call hand-to-mouth financing for regular developments; but we find areas that could be provided with mains, and deflate land prices in that way. We think that the Municipal Affairs Commission in the different provinces, and brokers, would not readily agree with the municipality in investing a little more than is required for the annual needs, and that is where we recommend that a special plan could be worked on with the three levels of government, so that the municipalities could

go ahead and plan for a few years more on development of service areas. We have specifically mentioned that we are not suggesting to spend money on the side streets, pavements, curbs, and so on, and so forth, we are just suggesting that with the main in one area we can deflate prices to quite an extent.

Senator CRERAR: Do you think it would be possible that your procedures, if adopted, would lead to the building of too many houses?

Mr. JOUBERT: I do not think so, because the economy is a matter of supply and demand, and adjustments are made readily by the producers of the houses. It is just that a little part of the capital eventually needed in one area would be supplied a few years in advance, and that would help quite a lot in deflating prices on serviced land.

Senator CRERAR: If that should happen, then somewhere the burden would come on the taxpayer, would it not?

Mr. JOUBERT: In some ways, yes, and it has to be a very carefully planned move. That is why we are not going into the details of it, but suggest that it requires study from the three levels of government.

Senator PEARSON: Under your scheme or idea that the land should be serviced, your stock piling idea, who would be the owner of that land, and who would hold that land until the builder decided that was the time to develop it?

Mr. JOUBERT: Well, we are dealing with individuals, and we do not see that it is necessary that it be held by the Government just for that purpose, but I see that you may think that this will make an extra profit to some owners, while it will not show an extra profit to others. But we find out that currently wealthy land owners make extra profit by not having services or by not co-operating and having services, and that would play against their economy of speculation, because the current speculator prefers in some areas not to have any services and to hold land for a longer period.

Senator PRATT: If there is going to be a servicing of privately owned lands in suburbs, surely that servicing if it were publicly financed, unless it were expropriated by the municipality, would have to be controlled as to price, would it not, if the Government wanted to build?

The CHAIRMAN: Would there not have to be taxing?

Mr. JOUBERT: There would be a direct tax against that region, against that area. I think the support is more needed in the evaluation of the municipal guarantees; I think the need is an additional guarantee, and additional co-operation and comprehension on the part of the different bodies who judge the proposed expenditure.

Senator BRUNT: Would you recommend that the land owner be forced to accept these services? A farmer, for instance, owning let us say a 300-acre farm on the edge of town wants to stockpile that for the future. Are you advocating that he has to take sewers and water mains for that land and probably pay taxes on them for 10 years?

Mr. JOUBERT: That is one of the aspects that has to be studied. We do not want to suggest that all farm lands around the cities or towns must be compelled to take services. Any extensions that would be made would be made in accordance with a master plan, and these master plans provide green belt areas and areas that are to be developed from year to year. Therefore, if we are to make use of master plans, services will have to be provided in those areas designated by that plan for development in the next few years, and in order to do this there must be some manner of forcing acceptance to some extent. But that aspect has to be limited and carefully studied. We cannot think of having master plans in existence for the purpose of controlling development in future years and yet not have any instruments to aid in the development of that plan.

Senator WALL: I wonder, Mr. Chairman, if I could come back to this problem of low cost housing. The brief mentions, on page 4 that the Government will have to devise an adequate financing plan with as much practical application for lenders as for builders. I wonder whether Mr. Joubert would comment more specifically on what I think are interesting generalizations. For example, the brief says:

It is believed that such a plan should offer:

(1) Additional incentive for the lender, perhaps in the form of an increased guarantee.

Suppose we specify that a little bit.

Mr. JOUBERT: We realize the lender is in a difficult position but it is not our role to speak in his name. We realize that the managers of lending departments in any of the mortgage companies have to be careful with the money put in their hands and it is normal for them to place the money where it is best guaranteed and where it brings in the best revenue for the clients of the company. If the lenders are reluctant to lend on smaller houses then there has to be some means of helping them out and guaranteeing in some way that the money will not be lost.

Senator WALL: Right.

Mr. JOUBERT: We find that experience in the United States and Canada in regard to loans to low wage earners in appropriate communities indicates that the losses on such loans are not very big.

The CHAIRMAN: This may not be helping you, Mr. Joubert, but already there are guarantees provided by the Government for housing loans.

Senator WALL: Yes. What additional guarantees are you in favour of?

Mr. JOUBERT: We mention that in our brief because we realize that the lender has his own apprehensions, and some plan has to be devised to help erase those apprehensions. It is not our role to say what mechanism should be made use of or to say how he may be relieved of such apprehensions.

Senator WALL: But there have been no suggestions or wishes expressed by lenders on which you are making these generalizations?

Mr. JOUBERT: No.

Senator WALL: What about point No. 2?

It is believed that such a plan should offer:

(2) Supplementary assistance to the house purchaser with respect to his down payment.

Mr. JOUBERT: That might relate to the second mortgage market. The second mortgage for some people is a very bad thing and yet we know that the second mortgage market exists. Usually second mortgages are sold at very large discounts and there really should be a fluid market in all aspects of the mortgage market. The second mortgage market is not established, it is not public, and many second mortgages are sold privately at large discounts, and this causes quite a loss sometimes to builders and sometimes to the home owner.

Senator METHOT: If second mortgages were guaranteed then the second mortgage would become a first mortgage.

Senator WALL: What would be the purpose of a guaranteed second mortgage? Would you not attain the same purpose by accepting a lower down payment?

Senator BRUNT: May I point out Mr. Chairman, that in Ontario at one time the Government was in the second mortgage business. They bought thousands of second mortgages and it worked out very well.

Senator LEONARD: As far as the National Housing Act is concerned there are not supposed to be any second mortgages. Are you discussing conventional mortgages now?

Mr. JOUBERT: I am discussing the help to be provided to low wage earners, and if any additional laws have to be enacted to help them, it may be necessary. But of course we are not providing you with the solution, we are mentioning only where the trouble lies.

Senator PEARSON: Would it be a cheaper proposition for the low wage earner to purchase a multiple type house rather than a single?

Mr. JOUBERT: That is a very large question, Senator Pearson.

The CHAIRMAN: Senator Wall, have you more questions?

Senator WALL: In that particular arena I am through. I think we have covered the other angle, that is the provision of serviced land.

Mr. JOUBERT: If you will allow me, Senator Wall, when you talk about assistance to purchasers of low cost homes, there is another aspect we did not touch upon here and it should be mentioned: It is the fact that some economists think that it is a better idea to build higher cost houses for those in the higher income brackets, for those who can afford them, and provide a means for the low wage earner to buy the used house vacated by the purchaser of a higher priced house. There is a complete thesis that can be built up around this idea. If the market for used houses was as fluid as it is for used cars maybe the low wage earner could purchase these used houses. At least that would be one way of his reaching home ownership without the builder having to reduce the price of a home by cutting off so many square feet of area and doing away with some of the finished items in a house.

Senator PRATT: On page 6 your brief refers to terms prevailing in the United States with reference to the purchase of used houses. Could you enlarge on that?

Mr. JOUBERT: We have not developed the item very fully but it relates to that.

Senator PRATT: Is it Government policy there to assist in the purchase of these older dwellings?

Mr. SMITH: Mr. Chairman, I wonder if I might answer that question. In the United States, under the Federal Housing Act, it is possible to buy an older, used house for approximately the same down payment as it takes to buy a new one here. In Canada, under existing legislation, that generous treatment is not provided.

Senator HORNER: Who takes care of the balance of the purchase price on such a deal in the United States?

Mr. SMITH: It is financed by a mortgage from the Federal Housing Administration.

Senator HORNER: Do they take over the old house and then sell it?

Mr. SMITH: No, it is just a financing device; it does not provide a substitute for the real estate broker in any way.

Senator WALL: Actually if we were to make it possible for the easier selling or financing of older homes it would be a tremendous boon to us in Canada would it not? Let us say that an average low income person is able to buy an old house for 10 per cent down, financing the balance of it, it would make a terrific difference to him.

The CHAIRMAN: Is not the purpose of the National Housing Act and the C.M.H.C. to find more housing? When you start to finance old housing you are not finding new houses.

Senator HORNER: When the Canadian Construction Association representatives were presenting their brief to us they claimed that they could see an end to this provision of more housing. They said that in fact they had come to the point where there were no sales for all the new houses. That was their

idea. It was not that there was not sufficient money but their fear was that they would not be able to sell all the houses they could build. You do not agree with that, I see. You believe that we are going to go on year after year building the same number of houses each year.

Mr. JOUBERT: I think that the statistics given in the Gordon Royal Commission Report show quite clearly that we need more and more housing.

Senator HORNER: But I do not see that the insurance company, the lending companies are willing to lend on these high cost housing units. The greater number of people, I am sorry to say, are people in the low income brackets, so it stands to reason that there is a greater possibility of loans being repaid in the case of low cost housing, a greater possibility of the money that was borrowed being returned.

Mr. JOUBERT: We have to be very careful when we talk of higher cost housing. It does not mean that the lenders want to lend on \$25,000 housing; they are lending on \$12,000 houses very currently and we think this is very sound practice.

That is why I mention this aspect of the financing of the better demand houses, because it may be that with the \$12,000 to \$18,000 houses we may add the appropriate numbers of housing units needed in Canada; then, gradually there would be a shift for the low-wage earner, as soon as his income power increases, to go from the lower cost house to the higher cost house; the lowest cost house may happen to be the old house or a small house that a builder has built new. It is a matter of having him come up to a better house when his income improves.

Senator PEARSON: I should like you to discuss further the question of the multiple family type of house as against the single unit.

Mr. JOUBERT: It is very wide in scope and entails various principles, starting with ownership and rentals. It may be more difficult to establish home ownership with the low-wage earner if you build only multiple units; although, it could be studied to find out about the co-operative ownership plan that may help low wage earners to own co-operatively their share of an apartment house.

On the other hand, apartment houses may be built more economically with fewer dollars per apartment unit. Also, you have the cost of land, which is increasing rapidly when you get into multiple unit buildings, and you find that the number of dollars allotted to providing land for one housing unit is sometimes higher in the apartment house type than on the individual house type. It may be found from statistics in larger cities that apartment houses are built economically and absorb a certain part of the excess cost of land.

Senator PEARSON: I was referring to the multiple type of house rather than the apartment type: that is, individual units which are joined together so as to save the addition of one wall.

Mr. JOUBERT: You mean a row of houses?

Senator PEARSON: Yes, a row of houses.

Mr. JOUBERT: Row housing may be a good solution. Of course, there has been very poor row housing built in years gone by. But you can have better designs which would provide more family units per acre and better investment per acre.

You see, when you look at the low cost housing, the type which is built by our research committee, you have to figure on \$8,000 to \$9,000 per unit with five to six units per acre, which may mean an investment of \$40,000 to \$60,000 per acre; while with the apartment house at the other end of the bracket, you would have \$200,000 to \$300,000 per acre. But in the middle you could have row type housing built at about \$120,000 to \$150,000 per acre,

guaranteeing fully municipal services, using land more economically, and the units would be built a little more economically because the units would be built in a series.

Senator ROBERTSON: I am curious to know about the reluctance on the part of institutions to lend money on the low-cost houses of the \$8,000 to \$9,000 type.

Mr. JOUBERT: I think it is mostly a matter of choice of the management of the loan company; and they surely have better guarantees when they loan on a higher type of house. That is why it is done, and we are not criticizing them—they may be perfectly right. That is why it may be better to advocate building the larger type of house, to serve a definite market and to serve the lower-wage earner with used houses, and smaller houses that some builders may succeed in building.

Senator ROBERTSON: But as you say, the experience in the United States and Canada has been, and as Senator Horner says, that there is less loss in default on a \$8,000 to \$9,000 than on a \$10,000 to \$15,000. Why then is there such a reluctance, if the experience on the lower-cost house is good? The market for re-sale of the lower cost house is much larger than on the bigger house.

Mr. JOUBERT: I think the reluctance does not lie only with the lenders on the matter of financing; I think it lies even with the citizens within the community. Many people think we are down-grading the whole area if we build thousands of smaller houses. We have to realize that the community cannot be built with large numbers of smaller houses, and other communities with fewer more expensive houses. There is the problem of integration of the different types of houses within one plan.

I think the lender, together with the builder, who knows the market and the people themselves, has a feeling that there is an unbalance to be attained if all the lower-cost houses were built of the individual low cost type within the community. There is a very definite social and economic problem in community planning.

Senator ROBERTSON: But specific assistance from Government or other sources to aid the financing would not change the social aspect.

Mr. JOUBERT: No. That is why we need research in the line of what has been mentioned in row houses and this type of adaption of lower-cost units. Sometimes it is found that the low-cost units will be better integrated in the community if it is planned with the appropriate semi-public parks along the rows, and other things, which you cannot provide with the individual house.

Senator LEONARD: Just to follow that up, is it not a fact that the number of low cost houses built in the past few years has been due to a number of reasons, such as the standards that have been set up and the desire of buyers to buy a better class of house?

Mr. JOUBERT: Yes. It is more a market situation than a matter of standards.

Senator LEONARD: More a market, than standards or financing, is that not so?

Mr. JOUBERT: Yes. It is for the same reason that, for instance, in Detroit the automobile builders make the bigger car rather than the Volkswagen type of car.

Senator LEONARD: It is only now that you are putting more emphasis on the low-cost house such as the George Hipel house, or the house the witnesses on behalf of the Central Mortgage and Housing Corporation explained to us here, at a cost of even less than the George Hipel house.

Mr. JOUBERT: Yes.

Senator LEONARD: So far we have not had very much practice in the use of mortgage financing on those two types of houses.

Mr. JOUBERT: That is a fact, yes. I might also point out that our association is not necessarily putting more emphasis on lower-cost housing. We are working on it to try to provide it, but we also think that our members can do a good job in other brackets and in other fields, and as the market happens to be there, this is free enterprise and they follow the market.

Senator LEONARD: To follow that thought along, am I not correct in saying with respect to this estimate of 140,000 completions in 1958, with the houses that are already completed and those already started, they are being adequately financed; in other words, there is not at the present time an anticipated shortage of mortgage funds to finance the 140,000 completions this year, is that correct?

Mr. JOUBERT: I might answer that most of our members have adequate money but there is a spotty situation in some cities where lenders, feeling that sales are lagging a little more than in other areas, would refrain from lending. This problem has confronted some of our members.

Senator LEONARD: That is not because of the supply in the mortgage situation but because of the market situation itself.

Mr. JOUBERT: That is what the lenders say. Of course, the builders say that the houses would sell. It is a local problem.

The CHAIRMAN: There is also a brief here prepared by the Urban Development Institute of Ontario, and I understand that Mr. Smith is prepared to present it. Mr. William M. Thompson, President of the Urban Development Institute, has written to me as follows:

"I sincerely regret that owing to prior commitments I will be unable to accept your kind invitation on that day.

However, I am taking the liberty of making a submission through Mr. J. C. Smith of National House Builders Association, and I hope that if there is an opportunity at a later date to appear in person, I shall be granted the privilege of an invitation." I would point that the brief presented by the National House Builders Association seems to be related to this one prepared by the Urban Development Institute of Ontario, and I would suggest that the latter be read into the record now and that the members of the committee be free to ask questions in relation to both briefs.

Mr. SMITH: Mr. Chairman and gentlemen of the committee, at the present time the Urban Development Institute is an Ontario organization. We have contacts and connections in several other provinces, notably Saskatchewan, Quebec, Alberta and Manitoba. We feel it will not be too long before this body is a national organization too.

The Urban Development Institute was formed in 1956, and it is closely related to the National House Builders Association, its membership consisting of the majority of land developers in Ontario. If I may share an intimate thought with you, we hope eventually to have a series of institutes representing all the parties that have a role to play in the housing picture. For instance, we expect in the not too distant future to have a Building Products Manufacturers Institute. The Urban Development Institute is the one that came first.

The brief reads:

This Institute notes that the intention of the National Housing Act is to enable families of modest incomes to own their own homes, and that the present government has taken steps to provide mortgage funds, if necessary by direct lending, for the financing of low-cost homes.

Serviced land is also an important factor to be considered in relation to low-cost housing. Land prices doubled during the period 1951-56, whereas the construction cost per square foot rose by only one-fifth.

One explanation of this trend is that more and more municipalities are abandoning their traditional practice of financing by means of local improvements. They claim that the high cost of providing feeder watermains and trunk sewers is a burden they cannot afford to undertake. Therefore—and with provincial sanction—the tendency is for them to place the responsibility for servicing land on private subdividers and developers. These entrepreneurs have, in turn, no alternative but to transfer the costs incurred to the purchasers of building lots, hence to the purchasers of the houses erected on them.

In that statement I think you will find the explanation as to why land prices doubled during the period 1951-56. Again it is the operation of the law of supply and demand.

The brief continues: The result is that achievement of a substantial program of low-cost housing, on anything but a temporary basis is jeopardized by the increasing shortage in rising cost of serviced land.

By way of illustration may I say that if in certain areas you have to pay \$5,000 or \$6,000 for a lot on which a working man has to put a house, you can see how a program of low-cost housing is defeated.

To remedy this situation, our Institute advocates that the Senate Finance Committee urge the federal Government to amend the National Housing Act to provide for the financing of feeder watermains and trunk sewers by municipalities and/or private developers and subdividers, and further, that the federal Government evolve a *modus operandi* with the provincial governments to ensure their co-operation in encouraging a reliable supply of serviced land for low-cost housing.

I would point out that the organization seeks Government assistance to create a climate favourable for private investment. We do not want to see the Government supplant private enterprise, but we want it if possible to keep its role of creating a favourable situation for house building.

The CHAIRMAN: Now, with the presentation of the second brief I would invite the members of the committee to ask questions with respect to both briefs.

Senator BURCHILL: I come from New Brunswick and I want to say that I am fully in accord with the last two recommendations outlined in the brief just read. It has to do with a very acute problem we face and I think if these recommendations were carried into effect it would have desirable results.

Senator SMITH (*Queens-Shelburne*): How much cheaper would it be for the eventual home owner if the watermain and trunk sewers were financed through some method adopted by the federal Government than through the present system of financing? Somebody has to pay the principal and interest, so what is the difference?

Mr. SMITH: Mr. Chairman, because private developers are charged with practically the sole responsibility of servicing this land, and because colossal amounts of capital are required for this purpose, they have to charge more for their land than they would if the suggested aid were forthcoming.

Mr. JOUBERT: I would like to give an example of what can happen when the developer has to pay these costs. I have heard Mr. Thompson on this matter and it seems that in some cities in Ontario the developer is responsible for putting in part or all of a trunk sewer in order to sell his lots, and sometimes the trunk sewer may eventually serve other areas than that which he owns. He has to cover this charge in the selling cost of his own lots. So that is one way in which the cost of lots is increased by an undue proportion.

The CHAIRMAN: I have one thing I would like to say about that. I had an experience with respect to installing watermains in a municipality in Nova Scotia. They forced me to put water through their municipality, but they made no allowance to me, in spite of the fact that they are now connecting water outlets to it.

Senator BRUNT: They are tapping it now without any reimbursement to you at all.

The CHAIRMAN: The public utilities said that I cannot recover for that water line until all the latter lines have recovered from it, which might mean a thousand years before I can get anything out of it. That is a very pertinent question and a very pertinent point that Mr. Joubert brought up.

Senator SMITH (*Queens-Shelburne*): Then the main point is not the interest that is received, it is the fact that all the tax burden for providing the water and sewer services is going to be borne by that municipality?

Mr. JOUBERT: And after all, a municipality has been organized to take care of social needs, and if it abandons its responsibilities, then it means somebody else will have to provide those needs some time, and then the cost is not so well balanced as when shared according to the local improvement by-laws.

Senator SMITH (*Queens-Shelburne*): Have you any examples where the builder is also obliged to put up schools? I know in some cities of the United States that is true.

Mr. JOUBERT: Some spending on school construction has been forced into house builders programmes.

Senator HAIG: Everyone is saying this should be done, but how will it all be done? Where the municipality of so and so is annexed to another municipality, the water comes through the second municipality into the first municipality, the first one is not interested, and how are you going to get them to do it? It is too far out of the centre of the city, anyway, and people cannot get in and get out. How are they going to get the money back? If the individual cannot get his money back, how can the Government get it back? Our municipal law is framed that the municipality can do all those things, that all improvements of that kind are made by the municipality, and the law is framed with that idea in view, the legislation is all that way. The only way it could be done is for the dominion to guarantee to lend to the province, and the province to the municipality, and the municipality would be liable for the money it has borrowed; and you will have a lot of trouble to get that through.

Senator SMITH (*Queens-Shelburne*): Is not the point this, that where the house builder is going to build one hundred or five hundred houses, and is obliged to add to the cost those services, it would mean the entire sharing of the cost of providing those services? In other words, there are cities, and I know of more than one, in which the municipality will not accept the ordinary responsibility, as Senator Haig referred to.

Mr. JOUBERT: It is a fact that on regular front services, in front of houses built, as you mentioned, there may not be a very great difference between the cost of builder-provided services and local-improvement-provided services, and this section—

Senator HAIG: Before you finish, let me say this. There is going to be a conference of the dominion Government and the municipalities. Why cannot this be one of the subjects to be discussed at this conference, as to how we are going to meet that?

Senator BRUNT: There is no reason why not.

The CHAIRMAN: We are discussing that here now; that problem is before us now, of course, and I think that the conference you are speaking about could well profit by having the record of this discussion here.

Senator LEONARD: The land assembly division of the N.H.A. does provide for the local services. Is it your idea that that type of programme could be extended to new sewers?

Mr. SMITH: If the land assembly division of the N.H.A. could be extended to provide for private developments, with proper safeguards, that could suffice in many instances. There are groupings of investment capital to take care of major problems of that type.

Senator LEONARD: Have you any other practical suggestions of what should be done?

Mr. SMITH: We did have hopes of the servicing of land by the lending institutions. There were a few projects of that type, but with the demand for mortgage money, and investment money, it has gone by the boards.

The CHAIRMAN: Any other questions, gentlemen?

Senator PRATT: In speaking about urban development, it is assumed that the word "urban" is outside of municipalities, generally speaking, is it?

Mr. JOUBERT: I think I should point out that the urban developer referred to is the man buying land, and doing everything necessary before a house is built. He is quite different from a speculator, who buys land to hold for a long time without providing any services.

Senator PRATT: There are cases, and I know some, where municipalities do not want to extend their responsibilities and their expenses out of the boundaries that already exist, but very favourable building sections are on the outside, of which I could mention two or three. Now, is this intended to take care of that which could be done through private corporations who want to develop, and which would not come under municipalities?

Mr. JOUBERT: Well, the intention is that as much as can be done by the regular local improvement system should be done. Development corporations are ready to put up services provided there would be provision, as was mentioned, for a better financed plan and better re-appropriation of the cost to the ultimate user of the house. In cases where a trunk sewer is built for five hundred houses, which could serve a thousand houses, it is hoped that a way may be found to distribute the cost properly.

Senator ISNOR: Mr. Chairman, may I draw the attention of the witnesses to page 6 of the brief, in regard to older dwellings. I have in mind the thought expressed by Senator Wall on this point. I wonder what effect all this would have on the so-called blighted districts in cities in which a master plan of the city has been prepared?

Mr. JOUBERT: Quite frankly, I do not think it would affect any redevelopment plan, because the blighted area is characteristically an area where houses are too old and could not be financed in any proposed used house plan, as suggested.

Senator ISNOR: There is a difference of opinion with regard to that. In the older cities I have in mind there are many houses thirty, forty, or fifty years old, which are still salable, and you would say they should be financed through the N.H.A. on the same basis as the new houses? Is that what you say?

Mr. JOUBERT: Yes.

Senator ISNOR: As I recall, the object in 1938 was to create the building of new houses for citizens, and to add, of course, to the employment situation as far as building operations were concerned, and to stimulate the building trade. I think that is more or less of a contradiction to the object of the N.H.A.

Mr. JOUBERT: We agree that the principal object of the National Housing Act is to build new homes and we think it will remain so but we find that the market as it develops has specific characteristics that have to be worked on if we want to have a perfectly fluid market for housing. And I say that for the housing market in general, not only the new-house market. You cannot confine yourself only to the new-house market without thinking of the housing market as a whole.

Senator WALL: I wonder if I could come back to one thought. We had made attempts to guess at the reason why there were not enough low-cost houses built and one of the reasons was a supposed reluctance, which is not proven, on the part of lenders, for example; another is the rise in the price of serviced land; another was probably the building code regulations. Would it be unfair to say that there is also a definite perhaps a traditional reluctance or hesitancy on the part of the builders themselves for reasons which I would not want to specify at the present time?

Mr. JOUBERT: You may specify it, Senator Wall, and I think what you have in mind is the profit aspect, that the profit is too high. Well, I am ready to discuss it very frankly. The builder is an entrepreneur like any other manufacturer in Canada and he is entitled to his fair profit, and what we are working towards is to try and have a good market for homes for future clients of the house builders, and we think that excessive profits when made are not more normal in the hands of house builders than in the hands of any other manufacturer. If you consider the house builder as a manufacturer you will see that he has to be very keen and very active to be sure that he will make an average profit from year to year. Many go bankrupt. House building is a most complex industry. In the assembly of television sets or automobiles the manufacturing processes are much more integrated within a plant than house building will ever be, and that is brought about by the fact that you assemble or build or manufacture a house out in the open while most other products are built in factories. That is most important to consider when discussing the risks and profits of the house builder. Of course, you may find that some house builders at one time or another have profited or speculated on a few houses if there was a lack of housing in one area, but in general you will find that prices are generally at a fair level when there is enough of everything. Our contention is that what is lacking most in the housing industry is a fluid market for houses in general, and a good market for serviced land.

Senator WALL: Could I discuss one additional point on that question, and that is one dealing with multiple housing on a co-operative basis. Taking into consideration the average cost of land and the average cost of building a single dwelling and compare that to the cost of a multiple dwelling, not of the posh type, but a good standard multiple brick dwelling adequate for the purposes of family living, what would be the approximate cost of such a unit vis-a-vis a row type housing or a single dwelling?

Mr. JOUBERT: Figures have been published by Mr. Legget, Director of Housing Research of the National Research Council, and I am ready to accept his published figures, for discussion purposes. He sets at \$1.25 per cubic foot the cost of a single dwelling unit and at \$1.05 for the apartment house, but in his own statement he states that one should not take only the cost per cubic foot or the capital investment figure to compare costs of housing units. One should figure rather what the monthly payment may be for the type of housing unit. If you want to make comparisons you have to take into account not only the money taken out of the pocket of the wage earner but you have to take into account what he is getting for the money he is paying out monthly and this involves quite a discussion on what percentage of his earnings he should spend per month on housing, and also it means quite a lot of discussion on

what we think is the need of the family in the way of a perfectly fitting environment for normal development of the family. If you consider apartment house construction you will find that the cubic foot cost is much lower but you are supplying to the family a much smaller cubicle in which to live, and most of the time no outside life, no life in the parks, no communal facilities, while on the other hand, in the single type dwelling, you give access to land around the individual house. When you compare the monthly instalments with the rentals, you will find that most of the time they compare favourably in favour of the individual house.

Senator WALL: In other words the question I was raising is the possibility of a choice. For instance, here is a low income person who may buy a house at \$10,000 away out some place, or he could buy for a comparable price a suite in a co-operative development. I do not think that that multiple co-operative idea has ever been developed in Canada to the extent that it should.

Mr. JOUBERT: That is a fact. It could be worked on to see what could be provided for the low wage earner in that regard, but we would have to understand that the co-operative movement would involve co-operative ownership in, necessarily, co-operative buildings. There are co-operatives engaged in co-operative building, which is an entirely different undertaking. This co-operative proposition should be studied thoroughly because it may be the answer to many problems.

Senator WALL: Let me put it on a personal basis: it is conceivable for you to build a 25-unit apartment building, as entrepreneur, and then sell suites to people?

Mr. JOUBERT: Yes it could be done. It is done in luxury apartment houses, where individual suites are sold, and I do not know why it could not be done for low cost suites. On the other hand, you mentioned distances, and in that regard one must be careful, because when you speak of apartment houses you generally speak of buildings close to the centre of cities but that does not mean necessarily that a person living there would be living close to the place of his work. Sometimes the low wage earner has his place of employment quite distant from the centre of the city, and would probably have to travel as far as if he lived on the fringe.

Senator METHOT: Is it not a fact that in our part of the country municipalities are reluctant to provide services in the way of watermains and sewers to lands because they know that there are facilities which serve lands close to the city. Take for example Cap-de-la-Madeleine. There we have large properties where housing can be built but instead of builders building on these close in properties which are serviced they prefer to develop land which is five, six and even ten miles outside the city, on land which is very far distant from the industries. My question is that don't you think that if we were to urge the Government to provide financing to build such water and sewer services to these outlying properties that we are going to increase our difficulties rather than diminish them.

Mr. JOUBERT: I mentioned, that such developments should be governed by carefully studied development plans.

Senator METHOT: Do you not think it is time a decision was made on this? Take Cap de la Madeleine, for example, where they are going out three, five or six miles from the city when there are properties to be built on right at the door of the factories, but they are speculating on the land.

Mr. JOUBERT: I do not exactly know the situation at Cap de la Madeleine.

Senator METHOT: At Three Rivers and at Quebec City it is the same thing. Do you not think that in providing more serviced lands you are increasing the problem rather than decreasing it.

Mr. JOUBERT: Not in the way we propose, which is with respect only to the areas where serviced land is scarce; if it is not scarce we are not recommending it for that particular purpose.

Senator METHOT: Take Montreal, for example—Montreal Island was in 1912 divided to accommodate a population of over 4 million, and it is still divided; but that arrangement has been cancelled, and the land has gone back to farm use. Actually, that is what we are doing today; we are developing in outlying areas when serviced land is not being developed. The municipality comes along and says that it will not provide services to the outlying area at a certain standard for nothing—first develop the closer areas, and the services will be supplied.

Mr. JOUBERT: You are right, and the municipal bodies have the full power not to develop when they judge the land is too far out, and when there is other land in a nearby area. That is their responsibility.

Senator METHOT: You are asking the Government to supply services to the outlying area?

Mr. JOUBERT: We are not going that far. We are not asking the Government to supply more land, but we are suggesting that the same municipal body which has the power to refuse to develop, has the means to develop when the houses are needed. There is a distinction there.

Senator HORNER: Why do they go to outlying areas when nearby land is available?

Senator METHOT: They speculate on the land.

Senator PEARSON: And another thing, the builder wants a block of land so that he can build 200 or 500 houses, but in the cities there are only scattered lots available; they are of little use from a builder's point of view.

Mr. JOUBERT: But some builders who build 15 or 25 houses a year can do it rather efficiently and compete with the others; I think as long as scattered lots are available they will build on them. But the way things are now it seems some speculators are holding land for a purpose.

Senator METHOT: To return to the city of Montreal, for example, there are still large portions of the Island not developed; but, they are building in Terrebonne, St. Jerome, St. Hubert and so on.

Mr. JOUBERT: You are thinking of St. Leonard-de-Port-Maurice, which is typical of an area in the centre of the Island, which, to be developed, would require a lot of trunk sewers to serve the area.

The CHAIRMAN: I think perhaps the discussion with respect to Montreal has perhaps gone far enough, and is a bit beyond our terms of reference.

Senator METHOT: I don't know whether it happens in other cities, but I know that many municipalities are reluctant to provide services because they are asked to extend them to far away areas, when there is land near by not being developed. Such situations are apparent in Montreal and Three Rivers.

Senator PEARSON: The same thing happened in Winnipeg, where they developed areas for miles outside, and they are not being used today.

Mr. JOUBERT: We are not recommending that.

Senator SMITH (*Queens-Shelburne*): I understand that the George Hipel house was financed by Central Mortgage and Housing Corporation. Does that mean that if a builder wants to build 500 of those houses, C.M.H.C. will approve them?

Mr. JOUBERT: That house was built on a very special financing basis so that Mr. Hipel could demonstrate his point, that he could build such a low-cost house with standards which he set up and decided to follow. C.M.H.C. did

that with a co-operative mind to help prove a point. But last year it was not the regular policy to finance that type of house. This year I hear that some such houses have been financed. Probably research will find new ways by which more and more of those houses can be financed.

Senator SMITH (*Queens-Shelburne*): In what ways does this house not conform to the building standards?

Mr. JOUBERT: On typical standards, like thickness of plywood, spacing of joists; and by these economies it was possible to save \$400 on that house.

Senator LEONARD: Is it true that the loan was made under section 40, by an institution?

Mr. JOUBERT: The regular builders' loan.

Senator LEONARD: But it was by an institution and insured under the Act.

Mr. JOUBERT: Yes.

Senator SMITH (*Queens-Shelburne*): I notice that this is the type of house that an owner with an income of \$2700 a year could handle.

Mr. JOUBERT: Yes.

Senator SMITH (*Queens-Shelburne*): That is a very interesting point.

Senator LEONARD: I think the record should be corrected: I understand the Hipel house was financed by direct loan under section 40.

Mr. JOUBERT: I was told it was not.

The CHAIRMAN: Mr. Joynes is here; perhaps he can straighten that matter out.

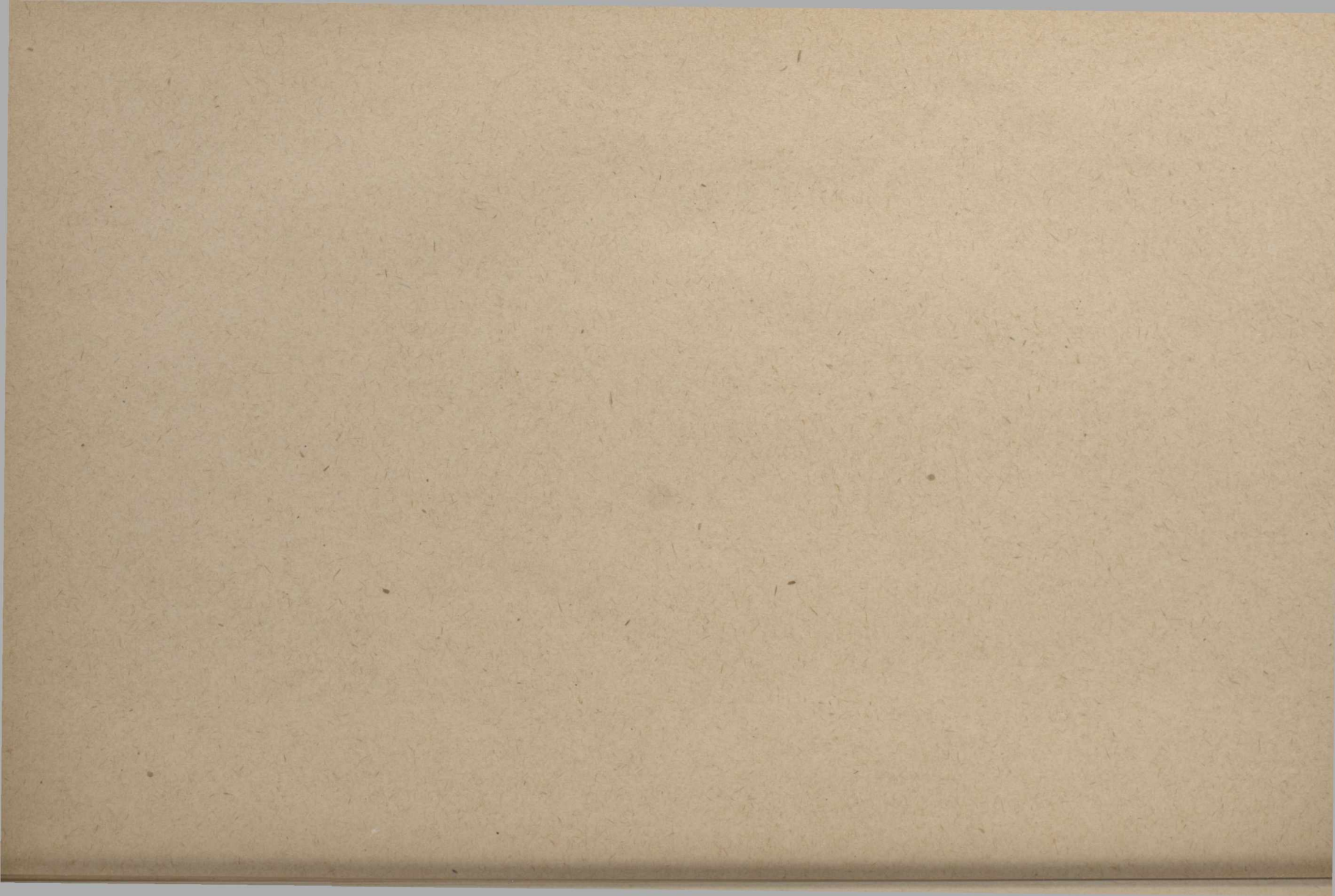
Mr. JOYNES: The Hipel house built at Preston was on a direct loan; the same type of house is being financed by the Bank of Montreal at Dartmouth, Nova Scotia.

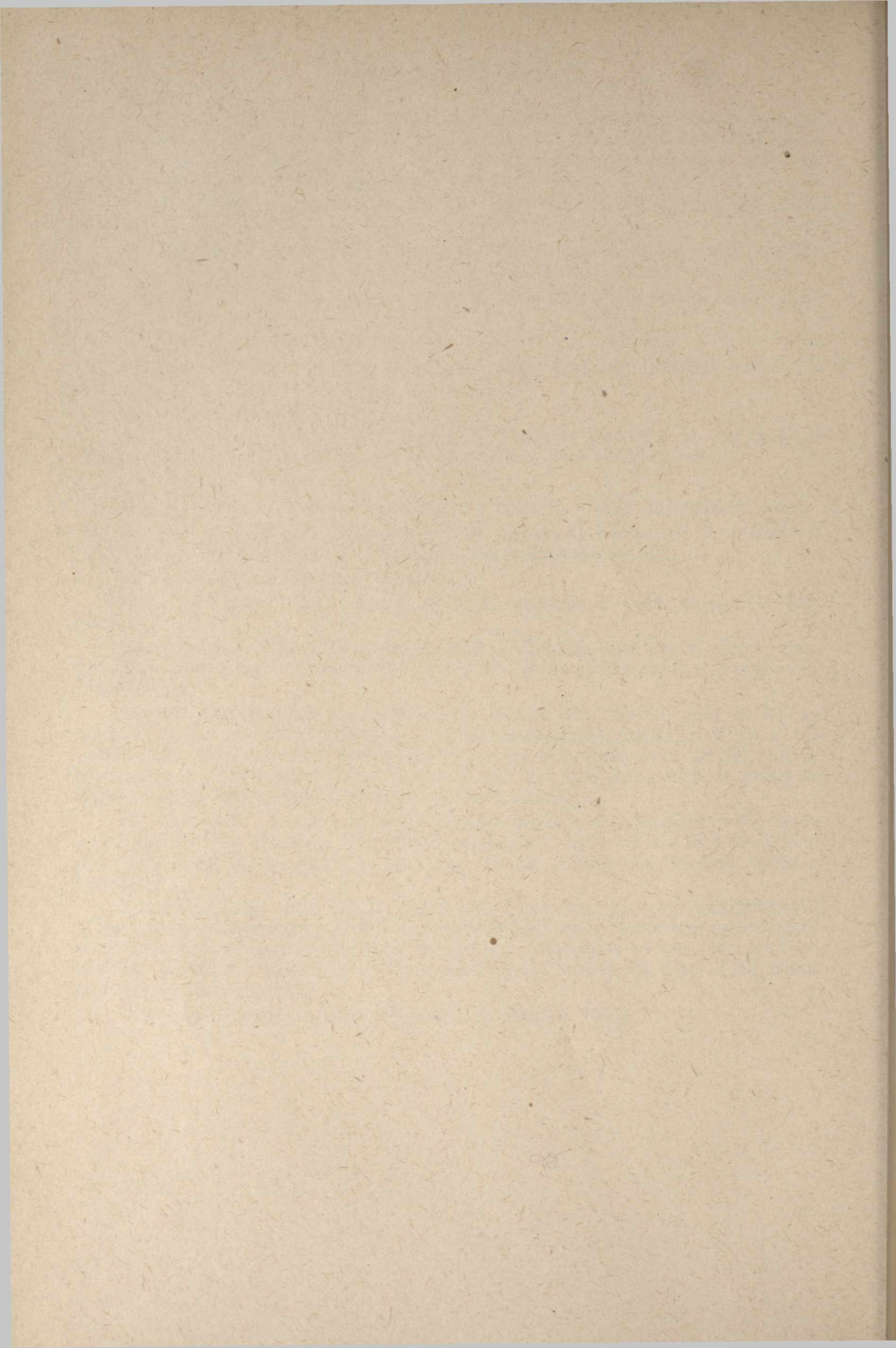
Senator SMITH (*Queens-Shelburne*): Would Mr. Joubert care to tell us whether or not he anticipates any shortage of mortgage funds in view of the rather large financing that will be done during this fiscal year by the federal Government, to the amount of \$350 million? Do you think that is going to tighten up the mortgage funds available for housing?

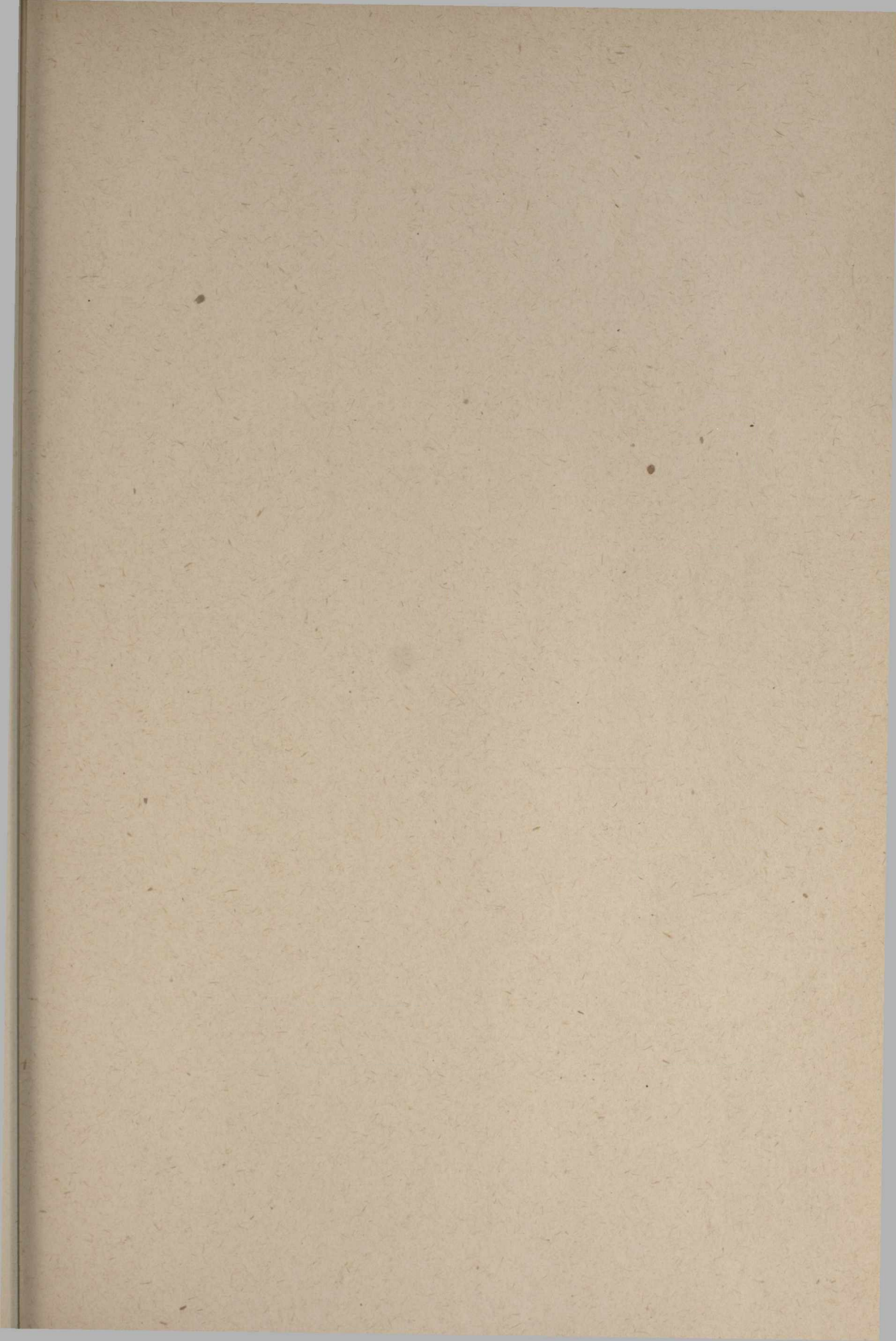
Mr. JOUBERT: I am not competent to answer that question. We have been told by the Mortgage Financing Association that we are not to expect any tightening on mortgages, that they would follow the regular portfolio procedure.

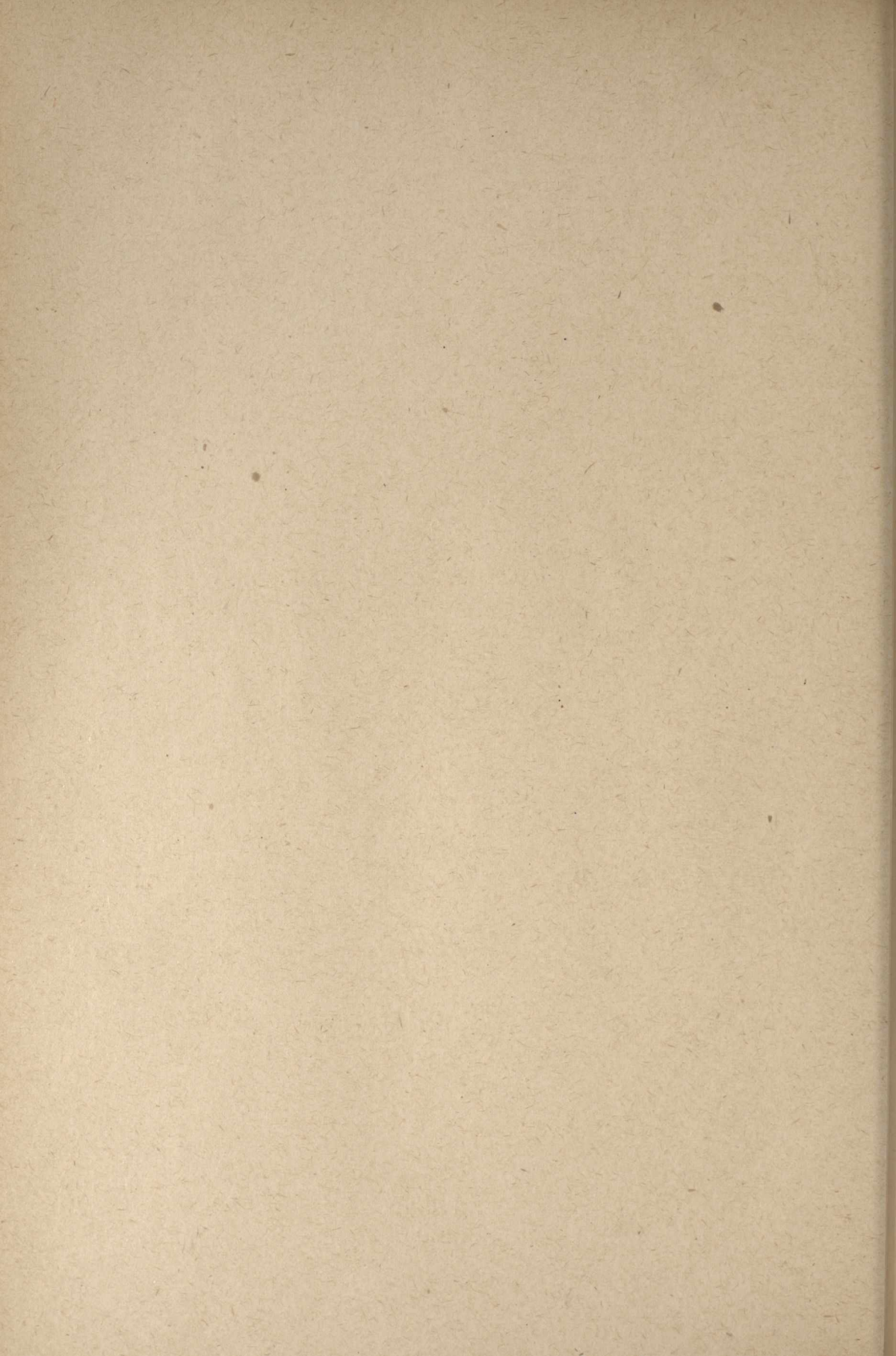
The CHAIRMAN: Any further questions, gentlemen? If not, I will entertain a motion for adjournment. Before that takes place, may I take this opportunity of expressing my appreciation and that of the committee to you, Mr. Joubert and Mr. Smith, for giving us of your time and providing us with much frank and helpful information.

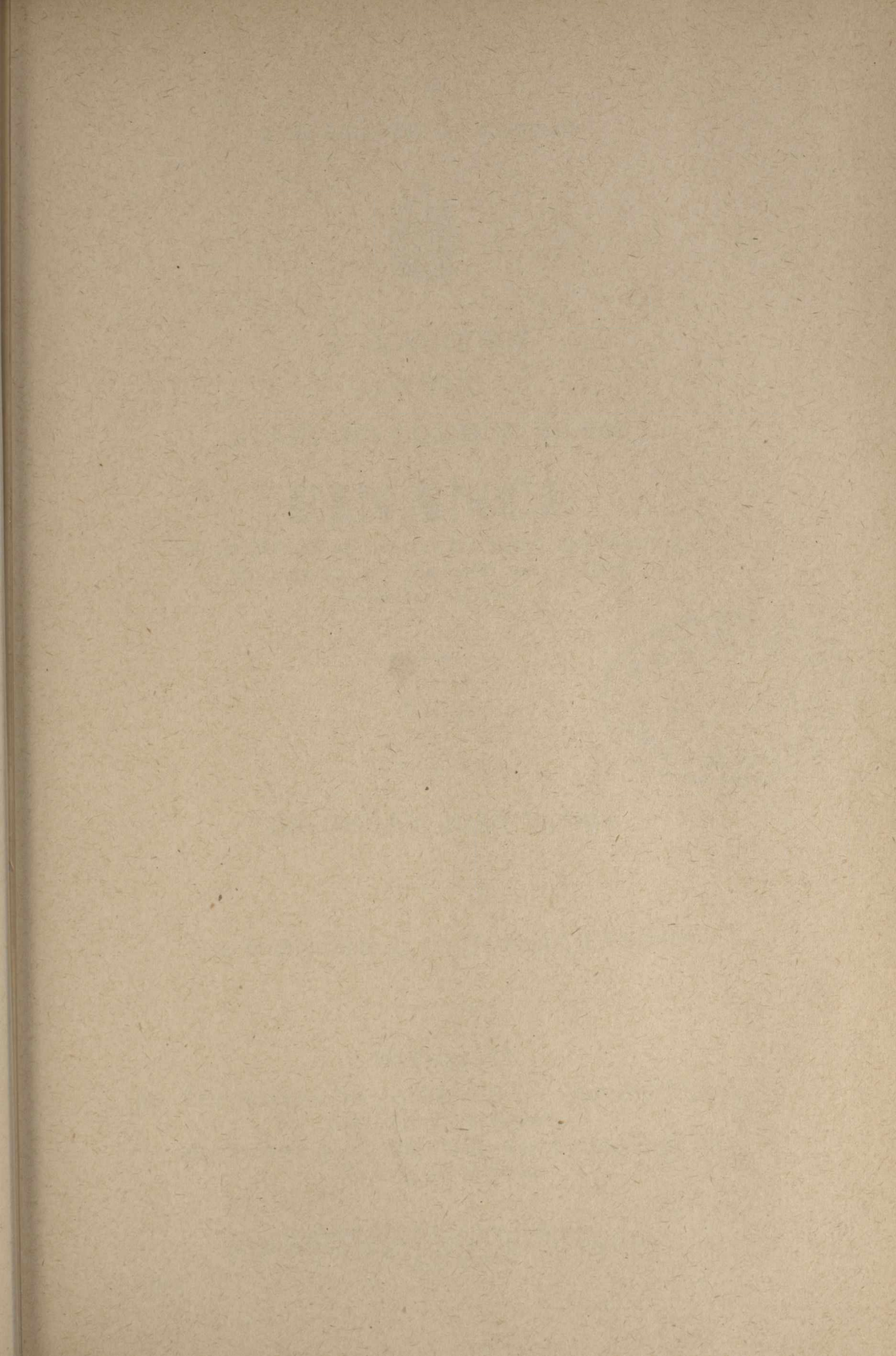
Whereupon the committee adjourned to July 10, 1958.

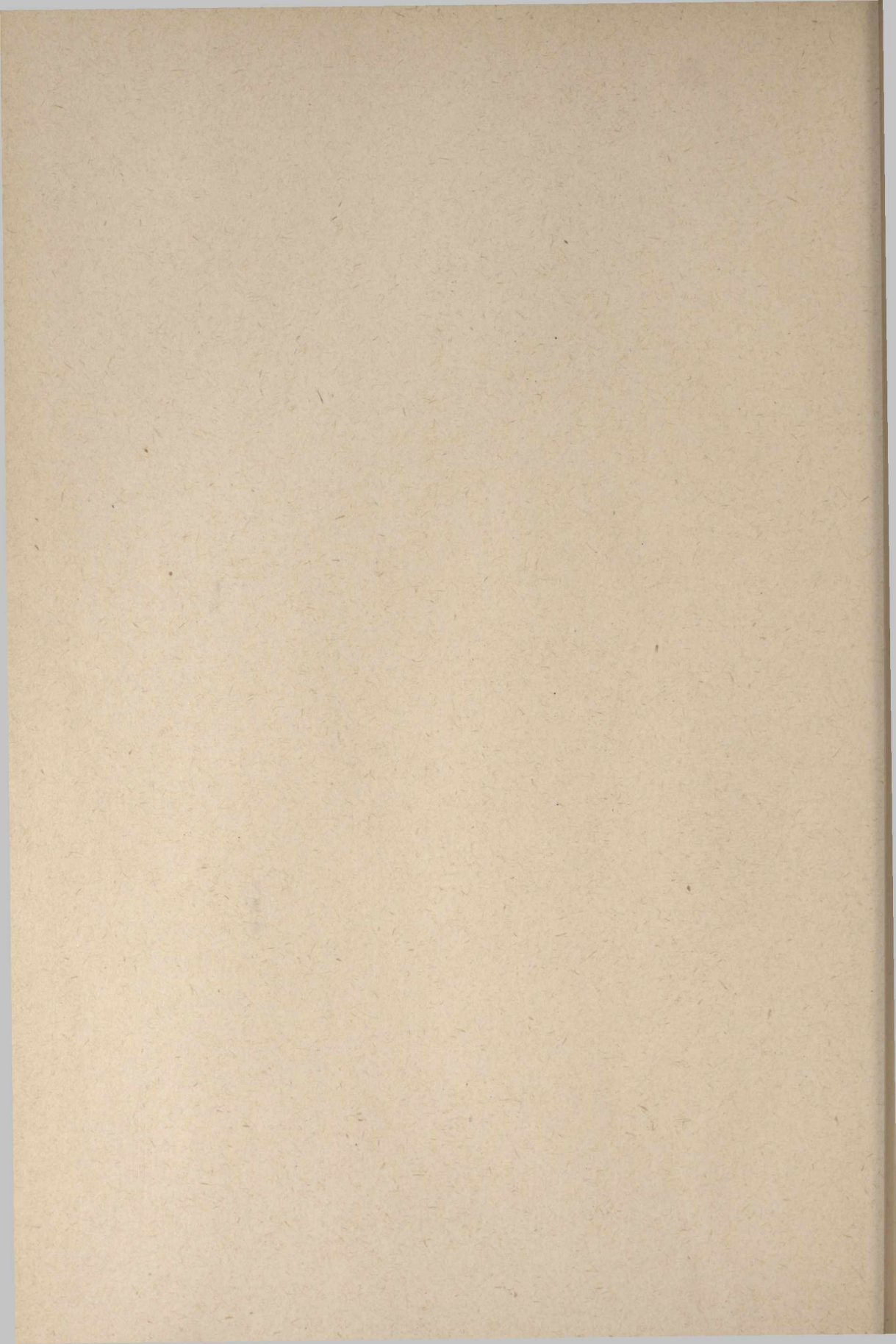












1958

THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE ON
FINANCE

on the Report of Central Mortgage and Housing
Corporation for the fiscal year ending
December 31, 1957.

No. 5



THURSDAY, JULY 10, 1958

The Honourable C. G. Hawkins, *Chairman*

WITNESSES

Mr. Eric Beecroft, National Director, Community Planning
Association of Canada.

Mr. Stewart Bates, President, Central Mortgage and
Housing Corporation.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

Extract from the Minutes of the Proceedings of the Senate, Wednesday, June 11, 1958.

The Honourable Senator Aseltine moved, seconded by the Honourable Senator Quinn—

That the names of the Honourable Senators Brunt, Emerson and Thorvaldson be added to the list of Senators serving on the Standing Committee on Finance.

The question being put on the motion, it was—
Resolved in the affirmative.

J. F. MacNEILL,
Clerk of the Senate.

THE STANDING COMMITTEE ON FINANCE

The Honourable C. G. Hawkins, *Chairman*

The Honourable Senators

Aseltine	Gershaw	Pratt
Baird	Golding	Quinn
Barbour	*Haig	Reid
Beaubien	Hawkins	Roebuck
Bouffard	Hayden	Robertson
Brunt	Horner	Smith (<i>Queens-</i> <i>Shelburne</i>)
Burchill	Howden	Stambaugh
Campbell	Isnor	Taylor (<i>Norfolk</i>)
Connolly (<i>Halifax North</i>)	Lambert	Thorvaldson
Connolly (<i>Ottawa West</i>)	Leonard	Turgeon
Crerar	*Macdonald	Vaillancourt
Dupuis	McKeen	Vien
Emerson	Molson	White
Euler	Paterson	Woodrow—44
Farris	Pearson	
Fraser	Petten	

(Quorum 9)

**ex officio member.*

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate

TUESDAY, May 20, 1958.

With leave of the Senate,

The Honourable Senator Aseltine moved, seconded by the Honourable Senator Pearson—

That the Report of Central Mortgage and Housing Corporation for the fiscal year ended the 31st of December, 1957, be referred to the Standing Committee on Finance for consideration and report.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, July 10th, 1958.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

Present: The Honourable Senators: Hawkins (*Chairman*); Barbour, Burchill, Connolly (*Ottawa West*), Crerar, Dupuis, Euler, Haig, Horner, Lambert, Macdonald (*Brantford*), Pearson, Pratt, Reid, Robertson, Smith (*Queens-Shelburne*), Stambaugh, Turgeon, White and Woodrow—20.

In attendance: The official Reporters of the Senate.

Consideration of the order of reference of May 20th, 1958, was resumed.

The following were heard and questioned by members of the Committee:—
Mr. Eric Beecroft, National Director, Community Planning Association of Canada.

Mr. Stewart Bates, President, Central Mortgage and Housing Corporation.

At 12.35 p.m. the Committee adjourned until Thursday next, July 17th instant, at 10.30 a.m.

Attest.

John A. Hinds,
Assistant Chief Clerk of Committees.

MINUTES OF THE BOARD OF DIRECTORS

January 15, 1911

The Board of Directors met in regular session on the 15th day of January, 1911, at 10:00 A.M. in the office of the President. Present: Mr. J. H. [Name], President; Mr. [Name], Vice-President; Mr. [Name], Secretary; Mr. [Name], Treasurer; Mr. [Name], Director; Mr. [Name], Director; Mr. [Name], Director. Absent: Mr. [Name], Director. The minutes of the previous meeting were read and approved. The following report was read and approved: [Faint text of report follows]

Resolved, That the following be the policy of the [Organization Name] for the year 1911: [Faint text of policy follows]

Resolved, That the Treasurer be authorized to draw on the bank for the amount of \$[Amount] to pay the [Expense] for the month of [Month].

Resolved, That the Secretary be authorized to [Action] on behalf of the Board.

Resolved, That the Board be authorized to [Action] on behalf of the [Organization Name].

Resolved, That the Board be authorized to [Action] on behalf of the [Organization Name].

THE SENATE
STANDING COMMITTEE ON FINANCE

OTTAWA, Thursday, July 10, 1958.

EVIDENCE

The Standing Committee on Finance, to which was referred the report of the Central Mortgage and Housing Corporation for the fiscal year ended 31st December, 1957, met this day at 10:30 a.m.

Senator Hawkins in the chair.

The CHAIRMAN: Gentlemen, we have a quorum. Will you come to order, please?

We have before us this morning, Mr. Eric Beecroft, National Director of the Community Planning Association of Canada, and also Mr. Stewart Bates, President of Central Mortgage and Housing Corporation. There are also present senior officers of the Planning and Advisory of Central Mortgage and Housing Corporation. We shall hear from Mr. Beecroft first about the opportunity of getting housing for lower income groups. I will ask the committee to desist from asking questions until he is through with his presentation, and then questions may be asked.

Mr. BEECROFT: Mr. Chairman and senators. The Community Planning Association of Canada is a non-profit association, established in 1946 under Letters Patent issued by the Federal Government, representing a very considerable variety of people throughout Canada interested in the problems of controlling urban growth in economic and useful ways; and our support comes from this wide membership of about 3,000 individual members; about 200 of the municipalities of Canada who pay sustaining fees to the association in order to exchange information about problems relating to urban development and planning. From nearly all the provinces we get some financial support, and from the Federal Government under Part V of National Housing Act.

The Committee has already heard considerable statistical evidence on housing conditions. This brief, therefore, might well begin with the following basic assumptions which seem to be generally accepted:

- (1) there is a severe housing shortage, affecting mainly, as such a shortage always does, the lower-income sections of the population;
- (2) a great deal of the existing housing stock must be replaced;
- (3) to provide adequate housing, we must produce annually a net addition to the housing stock at a faster rate than in past years, if we are going to close the gap between need and supply.

It is not surprising, therefore, that we are concentrating now more and more upon this prolonged and unremedied shortage of housing for people of low income.

Ever since World War II, many people have cherished the hope that new housing would be built fast enough—though it has been mainly for the upper income levels—so that more and better housing would gradually become available to those in the lower income range. This was the “filtering-down” theory.

This theory depends for its validity upon a steady closing of the gap between need and supply. Faith in this theory has been shaken by the fact that, after nearly thirteen years of post-war building, the gap is not closing. Indeed, in the last year or so, we have realized that it might widen. Suddenly therefore, there is a widespread demand from political leaders and from the construction industry and from many housing experts, to make a direct attack on the problem of housing for lower income people.

Most of us probably share this intention; but in attacking the problem of low-cost housing, we must recognize that the basic problem is still what it has been all along: to add to the net quantity of our housing stock, but at an increasing rate. Instead of suddenly training our sights exclusively on new lower cost housing we have to keep a balanced view and attack the problem of housing on all fronts. The lessons we can draw from our failure to remedy the shortage seem to be:

That we obviously cannot afford to put a blind faith in the "filtering-down" theory; in fact, there are good reasons for suspecting that "filtering-down" is impeded in many ways and that, in any case, in a democratic society, this is a difficult theory to defend politically, especially when, over a period of years it has not worked;

in view of our failure to close the gap between need and supply, we must take deliberate steps and concerted action on several fronts.

A National Housing Policy:

What is needed, perhaps, is a comprehensive national housing policy—a national charter of housing, it might be called—to be aimed at bringing all levels of government, the private investors, the land developers and the house builders into concerted action toward the following positive objectives:

(1) to assure an annual net addition to the housing stock—not just the maximum addition which can be reached by leaving all parties to take such initiative as they please, but an addition sufficient to close the gap within a reasonable number of years;

(2) to provide housing directly for medium and low income people in the many situations where it will undoubtedly be required—for example, to fill the need for housing of workers in the many new industrial or mining areas, and in some cases, to relocate people displaced by urban redevelopment and by over-spill from rapidly-growing areas and to fill the needs, neglected in our post-war program, arising from the healthy mobility of our population;

(3) to make certain that a helpful "filtering-down" process, instead of being left to operate automatically, will be facilitated by positive and reliable means: for example,

(a) by making loans available with whatever government help or guarantees may be needed, for the purchase of existing housing;

(b) by encouraging strong measures to enforce maintenance standards for existing housing—thus compelling proper conservation measures as well as the prompt rehabilitation of salvageable dwellings;

(c) by continuing, and by every means possible urging the utilization of legislation providing for, the financing of home improvements and the conservation of housing where appropriate for multiple use.

Improvement of Existing Housing

The Value of the Housing Survey and the Master Plan:

We have long neglected this promising means to improve living conditions in an economical manner. May I suggest several reasons for this neglect?

Many landlords are known to be sluggish in observing maintenance standards and unenthusiastic about rehabilitation or sound methods of conservation. Under conditions of shortage, many of them receive steady income on their deteriorating properties. But this difficulty does not result entirely from the greed of landlords as a class. There is a natural reluctance of any property owner to pay for either maintenance or improvements when he does not know what the future holds for his property. Most of our cities have had no housing survey and have produced no master plan for housing renewal or rehabilitation. With the constant, even increasing, threat of sudden ad hoc redevelopment plans, a central city property owner has little reason to take a long term view of property maintenance. But show him an overall official city plan calling for the retention of his salvageable property, and take determined measures of enforcement, and he may see some virtue in improvement or conversion or rehabilitation, as well as in the measures of maintenance which are required to assure income in the long run.

Secondly, the lack of public support for measures to improve or conserve existing housing, is in part, a result of the popular pre-occupation with the shiny new house. Thanks to magazines, newspapers and other advertising media, social status is identified with a new suburban house and a new automobile. It is here that we find one of the weaknesses of the "filtering-down" theory: it is completely inconsistent with the almost sanctified belief that when people are all ready to begin home-making they should start in a new suburban house. If we are to make adequate use of existing housing, we must overcome this artificially-induced indifference to it, see that the social stigma is removed from it, and enlist positive public support for a constructive program.

Rental Housing:

A social stigma has also been attached to rental housing. This stigma has helped to create an indifference to the building of medium and low rental housing at the very period in our national development when the mobility of our population has been high. The lack of both private and public investment in this field has been one of the reasons why we have not closed the gap between need and supply. If we want to expand housing construction to take care of the real needs of the large population of non-family and unmarried people whose mobility is essential but who require decent accommodation and sound neighbourhoods we must do everything we can to erase the impression that the tenant of multiple-unit rental housing is a kind of second class citizen without "a stake in his country".

Some of the difficulty about rental housing arises from the fact that we associate it historically with the slum tenements of the great cities. We assume quite unnecessarily that the apartment or row-house dweller must be deprived of green space and open air. In this country we have seen few examples of civilised living in well-designed multiple dwellings. But encouraging examples exist; and if we are so provincial that we do not seek out the best modern experience in foreign architecture and neighbourhood planning we may hurt only ourselves. We can seek ideas abroad without being mere copyists. Fortunately some of our architects, planners and civic leaders are now beginning to create designs under Canadian conditions which may demonstrate that multiple housing is not inconsistent with either economy or beauty.

It is probably safe to predict that, of all the housing we have produced in the post-war years, it may not be the rental housing which will become slums of the future, but rather the monstrous subdivisions of box-like single single-family homes built on grids, without benefit of either architect or town planner.

Solution through Planning and Design:

The great importance of neighbourhood design as a means of getting economical low-cost housing was emphasized at the recent conference held by the Canadian Construction Association in Ottawa. That conference placed emphasis on the need for good design of groups of buildings—for both small single-family houses and multiple units. The C.C.A. and its associates are to be congratulated for putting forward a suggestion that every possible step should be taken to give community planners and architects an opportunity to put their talents to work on neighbourhood layout for low-cost housing. Apparently they feel that the secret of making civilized, marketable and durable neighbourhoods of small homes depends to a very great degree, not on the architecture of the house or the block alone, but on the architecture of the entire neighbourhood of buildings and space.

To give full scope to the architects, planners and landscape architects, we must not only see that they are drawn into the planning of all low-cost neighbourhoods, but that the municipalities, where necessary, should free them from the rigid zoning requirements which now hamper good design or even make it impossible. Traditional geometric street-patterns and traditional rules regarding such matters as set-backs and side-yards are quite incompatible with good design, particularly in the arrangement of small houses, row houses, or apartment blocks. There will have to be a pretty general scrapping of these negative concepts of zoning. Town planning and good architectural design will provide positive solutions.

So wherever small houses or row houses or low-rental apartment blocks are to be constructed, economy and good design are primary objective. The project must therefore be sufficiently large to make possible not only the economies of construction but the economies of street and service layout and the aesthetic advantages of good design. It may be regrettable, but we might as well admit that there is no way to attain satisfactory economies or aesthetic standards in low-cost housing except in sizeable projects.

The "Basic" or "Stripped-down" House:

A comment should be made here upon the much-discussed recent efforts to design an inexpensive "stripped-down" or "basic" house. If we are striving for economy, should we not make sure first of all that we have done everything we can to economize through sound methods of land subdivision and the planning of local services, streets and other external features? We often forget that a great deal of the cost of a home lies in the land and services. We should look carefully at these costs before we squeeze out all the internal amenities of the house and reduce room space to the absolute minimum. We shall come to grief if we design a "basic" house and then plan units of it on the land as we plant a cornfield. Structurally it may last fifty years, but the neighbourhood may become obsolescent as a result of the failure of planning and design.

There is another urgent reason for looking askance at a "basic" house. If we mean what we say about our economic future—if we expect, as we well might, to increase substantially our productivity and our real per capita income, we must be consistent and supply homes which will not be substandard and unmarketable when our increased living standard is achieved!

There may be some areas where a "basic" house, good for low income occupants for twenty to thirty years, is appropriate—perhaps in some remote small areas where the real need is to get something better than the woeful shacks now in use, or in some single-enterprise communities where, because of the nature of the resources or some other circumstance, a permanent and stable settlement is not assured. But surely in most of our rapidly growing

urban centres today, the only truly economical house is a reasonably good house, built and financed in a manner appropriate to the requirements of a progressively improving economy.

What is Needed is More Housing—in many Forms:

A National Program of Housing, as already suggested, would call for action on many fronts. Too much of our policy discussion seems to centre on this or that solution:—will it be rental or home ownership? public or private enterprise? row housing, high-rise or three-storey walkups? What matters basically is to get much more decent housing produced—in all of these categories—and to apply to all of it, particularly in the medium and low cost ranges, that careful neighbourhood design which has been seriously neglected in the past and which is the best insurance against present waste and future blight.

Why is More Use not Made of N.H.A. for Rental Housing?

We hear it said that the N.H.A. provides all the means necessary to get federal aid for both public and private rental projects. Why have these means not been used more extensively?

It is only recently that the limited dividend section of the Act has been used extensively for rental housing sponsored by private enterprise. This is an encouraging development.

What of the public housing provisions of the Act? This section 36 of the Act depends for its use upon the initiative of the municipalities. The municipalities, though increasingly concerned about the welfare aspects of the housing problem, have hitherto been reluctant to apply for the federal-provincial assistance for public housing. In part, no doubt, this reluctance reflects a failure to understand financial benefits which a municipality can gain from re-housing its citizens under improved conditions. This particular difficulty will no doubt be overcome as the benefits to residents and taxpayers alike from such projects as Regent Park in Toronto and the *Habitations Jeanne-Mance* in Montreal come to be understood.

Local governments have so far been in a difficult position to combat the typical propaganda used against subsidized public housing based upon the argument "why should I pay out of my taxes for John Smith's rent; I have always paid my own rent", or upon such stories as the one about tenants of public housing keeping coal in the bath tubs. In the United States, where these misunderstandings about the nature and purpose of public housing prevailed as they have here for a long time, a great deal of progress has been made through education to demonstrate the actual dollars and cents benefits to taxpayers as well as the social benefits to the residents of the projects.

One way in which the education may proceed is through the use in our municipalities of housing surveys to reveal housing conditions; by preparation of comprehensive housing programs looking toward action on each front as may be needed—new public housing, redevelopment of blighted areas, rehabilitation, conservation and maintenance enforcement.

Municipalities are restrained in other ways from taking the initiative in housing matters. In many metropolitan areas they are competing with one another for industry and they prefer to "zone out" housing—especially low-value housing. This cut-throat-competition for a favourable assessment ratio is ruinous to sound urban development. We cannot have industry without housing and schools, and we cannot have housing and schools without industry. It is because of this impasse, among other things, that we are moving rapidly toward metropolitan government with a common assessment roll. As these wider jurisdictions are established—and they are certain to be soon—a common

attack can be made on the housing situation in a whole urban area and it will be possible to devise an overall positive program, looking to the senior levels for assistance on planned projects.

Senior Citizens' Housing

Would it not be desirable to study carefully the possibility of integrating old peoples' housing with many of the large rental projects (both public and private) which we expect to see in the future?

There is a great backlog of need in this field, and it will be a tragedy for the nation if, in building homes for senior citizens, we continue to zone them out of a natural relationship with other age groups. It is surely not beyond our ingenuity to plan lay-outs and methods of financing for mixed residential development.

One of the problems in housing the elderly is to make some provision for periods of hospitalization and nursing care or supervision. Simple provisions for hospitalization in such projects might take a considerable load off the public hospitals. Is it not possible that the federal and provincial governments could make outright grants for these non-self-liquidating features of housing for the elderly, leaving the strictly housing features to be handled as at present under the N.H.A.? May I emphasize that this would be direct aid to the elderly and might reduce the need for further increases in the basic pension. It is not sufficiently clear to the public in this country that, *under conditions of housing shortage*, increases in cash pensions may be absorbed to a large extent in increases in rents in existing, inadequate housing.

Possibly the federal government could also consider greater assistance to non-profit societies building the limited dividend type of accommodation. There is an extraordinary discrepancy between the federal assistance available for senior citizens' housing under Section 36 (public housing) and when built under Section 16 (non-profit housing). Under Section 36, the Federal government can contribute 75% of both the capital cost and the operating losses, while under Section 16 it merely makes loans available at or near cost. Could there not be a federal matching of provincial grants up to a given percentage of the capital cost? This might encourage those provinces which are not already doing so to give assistance to this type of housing and would take some of the weight off the charitable organizations. Up to the present most of the burden has fallen on the charitable organizations because the federal government has only been prepared to accept a limited proportion of old people in public housing projects.

Another big problem in old people's housing is to reduce the cost for single persons. N.H.A. financing is now only available for self-contained units. For the many single pensioners, shared plumbing facilities and the reduction in floor areas may be quite satisfactory and would bring rents within the means of the single old person without heavy subsidies.

Financing of Trunk Sewers, Sewage Disposal and Water Mains: Since the cost of serviced land is one of the main obstacles to the construction of low-cost housing, a basic remedy could be provided from the federal level through financial assistance to municipalities in connection with the "big pipe" projects for water and sewage.

I know that this has already been proposed to your committee, and I want to endorse it heartily on behalf of the Community Planning Association of Canada.

This would no doubt require an amendment to the National Housing Act. (Under the land assembly provisions of the N.H.A., federal financing can be made available only for local services.)

The precise methods of assistance should be carefully studied. Loans at favourable interest rates to the municipalities for approved projects might provide the relief needed to get many essential projects started and thus to accelerate construction of housing.

If one of the results of federal financing would be to encourage more careful long-term planning of such basic and expensive projects as sewers, sewage disposal and water supply, surely no harm could be done. The planning of industrial siting and highway routing, as well as residential development, are all related to the lay-out of the "big pipes". Anything that will speed planning for the big pipes where they are needed may set off a chain reaction that could bring about the much-needed regional planning of all such basic urban facilities—to the vast benefit of many kinds of private construction and private investment as well as the municipalities themselves.

Thank you, Mr. Chairman.

The CHAIRMAN: Thank you very much, Mr. Beecroft. Now, gentlemen, there will be an opportunity to question Mr. Beecroft.

Senator REID: How would you get around the difficulty of financial assistance for the development of sewers and water mains on new properties by the federal authorities or the provincial authorities, as outlined on page 8 of your brief? Speaking from experience in municipal affairs, I would say that would raise quite a problem and stir agitation in the minds of most of us who are paying the whole shot for water and sewers. I am just speaking of it as a practical problem. I know what we are up against.

Mr. BEECROFT: Mr. Chairman, my answer to that would be that if the job has to be done in future, even if it makes some of us jealous because we did not have this kind of a system out of national revenues at an earlier stage, it still has to be done; we have got to turn over a new leaf some time and do this the way that is most effective.

Senator REID: I have another question, referring to page 4, where it says:

"It is probably safe to predict that, of all the housing we have produced in the post-war years, it may not be the rental housing which will become slums of the future, but rather the monstrous subdivisions of box-like single-family homes built on grids, without benefit of either architect or town planner."

Now, I draw your attention to the fact that I think there were about twelve housing "outfits", if I may use that term during wartime years, which built single-family homes, and it was said that they would all be slums. They have most beautiful home sites around the city of Vancouver today, each having a beautiful garden, and all built in one group as wartime houses. It is not the houses that are built which bring about slums, it is the people themselves.

Senator BURCHILL: Coming back to page 8 of the brief, may I ask this question: Is it not so that Ontario through its water Resources Board provides capital assistance on water and sewerage costs based on 30-year amortization plans?

Mr. BEECROFT: Mr. Chairman, I am not in a position to answer that, I am sorry. I do not know the Ontario legislation.

The CHAIRMAN: Perhaps we can get the answer to that interesting question from Mr. Hodgson.

Mr. HODGSON: The Ontario Water Resources Board does make financing available. This organization was created in 1956, and is just getting underway. I understand today its total commitments have been relatively small, and have been for the most part confined to the small municipality short of funds with severely limited borrowing powers, which otherwise could not install services

at all. I understand that the Ontario Water Resources Board has not to date made financial assistance available to the larger communities to increase their assistance for trunk services.

Senator SMITH (*Queens-Shelburne*): I should like to comment on the contribution that might be made to the problem of providing housing by more assistance to the co-operative housing method. I have in mind the great success of the Nova Scotia Housing Commission, for example. It strikes me that in that part of Canada this technique might be furthered, and I would like to have your comments on that.

Mr. BEECROFT: I am sorry to say, Mr. Chairman, I do not have much knowledge of the way in which the federal legislation can be used to assist co-operatives. There is much that can be done, and it has been done, and there is a good deal of initiative in this matter taken in the Maritime provinces and in Quebec. I should like to urge very strongly that in any complete inquiry into the problem of low-cost housing, your committee, if I might so suggest, Mr. Chairman, might like to ask for testimony from some of the people connected with the co-operatives in Quebec and in Nova Scotia, and the Co-operative Union of Canada, who have assembled a considerable amount of information on this subject.

Senator WOODROW: I am wondering if you have put forward any efforts in the way of co-operation with the municipalities to get them to improve their planning and services?

Mr. BEECROFT: Yes, we have done that. Our association is trying all the time to persuade municipalities to think in terms of planning rather in terms of zoning, or in terms of zoning only to the extent of implementing a master plan, and to bring it down specifically to the question of low-cost housing. I think that most of us feel that the only way to get low cost housing carried out economically and efficiently, with saving to tenants and Governments alike, is to get it done on a sufficiently large scale possibly making more use of land assembly provisions of the National Housing Act wherever possible, and if necessary by that means to assemble sufficiently large tracts, or suitable tracts of land, keeping in mind the municipality's master plan, and then having the municipality and the federal authorities and the builders co-operate in getting planning and architectural skill put to work on planning the layout in that large area.

Senator WOODROW: Do you approach the municipalities directly and point out these advantages?

Mr. BEECROFT: A lot of the members of this association are closely connected with the municipalities and we exchange information on these subjects through this means.

Senator WHITE: Mr. Beecroft, on page 5 of your brief you use the following description, "The basic or stripped-down house". When you refer to low-cost housing will you tell me what type of house you have in mind, what it will cost having in mind the type of surroundings as mentioned in your brief.

Mr. BEECROFT: I have been influenced by some of the testimony I have read in evidence that you have already received, Senator White. I am not, however, a builder, nor an architect, and I do not feel competent to say what is a basic house. I think that is something that should be very carefully studied, not in relation only to present needs but, as the brief points out, in relation to what are going to be the needs of the population over a period of 30, 40 or 50 years.

There is a danger that the basic house of today, as I have heard it described, with small rooms, and thinking of it only by itself on a lot, without planning its proper relationship with the rest of the housing in the area, or the proper

use of the land space between houses, there is great danger we will be simply creating new slums that will quickly become uninhabitable. I think the builders are afraid, and justifiably so, of that, and the lenders also may be afraid of it.

Senator WHITE: That type of housing you are suggesting or recommending, the type you want to have, how are you going to get that house for what you may call low cost?

Mr. BEECROFT: It may be very much better to make the savings that are necessary by exploring all the possibilities of low cost multiple units in our housing developments. Although our brief does not take time to say it, row-housing may have an advantage of giving a tenant an opportunity to become an owner, to acquire an equity in the course of time. I think that we have not explored sufficiently in this country the possibilities of good multiple-unit housing. From experience in other countries and some of our own experience, it appears that our architects and town planners and builders are quite capable of producing a fine type of rental housing for people who need accommodation at low rentals.

Senator WHITE: Do you want to put a price on your figure of low rental housing or low cost housing? What income bracket would a buyer have to be in to be able to pay for low rental housing? What is the income bracket you have in mind?

Mr. BEECROFT: Roughly from \$2,500 to \$4,000 a year.

Senator WHITE: How much would a house have to be sold for to be purchased by a person in that income bracket?

Mr. BEECROFT: In talking about the \$8,000 house, or the so-called Hipel house, the income bracket a person would have to be in to purchase that type of house is approximately \$2,700 to \$2,800, and that is according to the calculations which have been associated with the Hipel house.

Senator WHITE: Do you mean that if you have an income of \$2,700 a year you can live in an \$8,000 house—is that what you mean?

Mr. BEECROFT: That is my understanding from discussions I have heard of the Hipel house. I am accepting the statement of the National Association of Housebuilders on that.

Senator EULER: Do you mean such a person could afford an \$8,000 house on a rental basis or on the basis of purchasing it?

Mr. BEECROFT: Buying it.

Senator EULER: On a \$2,700 income per year?

Senator WHITE: How many years would it take to pay for a \$8,000 house on an annual income of \$2,700?

Mr. BEECROFT: Twenty-five years.

Senator PRATT: Evidence given at a previous meeting of the committee mentioned that something like 22 per cent of a person's income, within certain brackets, would be appropriated to the amortization and the carrying charges of a house in the low cost bracket.

Mr. BEECROFT: I think the standard usually lies somewhere between 22 per cent and 27 per cent.

Senator PRATT: 27 per cent?

Mr. BEECROFT: I think 27 per cent is about the maximum that would be acceptable.

Senator PRATT: That would be a very high percentage of a person's income?

Mr. BEECROFT: Yes it would, Senator Pratt.

Senator PRATT: Is that practical? Has experience proven that to be a practical figure with that range of income?

Mr. BEECROFT: I think that is proved in practice to be very suitable over the years in the operation of the N.H.A. Act and in the view of the lenders.

Senator WALL: On page 2 of your brief you write what may appear to be the crux of the contention of the brief and that is the national housing policy—a national charter of housing. Now, you claim that this should bring in all levels of Government, and then you go on to say: "(1) to assure an annual net addition to the housing stock . . . sufficient to close the gap within a reasonable number of years."

Now the basic premise is that we are not closing that gap. Are we closing it at some levels of housing, better type housing for example and not at some other level? That may be so. Now, we are closing it at the high cost housing level because there have been too many of those houses not being sold, as you know—Winnipeg is quite an interesting example of that—what incentives do you see, how could we assure that we have a comprehensive addition of housing at all levels every year? If we have to assure that who is going to do this assuring? It is a truism—we accept that we should assure it. Now, who?

Mr. BEECROFT: This is a point which I think should be spelled out in any adequate brief. What steps are to be taken, how do we get people together each year? I think that one of the practices which is lacking in this country for the purpose of getting a sound housing program is an appropriate relationship between the federal, provincial and local Governments in respect to this type of problem. We still think we are bound—not so much by the law of the British North America Act but by a sort of convention that has grown up surrounding our system of Government, that each level of Government has to sort of keep at a diplomatic arms' length from the other. We must not be caught interfering in each others' business. The federal Government has to be very careful, for instance, not to seem to suggest to a municipality what it ought to be doing.

I don't know how to remedy this, except by getting people to realize that from now on in respect to housing, as well as in respect of many other types of public works, we are inevitably in partnership between the three levels of Government. One way I would suggest for implementation of this housing charter is to have a national council made up of representatives of the three levels of Government—perhaps together with representatives of private lending institutions and the building industry—whose responsibility it would be to see that every few months a very careful check is made to determine the progress being made towards closing the gap and meeting the target for the year. Then, if the target were not being met, by this means you could flash to the municipalities and the provincial Governments the intelligence which is necessary and which would indicate whether they have to get a move on and make better use of the provisions of the Housing Act.

Under present circumstances, without some kind of formal or informal liason—something more than just a random get-together now and then—and without some institution that has a definite responsibility for making a periodic check on the closing of the gap, we are not going to persuade the municipalities or other people who could be taking the initiative that they ought to do so.

I do not think we can blame the municipalities too much because, after all, they are the low man on the totem pole. When it comes to matters of approaching financial markets, they are hesitant; and, even if you are asking them to take only a small share of the capital cost, you are expecting rather much to think that they are going to take the initiative in all these situations.

I think we have to have machinery that will break down this reticence that exists between the three levels of Government in approaching the housing question. We are evading at present the responsibility for closing the gap.

Senator WALL: Let us accept that. Specifically, that initiative cannot be taken at the municipal levels; it might be taken at the provincial level, but finally we end up at the national level. C.N.H.C. is an independent Government corporation—is it to take this initiative? It could not do it; it has a specific function. It must, therefore, be a department of the Government or some branch of Government who will take the initiative of setting up this machinery.

Mr. BEECROFT: I think if this problem were injected into the discussion that is going to take place, according to announcements, between the Federal Government and the representatives of the municipalities, we could expect some sympathetic interest in the idea from both levels, without having the federal Government take an undue amount of initiative in it.

The CHAIRMAN: Senator Robertson?

Senator ROBERTSON: Mr. Chairman, I think the question I had in mind has been largely answered in response to Senator Wall's question. I note that the witness in his testimony used from time to time the expression municipal government and federal Government, and seemed to ignore the provincial governments. I had a question on that point: I could not understand why the provincial governments were not brought into this more than the witness seemed to be bringing them in. After all, I would think that the responsibility of the federal Government in this field would be by way of assistance to the provinces to assist the municipalities. If you are going to by-pass the provinces, you are going to be in trouble, or I miss my guess.

Mr. BEECROFT: Mr. Chairman, I welcome the question from Senator Robertson. It makes me wish I could have made the brief even longer than it is. It omits to say that one of the important parts of the program of the Community Planning Association of Canada is to try to persuade the provincial governments to take the leadership in these matters which really relate to urban planning in the broad sense; and since the municipalities are the particular responsibility of the provinces, as the Senator suggests, the responsibility for taking the initiative, for example in getting good housing surveys conducted, helping the municipality to set up administrative devices necessary to do good planning, get sound regional or metropolitan Government, these have to be done on the initiative of the province. One of the suggestions we are making, and I think we will be heard to make if often in the future, is that every province of Canada simply must have a high-level planning system attached to the premier of the province.

Senator WALL: For example, Mr. Beecroft, if I may pinpoint that: I noted on page 2 you used these words, "to provide housing directly for medium and low income people in the many situations where it will undoubtedly be required". Underneath that I wrote "provinces?". It appeared to me that it is imperative that the provincial governments should show greater leadership, because they are in the first place in closer contact with the municipalities. Would you concur in that general thesis?

Senator CRERAR: The witness a short time ago used the phrase "sound housing policy". How would you define such a policy?

Mr. BEECROFT: Well, the general definition of it here is that it is going to be a policy that will definitely close the gap between need and supply within a reasonable number of years, and will proceed to meet certain annual targets for the class of citizens who require housing.

Senator CRERAR: Is there a possibility that we may get too many houses?

Mr. BEECROFT: There may be a real possibility of getting too many houses in certain places or in certain economic categories.

Senator EULER: You may more than close the gap in some places, while still leaving a wide gap in other places.

Senator CRERAR: Supposing you close the gap in a city like Montreal, and conditions change, as they always do, and Montreal finds itself with a surplus of houses which it can't rent or sell, who bears the financial responsibility? In other words, with such a proposal you must be able to show how you can reasonably carry through financially the program you advocate, first, without running into the danger of inflation, and secondly, without burdening the taxpayer.

Mr. BEECROFT: Yes.

Senator CRERAR: I am sorry I was not present for the reading of the earlier part of your brief, but in glancing hastily over the brief it seemed to me there was a lack there. You put forward a fine theory but how are we going to carry it out? What is to be the financial responsibility? The municipalities say "We ought to have more housing in our municipalities but we can't afford it." Therefore they urge the provincial Governments to do it, and that has actually happened. The provincial Governments say "Well, our resources are limited and therefore we will push it over on the federal Government." But in the end someone has to pay for it. Now, who should pay for it? Should we build houses that will be a drug on the market, and consequently a liability for someone?

The CHAIRMAN: Senator Crerar, you will remember that this question came up before—the question on low-income housing—and I asked Mr. Beecroft to come here today and give us a talk on community planning. I also asked C.M.H.C. to send some officials here today to discuss this part of the problem, and I suspect they are prepared to do so. We have with us today Mr. Stewart Bates, the President of C.M.H.C., who very kindly came along himself, accompanied by J. S. Hodgson, Executive Director; H. W. Hignett, Executive Director; K. C. Joynes, Liaison Officer; R. T. Adamson, Chief Economist; S. A. Gitterman, Advisor on Construction, and V. C. Dale, Assistant Secretary, Canadian Housing Design Council.

I feel that the questions now being put to Mr. Beecroft are getting just a bit out of his field. He came here to discuss planning but when you come to the financial aspect of it I think we should have somebody else give evidence. Therefore, with the permission of the committee, I am going to relieve Mr. Beecroft of the responsibility of answering these questions and I shall ask Mr. Bates to come forward.

Senator CRERAR: In other words, you are going to ask Mr. Bates to explain Mr. Beecroft's brief.

The CHAIRMAN: No, I can't do that but I am going to ask Mr. Bates to answer your questions at some stage of the game.

Senator BURCHILL: Before Mr. Beecroft leaves I should like to ask him a question. Unfortunately I arrived late and I am not sure of the association he represents. Mr. Beecroft, do you represent a national association?

Mr. BEECROFT: Yes, a national non-profit citizens' association.

Senator BURCHILL: Where are you located?

Mr. BEECROFT: Our national office is here in Ottawa.

Senator BURCHILL: Have you branches in the other provinces?

Mr. BEECROFT: We have quite an active branch in British Columbia and we have an office in Toronto. We have some part-time staff and quite active citizen groups in a good many of the large metropolitan areas.

Senator CRERAR: How is your association financed?

Mr. BEECROFT: As I mentioned at the beginning, our association is financed by contributions from some 3,000 members scattered across Canada. This membership is made up of a great variety of architects, engineers, municipal officials, builders, private citizens who are interested in housing and planning, municipalities themselves, about 200 of which contribute to the association in sustaining fees, and by nearly all the provincial Governments and by the federal Government under part 5 of the National Housing Act.

Senator EULER: What have you actually accomplished so far?

Mr. BEECROFT: That is a good question, which I would like, Mr. Chairman, to discuss very candidly and fully. I believe that over the years we have accomplished a great deal in one respect. We have succeeded in helping the municipalities to understand the need for engaging qualified technical planning staffs, and I believe we have helped to accelerate the efforts of many of the provinces to find ways of giving adequate technical assistance to the municipalities in connection with urban planning. In the last few years we have been in much more direct contact through our conferences and literature, and so on, with the elected officials themselves, who represent the public and who are responsible in the last resort for shaping our communities, and this has helped.

Senator PRATT: Do all the provinces have members in this association?

Mr. BEECROFT: Yes.

Senator PRATT: Has each province its own provincial organization which works in close co-operation with the national association?

Mr. BEECROFT: We have a provincial division in all provinces except one.

Senator PRATT: Which one is that?

Mr. BEECROFT: New Brunswick.

Senator PRATT: How often do the representatives of these various divisions meet on a national scale?

Mr. BEECROFT: We have one annual national meeting of members to discuss planning problems, and this meeting usually lasts about four days. Our National Council meets at least twice a year, and our smaller executive body meets about four times a year.

Senator WHITE: I should like to ask Mr. Beecroft one simple question before he leaves. On page 2 of his brief under the heading "A National Housing Policy" I see the following words under subparagraph (b) of paragraph 3:

"By encouraging strong measures to enforce maintenance standards for existing housing—thus compelling proper conservation measures..."

Please tell me which Government you had in mind, and whether you do not think that this suggestion is rather drastic?

Mr. BEECROFT: The municipal Governments are the ones mainly responsible for compelling observance of standards. The provinces can do a great deal to encourage this, and there is much that depends on the actual use of initiative by the municipalities.

Senator WALL: I do not want to use the word "compelling" but in order to set up a planned community within whose framework the municipality or private builders could sell land, you would have to set up more or less a compelling framework if you are to realize the fruition of the hopes you have of planned communities which would not finally deteriorate. In other words, setting up a compelling framework is almost crucial if you are going to carry out the concept outlined in your brief.

Mr. BEECROFT: All of us who have been talking about community planning in the last 13 years since the war are just beginning to realize that in the next 12 or 13 years one of our big problems of implementation is to face up to this question of how to control the development of land by purchase. In many parts of Canada, a great deal has been accomplished to implement planning by zoning. My prediction would be that one of our biggest problems in the next few years will be how to assemble land, create a master plan and to get the planning action implemented, whether by purchase or by zoning or by some other method.

Mr. CHAIRMAN: Thank you, Mr. Beecroft, very much. I shall now ask Mr. Bates if he will come forward. As I have already stated, gentlemen, there seems to be a very keen interest in low-cost housing. Some of the officers interested in planning and designing have come, and in addition Mr. Bates himself is here and has had a brief prepared, which I am going to ask him to read. When he has concluded his brief, the committee will be open for questions, and I shall ask Senator Crerar to ask questions first, because I am afraid I shut him off a moment or two ago.

Senator CRERAR: I shall not interrupt Mr. Bates while he reads his brief.

Mr. Stewart Bates (President, Central Mortgage and Housing Corporation): Gentlemen, I understand you wish me to make a statement regarding the provision of housing for low-income families. May I deal with this under two headings. First, what is the National Housing Act contributing to the solution of the housing problems of families of lower income? And second, what can be done to reduce the cost of housing.

Most families with incomes of less than \$3,000, do not live in new houses. Families with this low an income, particularly in urban areas, more often than not rent accommodation and usually the rentals which they can afford limit them to the older properties. Where families in this income bracket want to buy a house of their own, they usually find that they cannot afford to buy a new house—any more than they can afford to buy a new car.

The National Housing Act, as you know, provides financial assistance only for the building of new housing. This is a matter of Government policy. Any suggestion to assist in the purchase of existing housing would require an amendment to the Act by Parliament.

We have, of course, special programmes aimed at providing low-cost housing, and particularly low-cost rental housing, and I shall have more to say about this in a moment. But the vast majority of the houses built under the Act are beyond the means of the families in the lower third of the income range. However, I should point out that we can still make a very large indirect contribution. Anything that increases the rate of new housebuilding must, in time, have an effect on the general living conditions of all Canadians. Indeed, one of the reasons why so many families live in poor housing today is the fact that the rate of housebuilding in the past has not always been adequate. I am thinking particularly of the thirties and early forties when the rate of new housebuilding fell to very low levels. In many years the number of new houses built was not enough to take care of the increase in the number of families living in the country. The shortage has tended to sustain the price of old houses. Moreover, some of the older housing that might have been expected to prove uneconomic and been torn down has continued in existence because of the continued high demand for housing. So I am saying, therefore, that the provision of new housing, no matter what price range it goes in at, will ultimately help to ease the housing problems of all families, including those in the lower income brackets.

*How Can People of Low Income Obtain Housing
Under the National Housing Act:*

Until recently their chance of obtaining a home under the insured mortgage arrangements in the Act were poor. These loans were made almost wholly by private lenders—banks and life insurance companies—and the Corporation simply acted as the insurer of the loan. Prescribe certain standards of building and on a minimum term for the loan, but the initiative as to whether the loan was made or not rested with the private lender. Moreover most of the new housing built under this section of the Act was put in by builders building for sale, and their judgment of the market influences the type of housing that comes to be financed under the Act.

The average income of borrowers obtaining NHA loans from private lenders has been climbing steadily. In the period 1946 to 1957, the average borrower's income has risen from \$2,428. to \$5,857.

Here is what is happening now. Only about 6% of the loans made by private lenders under the Act are to people with individual incomes of less than \$4,000 and only a fifth of one per cent are made to those with incomes of less than \$3,000. The bulk of these loans are being made to people in the \$4,000 to \$5,000 a year class. This does not mean that the Act does not permit people of lower income to obtain insured loans. It is a question, on the one hand, of the size of mortgage required to finance the type of houses being made available by private builders and, on the other, of the type of house that private lenders are prepared to make loans on.

The direct lending activity of the Corporation prior to May 22nd was confined to centres of less than 55,000 population. This meant, in effect, that an applicant living in an urban centre had no prospect of obtaining a loan were he refused by an approved lender. Although the agency plan made an important contribution by providing Government funds for housing at a time when mortgage money was short and ensuring that this money was used for housing for persons of modest means, it in no way altered the fact that the decision whether to lend or not still rested with the approved lender.

At the present time, an applicant of low income can obtain a loan, however modest, to build a home—provided it conforms to the Housing Standards. The introduction of the agency arrangement had the stated motive of providing mortgage funds for more modest homes. The success of this plan can be seen in the drop of \$900 in the average applicant's income, compared with the insured loan borrower. Indeed nearly 60% of all borrowers under the agency plan, during the first quarter of 1958 had incomes below \$5,000 and, of these, one quarter had incomes below \$4,000.

Following the termination of the agency arrangement, the Corporation announced, in May of this year, that it would make direct loans in any centre, regardless of population.

If a borrower shows that he can build a modest home for a figure down as low as \$7,000 or \$8,000, exclusive of land, the Corporation will make a loan if he cannot obtain one from an approved lender. In fact approved lenders are making loans on just such properties as these in several parts of the country. Where land costs \$2,000, for example, a borrower with an income of \$3,200 can afford to pay \$8,000 for the structure.

Facilities are already available, under the National Housing Act, for the financing of low-cost housing, whether it be for rental or for sale.

Short of the Federal Government, through its housing agency, entering the field of direct construction, however, we must rely upon influences and persuasion in reducing the market prices of housing.

Limited Dividend Projects:

In the rental field, cheap money is already available in the form of loans to Limited Dividend Companies, whether they be profit-making concerns or charitable organizations. To ensure that no unnecessary frills are installed in these projects, Central Mortgage and Housing Corporation closely examines the location, need, and preliminary plans for each project. It is felt that low rental accommodation, financed under this section of the Act, should provide the minimum accommodation, commensurate with health, safety and good design.

Rentals for these projects are geared to the actual operating costs and mortgage charges. In cases where a profit is required, 5% return on the equity invested is the maximum which is allowed.

Rental ranges obtained by free enterprise Limited Dividend Companies have proven to be well below the market rentals for the areas. For example, in Montreal rents of \$68.50 a month for a 3-bedroom apartment have been obtained.

Similar accommodation in other cities have rented for:—

\$70.00 in Ottawa, \$62.50 in Winnipeg, and \$67.00 in Edmonton.

Federal Provincial Projects

Under Section 36 of the National Housing Act, the Federal Government, in partnership with the government of any province may provide rental accommodation for persons of low or moderate income. In such cases, 75% of the cost of the project is borne by the Federal Government and 25% by the Provincial Government.

Projects constructed under this arrangement may be either completely self-supporting or partially subsidized by the Federal Provincial partnership.

In the case of the self-supporting projects, the rents are set at a level which covers maintenance and operating costs, including taxes, plus full recovery of capital costs over a period of fifty years. These are so-called full recovery, self-supporting projects.

Subsidized projects are designed to provide accommodation for an even lower income group. The rentals obtained in such projects do not meet the operating costs and this deficit is absorbed by the Federal Provincial partnership on the same 75%/25% basis. Rentals paid by individual families are varied according to income and family size. These rents are reviewed periodically.

Up to the end of 1957, Federal Provincial partnerships had been responsible for 29 full recovery projects and 26 subsidized projects situated in six of the ten provinces.

What Can Be Done To Reduce The Cost of Housing:

The element of control by the Corporation is far less in the field of home ownership than in the case of rental accommodation. Here, the market dictates what the builder provides. The consumer and not the Corporation is the ultimate judge of whether the product is satisfactory or not. Certainly, structural limitations are applied in the form of the Housing Standards, compliance with which is mandatory for any loan made under the National Housing Act, but the general public, for some years past, has been demanding more and more. This trend has forced the price of housing up far more than any increase in building costs.

To reduce the end cost of the product a process of subtraction must take place. In other words, to achieve low cost housing in the present market, there must be a change in the end product. This would also enable the public to see what they are, in fact, paying for housing luxuries. This change can be brought about in several ways.

Reducing the Floor Area

The typical NHA house is very substantially above the minimum housing standards, particularly in terms of liveable floor area. Therefore, a number of economies are readily available in areas where municipal by-laws permit.

The average area for a one-storey single family dwelling in Canada in 1957 was 1,154 square feet which compares with 839 square feet in 1947, an increase of 37%. While part of this increase is due to larger families, the fact remains that it is physically possible to produce well-designed three-bedroom houses of about 900 square feet and two-bedroom houses of 750 square feet. Neither of these areas contravene the space requirements of the housing standards.

Use of Row Housing

Mention is frequently made of the rising costs of serviced land. The use of row housing permits better land use, coupled with savings in construction costs and servicing costs. Unfortunately, some municipalities do not regard row housing as being suitable for owner occupancy. The erection of good row housing projects should be beneficial in demonstrating their potentialities.

Elimination of the Basement:

Basementless construction offers some saving in construction cost. This saving is offset, to a certain degree, by the additional area needed for heating and storage space. The net saving, therefore, is not substantial.

Postponed Finish

Between 1945 and 1950, the 1½ storey house with the upstairs unfinished was very popular. The purchaser of such a house completed the spare bedrooms in his spare time with his own labour and savings. Provided the exterior finish is completed before sale, this method offers a useful opportunity to a purchaser of modest income.

Reduced Quality

The elimination of frills and amenities is primarily a question of sales appeal when the house is being built by a merchant builder. No such problem exists in the case of an owner-applicant. Any person desirous of building a house to the absolute minimum set out in the Housing Standards can obtain mortgage financing for the purpose. Such a house would fall far below the average product offered for sale today.

In urban locations it is much more difficult to build a truly stripped-down house, chiefly because of municipal by-laws. Even accepting this fact, it is still possible, in an urban area, to build a minimum house for a price well below that of the average NHA house.

In the remote or outlying areas, it is possible to effect much greater economies. At an earlier hearing of the Committee I mentioned a number of items which could be omitted from a house without contravening the Housing Standards.

Cost of Land and Services

You will note, gentlemen, that my comments up to this point, have referred solely to the cost of the structure. Perhaps, even more important is the necessity for reducing the cost of land. Even a cheap house, if placed on expensive land, is beyond the means of the families now under discussion.

Our records show that the average price paid for a lot has risen from \$523 in 1947 to \$2,582 in 1958. Indeed, in some metropolitan areas it is impossible to buy a serviced lot for less than \$5,000. It should be explained that the figures

I have given tend to overstate the true increase. In 1947 it was customary for the cost of services to be paid for over a period of years by means of a local improvement tax. Today, these services are usually provided by the builder or land developer with the consequent reflection in the higher cost of the lot. In this respect, mortgage debt has been replacing municipal debenture debt.

Still another factor is the tendency of some municipalities to insist upon an unduly costly specification for ground services installed by developers, to restrain future maintenance costs.

Undoubtedly, however, the principal factor in the price rise is the shortage, itself, of serviced land. The critical factor in this shortage is not the small gauge pipes fronting the individual lots, but the heavy trunk sewer and water lines and central plants which must be available if serviced land is to be produced.

Other witnesses have already expressed their views on the financial participation in the provision of trunk services by the Federal Government.

Projects Currently in Process:

The achievement of low-cost housing is constantly occupying the attention of the Corporation. The Committee has already heard evidence of the economy house built under the auspices of the National Home Builders Association. This house, which received the co-operation and encouragement of the Corporation, has been successfully built in two locations. The Corporation and the National Home Builders Association are presently co-operating on two other "economy" homes which will be developed during 1958 and 1959.

We are currently at work on the design of an absolute minimum house which will be suitable for construction in the remote areas.

It is hoped that this house will be constructed for a cost of about \$5,000. If this proves to be the case, the mortgage repayments and taxes can comfortably be carried by a borrower earning less than \$200 a month.

This design, with certain added amenities, will also be suitable for erection in urban locations.

The Corporation is also closely examining the Housing Standards in order to provide a brief and truly minimum specification which will not contravene the standards. Both the design and minimum specification will shortly be published.

In the meantime, research into construction methods and new materials is encouraged by the Corporation. Some of this work is being carried out in conjunction with the Division of Building Research of the National Research Council.

Last spring, a foamed plastic hut was erected in the grounds of the National Research Council for observation of the effects of the elements. This hut was constructed of a newly developed foamed plastic, light in weight and yet possessing sufficient tensile strength to be self supporting. It also combines service pipes within the floor for running electric wiring and water. If this experiment is a success, it will be further developed. At the present time, it appears to have achieved a saving of some five operations and four materials by combining all these in one material. It is hoped within the next six months to develop another plastic hut of a new material which may ultimately be foamed on the site.

Work is now almost completed on the preparation of a catalogue of building methods and systems. This catalogue contains data obtained from many countries of the world and is believed to be the first catalogue of its kind produced.

Perhaps the most important field of research is that of sewage disposal. Preliminary work is currently being carried out. This work contains a short-

term and a long-term objective. It is first hoped to achieve a more satisfactory method of sewage disposal than septic tanks and, at a later date, achieve a method of eliminating costly sewer pipes by the production of a small unit for sewage disposal which could be built into a house. While no quick results can be expected from this work, the importance of it must be underlined. Success in this endeavour might have a revolutionary impact on land costs and physical planning.

The matter of low-cost housing is not new to the Corporation. For years, the subject has been studied and every encouragement has been given to those who are willing and able to provide such housing. In a free enterprise system, however, it is not possible to force upon the ordinary citizen something that he does not want. To produce absolutely minimum housing is perfectly feasible, but the reality of the matter is that the standard of accommodation would not be acceptable to most ordinary buyers, even buyers of modest income.

The CHAIRMAN: Thank you, Mr. Bates. Senator Crerar, do you wish to raise the question with Mr. Bates that you raised with Mr. Beecroft?

Senator CRERAR: Mr. Chairman, the only observation I have to make is that Mr. Bates has given the answer to the question that arose in my mind when I was listening to Mr. Beecroft.

The CHAIRMAN: Do you have another question?

Senator CRERAR: I have no further questions, except to say that I confirm absolutely the observation Mr. Bates makes in the closing words of his statement, which reads:

To produce absolutely minimum housing is perfectly feasible, but the reality of the matter is that the standard of accommodation would not be acceptable to most ordinary buyers, even buyers of modest income. There is just the danger that we may be living too much in the clouds in this matter and may miss the practical realities. My own view is that it is unwise, as a matter of policy, to give the impression that we are saying to people, "Here is an organization just out to serve you—come along and make your demands." Human nature is not built that way.

This is a very admirable brief, Mr. Bates.

Senator PEARSON: Mr. Chairman, may I ask Mr. Bates if there is any solution to the problem of the high cost of lots?

Mr. BATES: You will recall that the National Housing Act contains a section covering land assembly operations, which can be carried out jointly with the provinces and with the municipalities. Some land assembly operations have been carried out, but they have been too little and too late; therefore, without any real effect.

What is the use of having 300 lots in Ottawa which we can sell reasonably cheaply because we bought them five years ago? It merely gives us a problem of trying to distribute them fairly. Who is going to get the benefit of this largesse, when other lots next door are going to sell for four or five times that amount?

No one I have encountered has yet suggested nationalizing the land around cities; so, we are left, so far as we are concerned, with a piece of legislation that can become operative only if a municipality asks us to co-operate with them. This is very useful in small towns where they may perhaps lay down enough lots to do them for several years: we have a number of such smaller towns in Ontario where we have co-operated in land assembly projects. In these towns it works, but when we come to cities like Ottawa and Toronto, the land assembly projects are just not adequate. The price goes up on the very

scarce commodity. It is not land that is scarce, it is serviced land; it is the big pipes, the big water mains that are still scarce. The developer can look after the other things.

Senator CRERAR: Would it be any help, Mr. Bates if the municipality put a substantial surtax on the vacant lots that are being held in the hope of the price being forced up?

Mr. BATES: No doubt there are many interesting ways in which municipalities could finance this operation, and that is one of them.

Senator PEARSON: Could you not restrain the price rise on approved property by limiting the amount of C.M.H.C. mortgage loans with respect to such land development?

Mr. BATES: This would be a very bureaucratic undertaking, and we have not seen any evidence that the people of Canada want a stringent control of this type. There is no doubt that controls could be developed that would work one way in St. John's, Newfoundland, and another way in Etobicoke or Scarborough. All of this could be done but it would be a fearful operation for any federal agent to take, since in the end this is essentially the business of the provinces and municipalities. I believe that up to this time the various federal Governments have taken the view that while they are in housing they are in it as an aid rather than as a direct leader in the development of communities. This seems to have been the philosophy.

Senator HORNER: The servicing of land for housing purposes is primarily the responsibility of municipalities, is it not?

Mr. BATES: Quite. Today most of our municipalities have urban districts and some of the larger centres constitute a conglomeration of municipalities. This sort of condition calls for action by the provincial governments in order to implement a satisfactory policy with respect to supplying water and sewers, and other services. In other words, you can no longer look at the municipality of, say, Malton, and determine what is required in Winnipeg, for instance.

Senator HAIG: There is another factor there. You have talked about water and sewers. In connection with Winnipeg, the water comes into the whole area from 130 miles away and the capacity limit has been reached. They are bringing in 25 million gallons a day and in order to bring in any more there will have to be an aqueduct built. Who is going to build it? Am I as a property owner to pay extra taxes so that you, living miles away, can have water? I don't think so.

Mr. BATES: Presumably I am going to pay taxes where I am living in another subdivision. The solution can only be found in a mass project. It requires a metropolitan outlook. I am not saying that it should be a metropolitan council, the same as Toronto has; it may be a Water Board the same as Vancouver and some other cities have. Clearly, however, the problem cannot be solved by individual municipalities.

Senator PRATT: Each area has its own problems which come under either municipal or provincial and municipal jurisdiction. There was a terrific problem in the centre of St. John's, Newfoundland, not long ago. It was terribly congested. Outlying districts were expropriated and taken over and a housing corporation was set up. That nipped the conditions then prevailing in the particular place. Some people were very dissatisfied because their land was taken over, but it was done on an appraisal basis of values existing at that time. Then there are other areas outside the municipality of St. John's, and that is where the province takes over. These areas are just developing into municipalities. So there is no such thing as uniformity of problems anywhere, is there Mr. Bates?

Mr. BATES: No, but there is this fact that we have to face. We have in Canada 6 million school children and there are 3 million families that have to be housed. We do not have to go looking for immigrants. We have them here. It means adding 3 million to a housing stock of 4 million. It means we almost have to double our housing stock, and this can only be done by developing metropolitan areas and finding necessary financing for the required services. In this sense you may say we have a national problem. We have 3 million families to be housed and clothed. Factories have to be developed and jobs found. There will be a tremendous capital search on the part of Canadians for the next 10 to 20 years.

Senator PRATT: The plans have to be set up by the municipalities themselves or in conjunction with the provinces, and then have the federal Government brought in.

Mr. BATES: Quite.

Senator SMITH (*Queens-Shelburne*): Mr. Bates, would you comment on the idea of the provinces supplying more housing through greater use of co-operative housing schemes?

Mr. BATES: Yes. One might say that the co-operative operations have been very successful in Nova Scotia. There has not been the same drive in the other provinces. This drive in Nova Scotia may emanate from the work done by St. Francis Xavier University in the past 20 years. We are passing housing schemes every week. We approved one last week for Sydney, Nova Scotia, for 10 units averaging about \$4,500 per unit. This is very economical and worthwhile housing. These housing schemes require personnel who have field training. Co-operative housing can work successfully if you have this personnel. Incidentally, a good deal of this training has to be done on the spot. We have not had any trouble with these schemes in Nova Scotia, and we have there the lowest-cost housing we have in Canada. I think I am right in that statement.

Senator SMITH: Under which section of the act does that co-operative housing scheme operate?

Mr. BATES: We have a special deal with the province of Nova Scotia under section 36 of the N.H.A. It is the only such deal we have in Canada. No other province has asked us to put together the same kind of deal to aid the Co-operatives. They have a housing commission there which is run by the provincial Government. It helps to seed these local groups and it provides them with information. It has been headed with great enthusiasm by Dr. Prince.

Senator PRATT: And it works very well?

Mr. BATES: Exceedingly well.

Senator PRATT: That should be publicized.

Senator PEARSON: Is it for single houses?

Mr. BATES: Yes, and rows. There are varieties.

Senator BURCHILL: You have been talking about urban communities. What are the requirements under the act with respect to space for rural communities?

Mr. BATES: Well, 7500 square feet is the minimum for septic tank purposes. They will not allow a septic tank to be laid down smaller than that because of the danger of spilling over into other people's lots, as well as danger to themselves.

Senator BURCHILL: Has that been studied very carefully; that is the minimum?

Mr. BATES: Yes. The National Research Council people have worked on this. But actually, you know, senator, every piece of ground is different. You can have some soils exceedingly porous, and others very clayey and difficult, so when your engineers strike a figure and say 7500, they are saying "Well, we are doing this because we simply cannot investigate every lot across the country." This 7500 is a good average, and the average that keeps us out of difficulty. It is not only ourselves, but also our neighbours that get into difficulty.

The CHAIRMAN: Senator Wall?

Senator WALL: I have a minor question following up that of Senator Smith's. Suppose in Winnipeg or Regina, or some place, ten or fifteen people wished to associate themselves in a co-operative building venture on ten or fifteen lots, does the Central Mortgage and Housing Corporation provide them, or can it provide them, with field people to give them advice and guide them? Where do they go for that kind of technical advice?

Mr. BATES: We can only give advice within certain limits. That is, we cannot really get down to the job of being foreman as the job proceeds. We will do an ordinary inspection of it, and advise. But we are quite prepared to encourage this in any area, and if need be send somebody to talk with the groups. We do not deal with a group of anything less than ten. If it is smaller it becomes ineffective. And we do not deal with a group of more than 36 because when it gets above that it begins to take too long, and people get a bit tired waiting for their particular house to be built; if they have to wait three years it begins to pall on them a bit, and we insist on a six months period of study, and so on, before they launch, so that the whole thing will be carefully cut and dried and it will be known exactly what timbers will be needed, and how to proceed. Of course, you want to combine forces, you want to have a combined package, with carpenters, plumbers and electricians, to make the project run itself pretty well, and you simply have them build the houses. None of them knows which house he is going to get. It is just a matter of drawing lots, perhaps, at the end, so that nobody puts a little more electrical work, for example, into a particular house.

Senator HORNER: Would you inspect in every case where an application is made for ten houses, or a unit, under any plan; would you have somebody go and inspect a location and see if it is suitable?

Mr. BATES: We would give them advice. In Nova Scotia, the Housing Commission does a lot of that on its own, so we are not called in directly at that stage. But in other provinces—and I think there is a co-operative down here in Deschenes; that is in the province of Quebec, where we gave assistance directly, as well as advice.

Senator CRERAR: Do you find any large urban areas like Regina and Winnipeg, where there is a tendency on the part of the people from farms and small villages outlying to move in to the cities upon retirement?

Mr. BATES: I have seen no figures, unless Mr. Adamson can furnish them.

Mr. ADAMSON: We do not have the migration figures whereby we can tell exactly in the localities.

Mr. BATES: We just get them from the Bureau.

Senator CRERAR: I was curious, because from my own observation of the city of Winnipeg I know there are a considerable number. The second question I wish to ask is this: With regard to low-cost housing, you speak here of houses around \$8,000. What cash requirement is necessary for such a house to be purchased?

Mr. BATES: A down payment of about \$800.

Senator CRERAR: Ten per cent?

Mr. BATES: Yes.

Senator SMITH (*Queens-Shelburne*): And how much a month?

Mr. BATES: Here is one that was actually built. The total cost of the house construction, including overhead and profit, was \$8,000. The lot on which the house was built was \$500, making a total price of \$8,500. The down payment was \$800, and the loan \$7,700. The monthly carrying charge, that is, principal and interest, so that the debt is wiped out in 25 years, is \$49.27. The taxes were \$12.50. That makes a total monthly payment of \$62.

Senator CRERAR: What would the income of the purchaser be?

Mr. BATES: I believe he could carry this at \$2,800 income.

Senator CRERAR: That is very useful information.

Senator HAIG: What place in Canada would charge only \$12 a month for taxes? Where would that be?

Mr. BATES: Preston, Ontario—that is where this house is built.

Senator HAIG: Suppose that an individual has contracted to purchase a house of that kind, and if the husband is a working man and loses his job or becomes unemployed and cannot afford to continue payments what do you do then?

Mr. BATES: Well, if for example he has a loan from an approved lender, a bank or insurance company they will try to carry this man on as long as they possibly can, they will try to make arrangements with him. None of them want to get into a foreclosure operation, although foreclosure may become inevitable. There may be no alternative. In cases where the corporation has made direct loans, we do the same kind of thing. That is, we try to work out with each individual some solution. We have no national policy, we have a policy for each individual who is in trouble. We will sit down with that individual and try to work out some solution even if it is only to make a token payment for a period of time. This happens if you have general unemployment in some community, or if you have a strike in a community. Means must be found, of working out with each individual some *modus operandi* to try to keep them going as long as you possibly can. Things may come to the point where you are almost ready to foreclose and a trade union, for example, comes along and says we will pay the rent for our member. There may be a lot of that done before the rent is paid.

Senator CRERAR: The tendency there, is that an individual who has purchased a house has an equity in the property, to begin with, an equity of 10 per cent, which accumulates yearly as he pays further, and so he has a very live interest in trying to retain his property.

Mr. BATES: Quite. And this we try to point out to him, that he does have this equity.

Senator WALL: There are two questions I would like to ask. On page 1 of your brief, Mr. Bates, and I do not want to document my remarks, but I have a strong belief that probably Government policy, the National Housing Act might well be changed to meet the problem of easier purchasing of existing housing. I would say I am convinced that a change is needed even though I recognize all the other things we are trying to do in order to meet the need of people with low incomes for owning homes. What problems would there be that would have to be watched for if there were such a change in the National Housing Act? What are the possible dangers?

Mr. BATES: It is difficult to point out the dangers, Senator Wall. After all, in the United States the F.H.A. finances existing housing as well as new housing. I think you would need a very careful set of appraisal operations to

make sure that you are not making too large a loan but I think the real problem is the tremendous volume of financing that would be required. I think you must appreciate that this field of used housing is now looked after by the insurance companies; they feel that this is an area in which they can do special business and they do it. It is true the maximum loan may only be 60 per cent of the value, but to have the federal Government involved in it, especially if you are going up to a 90 per cent loan, would require very heavy financial contributions. Now, it is true you may be repaid over the next twenty-five years but at this stage where people are living in used houses and find it difficult to sell, if we were to come along and offer a 90 per cent loan there would be a vast turnover for a period of time. People will be finding themselves with a few thousand dollars in hand that they had not expected, and these dollars might go into the purchase of automobiles and other things, they would not necessarily go into housing again. Until you are in a national position, and I think this has nothing to do with us in a corporation, where there is a complete adequacy in the flow of mortgage funds those in Government would have to look pretty carefully as to the timing in making a move of this kind.

Senator WALL: Suppose I ask this naïve question: Private institutions will lend up to 60 per cent of the value of a used house. Suppose we felt that the national policy could raise that figure to 80 per cent and we would somehow guarantee the loan, would there be a danger in that kind of an idea that has not been foreseen?

Mr. BATES: I understand, Mr. Chairman, you have not met with the Dominion mortgage people yet. I suggest that the ones to pursue that question with would be the Dominion Mortgage Investment group when it comes before the committee. They could speak with a great deal more freedom than I on that subject.

Senator CRERAR: Mr. Bates, do you have any serious difficulty with collections?

Mr. BATES: No serious difficulty.

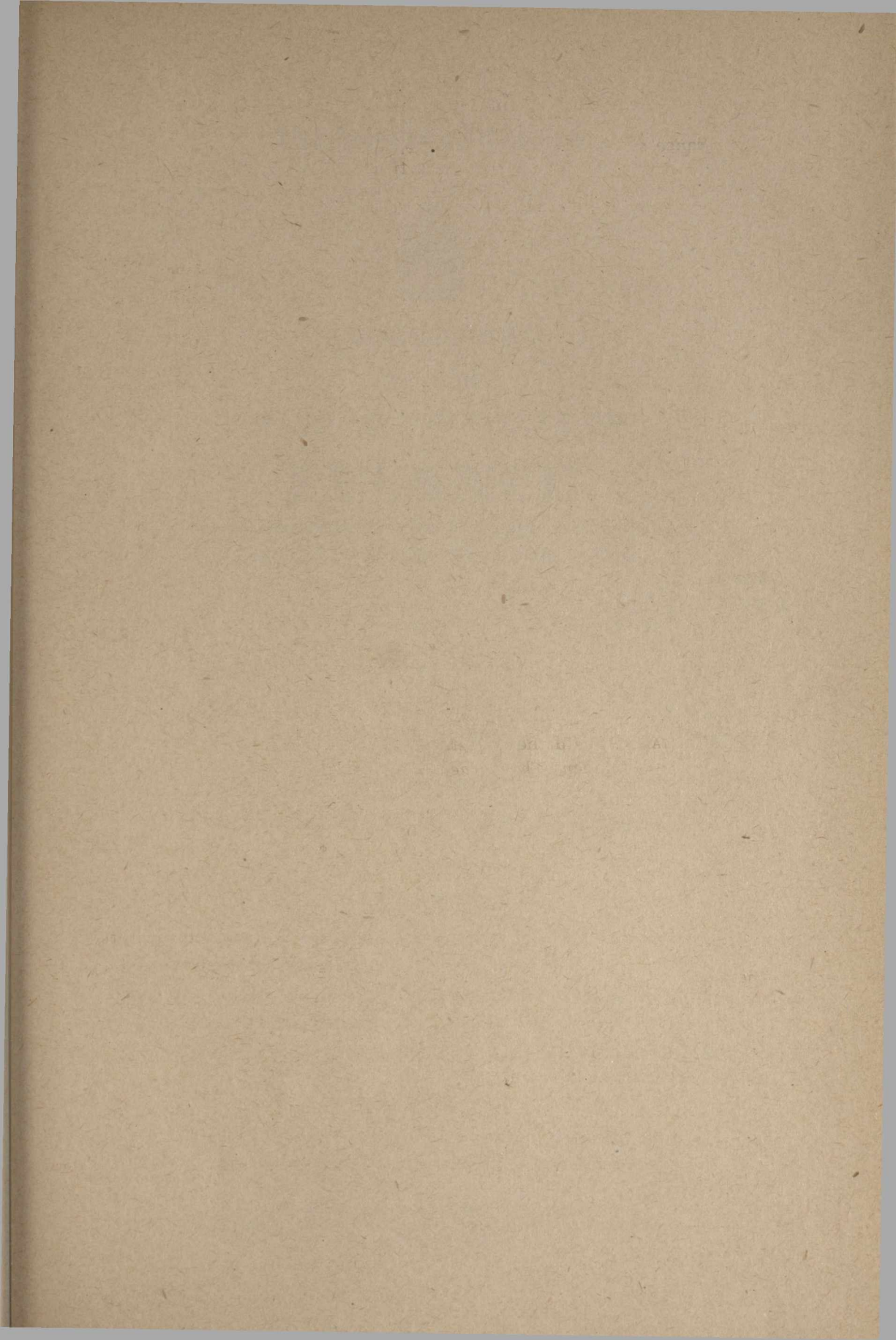
The CHAIRMAN: Any further questions?

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, I would like to have a correction made in the record of the proceedings of July 3. At line 30 of page 114 I am reported to have said that the federal Government's financing for the fiscal year was, "to the amount of \$350 million".

I should have said, and I thought I did say, \$3½ billion. I would ask that correction be made in the next printing of the proceedings of the committee.

The CHAIRMAN: May I extend the thanks of the committee to Mr. Beecroft and his associates, and to Mr. Bates for their fine presentation to the committee today.

Whereupon the committee adjourned until July 17, 1958.



1958

THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE ON
FINANCE

on the Report of Central Mortgage and Housing
Corporation for the fiscal year ending
December 31, 1957.

No. 6



THURSDAY, JULY 17, 1958

The Honourable C. G. Hawkins, *Chairman*

WITNESSES

- Mr. A. H. Lemmon, First Vice President, The Dominion Mortgage and Investments Association.
- Mr. Jules E. Fortin, Secretary Treasurer, The Dominion Mortgage and Investments Association.
- Mr. E. J. Friesen, Vice President, The Canadian Bankers' Association.

APPENDIX A

Description of a household sewage disposal unit
and an experimental foamed plastic hut.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

Extract from the Minutes of the Proceedings of the Senate Wednesday, June 11, 1958.

The Honourable Senator Aseltine moved, seconded by the Honourable Senator Quinn—

That the names of the Honourable Senators Brunt, Emerson and Thorvaldson be added to the list of Senators serving on the Standing Committee on Finance.

The question being put on the motion, it was—
Resolved in the affirmative.

J. F. MacNEILL,
Clerk of the Senate.

THE STANDING COMMITTEE ON FINANCE

The Honourable C. G. Hawkins, *Chairman*

The Honourable Senators

Aseltine	Gershaw	Pratt
Baird	Golding	Quinn
Barbour	*Haig	Reid
Beaubien	Hawkins	Roebuck
Bouffard	Hayden	Robertson
Brunt	Horner	Smith (<i>Queens-</i> <i>Shelburne</i>)
Burchill	Howden	Stambaugh
Campbell	Isnor	Taylor (<i>Norfolk</i>)
Connolly (<i>Halifax North</i>)	Lambert	Thorvaldson
Connolly (<i>Ottawa West</i>)	Leonard	Turgeon
Crerar	*Macdonald	Vaillancourt
Dupuis	McKeen	Vien
Emerson	Molson	White
Euler	Paterson	Woodrow—44
Farris	Pearson	
Fraser	Petten	

(Quorum 9)

**ex officio member.*

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate

TUESDAY, May 20, 1958.

With leave of the Senate,

The Honourable Senator Aseltine moved, seconded by the Honourable Senator Pearson—

That the Report of Central Mortgage and Housing Corporation for the fiscal year ended the 31st of December, 1957, be referred to the Standing Committee on Finance for consideration and report.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

J. F. MacNEILL,
Clerk of the Senate.

ORDER OF RESOLUTION

Resolved, That the Board of the Trustees of the Fund

January 10th, 1888.

With leave of the Board,

The Trustees of the Fund, meeting in regular session, do hereby

Resolved, That the Board of Trustees of the Fund, do hereby

After debate,

The question being put on the motion it was

Carried in the affirmative.

A. E. McWhorter,
Clerk of the Board.

MINUTES OF PROCEEDINGS

THURSDAY, July 17th, 1958.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

Present: The Honourable Senators: Horner, *Deputy Chairman*; Brunt, Burchill, Connolly (*Ottawa West*), Crerar, Haig, Isnor, Lambert, Smith (*Queens-Shelburne*), Taylor (*Norfolk*), Turgeon, White and Woodrow.—13.

In attendance: The official reporters of the Senate.

Consideration of the order of reference of May 20th, 1958, was resumed.

The following were heard and questioned by members of the Committee:—

Mr. A. H. Lemmon, First Vice President, The Dominion Mortgage & Investments Association.

Mr. Jules E. Fortin, Secretary Treasurer, The Dominion Mortgage & Investments Association.

Mr. E. J. Friesen, Vice President, The Canadian Bankers' Association.

A description of a household sewage disposal unit and an experimental foamed plastic hut, submitted by Mr. S. A. Gitterman, Adviser on House Construction, CMHC, was ordered to be printed as Appendix A to these proceedings.

At 12.10 p.m. the Committee adjourned until Thursday next, July 24th instant, at 10.30 a.m.

Attest.

John A. Hinds,
Assistant Chief Clerk of Committees.

THE SENATE

STANDING COMMITTEE ON FINANCE

OTTAWA, THURSDAY, July 17, 1958.

EVIDENCE

The Standing Committee on Finance, to which was referred the report of the Central Mortgage and Housing Corporation for the fiscal year ended 31st December, 1957, met this day at 10.30 a.m.

Senator R. B. Horner in the chair.

The Acting CHAIRMAN: Will the meeting come to order please? Senator Hawkins, who is chairman of this committee is unable to be present this morning owing to the death of his brother. I am sure he would have liked to be here this morning as we have some very fine briefs to be presented to us.

We will now call upon Mr. Lemmon to present the brief submitted by the Dominion Mortgage & Investments Association.

A. H. Lemmon, Vice-President, Canada Life Assurance Company, called.

Mr. LEMMON: Mr. Chairman and honourable senators, The Dominion Mortgage and Investments Association is pleased indeed to accept the invitation of your chairman to appear before it and to make available such information as may be useful to the committee.

I am here today in my capacity as first vice-president of the association. It had been the intention of the association's president, Mr. O. B. Thornton, to be here but for reasons of health he is not here this morning.

With me are Mr. G. A. Golden, Superintendent of Mortgages, Sun Life Assurance Company; Mr. C. F. Mackenzie, General Manager, Canada Permanent Trust Company, and Mr. Jules Fortin, Secretary Treasurer of our association.

It will be the endeavour of these gentlemen and myself to answer whatever questions you may desire to ask. I shall now proceed with reading the association's submission.

The association is a voluntary organization of 25 life insurance companies, 15 trust companies, 1 savings bank and 7 loan companies. It was formed in 1916 and since then has provided a focal point to discuss and deal with matters of common interest to those companies in regard to their investments. While it does not include all such companies in Canada, its membership represents the major portion of the business in Canada. The association operates by way of making recommendations to member companies, each company being free to accept or reject them.

The members of the association do business throughout the whole of Canada. Exclusive of \$4,722 million of estates, trusts and agency funds administered by member trust companies, the assets in Canada of member companies at the end of 1957 totalled \$6,699 million, of which \$3,009 million was invested in mortgages on real estate in Canada.

These companies are a major source of long-term credit in Canada. They invest in the bonds and other securities of Canada, its provinces, its municipalities and school districts. They finance public utilities, industrial and commercial enterprises in their long-term capital requirements. They provide a major part of the mortgage funds which assist in the construction and purchase of housing. At the end of 1957, of the total invested in mortgages on Canadian real estate by member companies, 84.59 per cent was on residential properties.

The funds that these companies have for investment as represented by their assets are entrusted to them by the public of Canada through the sale of life insurance, the deposit of moneys with loan and trust companies and the sale by these companies of their debentures and savings certificates. These funds must be invested in such a way that they can be returned in due course with interest to policyholders, depositors and holders of debentures and certificates. It follows that a policy of careful selection, continuing supervision and wide diversification must be pursued. In so doing these funds flow into those avenues of investment which from time to time afford the best income return within the factors of safety, liquidity and administration cost. The assets of the companies are not static. They are a dynamic, growing, revolving fund constantly being adapted to the economic needs of the community as investment and reinvestment takes place.

There is great competition for these funds. Canada, the provinces, municipalities, school districts, hospitals, public utilities, industrial and commercial enterprises, and the individual who wants housing, all have important and pressing requirements. All of the assets of member companies cannot be placed in any one type of investment, whether it be into bonds or debentures, mortgages in general or into housing mortgages in particular. Further, the financing of housing is not confined to the bare lot and house. It involves the financing of roads, sewers, watermains, light and power, schools, shopping facilities and the other amenities which have come to be looked upon as being necessary or desirable in community living as Canadians know it. Also transportation, commerce and industry have capital requirements which must be met if employment opportunities are to be available to enable the house purchasers to pay for their homes.

The provision of housing occupies an all important place in the investment transactions of member companies.

1. During the 11 years ending with 1957, member companies have approved mortgage loans on real estate in Canada involving \$4,842 million that is excluding the government's share of joint loans under the National Housing Act, 1944 and "agency" loans under the 1954 Act. Loans for housing accounted for \$3,928 million or 81.1 per cent and assisted in the financing of 776 thousand new and existing housing units.

2. During the same 11 years, the assets in Canada of these companies, exclusive of estates, trusts and agencies administered by trust companies, have increased by \$3,742 million. Thus the mortgage loans on property in Canada approved by the companies were \$1,100 million greater than the increase in their Canadian assets. If repayments on and sales of mortgage loans of \$1,955 million during this period are added to the increase in assets, then mortgage loans approved were 84.9 per cent of this total and those for housing purposes were 68.9 per cent.

The experience of the last few years by the member companies of the Association is as follows:

Gross Mortgage
Loans Approvals—

	1957	1956	1955	1954	1953
			(\$ millions)		
New Housing	286	435	476	399	280
Existing Housing	119	134	139	103	85
All Housing	405	569	615	502	365
All Properties	497	694	742	606	440

Average Gross Loan—

New Single House	\$10,560	\$10,613	\$9,835	\$9,042	\$7,990 and \$ 5,140 in 1948.
------------------	----------	----------	---------	---------	----------------------------------

During the Second World War member companies used the bulk of the moneys coming into their hands to help finance Canada's war effort. By the end of the War, Canada bonds formed a large part of the assets of these companies. In the reconstitution of their growing portfolios to recover the balanced diversification of assets which management and experience have indicated as desirable, holdings of Canada bonds by the companies have been reduced substantially and other kinds of assets have been increased, notably mortgage loans. This reduction in holdings of Canada bonds made possible in considerable part the relatively high volume of mortgage lending by the companies in the post-war period. This source of funds has almost disappeared as most companies have probably reduced such holdings to the minimum considered desirable by them.

The lessened mortgage activity of the last two years, particularly that of 1957, is a reflection of the very high level of demand for other types of credit, and the consequent relative attractiveness of other types of investment, combined with the large proportion of their assets already held in their portfolios of mortgages by member companies. At the end of 1957, member loan companies held 78.9 per cent of their total assets in mortgages on real estate in Canada, member trust companies 36 per cent and member Canadian life insurance companies 42.8 per cent of their assets in Canada. For the first 5 months of 1958, in consequence of the change in the general level of interest rates and of the changed pattern of demand for credit, the gross mortgage loan approvals of all types by member companies show an increase of 38 per cent over those of the same period of 1957, those for housing showing an increase of 33 per cent.

The volume of funds of member companies seeking investment in the mortgage field is governed by many complex factors. In a general way, it can be said that it is something of the order of the reinvestment of mortgage principal repayments plus the portion of its net increase in assets which each company considers to be desirable in its own case to give effect to its own liquidity and diversification requirements in relation to the nature of its liabilities.

Commencing with the enactment of the Dominion Housing Act in 1935, Parliament, for both economic and social reasons, has moved in many directions to facilitate the provision of mortgage credit for housing, to improve standards of construction and to widen the area of effective demand by increasing the amount of the loan and by extending the period of amortization. In so doing, however, it has created for the lender risks additional to those recognized as being ordinary by legislation generally in effect in Canada

which sets the statutory limit of mortgage loans which the companies are authorized to make at a maximum of 60 per cent of appraised value. The companies were authorized to make higher ratio loans, originally jointly with the Government and, subsequently with Central Mortgage and Housing Corporation, and the additional risks were met by the partial guarantee provisions of the Dominion Housing Act and those of the National Housing Act, 1944. Beginning with 1954, these additional risks were partially met by the insurance feature of the Act of that year. To the extent of the funds available to them and in keeping with the principles already set out previously herein, the companies have cooperated fully in meeting the demand for housing mortgage credit.

Apart from loans under the National Housing Acts, the companies make mortgage loans on residential property to the maximum extent of 60 per cent of the value at which such property is appraised by the companies, such appraised value being generally less than sale price, at rates presently ranging from 6.75 per cent to 7.25 per cent with termination dates as short as 5 years. There is strong demand for such loans and they are granted by the companies in the ordinary course of business, and, having regard to risk and costs of administration, they fit in with the pattern of interest rates current in Canada.

Member companies have co-operated fully in the operations of the Dominion and National Housing Acts. They have done so notwithstanding that successive liberalization of the amount of loan has added to the risk. Member companies have no mandate to accept a rate of interest lower than the going rate from time to time, having regard to safety, liquidity and administrative costs. It will be appreciated that it costs much more to acquire and administer a portfolio of mortgage investments than it does a similar amount invested in securities. The attractiveness of insured mortgage loans under the present National Housing Act is closely dependant upon the adequacy of the insurance factor related to the risk and upon the adequacy of the net interest return in competition with the rates of return on alternative avenues of investment. For most of the year 1957 the return on N.H.A. mortgages was not competitive and the companies placed more of the funds they had available in alternative types of investment. So far this year and for the time being, the present 6 per cent gross return on N.H.A. loans, while not fully competitive, is more in keeping with rates of return obtainable in the money markets for comparable alternative types of security and N.H.A. loans by the companies have risen substantially.

To the end of May this year, housing starts have been considerably higher than for the same period of 1957, being some 60 per cent higher and at the end of May there were some 76,271 units under construction in Canada compared with some 60,594 units at the same time in 1957. In the experience of member companies, housing units under construction have been generally readily absorbed as they came to market so far this year. The large volume coming to market in the next two months or so gives rise to doubts that all units can be absorbed all at once in some localities and the companies are following a cautious approach in granting loan approvals where these doubts arise.

We are at your disposal to answer any questions within our ability.

The Acting CHAIRMAN: This is a very fine brief. I should like to say to you gentlemen who have appeared to give evidence this morning that it is unfortunate there are two other important committees of the Senate sitting this morning, the Standing Committee on Transport and Communications and the Special Committee on Land Use in Canada. I am sure that a great many of the senators serving on those committees would like to be here to take part in our deliberations. What is your wish, honourable senators? Do you wish to ask some questions now of Mr. Lemmon?

Senator BRUNT: I would like to ask Mr. Lemmon what is meant in the brief by the last sentence on page 5 which reads, "Beginning with 1954 these additional risks were partially met by the insurance feature of the act of that year." I would like to know exactly what is meant by that.

Mr. LEMMON: I think Mr. Bates covered that reasonably well in his brief. There are three main areas of potential loss to lenders under the National Housing Act. In the first place, only 98 per cent of the principal claim is covered by the insurance policy. Secondly, there is a potential loss of interest since interest is allowed at the mortgage rate for only six months and then at a considerably reduced rate thereafter, and after 18 months there is no allowance. Thirdly, the allowance for foreclosure costs and other legal expenses is not realistic. On the average it would not cover half of the out-of-pocket legal expenses in the event of foreclosure. Therefore, an institution which forecloses the property and turns it over to C.M.H.C., has three potential areas of loss involved if it wishes to realize on a policy guarantee.

Senator BRUNT: Mr. Bates also told the committee they had only six or seven foreclosures, and that they made a profit on them all. Does no part of the profit go back to the lender to reimburse him for his losses?

Mr. LEMMON: None whatever. It becomes part of the reserve fund of Central Mortgage and Housing Corporation to cover future losses. We make no recovery of these amounts.

Senator LAMBERT: I thought Mr. Bates said there was something like 400 foreclosures in the history of Central Mortgage, up to date. I may be wrong but certainly it was more than six or seven.

Senator SMITH (*Queens-Shelburne*): I think Senator Brunt's figures related to insured loans only.

Senator BRUNT: Yes.

Mr. FORTIN: May I add that if it takes three years to obtain title with possession, the lender recovers from the insurance fund approximately 88 per cent of his claim, so that there is an 11 per cent plus loss to the lender. On the other hand, if title and possession can be obtained within six months and foreclosure is started the minute the borrower defaults then the loss is 2 per cent on the principal plus whatever is lost on legal costs. It depends on the length of time.

Senator CRERAR: Well, I would say this: You make quite a lot of loans through the Dominion Mortgage and Investments Association of one kind or another. I suppose you are making some direct loans from time to time without any insurance?

Mr. LEMMON: A good many, sir.

Senator CRERAR: And you make a good many insured loans?

Mr. LEMMON: Yes.

Senator CRERAR: And that has been going on for quite a number of years?

Mr. LEMMON: In the case of our company for over one hundred years.

Senator CRERAR: That is what I thought. How have your collections been on these loans over the last, say, two years?

Mr. LEMMON: Remarkably good, sir. The percentage of delinquencies and defaults throughout our member companies have been uniformly low. I do not know if Mr. Fortin can contribute anything to that or not?

Mr. FORTIN: I would say it is so small that you cannot express it into percentage.

Senator CRERAR: Five per cent?

Mr. FORTIN: No, less than one per cent.

Senator CRERAR: Then would you agree that the serious recession and unemployment talk we hear so much about has not affected the repayment of money on these houses?

Mr. LEMMON: That is quite true up to this date.

Senator LAMBERT: At the conclusion of your brief you express some doubt about the future.

Mr. LEMMON: The last paragraph refers not to the doubts on mortgages. We are considering the problem of whether there are too many houses being built in any one community.

Senator LAMBERT: Yes, that is the last sentence.

Mr. LEMMON: Yes, it is not a question of security of the mortgages, but just watching the market in individual communities across the country.

Senator LAMBERT: It might affect the demand for mortgages?

Mr. LEMMON: It might.

Senator LAMBERT: In other words, there is a question whether the house situation is not being overbuilt?

Mr. LEMMON: That is correct, sir.

Senator BRUNT: In certain areas.

Mr. LEMMON: That is right; it is not uniform.

Senator TURGEON: Any particular provinces?

Mr. LEMMON: No, I wouldn't like to stress a province-wide situation because it varies from community to community.

Senator HAIG: There is no shortage except in this respect, that a crop failure in a district will affect the situation under any kind of condition?

Mr. LEMMON: That is quite right, sir.

Senator HAIG: We in the western provinces, for instance, are having some difficulty with this year's crop, which naturally will not be a normal crop. I think there would be some shortages in that part of the country, but that would only be on account of crop conditions. No other condition would affect that as yet?

Mr. LEMMON: Mr. Fortin just called to my attention that the situation varies from community to community with respect to the price range of the houses. I mean, there may be an over-supply of \$25,000 houses and a shortage of \$10,000 houses, and vice versa; it is quite a varying condition.

Senator HAIG: That is for you to decide whether to lend your money?

Mr. LEMMON: That is what I mean by the last paragraph.

Senator SMITH (*Queens-Shelburne*): You refer to the fact that you lend under the ordinary legislation up to 60 per cent of the face value. Does that have to do with used houses—old houses?

Mr. LEMMON: Both old and new.

Senator SMITH: I was wondering in connection with that kind of lending under ordinary legislation whether very much of your mortgage business is done on new houses where the appraised value is only 60 per cent?

Mr. LEMMON: Speaking for the association as a whole, it obviously varies from company to company. Some companies tend to make a specialty of lending on older houses, while some companies will not lend on old houses at all. I am sorry I cannot quote the figure of percentage on old and new houses, but there is a substantial amount of both.

Senator SMITH: I was wondering whether there was a substantial number of people building new houses today who would borrow money from your companies and pay from 6.75 per cent to 7¼ per cent on a shorter term mortgage.

I was wondering if a large percentage of new home owners are building homes under that technique?

Mr. LEMMON: Again, I think Mr. Bates covered that in his brief. Up to a certain price bracket—I think he mentioned \$16,000 to \$17,000. A very high percentage of the houses, up to perhaps 90 per cent, are financed under the National Housing Act. Houses over that figure would be, I mean, entirely financed under the 60 per cent plan.

The Acting CHAIRMAN: Mr. Bates mentioned something about a home builder who would do a good deal of the work himself.

Mr. LEMMON: Even some of those are financed under the Housing Act. The price bracket is the more important break.

Senator ISNOR: I think Mr. Bates gave a figure of \$16,220. Mr. Lemmon, on page 5 you refer to the 60 per cent appraised value as being general.

Mr. LEMMON: That is specified by law.

Senator ISNOR: Prior to 1935, the year of the Dominion Housing Act, it was a higher rate, 70 per cent, was it not?

Mr. LEMMON: No. As far as the life companies are concerned the 60 per cent ratio has been in existence for many many years. I have been in the business for 30 years, and it goes back prior to that.

Senator ISNOR: You say that since the invasion of your field by the Central Mortgage and Housing Corporation under the provisions of the National Housing Act you have not felt obliged to increase that 60 per cent ratio?

Mr. LEMMON: The law has not permitted us to go beyond 60 per cent. The Insurance Companies Act and the Trust Companies Act and the Loan Companies Act limit us to 60 per cent of the appraised value. It is not our choice, it is the legal requirement.

Senator ISNOR: Would you care to give us your opinion, apart from the law, as to whether it would be advisable under present conditions to increase that 60 per cent ratio?

Mr. LEMMON: Mr. Chairman, I would not like to make a general statement on that. I think I would like to let it go at that. It is not a question that has been discussed among our member companies particularly at all. I would not like to make a general statement on that question.

Senator ISNOR: May I be permitted to change my question around a little, Mr. Chairman, and ask Mr. Lemmon the question is this way. Lending of course is your field. Would it increase your business if you were permitted to increase that percentage?

Mr. LEMMON: Would it increase our business if we were permitted? I think we are lending about all we can on mortgages at the present time.

Senator ISNOR: All you care to.

Mr. LEMMON: It is a matter of policy. All our companies think desirable. I will say this, that generally speaking the limits in the United States are 66 $\frac{2}{3}$ per cent, not 60 per cent, and in some states it is 70, and even as high as 75. So 60 per cent tends to be on the low side of practice on this continent.

Senator ISNOR: Now you are coming more to my way of thinking.

Then you feel that the United States is more generous in regard to mortgage lending than we are in Canada?

Mr. LEMMON: The legislative requirements in the United States are more generous than the legislative limitations in Canada.

Senator ISNOR: Then I think it is quite safe for me to say that 70 per cent would help to make possible the building of more housing of the type that is required, it would tend to increase loans.

Mr. LEMMON: I do not think I can accept that, Mr. Chairman. I think that our member companies are approaching the limit of the percentage of their assets that they would desire to put into mortgages and I do not know that the lifting of the limit from 60 per cent to 70 per cent would increase the number of loans. I do not think that is a safe assumption.

Senator LAMBERT: Am I right in assuming that the investments of the loan companies today in mortgages increased over the percentage of investments in securities and so on?

Mr. LEMMON: Drastically, Senator Lambert.

Senator LAMBERT: The income of insurance companies from mortgages, for instance, has increased a great deal more in the last two or three years than the income from investments in bonds and stocks?

Mr. LEMMON: I am not sure of the Senator's meaning. Do you mean the interest return?

Senator LAMBERT: No, I mean the percentage of investments in their portfolios.

Mr. LEMMON: Definitely, Senator Lambert. The life insurance companies particularly came out of the war, as I said in my brief, with a very high percentage of their assets in Government bonds, and a very low percentage in mortgages. Now we have come to the percentage mentioned in our brief.

Senator LAMBERT: I would go further and say the returns from those mortgages have been more profitable than from any other source of investment they make.

Mr. LEMMON: Generally speaking, mortgages yield gross much more than securities do. There is an expense factor involved of course, but I would say, generally speaking, the net return is perhaps more attractive in securities, and that is why we have increased our percentage.

Senator LAMBERT: The annual reports of the companies do show that.

Senator CRERAR: As you will admit, Mr. Lemmon, we are building a lot of houses. Do you have any idea as to whether we may be building too many houses or not? Has that had any consideration among your association members?

Mr. LEMMON: I would like to answer that this way, Senator Crerar, if I might. Our member companies, as I indicate in the last paragraph of our brief, are watching the market for housing very closely community by community, and if it appears to us that more houses are being built in a community than are being readily sold then we reduce our loans in that community. On the other hand, if the houses are being absorbed readily by the market then we do not. As I also say in the brief, so far our experience has been that houses are being readily taken up by the market. How long it will continue I would not like to say.

Senator CRERAR: One other question. The primary job of the committee now is to consider the annual report of the Central Mortgage and Housing Corporation. Might I inquire how your relationships are with the C.M.H.C. Do you get along amicably with them?

Mr. LEMMON: Generally we get along very amicably with them. As is the case in a business relationship of that nature there are differences of opinion which are sometimes argued with some heat involved, but, generally speaking, the relationships between our member companies and the C.M.H.C. have been excellent.

Senator CRERAR: You feel that they hold their own end of it up pretty well?

Mr. LEMMON: We sometimes think they might even go further than that. In discussions with our group they certainly hold up their end very well.

Senator SMITH (*Queens-Shelburne*): Have you had any disagreement to any extent in connection with the appraising of housing as between your appraisers and the appraisers of C.M.H.C.?

Mr. LEMMON: Certainly, that is inevitable. Two appraisers will not look at the same property in the same light.

Senator SMITH (*Queens-Shelburne*): Is it a problem to you to the extent that you would find it difficult to lend money to a young man who wants to build a home arising out of the fact that the appraisal of the C.M.H.C. may be \$1,000 less than the appraisal made by any of your companies?

Mr. LEMMON: As I say, there is a difference of opinion between our appraisers and their appraisers. Sometimes our appraisals are less than theirs and sometimes higher. Sometimes there is a little local feeling that one office may be a little rougher on a certain type of house than they might and we get complaints from our managers about them. On the other hand, in another area we have examples of the C.M.H.C. going beyond what we are prepared to do. The problem is local, minor, and not a major problem. It is the sort of disagreement between two appraisers, each having their own ideas of value.

Senator SMITH (*Queens-Shelburne*): Thank you.

Senator CRERAR: You would find the same problems outside the C.M.H.C.?

Mr. LEMMON: Certainly. Our member companies themselves do not agree on the appraisals of properties.

Senator CRERAR: Would you care to give us an opinion or your judgment of the likely trend of interest rates on loans on this character?

Mr. LEMMON: That is an awfully difficult question to answer, Mr. Chairman. I do not think I can answer it. Certainly since last fall interest rates generally have come down, not only in Canada and in the United States, but in the sterling and other areas.

I am not trying to dodge the question, but literally I feel the answer depends on business conditions. If recovery sets in soon, which most of us hope and expect will happen, the demand for money will be stepped up again, and may very well firm up interest rates. On the other hand, if business conditions do not recover, contrary to our expectations, the reverse may happen. I am sorry I cannot be more definite.

Senator SMITH (*Queens-Shelburne*): Has not the increase in interest rates already happened, with regard to the recent re-financing?

Mr. LEMMON: I was hoping nobody would bring that question up.

Senator SMITH (*Queens-Shelburne*): It seems obvious to me—perhaps it is not so obvious.

Mr. LEMMON: Certainly interest rates on Dominion of Canada bonds have been increased as a result of the operation of the past week. What effect that will have on mortgage rates, I do not think anybody at this stage can say. I do not think I can go beyond that. Certainly, the rates on Dominion of Canada bonds have gone up. Mortgage rates move much more slowly, and do not fluctuate as widely. I think one would have to wait some months to see what the effect is going to be on mortgage rates.

Senator CRERAR: If interest rates rose above the present level of high grade bonds, say by three-quarters of 1 per cent, do you think that would be a factor in attracting outside money—when I say outside money, I mean money from outside the country—foreign investment in Canada?

Mr. LEMMON: I don't think there is any doubt about it, that more attractive interest rates would attract more money.

Senator CRERAR: Apparently there is capital either in the United States or Europe that might be interested in investment in Canada.

Mr. LEMMON: That is quite possible.

Senator ISNOR: Mr. Lemmon, would you care to expand on your statement in regard to the holdings of your company:

In the reconstitution of their growing portfolio to recover the balanced diversification of assets which management and experience have indicated as desirable, holdings of Canada bonds by the companies have been reduced substantially and other kinds of assets have been increased, notably mortgage loans.

Would you care to enlarge on the reasoning back of that statement?

Mr. LEMMON: I think I have covered it to some extent, Mr. Chairman. During the Second World War the companies put all of their income into Dominion of Canada bonds until they had a very high percentage of their assets in those securities. That is not a normal state of affairs: They do not normally have that percentage of their assets in Dominion of Canada bonds. That is, the various life insurance companies, loan companies, and trust companies that accept deposits have different requirements, but almost uniformly they had more Dominion Bonds than they would normally hold, and it took them some years to correct the proportions, to decrease their holding of Dominion Bonds and increase municipals, corporate lands, and mortgages, and effect a more normal distribution.

Senator ISNOR: That was brought about by the entry of certain interests into the field of lending.

Mr. LEMMON: No sir. The Companies started to do this immediately after the Second World War; as soon as the war was over they started to re-arrange their portfolios.

Senator ISNOR: The war was not over until 1945 or 1946.

Mr. LEMMON: It was really 1946; the last Victory Loan was in that year.

Senator ISNOR: The Dominion Housing started its building in 1935, and later on its action was accelerated. It was then that you felt it was necessary to enter into the field of mortgage lending.

Mr. LEMMON: No, our companies have been in the mortgage business pretty nearly since they were incorporated; my own company has been in that over 100 years. The Companies have always held a substantial portion of their assets in mortgages. They got into a temporary situation during both wars, but whether C.M.H.C. was in the field or not, they still would have gone back into the mortgage business to a very substantial extent.

Senator ISNOR: Thank you.

Senator SMITH (*Queens-Shelburne*): Do you expect that within the next year, and following years, if we must have deficit financing in Government that there will be enough mortgage money available to continue building houses at the present rate, which I understand is about 140,000 to 150,000 houses per year? In other words, is Government financing going to dry up the source for mortgage funds.

Mr. LEMMON: To the extent of course that our institutions are required to, or desire to, support Government financing, and Government loans, it will divert funds from other sources of investment. If we expand further in one place, we do not have the funds for another place.

As to whether there will be enough money through the normal lending institutions channel for financing a volume of 140,000 to 150,000 starts, depends

on a number of factors. It depends on the extent to which our good friends the Chartered Banks go into the mortgage business; it depends on the point, as raised by Senator Crerar, as to how much money comes in from other countries to go into mortgage business in Canada. If it was left purely to our member companies there would not be enough money, and some money would have to come from other sources.

Senator ISNOR: The basic reason would be the prosperity of the country.

Mr. LEMMON: That is right.

Senator ISNOR: Or the reverse.

Mr. LEMMON: When the demand for money exceeds the supply then something has to give.

The Acting CHAIRMAN: But there is a continual return of payments.

Mr. LEMMON: Yes, Mr. Chairman. I have allowed for those. As I pointed out in the brief, we have invested all of those repayments in mortgages. We invested a substantial percentage of our income and assets in mortgages, but if it were left to our member companies without outside sources of mortgage funds, there would not be enough for 140,000 or 150,000 starts a year.

The Acting CHAIRMAN: To refer to what Senator Smith has said about Government financing, as I understand it from your companies, you believe, this will eventually make for stability of interest rates by placing these on a long-term basis.

Senator SMITH (*Queens-Shelburne*): I was not referring to this scheme that is now being started; rather, I was referring to deficit financing of all Governments in these times. What I mean is, they have to get new money, and the demand for new money is going to be pretty heavy, so I am given to understand.

Senator HAIG: The rate of interest will take care of that; people will take their money out of other investments and put it where the income return is best. These companies here do exactly that, no more and no less.

Senator SMITH (*Queens-Shelburne*): What you are saying is in your opinion the interest rates will rise?

Senator HAIG: I think, if you are right in what you say, the interest rates will rise; if we have a good crop and there is an increase in world trade, if the United States gets back on her feet, and Britain and Europe are able to get out of this war hysteria, then there will be money for business distribution and we will be in the market. We have not been able to sell our wheat, oats or barley; we have been tied up. Once the market is moving again, then money will come in as it did before. In the meantime, we have to decide to do, as Mr. Lemmon has quite properly said. We may have to take care of 140,000 housing starts next year and each year in order to keep people in that line of business employed. There is nothing as good for employment as house building; it takes care of more diversified industry than any other operation. It gives assistance to many different types of occupation. I speak with some knowledge, for I was in the building business for ten years. I know about it. We built a tremendous number of houses in Winnipeg and we had no trouble at the start in getting money. Any of the loan companies would lend us money, but towards 1930 when the world started to feel the pinch our sources of lending money started to diminish. Valuations were down and the amount of money available for lending on housing was reduced to a minimum, with the result that we had to put up more of our own money to finance operations. Finally, by 1929, my partner and I decided that we could not carry on this kind of building business any longer and we decided to quit. I think the same thing applies here. I am in favour of the present policy of definite financing to a certain degree, but I say that there may come a day when we

have to reverse our thinking. It may be beyond our means and I think that is the situation we face.

I wanted to ask Mr. Lemmon one question. You do not have to answer this question unless you want to, but in dealing with the National Housing Act does your Association feel that it is the same thing as dealing with outside companies? In other words, do you have your differences of opinion when you think they are wrong and you are right and perhaps later you find you were wrong and you act accordingly? Does the same thing apply to the Central Housing and Mortgage Corporation as applies to companies generally?

Mr. LEMMON: Pretty much, sir. I give them full credit. They are men who are trying to do a job, and I think they are trying earnestly to do a good job. Sometimes we do not see eye to eye on certain things, as you suggest, but we get along. Sometimes some of our confrères in other companies have their differences, but we manage. I think you stated it very well, sir.

Senator HAIG: Thank you.

Senator ISNOR: Yesterday our Banking and Commerce Committee gave consideration to bills to amend the Trust Companies Act and the Loan Companies Act. It came out during the evidence that an association of trust companies had made application to the Government, through the Superintendent of Insurance, for an increase in borrowing power from 10 to 12½ times paid up capital and reserves. Did your association ever consider making a request that the 60 per cent be increased?

Mr. LEMMON: Our association, as I pointed out in the brief, is made up of four different types of institutions. There are life insurance companies, trust companies, loan companies and a savings bank. Each of them operates under a separate act and each of them deals with its own act outside of our association. Our association does not make a presentation on their behalf in connection with, for instance, a revision of the Life Insurance Company Act. The life insurance companies act for themselves, and the trust companies act for themselves in respect to their legislation, and so on. It is on the record, sir, that at the last revision of the Insurance Act a suggestion was made to the Superintendent of Insurance that the 60 per cent ratio be raised to 66⅔ per cent for the purposes of life insurance companies. The Government did not see fit to grant that request.

Senator ISNOR: Did the Government make any compromise at all?

Mr. LEMMON: None, sir.

Senator ISNOR: Then you did make application for an increase to 66⅔ per cent?

Mr. LEMMON: Yes.

Senator ISNOR: I just wanted to get that on the record.

Senator TURGEON: How long ago was that?

Mr. LEMMON: I believe it was in 1950, when the last major revision of the Insurance Act was made.

The Acting CHAIRMAN: If that is all the questions, we thank you very much, Mr. Lemmon. You have presented a very fine brief.

We will now hear from Mr. E. J. Friesen, Vice-President of the Canadian Bankers' Association.

Mr. E. J. Friesen, General Manager of the Imperial Bank of Canada and Vice-President, The Canadian Bankers' Association:

Mr. Chairman, I would like, on behalf of The Canadian Bankers' Association, to express appreciation for the invitation to appear before this Committee. I trust that what we are able to contribute will be of some service in the

examination of matters affecting housing which the Senate of Canada has undertaken.

I am pleased to have with me Mr. S. A. Shepherd, Manager, Mortgage Department, Bank of Montreal, and Chairman of the Mortgage Loan Committee of the Canadian Bankers' Association, and also Mr. H. L. Robson, Assistant Secretary-Treasurer of The Canadian Bankers' Association.

Relations with C.M.H.C.:

Mr. Stewart Bates, President of C.M.H.C., made an excellent statement to this Committee early in June which must have provided a solid background for the later proceedings. Certainly it has rendered this presentation much simpler, in permitting omission of a large amount of detail which otherwise would have been necessary and which now would be mere duplication. This statement will not, as a consequence, be a lengthy one. It would be appropriate also to remark here that since the chartered banks entered the mortgage lending field in March, 1954, their relations with C.M.H.C. and its officers have been of the very best. The happy atmosphere which has existed, even through changes in personnel, can have facilitated in no small degree what may justifiably be regarded as a smooth and satisfactory performance by the chartered banks in a completely new sphere of operations for them.

Performance, 1954-1958:

At this point it would no doubt be helpful to give some details of what has been accomplished by the chartered banks in providing mortgage funds so essential to a large segment of Canada's housing programme. Since March 1954, the banks have made mortgage loan commitments of over \$900 million, a very substantial sum. When Parliament passed the National Housing Act in 1954, the chartered banks expressed their intention to co-operate fully and they expedited their entry into the field just as rapidly as the greatly-detailed and complex arrangements could be made. The \$900 million figure speaks for itself.

Breaking this participation in mortgage lending down into years and housing units, the following picture is presented of approvals by C.M.H.C. of applications received through the banks:—

<i>Period</i>	<i>Family Dwelling Units</i>
1954 (from end March)	16,909
1955	34,457
1956	15,896
1957	15,695
1958 (to 20th June—"undertakings" requested) ..	12,228

These figures cover use of the banks' own funds only and do not include the Government "Agency Loan" programme.

It is worthy of mention that these loan approvals have been made throughout Canada, in small places as well as large, thus accomplishing one of Parliament's main purposes in bringing the chartered banks within the scope of the National Housing Act as mortgage lenders.

Farm housing has been little financed under the National Housing Act, but it may be of interest to note that 18.5% of new housing in rural areas in 1956, the latest year for which information is available, was built with the assistance of the banks under the Farm Improvement Loans Act.

It may be asked why there was such a bulge in the figure for 1955. One reason for this, and there would be others, was the desire by the banks to establish quickly a portfolio of mortgage loans of some size in order to meet

the basic costs of operating a mortgage lending business—it is an accepted fact that such costs are likely to be disproportionate until a substantial volume of loans has been built up. It was, of course, not until 1955 that the mortgage lending operations could be expected to be in full and efficient swing in the banks as a whole, although the performance in 1954 was indicative of active response to the challenge. The decline in the years after 1955 can perhaps be regarded as settlement to a normal level, if one may use the term after only four years of experience. What the banks will be able to do normally over the course of years in their special position is difficult to forecast.

Mortgage Principal Repayments:

N.H.A. mortgages drawn for 25 years and payable in equal monthly instalments over the term have only a small part of the principal repaid during the first five years of the term. The percentage of the principal of a loan (paid in the manner stipulated in the mortgage) that is repaid each year of the first five, is as follows:—

During the first year	1.8%
During the second year	1.9%
During the third year	2.0%
During the period of the fourth and fifth years	4.5%

so that after five years only 10.2% of the principal loaned has been repaid. After ten years 24.8% will be repaid and 42.2% after fifteen years. It requires payments to be made regularly for between 16 and 17 years to obtain repayment of 50% of the capital loaned. As already stated, the above figures are on the basis of repayment in accordance with the mortgage.

This illustrates that it will be some years before sufficient capital will be repaid to the banks, annually, to provide an amount that can be re-loaned equalling the average annual N.H.A. loans made by the banks since entering the mortgage lending field.

The banks are not in the position of the mortgage lenders who have been operating for many years and are now in the fortunate position of having a substantial flow of repaid capital coming in which is available for reinvestment in new loans—sufficient to maintain, if desired, a steady programme of new loan approvals from year to year without drawing on new funds.

Market for Mortgage Loans:

One aid to continued participation in new mortgage loan approvals is sales out of portfolio to other investors, or perhaps the making of new loan commitments specifically on behalf of other investors, which has the same result. To the end of 1957 the banks had recorded with C.M.H.C. the sale of mortgages totalling \$89 million. This total has now possibly reached \$100 million. Most of these sales have been made to corporate pension funds, and slow but steady progress is being made in developing that market, which is a most logical one. It is possible that this source of funds will grow as pension fund trustees become accustomed to mortgage loans as an investment medium.

Other methods of marketing have been under study but not yet has a plan been developed that does not present some serious difficulties. Large foreign investors, while interested in the interest rate, are deterred by the exchange risk and the reduction in actual yield resulting from the non-resident withholding tax of 15% of the interest.

Agency Loan Programme:

A few words should be said about the banks' participation in the "Agency Loan" programme. As the Committee knows, this was an arrangement whereby the approved lenders were called upon to assist C.M.H.C. in bolstering the

number of housing starts in a hurry by accepting and dealing with applications for N.H.A. insured mortgage loans in the same way as for their own N.H.A. loans, but using C.M.H.C. (Government) money instead. These were a variation on C.M.H.C. direct loans, as authorized by Section 40 of the Act. Mr. Stewart Bates mentioned this type of loan in his statement, but here it is merely wished to emphasize that by using the facilities of the approved lenders a volume job was completed in short order. The chartered banks co-operated fully and were of material and important assistance due to their coast to coast branch system.

Interest Rate:

A point of importance, affecting all lenders—and development of a secondary market—is the question of the maximum interest rate set under the Act. The present rate of 6% which is within the maximum permitted at time of fixing by the formula of $2\frac{1}{4}\%$ over the rate for long term Canada bonds, has been competitive with other interest rates and in 1958 has been drawing out a good volume of funds for N.H.A. mortgage loans. It is essential, if in a free investment market N.H.A. mortgages are to continue to compete successfully for funds, that the interest rate be maintained at a proper level. For example, secondary market investors such as the pension funds already mentioned, will not augment the supply of mortgage funds by purchasing N.H.A. mortgage loans if the yield is not competitive with that for other investments. A lesson can be learned from the United States where, under the government-sponsored housing programmes, Federal Housing Administration and Veterans' Administration, efforts to hold the maximum permitted interest rates down resulted in a drying-up of funds, even when circumventions in the form of "discounts" from mortgage amounts, in some instances officially recognized and authorized, were applied to raise the effective rates to the lender. In other words, the job cannot be done by setting unrealistic returns for housing money. Fortunately, this fact appears to be well-recognized by the authorities in Canada.

Home Improvement Loans:

In the same field of adequate shelter is the problem of maintenance, improvement and expansion of existing housing. Part IV of the National Housing Act provides for what are known as Home Improvement Loans, made by lenders with Government guarantee (up to 5% of total loans made) for which a fee is paid by the borrower. The justification for the guarantee is that these loans are made for longer terms than under ordinary bank credit, as long as 10 years, and in some instances without security of any kind other than signature and endorsement of husband or wife. Home Improvement Loan provisions of the Act went into full effect in February 1955, when it was felt that the influence of the National Housing Act on the housing construction resources of the country no longer needed to be concentrated on new housing.

The banks have urged the public to make full use of the Home Improvement Loan facilities in the Act, and on several occasions when the authorities asked for special attention in that direction, particularly to encourage work opportunities during normally slack construction months in Winter, response was readily forthcoming in additional advertising. Home Improvement Loans have, in fact, been given a good idea of special advertising treatment. In addition, campaigns by manufacturers, contractors, and others, have received the co-

operation of the banks. The following statistics of performance may be of interest:—

Year	No. of Loans	Amount
1955	24,711	\$27,227,000
1956	30,411	29,767,000
1957	29,998	30,168,000
1958 (to 30th June)	14,617	15,526,000
		\$103,138,000

When one looks at some of the dwellings across Canada, there is obviously great scope for increase in this type of housing loan, which could contribute in no small way to the improvement of family accommodation.

Experience with Home Improvement Loans has been good. During the three years of existence, there has been a rather steady increase in the percentage of loans in arrears for 60 days or more to current exposures or loans running, but this was to be expected in the growing stages of the operation. At some point, assuming no real setback in general economic conditions, this percentage should become stabilized, with the risk to the Government under the guarantee increasingly protected by a growing fund in C.M.H.C.'s reserve for this purpose built up from the 1% fee. Claims paid by C.M.H.C. to lenders have so far been very small—at 30th June, 1958, only \$74,000 out of total loans made amounting to \$103,138,000, or \$1 out of \$1,394.

Home Improvement Loans, in which a previous programme was successfully operated for several years before World War II, appear to afford an excellent vehicle for absorption of slack or idle resources in the building and related suppliers' fields, particularly at times such as the Winter months when outside construction falls off, and are worthy of strong promotion by all concerned.

Future Participation and Co-operation:

In conclusion, it is probably unnecessary to offer the assurance that it is the intention of the chartered banks, fully conscious of their responsibilities, to continue to co-operate in the improvement and financing of Canada's housing, in every reasonable way and, of necessity, in accordance with conditions existing and the legitimate call of their other obligations.

Senator SMITH (*Queens-Shelburne*): Would you have any figures to add to the table shown on page 2? You give the number of family dwelling units. What would be the corresponding dollar value of the participation of the banks in this lending field?

Mr. FRIESEN: That figure includes not only the money actually lent but the moneys that have been committed, money promised to builders and individuals who are building houses. Naturally, the figures represented on our books lag considerably behind the amount committed for. The actual commitments were \$900 million.

Senator SMITH (*Queens-Shelburne*): That is the total of all you have loaned since you have been in this field?

Mr. FRIESEN: That is right, for the last four years. The actual loans, because of the lag of the commitments, as of May 31, amounted to \$631 million on the books of the banks. That is partly due to a natural delay in the use of the funds.

Senator ISNOR: I was very pleased to note that the brief emphasized the need, at least that is my interpretation of it, of the home improvement plan, and the figures as shown on pages 2 and 7 certainly bear that out. The table shows that in 1955 there were 34,457 loans. That was the largest year of those

shown. Was that not due to a very large extent to the extensive publicity and advertising carried on in that year? One bank in particular I remember emphasized the borrowing feature of the home improvement plan.

Mr. FRIESEN: I think perhaps the main reason is, as I have stated in the brief, was the desire we all had to increase this business. Our mortgage departments had been set up, we all had our costs absorbed, and we got into the thing with both feet.

Senator ISNOR: It was only one year old then was it not?

Mr. FRIESEN: In 1954 we were more or less feeling our way, and in 1955 the departments were properly set up and there was a feeling we should get in there to build up our department and justify the expense of running that department. To build up a department you must have volume to keep such a department busy, to justify the overhead. That was one of the main reasons.

Senator ISNOR: Well now, we will apply the same reasoning to another year. Instead of 1955 being your peak year for home improvements, the table shows on page 7 that 1957 was your peak year. That is two years later.

Mr. FRIESEN: The number of loans in 1956 numbered 30,411, and in 1957 the dollar amount was only \$1 million more than that. Actually I do not think there is any significance. It was just a greater awareness by citizens to have their homes improved. I think to a large degree the Government, the banks and the builders and building material dealers perhaps made a greater effort in urging people to improve their homes.

Senator ISNOR: That is why I suggest now that perhaps you could do a little more advertising.

Mr. FRIESEN: I think every bank has done it. Last fall and winter we did step up our advertising with two things in mind, the improvement of premises and more winter employment.

Senator ISNOR: Do you find that there is a difference in the type of borrower under the National Housing Act and those who borrow for home improvements?

Mr. FRIESEN: Yes I would say that those who borrow for home improvements are people who have owned the same home for 20 or 30 years and realize that it does require a facelifting.

Senator ISNOR: Which class do you favour as between the new home builder and those who want to remodel their old homes?

Mr. FRIESEN: I would say that we do not favour one against the other. Both are very beneficial, first to the individual concerned and also beneficial to the country.

Senator ISNOR: You do not think that they represent a different type of person altogether?

Mr. FRIESEN: Very often in some of these newer subdivisions you will find that the average age of the borrower is quite low, that they are young people with young families, whereas in the home improvement field you will find the people borrowing are somewhat older.

Senator ISNOR: And therefore better known to the banks?

Mr. FRIESEN: That may be so.

Senator ISNOR: I was wondering if that was a factor in the increase of these home improvement loans?

Mr. FRIESEN: No, I would not say that. I would say that loans under the home improvement plan involve the personal equation to a greater extent than loans under the National Housing Act. Generally loans made under the

National Housing Act are made to builders in the first instance and then transferred to individuals.

Senator SMITH (*Queens-Shelburne*): On page 6 of your brief you mention that in some instances loans are made for home improvement without security of any kind. Do you do that to any great extent?

Mr. FRIESEN: The major portion by far I would say.

The ACTING CHAIRMAN: That would probably be due to the fact that the borrower is known to the bank and perhaps has been doing business with the bank for a number of years.

Mr. FRIESEN: Yes, for the most part they are people who have already established a credit rating or are known to the bank manager.

The ACTING CHAIRMAN: Whereas the young fellow looking for an N.H.A. loan is perhaps not so well known.

Mr. FRIESEN: Providing always that the plan of renovation is sensible, I would say that the turndowns are very, very minute indeed. I have no figures with me as to that. It is fair to say that the branch managers are willing to say yes more than no in matters of that kind.

Senator SMITH (*Queens-Shelburne*): One day when Mr. Bates was here testifying he stated that they might consider lending money for the construction of an unfinished house, that is to say a second bedroom will be left unfinished at the time the house is built, or perhaps the second storey will be entirely left unfinished. In a case like that what would be the policy of your association with regard to lending money under the home improvement loan legislation to a young man who started to build a house under that provision?

Mr. FRIESEN: You are speaking now of a house that has just been finished under N.H.A.?

Senator SMITH (*Queens-Shelburne*): I am speaking of a house that has been lived in for a few years. Do your banks have any policy that would deny him the opportunity to borrow additional money to improve his home by finishing the bedroom that was left unfinished at the time of its construction?

Mr. FRIESEN: I would say that that is something that would be considered in each individual case, and would depend on how he met his payments on the original N.H.A. contract and things like that.

Senator SMITH (*Queens-Shelburne*): But you do not have any policy that would deny him incurring a loan for that purpose, it is just a matter of risk as far as you are concerned?

Mr. FRIESEN: Yes.

Senator ISNOR: From what you said this morning in your brief I would judge it will be 1971 or 1972 before the loans are paid off?

Mr. FRIESEN: After 15 years, which would be fifteen after four years ago, and on the first mortgages it would be 1969.

Senator ISNOR: Taking 1955 as your big year?

Mr. FRIESEN: That is right.

Senator CRERAR: I note from your brief that in the four-year period, it is practically four years or a little bit more since this device by the banks was entered upon and in that interval you loaned about \$900 million. My first question is, has that affected in any way your ability to make loans to ordinary commercial businesses?

Mr. FRIESEN: Perhaps I might borrow Mr. Lemmon's words and say you cannot use the money twice. If you use it in one place it must of necessity not be available in some other place.

Senator CRERAR: Quite true but, Mr. Friesen, that is dodging the question. Has it had any practical effect on your ability to make commercial loans, this utilization of your funds in this way?

Mr. FRIESEN: We like to feel we have met all the legitimate calls of commercial requirements. A young country such as this can always make use of all its funds. There is no question in that regard. I do not wish to appear to be dodging the question but I think that is a fair statement to make, that a young country such as this can always use its funds. We hope our funds will be usefully employed in some way or another, if not under the N.H.A. in some other manner. In the last few years certainly commercial concerns felt they were not getting all the money they could use but on the whole I think Canada is showing progress.

Senator CRERAR: You mention that you have been able to sell more than \$100 million of these mortgages to investors, mainly to pension funds.

Mr. FRIESEN: They were the largest buyers.

Senator CRERAR: If interest rates should tend to rise wouldn't that avenue be closed to you somewhat?

Mr. FRIESEN: If interest rates tend to rise it might have a tendency towards that because obviously the attractiveness of mortgages to pension funds is in the higher yield in comparison with other investments available.

Senator CRERAR: What would happen is that you are tying funds up in long distance payments and if interest rates tend to rise then the existing mortgages would not be attractive to investors.

Mr. FRIESEN: They will be less attractive.

Senator CRERAR: So you would permanently over a period of years until these payments come in have your funds tied up in that way. Would that be a correct statement to make?

Mr. FRIESEN: Yes Mortgages are not a liquid asset as are some others.

Senator CRERAR: Would you care to pass an opinion on the question I asked the preceding witness about the likely trend of interest rates?

Mr. FRIESEN: I think perhaps I might just join in what Mr. Lemmon said, and besides any opinion that I might express would be my own.

Senator CRERAR: That would be good enough for me.

Mr. FRIESEN: No I do not think I would care to really give an opinion because I do not consider myself competent to do so.

Senator CRERAR: Then we will leave that.

Senator SMITH (*Queens-Shelburne*): Do you still stay with your formula of two and one quarter per cent over the rate for long term Canada bonds?

Mr. FRIESEN: That has been the yardstick right along.

Senator SMITH (*Queens-Shelburne*): And if bonds yield $4\frac{1}{2}$ per cent your rate would have to go up accordingly?

Mr. FRIESEN: That would be a reasonable assumption.

Senator SMITH (*Queens-Shelburne*): And if you did not you would perhaps not be capable of maintaining your rate of lending for housing?

Mr. FRIESEN: That would be a reasonable assumption. Presently as you know the banks are confined to 6 per cent as a maximum rate of interest.

Senator CRERAR: I may say to the witness that when the Bank Act was amended permitting banks to engage in this mortgage lending for building houses that I had very grave doubts about the outcome. I think the banks exist essentially for the purpose of carrying short-term commercial loans. If our export business is good in lumber, and pulp and paper, naturally there

would be more demand for loans from the banks, and I would be very sorry to see the banks get into a position where because of long term loans they were handicapped in carrying on their business with regard to day to day commercial requirements. However, that is my own opinion, and it may not be worth very much. How have your relationships been with the Central Mortgage and Housing Corporation?

Mr. FRIESEN: Oh, very good.

Senator CRERAR: I am delighted to hear that. I have one other question: Of this \$900 million in loans you have made in the last four years are repayments coming right in ?

Mr. FRIESEN: The experience has been very good indeed.

Senator CRERAR: In other words, you have no occasion for worry in that respect?

Mr. FRIESEN: No, there has been no worry at the present time; that is quite so.

Senator CRERAR: Personally I think that is rather a remarkable situation, because it discounts, in my judgment, at least, all the talk we have been hearing about a recession, which is not as serious as a lot of people try to make out.

The Acting CHAIRMAN: Senator White?

Senator WHITE: Mr. Friesen, taking the total amount of mortgage loans, are they fairly evenly distributed among all banks in proportion to capital, or are there certain banks that have a certain amount or a certain proportion?

Mr. FRIESEN: I cannot answer that without the figures before me. The figures of actual loans available, not commitments, are available from the monthly statements of the banks, but I must admit that I have not the figures with me and cannot comment on that. I doubt if they are all uniformly the same.

Senator SMITH (*Queens-Shelburne*): Can you tell us what percentage of the banks' loan business is tied up in housing; is it a large percentage of the lending business of the chartered banks in Canada?

Mr. FRIESEN: Yes. \$631 million in mortgage loans at the end of May. Now the total loans of all the banks combined. Of course, the loans are in various categories, unfortunately. The current loans, that is, current commercial loans of the banks on May 31 were \$4,807,000,000. There are of course call and day to day loans, but they fluctuate widely every day. But the current loans are \$4,807,000,000; and the current loans outside Canada, \$619 million, almost the same as the mortgage loans themselves. So that out of a total in Canada of loans of \$5,407,000,000, \$631 million were mortgage loans.

Senator SMITH: That is a small percentage, but it is a large amount of money.

Senator HAIG: What is the capital and reserves of your bank?

Mr. FRIESEN: Total assets, \$913 million on May 31, and of that we had \$36 million in mortgage loans.

Senator HAIG: I am asking you for the capital and reserves.

Mr. FRIESEN: I am giving you the total assets of the Imperial Bank, which are \$913 million. Of that, \$36 million is in mortgage loans.

Senator HAIG: I do not want that, I want to know how much your capital and reserves are in the Imperial Bank.

Mr. FRIESEN: Paid up capital, \$11,200,000; rest account, \$30 million; undivided profit \$650,000. That adds up to almost \$42 million.

Senator HAIG: \$42 million. How much has the bank loaned to the end of the year 1957?

Mr. FRIESEN: I haven't that with me; but I have the total loans at May 31.

Senator HAIG: Give us that.

Mr. FRIESEN: You mean mortgage loans or all loans?

Senator HAIG: All the loans.

Mr. FRIESEN: Our commercial loans were \$390 million; our mortgage loans \$36 million, making a total of \$426 million. Then of course we had the usual day to day loans, brokers loans \$37 million and loans to municipalities as well as other assets.

Senator HAIG: And that money which you had loaned out was made up in part by people who had deposits in your bank?

Mr. FRIESEN: Yes, everything above our capital reserve, and so on, and we have a substantial amount of first quality investments.

Senator HAIG: Why should you lend long term mortgages of \$42 million, or whatever it is you lend, and only have \$36 million in capital? You cannot get that money back to cover my deposit in sixty years?

Mr. FRIESEN: We couldn't if we had all our money on long term investments. We have a fair amount of money available on a call basis, of course. As a matter of fact, if you wish to put it that way, we still have, taking out the capital reserves, and so on, assuming this was all invested in mortgage loans, sufficient cash assets to fully take care of deposits.

Senator HAIG: But even then you have not got enough to pay depositors back if you keep on lending on housing. I do not deposit my money with your bank for sixty years, that is a cinch.

Mr. FRIESEN: These are of course twenty-five year loans. However the record of the Canadian Banking System with respect to safety speaks for itself.

Senator WHITE: Would it be correct to say that at the time the amendment was made to the Bank Act for the first time in Canada as to loans on mortgage, there was no request or desire by banks to enter into the field?

Mr. FRIESEN: I think that was fully covered at the time of the revision. I know it was.

Senator WHITE: Was it not also a fact that the great difference between our system here and that in the States prior to the amendment being made, which put our banks in a much better position, was the fact that the banks are now permitted by law to lend on mortgages?

Mr. FRIESEN: We do know historically that the American banks did lend on mortgages and the Canadian banks didn't.

Senator HAIG: You did not close your doors, and they did.

Senator WHITE: On page 7 of your brief you speak about the small losses of only a fraction of one per cent. Does the Central Mortgage and Housing Corporation pay all the loss or does the bank suffer any loss?

Mr. FRIESEN: The bank suffers loss only if the amount guaranteed was exceeded.

Senator WHITE: And the banks have suffered no loss?

Mr. FRIESEN: That is right.

Senator HAIG: And all guaranteed loans, are they by the Government?

Mr. FRIESEN: That is right, to the extent of five per cent.

Senator WHITE: You mean five per cent of total loans?

Mr. FRIESEN: Total loans, that is right, sir.

Senator CRERAR: I have one other comment to make, Mr. Chairman. I think these gentlemen have presented two very excellent briefs.

The Acting CHAIRMAN: I agree.

Senator CRERAR: I think they will be of very real service to the committee when it comes to consider the report of the Central Mortgage and Housing Corporation.

The Acting CHAIRMAN: Are there any other questions to ask of Mr. Friesen?

Honourable senators, at the close of last week's meeting, Mr. S. A. Gitterman, of Central Mortgage and Housing Corporation, gave us a description of a household sewage disposal unit, and also a foamed plastic hut. That was not included in the record. He has since provided me with a summary of his remarks, and I suggest that it be printed as an appendix to today's proceedings.

Hon. SENATORS: Agreed.

(See Appendix A.)

Whereupon the committee adjourned until July 24, 1958.

APPENDIX "A"

DESCRIPTION OF HOW AN INDIVIDUAL HOUSEHOLD SEWAGE DISPOSAL UNIT MIGHT WORK

The best known individual sewage disposal unit is the septic tank and disposal tile bed. This method has been in use for over 100 years with little improvement and sometimes does not function well in congested areas.

In the septic tank the solids are reduced by settling out and digestion by bacteria called anerobes. The residue in the tank is called digested sludge. To purify this septic sludge requires the action of another bacteria called aerobes. These require large quantities of oxygen which is provided by allowing the sludge to flow through a tile bed set not too deeply in the soil so as to permit the penetration of oxygen. This action will purify the sludge quite well.

There is a unit available which uses these same principles but does much of the operation by mechanical means. The waste is flushed through a grinder which reduces the solids much as the septic tank does and the waste is then deposited into a tank containing water. Air is bubbled through this water continuously to provide oxygen for the aerobes which then purify the effluent. This process is called "activated sludge" and has been used for years in mass disposal sewage plants.

Such a unit is now available but it seems to have many limitations when used as a closed circuit re-using the same water again and again. Central Mortgage and Housing Corporation has financed a project to study this action and encourage improvements to make it operate satisfactorily.

This description of a possible individual household sewage disposal unit is based on the use of bacteria. There may be other methods and C.M.H.C. is trying to encourage additional work towards the elimination of mass sewage disposal pipes and plants.

One of the first things C.M.H.C. did when it was decided to study this problem was to have a literature search made. This search disclosed that very little research was or is being done on this subject.

The literature was checked carefully and letters were written to every major country in the world. It appears that the only country in which any work of this kind was done is the United States of America. Other countries appear to have discouraged such work because of high population densities and fear of pollution of the soils and waters. In the U.S.A., however, two units are now on the market. Both of these operate on the activated sludge or aerobic principle.

DESCRIPTION OF THE EXPERIMENTAL FOAMED PLASTIC HUT

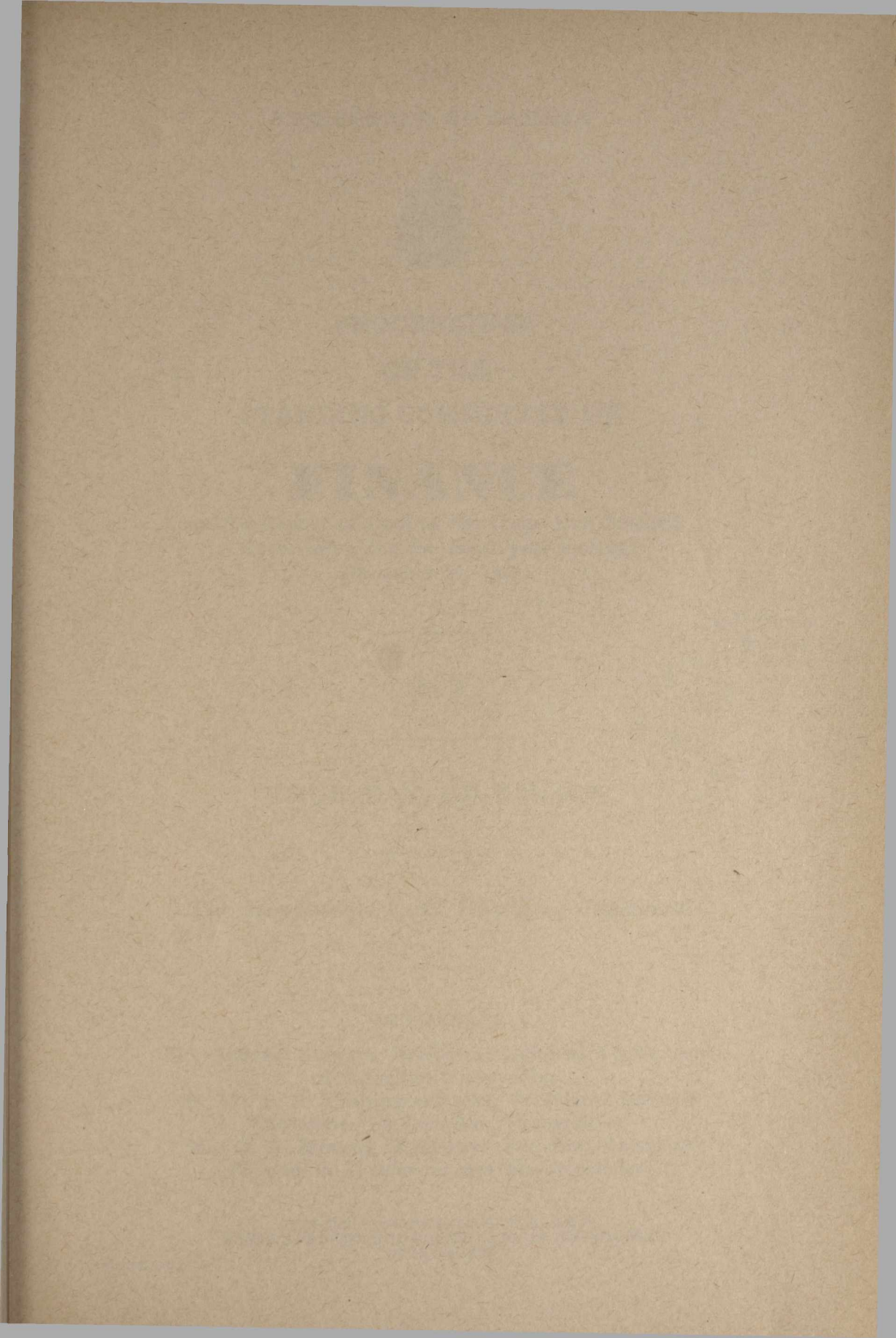
In the attempt to find some revolutionary approach to new construction methods Central Mortgage and Housing Corporation together with the Division of Building Research encouraged the development of a foamed plastic hut. The floor, walls and roof of this consist of various types of foamed cores with different type skins. The floor also includes water pipes and electrical conduit built-in in such a way that the jointing of the panels automatically connects the pipes. The objective is to develop materials which will provide structural strength, insulation, water resistance, rigidity and appearance, and

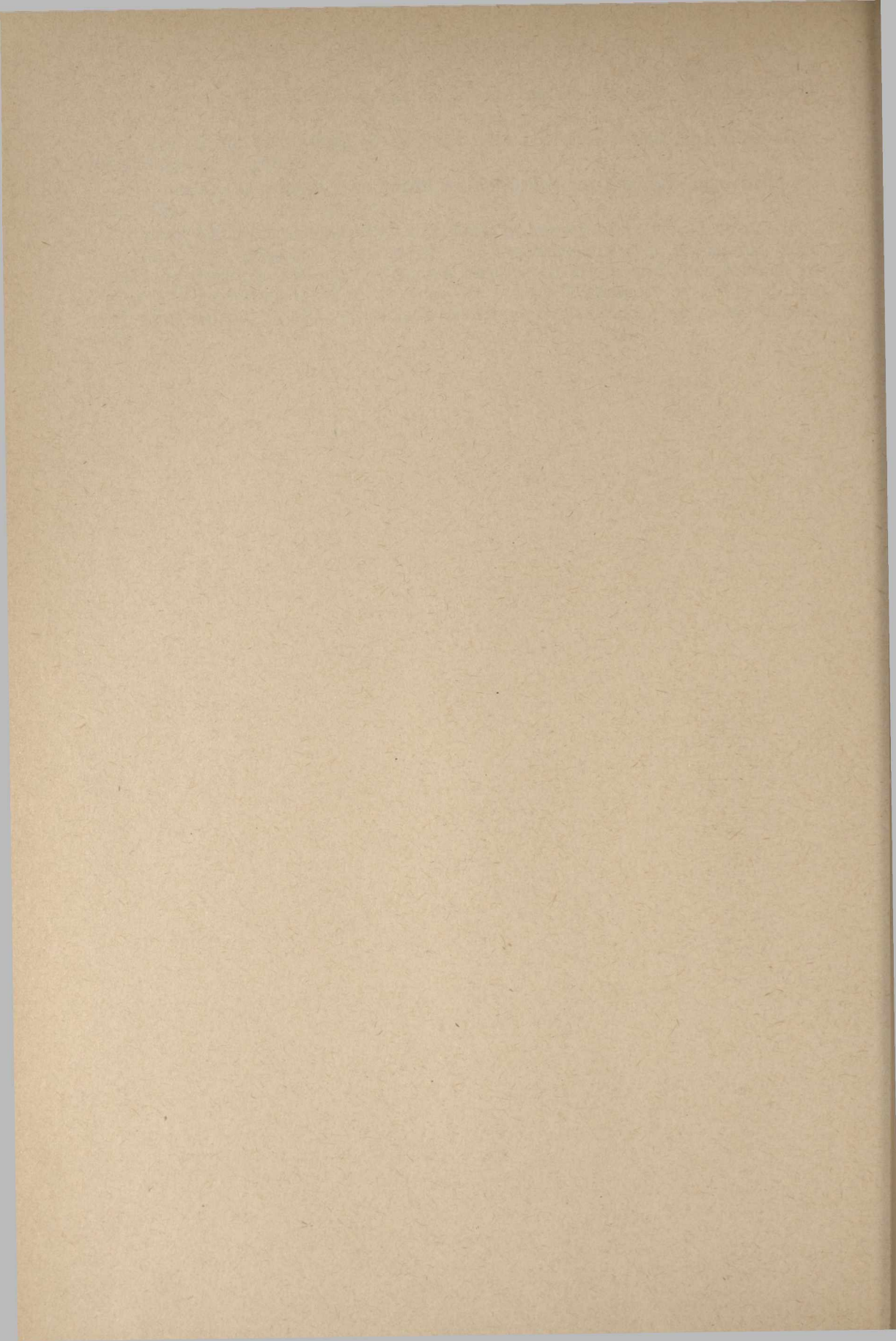
the services, in one and which can be assembled on-site with a minimum of field labour.

A second hut is planned to be built of a material which may ultimately permit foaming in place.

If these are successful it is hoped to encourage further development along these lines.

If successfully developed such a method of construction would be particularly useful for northern construction. If the experiment is successful, it is possible to envisage two cans of liquid shipped to a site and then foamed in light weight molds up to 20 or 30 times its volume. Transport by air would be eased very much. Further, unskilled on-site labour could erect such houses easily.





1958

THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE ON
FINANCE

on the Report of Central Mortgage and Housing
Corporation for the fiscal year ending
December 31, 1957.

No. 7



THURSDAY, JULY 24, 1958

The Honourable C. G. Hawkins, *Chairman*

WITNESSES

- Dr. Andrew Stewart, President, National Conference
of Canadian Universities.
- Dr. W. T. R. Flemington, Vice President, National
Conference of Canadian Universities.
- Mr. G. S. Mooney, Executive Director, Canadian
Federation of Mayors and Municipalities.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

Extract from the Minutes of the Proceedings of the Senate, Wednesday, June 11, 1958.

The Honourable Senator Aseltine moved, seconded by the Honourable Senator Quinn—

That the names of the Honourable Senators Brunt, Emerson and Thorvaldson be added to the list of Senators serving on the Standing Committee on Finance.

The question being put on the motion, it was—
Resolved in the affirmative.

J. F. MacNEILL,
Clerk of the Senate.

THE STANDING COMMITTEE ON FINANCE

The Honourable C. G. Hawkins, *Chairman*

The Honourable Senators

Aseltine	Gershaw	Pratt
Baird	Golding	Quinn
Barbour	*Haig	Reid
Beaubien	Hawkins	Roebuck
Bouffard	Hayden	Robertson
Brunt	Horner	Smith (<i>Queens-</i> <i>Shelburne</i>)
Burchill	Howden	Stambaugh
Campbell	Isnor	Taylor (<i>Norfolk</i>)
Connolly (<i>Halifax North</i>)	Lambert	Thorvaldson
Connolly (<i>Ottawa West</i>)	Leonard	Turgeon
Crerar	*Macdonald	Vaillancourt
Dupuis	McKeen	Vien
Emerson	Molson	White
Euler	Paterson	Woodrow—44
Farris	Pearson	
Fraser	Petten	

(Quorum 9)

**ex officio member.*

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate

TUESDAY, May 20, 1958.

With leave of the Senate,

The Honourable Senator Aseltine moved, seconded by the Honourable Senator Pearson—

That the Report of Central Mortgage and Housing Corporation for the fiscal year ended the 31st of December, 1957, be referred to the Standing Committee on Finance for consideration and report.

After debate, and—

The question being put on the motion, it was—
Resolved in the affirmative.

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, July 24, 1958.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

Present: The Honourable Senators: Hawkins (*Chairman*); Barbour, Beau-bien, Burchill, Campbell, Connolly (*Ottawa West*), Crerar, Dupuis, Gershaw, Horner, Isnor, Lambert, Molson, Robertson, Taylor (*Norfolk*), Thorvaldson, Turgeon and Woodrow—18.

In attendance: The Official Reporters of the Senate.

Consideration of the order of reference of May 20th, 1958, was resumed.

The following were heard and questioned by members of the Committee:—

Dr. Andrew Stewart, President, and Dr. W. T. R. Flemington, Vice President, National Conference of Canadian Universities.

Mr. G. S. Mooney, Executive Director, Canadian Federation of Mayors and Municipalities.

At 12.40 p.m. the Committee adjourned until Thursday next, July 31st instant, at 10.30 a.m.

Attest.

John A. Hinds,
Assistant Chief Clerk of Committees.

THE SENATE

STANDING COMMITTEE ON FINANCE

OTTAWA, Thursday, July 24, 1958.

EVIDENCE

The Standing Committee on Finance, to which was referred the report of the Central Mortgage and Housing Corporation for the fiscal year ended 31st December, 1957, met this day at 10.30 a.m.

Senator Hawkins in the chair.

The CHAIRMAN: Will the meeting come to order, please? It is now 10.30, and we have a quorum.

Before commencing with the proceedings, there are a few remarks I would like to make in connection with the proceedings today and in the future. It is the intention of the Steering Committee to bring these public hearings to a close next Thursday, July 31, and then to proceed to report.

This morning we have with us Dr. A. Stewart, President of the National Conference of Canadian Universities, Dr. W. T. R. Flemington, Vice-President of the National Conference of Canadian Universities, and President of Mount Allison University, and Dr. T. H. Matthews, Executive-Secretary of the National Conference of Canadian Universities; also Mr. George Mooney, Executive Director of the Canadian Federation of Mayors and Municipalities. You will recall there was discussion some days ago about having a representative from the mayors and municipalities appear before us. Next Thursday, a week from today, we shall have Mr. Clements, Secretary-Manager of the Toronto Metropolitan Home Builders Association, and your Steering Committee thought it wise to have Mr. Bates, President of the Central Mortgage and Housing Corporation, to sort of wind up, and Mr. Bates has indicated that if any member of the committee has any special question to ask, he should communicate with either Mr. Joynes, or the secretary of the committee, prior to the meeting, and then Mr. Bates could give as full an answer as necessary.

Now, having said that, I think we will call upon the delegation from the National Conference of Canadian Universities, Dr. Stewart, Dr. Flemington and Dr. Matthews.

A. Stewart, President, National Conference of Canadian Universities, called.

Dr. STEWART: Mr. Chairman, honourable senators: May I say on behalf of my colleagues, Dr. Flemington, Dr. Matthews and all of the presidents of the Canadian universities, that we do appreciate this opportunity to appear before you and to say a few words on behalf of the youth of the provinces—of the country. The words of our brief are restrained, but I can assure you that behind them is the deep and genuine concern for the welfare of the young people of Canada, and of the universities as instruments of the welfare of the young people.

The National Conference of Canadian Universities, representing the universities of Canada, respectfully urges the Senate Standing Committee on Finance to recommend to the Government of Canada that the National Housing Act be amended so as to permit loans for the construction of university residences.

The Value of Residences: It is important for Canada that the young men and women who enter its universities should get the greatest benefit from their higher education. In the opinion of those most competent to judge, this means that the great majority of students who must leave home to go to college should live in university residences rather than in lodgings. The communal life of the college residence provides for a young man or woman a personal, social, and intellectual experience that is an important adjunct to the more purely academic training of the classroom and the laboratory.

This was emphasized in a series of papers presented to the annual meeting of the National Conference of Canadian Universities in June 1957. Monseigneur Irénée Lussier, Rector of the University of Montreal, for example, in his paper entitled 'Are University Residences Beneficial Academically?' said that the secretary of the Students' Association who lived at the University of Montreal residence expressed the unanimous satisfaction of the students in this residence, and Msgr. Lussier concluded, 'Taking into account even only the academic advantages, I am thinking of a new wing.' In a second paper on the same topic, Mr. T. H. B. Symons, Dean of Devonshire House, a men's residence at the University of Toronto, said that in England the six post-war universities had all made clear that their ambition from the outset was to be residential, and several of their Vice-Chancellors had emphasized that they regarded good residence as 'the most potent single factor in higher education.' Mr. Symons concluded his paper with the suggestion that a development of residences would be one form of expansion consistent with Newman's definition of a university as 'not a foundry, or a mint, or a treadmill, but an Alma Mater, knowing her children one by one'.

Studies of the examination results at the University of Alberta show that the results of students living in residence are consistently better than the results of those who live outside. The view that life in residence contributes significantly to educational achievement is universally held by those familiar with universities.

The Present Supply of University Residence Accommodation: The population of Canada in 1951 was 14,009,429. Of these, 5,084,013 lived in towns in which there was a recognized degree granting university. This would indicate that if the percentage of young men and women going to a university was constant throughout the country, the number who had to live away from home would be much greater than the number who could live with their families. Actually, the percentage going to a university is much higher among the young people of university towns.

At McGill University, in 1937-38, over 57% of the out-of-town students were able to live in university residences. In 1957-58, this percentage had dropped to 34%. Construction of new residences has lagged behind the growth in student numbers. This is true across the whole country. For example, in Alberta in 1937-38, about 25% of the total student body lived in residence; in 1957-58 the figure had dropped to about 17%.

Data for 23 universities indicate that only 15% of the total student body can at present be housed in university residences. These figures, set out in Appendix I, include over 70% of the 86,500 students in all the universities and colleges of Canada. It will be seen that some important universities have no residences: Memorial, Carleton, Sir George Williams. Some, like Dalhousie, New Brunswick, Laval, and Saskatchewan can house only a small proportion of their out-of-town students.

Even where more plentiful accommodation is available, it is common to read in the university calendar, 'Rooms are reserved for freshmen and a selected number of senior students.' In the three University of Alberta residences, which accommodate 450 students, 90 beds are reserved for senior students. All

other accommodation is reserved for first-year students whose homes are outside Edmonton. Accommodation in the women's residence is completely reserved by February for admission in September.

It is our opinion that the universities should, on the average, provide residential accommodation for at least 25% of their students. This is probably close to the proportion in residence in the pre-war years, after a prolonged period of depression and little construction.

The Coming Flood of Students: In 1955, Sheffield prepared a projection of enrolment which showed the possibility of 128,900 students in 1964-65. In 1957, Dube, Howes and McQueen made another calculation for the Gordon Royal Commission on Economic Prospects yielding the figure 133,200 for the same year, and one of 267,000 for 1979-80. Enrolment in 1957 exceeded the Sheffield figure for that year by 11.9%.³ It looks therefore as if the higher figure of 133,200 for 1964-65 is likely to be no overestimate.

Even if the universities do no more than maintain the present capacity in relation to enrolment, i.e. 15%, an additional 7,000 units will be required by 1964. Assuming that enrolment will reach at least 133,200 in 1964-65, six years from now, and that 25% should be provided with adequate residence on the campus, then the present capacity of residences must be increased by 20,000, i.e. from the present 13,000 to 33,000.

It should be noted that universities and colleges in small centres, e.g. Acadia in Wolfville, St. Francis Xavier in Antigonish, Mount Allison in Sackville, and Bishop's in Lennoxville cannot take their share of the additional students who are undoubtedly coming unless they have additional residential accommodation.

Present Rates for Room and Board: Residence rates for room and board vary, with the normal around \$60-\$65 per month or \$450-\$490 per session of about 7½ months. These rates may be sufficient to cover operating costs, including normal upkeep, but they do not provide for recovery or repayment of capital costs.

The rates cover room and board. At the University of Alberta where the rates have been \$60-\$65 per month, some operating loss was incurred in 1957-58. The university credits \$45 to the dining room and \$20 to the provision of accommodation.

There is general agreement that universities should not subsidize their residences from general funds. To do this is to ask students living at home or those living in lodgings to help pay for their fellow students who are in residence. On the other hand, where a university has special funds restricted by deeds of gift or otherwise to the building or maintenance of student residences, such funds may properly be used to make these residences as effective and economical as possible. Special endowments are rare, and the general policy is to make the residences pay their way, i.e. to see that running them causes no drain upon general funds. If a residence meets current expenses, the repayment of capital charges is usually not considered.

The Cost of New Residences: The present rates quoted above do not include capital charges. In considering the cost of new residences we may assume that they must be operated on a self-liquidating basis, i.e. that the rates charged to students for accommodation must be sufficient to pay interest on borrowed funds required to meet construction costs and to amortize the principal over a period of years.

The reason for making this assumption is that the need for instructional buildings is so great as to absorb all the funds available as grants or gifts to universities. Consequently, as a general rule, universities will not be able to construct residences with funds from these sources, and will have to borrow for residence construction if residences are to be built. The universities will expect to service their loans for residences out of rates charged to students living in residence. To the extent that residences may be built partly or wholly from grants or gifts, the situation will be eased.

The annual amount per student required to retire a loan depends on four factors: (1) the amount of the loan, which is dependent on construction costs per student; (2) the rate of interest; (3) the amortization period; and (4) the months of occupancy.

1. *Construction Costs per Student:*

There is some evidence that students do better in single rooms. However, construction costs per student are substantially reduced by providing for two students per room. All residences should, however, contain some single rooms.

The revenue from meals should cover the capital as well as the operating costs of the dining room. All residences, however, should include in addition some non-revenue-producing areas such as Common Rooms, recreation areas, study facilities, warden's quarters, all of which add to the construction costs per student.

Construction costs per student also depend on the nature of the construction, i.e. design and cost of materials used.

Estimates of construction costs per student vary considerably, and reflect different values attached to the factors referred to above. Nine months ago the Honourable Senator from Banff received reports from a number of universities regarding their plans for building student residences. Four of them indicated the probable capacity and costs of these residences. Capacity totalled 1,830 for which costs were estimated at \$11,545,000, or an average of \$6,305 for the housing of each student. However, estimates varied from \$5,000 to \$10,000 per student.

2. *Rates of Interest and Amortization Period:*

The relations of the rate of interest and the period of amortization to annual costs is obvious.

3. *Occupancy:*

Students normally occupy their rooms for about $7\frac{1}{2}$ months each year. However, universities which operate summer schools, usually for about six weeks, can extend the occupancy to some 9 months; and if they open their residences for conferences or institutes, additional revenue can be obtained.

Considering these several factors, it may be assumed that the universities can expect 100% occupancy for the equivalent of 9 months each year.

In Appendix II we have set out the monthly amount required to amortize the cost of construction of residences, at various costs of construction per student, at various rates of interest, assuming 9 months' occupancy, over 20, 30, and 40 years.

How much can the universities expect to charge students per month? Present rates which do not cover capital costs are about \$60 per month for room and board. The maximum which could be added to this charge is \$20 per month, giving a total monthly rate for room and board of \$80. Assuming a rate of interest of $4\frac{1}{2}\%$ with amortization over 40 years, the cost of construction per student could not exceed about \$3,500 per student. If the rate of interest were 3% (again over 40 years) the initial cost might be about \$4,000.

The conclusion drawn from a study made at the University of British Columbia was that, at a cost of \$4,000 per student, the annual net revenues would carry (a) close to two-thirds of the annual cost on interest and amortization at an interest rate of 3% and (b) about one-half the annual cost of interest and amortization at an interest rate of $4\frac{1}{2}\%$. (This is referred to in, Appendix III).

It is clear that the operation of student residences on a self-liquidating basis will require either quite low rates of interest, or quite low construction costs per student, or some contribution by way of grant or gift.

Conclusions:

We submit

- (1) That university residences are important to sound education at the university level;
- (2) That at least 25% of students should be accommodated in residences;
- (3) That funds available as grants and gifts will not be sufficient to meet the needs for instructional buildings, and consequently if residences are to be built, funds on loan must be available;
- (4) That the universities will have to recover the cost of loans out of revenue from students in residence;
- (5) That there is a limit to the additional charge which can be loaded on students;
- (6) That this limit means either (a) low cost construction, (b) low rates of interest, (c) long-period amortization, (d) some subsidy from grants or gifts, or (e) all of these.

The conference on "Canada's Crisis in Higher Education" held by the National Conference of Canadian Universities in Ottawa, November 14-16, 1956, 'resolved that Central Mortgage and Housing Corporation legislation and regulations should be amended to allow the Corporation to loan money to the universities on the most favourable possible terms to permit them to construct residences for students and housing for married students and staff on a self-liquidating basis.'⁵ The subject was discussed again at the June 1957 meeting of the National Conference of Canadian Universities, and a similar resolution was adopted.⁶

Subsequently there was an exchange of letters between the Executive Secretary of the Conference and the Minister of Public Works which indicated that what would be required is amendment of Section 16 of the National Housing Act. The Minister stated in his letter of June 6, 1958 that 'The whole question of housing at colleges and universities is currently being studied and is one aspect of the housing problem that will be examined very carefully when possible amendments to the National Housing Act are being considered. (Copies of this correspondence are attached as Appendix IV).

It is our confident belief that residences for university students are important, not only to the students and the universities, but to Canada at large, and that the nation would be helping itself to solve the urgent problems of its rapid growth if it made the building of student residences less difficult financially for the Canadian universities.

Consequently, we recommend that the Senate Standing Committee on Finance recommend to the Government of Canada that the National Housing Act be amended so as to permit loans for the construction of university residences.

Submitted on behalf of the National
Conference of Canadian Universities

by

Andrew Stewart, President

W. T. R. Flemington, Vice-President

T. H. Matthews, Executive Secretary

(For References and Appendices I, II, III, IV and V see end of today's proceedings.)

The CHAIRMAN: Thank you, Dr. Stewart.

Senator ISNOR: I wonder if Dr. Stewart would tell us what university he is associated with.

Dr. STEWART: I am the President of the University of Alberta, and President of the National Conference of Canadian Universities this year.

Dr. W. T. R. Flemington is President of Mount Allison University, and President-elect of the National Conference. Dr. T. H. Matthews is the Executive Secretary of the National Conference.

The CHAIRMAN: Thank you. There will be an opportunity now for honourable senators to ask questions.

Senator CRERAR: I would like to ask the witness if his proposal would mean that Central Mortgage and Housing Corporation would advance the total cost of the dormitory buildings, for under the principle followed in the past C.M.H.C. has not paid the total cost of putting up such apartment blocks but it has sometimes put up a substantial part of the cost.

Dr. STEWART: Our view is that the answer to this would depend upon the rates of interest and the length of the amortization period. If we are thinking of 4 per cent as an interest rate over a 30-year period, then it would not be possible for the universities to finance the full amount of the construction of residences on these terms. We cannot load the cost of that on the students. We would have to have other funds as well to put into construction.

Senator CRERAR: I was merely exploring the matter. It would be rather difficult for the universities to find the funds unless they got them from provincial sources.

Dr. STEWART: I think I can express our view in this way, that this would be a help in that the funds that we can divert to residences out of grants and loans will be quite inadequate in relation to the need. Now, if we can supplement these funds by loans at low rates of interest I think we can proceed with some residences.

Senator CRERAR: And do you think it can be handled if Central Mortgage and Housing Corporation put up 80 per cent?

Dr. STEWART: That would be a substantial help.

Senator CRERAR: Would it be possible to carry the project through?

Dr. STEWART: Not without some other funds, unless you push down your construction cost to a very temporary type of building.

Senator CRERAR: Of course, that is wholly inadvisable. I expect the universities will be here for 50 or 100 years—I hope for 150 years or longer, and it is important to get your opinions as to a substantial type of building as possible which will endure.

Dr. STEWART: Yes.

Senator CONNOLLY (*Ottawa West*): Have you any yardstick as to what the amortization period and what the interest rate might be, given conditions today?

Dr. STEWART: I hesitate to answer that, but we have used the rate of $4\frac{1}{2}$ per cent for thirty years on the assumption that perhaps that is realistic.

Senator CONNOLLY: That might be realistic. On that basis from the point of view of Central Mortgage and Housing Corporation, do you think any university that undertook a project would be able to liquidate its loan in that period from ordinary revenue?

Dr. STEWART: I would say it should be put on that basis. Now, if that is so, I think we have to have some other non-interest bearing money in the project to make it possible for us to build the type of residence that we would like, to keep the cost at about a reasonable level.

Senator CONNOLLY: I would suppose, too, that the Conference would expect that each application would be dealt with on its own merits. It is not a blanket application, not a blanket type of proposal that you are making, it is simply an amendment to Section 16 which would permit loans for these purposes in proper cases?

Dr. STEWART: That is wholly correct.

Senator CONNOLLY: One other thing: I would like to suggest, Mr. Chairman, in view of the fact that the president of Central Mortgage and Housing will be here at our next meeting, that perhaps the secretary could send this brief to him so that he could express some views on it next time.

The CHAIRMAN: That will be done.

Senator ISNOR: On page 3 of your brief, Dr. Stewart, you say:

"This is true across the whole country. For example, in Alberta in 1937-38, about 25 per cent of the total student body lived in residence: in 1957-58 the figure had dropped to about 17 per cent."

I suppose that is due largely to the increased enrolment as compared to 1937?

Dr. STEWART: Yes. We have not built any residences since 1937, and the decrease is due to the increasing numbers.

Senator BURCHILL: Dr. Stewart, I am connected with the University of New Brunswick, and I am prepared to say that I agree with what you say in the brief. In your opening you mentioned that the language of the brief was "restrained"—a good word. Our experience at the University of New Brunswick has been that the residence has been a direct liability as far as finance is concerned. We have supplemented the revenue by grants from the general fund every year. We charge the students as much as we possibly can, but we are still in the red by quite substantial amounts each year. Now, we are building residences there, but we are doing it by public subscription in part, and the other half comes from the Canada Council, in order to enable us to put up these residences. Now, if that method was adopted, how would it conflict with your plan here? If Canada Council came into the picture, would Central Mortgage and Housing Corporation be interested?

Dr. STEWART: I cannot speak for Central Mortgage and Housing Corporation, but obviously from our point of view if a combination of Canada Council and public funds can meet our needs then we can operate more satisfactorily on that basis, but we do not see these two sources in combination across the country as being adequate in themselves, and so we think some loan funds must be available. It is quite true that circumstances differ in different parts of the country, and as I have indicated, our request is merely for permissive legislation. I do not know what particular universities would avail themselves of it; some would not, some almost certainly would, and this would depend on the particular circumstances of the other sources of funds that were available.

Senator LAMBERT: Dr. Stewart, in your brief to this committee, you recommend with respect to Central Mortgage and Housing Corporation that some action should be taken to meet your request. Senator Burchill has just mentioned the Canada Council. I had that in mind when you were referring to this matter. It is proposed that \$50 million be devoted to the capital development of universities, and I think that the proper procedure would be that the Council of Arts and Sciences, which has the administration of this fund, would possibly be expected to be asked for their approval or otherwise of any undertaking of that kind. I just bring that up as a point to ask further if any approach had been made to the Council of Arts and Sciences on this subject. I am under the impression that that approach has been made.

Dr. STEWART: Yes, we have made representations as an organization. There was, I understand, some uncertainty in the minds of the Council as to whether (a) it could, and (b) it should, advance capital funds for residences as such. We now understand that a decision has been made that it legally can and that it wishes to make these loans. I have referred in my brief to a project in British Columbia, and Dr. Mackenzie is on the Council, as you know. In that case their study indicated that depending on the rate of interest they could load either a half or two-thirds of the capital cost on the student. Now, they

have received assistance from the Council, so that in fact the Council is taking care of half of the cost. Now, this makes it feasible in British Columbia under these conditions to go ahead.

Senator LAMBERT: Therefore, your suggestion would be modified or qualified to this extent: The Council of Arts and Sciences are already undertaking to do something. I think your recommendation to this committee would be that the approach to Central Mortgage and Housing Corporation should be modified to that extent, at any rate—the Council of Arts and Sciences have already got the matter in their hands.

SENATOR WALL: Subject to correction, would it not be fair to say that the \$50 million that is in the hands of the Council, part of which may go to residences as Dr. Stewart has indicated, would come nowhere near meeting the need for residences. I think Dr. Matthews might verify this. By a very modest plan the universities have listed their intentions to construct residences amounting to about \$50 million, which is a very conservative figure—it is \$5 million a year for ten years. So that if Canada Council is to meet half of that need for residences it would have to spend \$25 million for residences alone, which I doubt could happen. Would Dr. Stewart care to comment on that?

Senator LAMBERT: May I state that the point you raised is not the point I have in mind at all. Whatever the comments are is another matter. The point I want to make, Mr. Chairman, is that this committee makes a report to the Senate and in that report if it saw fit, it might include the recommendation you suggest, but it would depend entirely then upon the concurrence of the Senate in the recommendation contained in the report whether that could be done or not. It seems to me that to get the action that you are urging you are using this committee, sir, and using it perfectly legitimately, to set forth the facts of the situation, to inform all and sundry including this committee what the university building situation is. Now, as to what action you get after that either on the part of the Council of Arts and Sciences or the Central Mortgage and Housing Corporation would be, in my opinion, beyond the control or direction of this committee.

Senator MOLSON: Mr. Chairman, could I ask Dr. Stewart if it would be true to say that the provision of residences would be made more feasible, perhaps made possible if a university could raise say \$100 under its own power and thus be in a position to ask the Canada Council for \$100 to match that, and that would give it the capital sum of \$200. Having that much capital it might then be in the position, if a mortgage loan were made to it at advantageous terms, to build college residences. Do you think that might be possible?

Dr. STEWART: That is the best statement of our position that could possibly be made. That is exactly what we want to say to you.

Senator MOLSON: In other words the possibility of grants from the Canada Council would be there, but those grants would be complementary to anything else that is either suggested in this brief or on the part of the universities themselves.

Dr. STEWART: That is right. We know the position of the Canada Council and we are making this submission in full knowledge of what they are able to do, and we are simply saying this is another element in the problem which would help us quite considerably.

Senator CAMPBELL: What is the policy of the province of Alberta in respect to university grants?

Dr. STEWART: I also represent the University of Alberta. I am told we are in a rather favourable position. I am not in a position to speak for our less favoured colleagues. The University of Alberta has done very well

in terms of public funds. We are this year starting with an immediate appropriation of \$4 million on a building program which will extend over a period of three years at a total cost of \$15.5 million. These are instructional buildings and are being fully financed by the province. So that in our position, at least as far as instructional buildings are concerned, we have no problem at the moment. But every time we have approached the Government with a residence in our estimates it has always said, and perhaps properly, What is your priority—instructional buildings or a residence? Well, that is not a fair question at all because if you have no place to instruct students there is no use in having a residence for them, so we have to say, We need instructional buildings, we need the chemical laboratory, we need an addition to the physics lab and so forth, and in this way residences are left out of the estimates every year.

Senator CAMPBELL: As far as the University of Alberta is concerned you still have the door open for some financial assistance from the province for residences provided you can obtain additional money by way of loans?

Dr. STEWART: Yes. Looking at the situation we decided that perhaps the only way to get ahead immediately with residences was to borrow, and we have spent some time working with one of the large construction companies to see if it was possible for it to build us a low cost residence project on a self liquidating basis, and we were making considerable progress until three weeks ago when they came east and on their return told us that the rate of interest to be paid makes the whole thing impossible. On account of that we had to drop it. But, if we could get a bit of money by grant or gift or otherwise and then be in a position to borrow the rest at reasonable rates of interest we could make it work.

Senator MOLSON: Did the study of these plans that were made give you any idea of what perhaps the lowest cost per student might be initially?

Dr. STEWART: I would say that these are absolutely the lowest estimates, and I hate to quote them but they are \$2,000 per student. Actually that is about rock bottom.

Senator CAMPBELL: What type of construction would that be?

Dr. STEWART: That is frame and stucco construction.

Senator CRERAR: Dr. Stewart, one occasionally sees criticism that the universities, generally speaking, are striving for size rather than for quality and that in order to get large numbers of students, and perhaps not for that reason alone but for other reasons, standards have tended downwards. Now quite obviously that would have a bearing on this problem. Mr. Chairman, I would like Dr. Stewart to comment on that. I may mention that on one occasion in Winnipeg in a public address I brashly offered the criticism that I thought there was too much of a tendency in our universities to become glorified technical schools, and that the real purpose of education was being allowed to slip backwards somewhat. I may say, doctor, that I still harbour those views to some degree. I would like your comment.

Dr. STEWART: I think the general view on this is that we have quoted the best estimates we can get of the number of students who will be admitted to universities over the years ahead. These estimates by Sheffield and other people are based on the assumption that admission conditions to universities remain as they are now, that it is not going to be made more difficult or less difficult to enter university. In other words, you are assuming the same conditions of admission but that the numbers of students will increase, and that is something that the universities have no control over at all. Now, maybe Queen's can say, We do not want any more students, but I cannot

and 90 per cent of the universities in Canada will have to take the number of young people who come forward with our standards of admission and we will have to take them in.

Senator CRERAR: If you raised your standards would you weed some of them out?

Dr. STEWART: Yes. But this is a problem. I think the answer to that is that in terms of the needs of this country for young people with university education this would be a fatal national policy to adopt. This is my own view.

Senator CRERAR: Tell me this: I see criticism occasionally that students who matriculate to universities that after they get into university it is discovered that they are deficient even in such things as spelling. Would you say of your own knowledge if there is anything to that criticism?

Dr. STEWART: We have some students who cannot spell, Senator Crerar.

Senator CRERAR: Well, if they cannot spell are they deficient in other respects? Perhaps, Mr. Chairman, I am not explaining my point very clearly. I think the natural desire of most parents is to secure a university education for their youngsters. There has been a definite decrease in home discipline, and a lot of these youngsters go on and look upon a university career as something in the nature of a lark, rather than the serious business of developing their own powers. My personal view is that it is highly desirable if that tendency exists—and I believe it does exist—that it should be kept in check. I know of no other way of doing it than by having the universities set higher standards and refuse to waste their time on students who are not serious in their purpose in coming to the university.

The CHAIRMAN: Who is going to be the judge?

Senator CRERAR: The universities have to be the judge of the standards. One of the difficulties is the modern ideas of education that have developed over the past 50 years—and can be traced to a certain influence, I think, in the United States,—which are detrimental to the true purpose of education.

Dr. STEWART: This is a very large issue, which I do not think I can deal with adequately. However, two points occur to me: first, in the west we have three Royal Commissions now sitting, one in British Columbia, one in Alberta and one in Manitoba, all engaged in the study of this problem at least from the schools' point of view. All I can say is that the students do not stay at the University of Alberta for a lark. We fail about 30 per cent in the first year. That is a disgrace, and should not be so, but they do not stay around university and waste their time.

Senator CRERAR: What about that 30 per cent, do they come back the next year?

Dr. STEWART: Not very many of them.

Senator CRERAR: They are weeded out in the first year?

Dr. STEWART: Yes.

Senator CRERAR: My point is, would it not be better to weed them out before they enter the university door?

The CHAIRMAN: I am afraid, gentlemen, time is going on and we are directing our consideration to the subject before us. Senator Turgeon, you have a question? I think we should confine our questioning to matters having to do with the brief before us. We have another witness to hear, and we want to give him as much time as possible.

Senator TURGEON: Mr. Chairman, my question has to do directly with the subject, and in particular with the suggestion made by Senator Lambert, with which I agree. It is true, the brief asks that the National Housing Act be amended to allow this additional expenditure. It is therefore true that only

the Government or one of its ministers can make such a resolution to Parliament. But I do believe it would be wise at least to consider that a report of some nature be made by this committee to the Canada Council. I do not say we should make it, but we should consider it, if we agree, as I hope we will, with the submission now before us.

My suggestion is that in addition to the recommendations to be contained in our report to the Senate that the Government should bring about this change in the National Housing Act, we should also suggest that the committee discuss the matter with the Canada Council in order to bring to their attention the proposal made to us this morning, which I think is an excellent one, and which we should do everything we can to help.

Senator BURCHILL: Mr. Chairman, I want to clarify an answer given by Dr. Stewart. Did I understand you to say, sir, that the annual grant, or the operating grant, from the province of Alberta was \$4 million?

Dr. STEWART: No, that is our capital building construction. This year our operating grant is a little over \$3 million.

Senator BURCHILL: That would make a total of around \$7 million?

Dr. STEWART: A total of \$7½ million this year from the province.

Senator LAMBERT: That is entirely a provincial grant?

Dr. STEWART: Yes.

Senator ROBERTSON: Dr. Stewart, following the question of Senator Molson, what you are proposing is that the National Housing Act be amended to make it possible for the Central Mortgage and Housing Corporation to lend money for this purpose. I take it, the equity capital, if you like, of 20 per cent would be secured from this source or that; so that it would boil down to the idea of your getting a loan of whatever amount is agreed upon over a long term. Are the rates of interest you suggest lower than the rates of interest presently charged on loans made by C.M.H.C.?

Dr. STEWART: I can't give you a definitive answer to that, because I am not sure what they are doing, but my understanding is that 4¼ per cent is about the level.

Senator ROBERTSON: If it is a lower rate than that at which C.M.H.C. finances its mortgages, then it has to be a subsidized rate of interest—somebody must pay it. Are you suggesting that C.M.H.C. deviate from its ordinary policy, and lend money to universities at a lower rate of interest?

Dr. STEWART: I would personally not recommend that, but we do understand that in the United States these funds are available at 3 per cent. Of course, I admit it is different in the States.

Senator ROBERTSON: That may be done by some special grant. But it would seem to me that the simpler method of handling loans for the construction of university residences would be to concentrate on the term, rather than on the interest rate. It seems to me that to interfere with the interest rate would result in all sorts of complications. It would mean that Central Mortgage and Housing Corporation would be lending money to A at one rate, and to B at another rate, and it would result in hopeless confusion. In other words, the nature of the university residences, and the university itself, being a long-term proposition, you would do better by concentrating on the longer term rather than on the subsidized interest rate from C.M.H.C. To vary the interest rate would mean certain changes in legislation; and of course, you must remember that interest is a very important consideration. The rates are changing very materially; indeed, I have no doubt they have changed since the time this document was prepared.

Dr. STEWART: Sir, I have not had a chance to consult all my colleagues on this, and I do not know what their individual views would be, but my view would coincide with yours.

Senator CRERAR: Dr. Stewart, you mentioned a moment ago, if I understood you aright, that the failures in the first year in university were 30 per cent—that is in Alberta?

Dr. STEWART: Yes.

Senator CRERAR: Would you say that is a fair representation of universities across Canada?

Dr. STEWART: From my knowledge that is about the level, yes.

Senator CRERAR: How many students have you in the first year in the University of Alberta?

Dr. STEWART: About 1,500.

Senator CRERAR: So that roughly about 450 students fail?

Dr. STEWART: Yes.

Senator CRERAR: And the great majority of them do not come back?

Dr. STEWART: Perhaps that is an over-statement. I cannot give you an off-hand and clear answer as to how many come back.

Senator CRERAR: There may be 200 come back?

Dr. STEWART: About that, yes.

Senator CRERAR: Then would not the problem as presented to us be, if I understand your suggestions in the brief, that we should provide dormitories for, say, 200 students who continue through their university course.

The CHAIRMAN: You don't expect an answer to that, do you? Senator Wall?

Senator WALL: I wonder if I might take a moment to go back to the point in the brief where you point to the tremendous need for residences. I have looked through my notes, and I find that Dr. Matthews had contacted all the universities and had inquired as to the amount of capital expenditure on residences they anticipated to make in the next five years. There are figures for 27 universities and colleges, and as to the amount they were likely to spend we were given the figure of \$50 million, which is \$10 million a year. Then I went to the brief and on page 4 you say: "Assuming that enrolment will reach at least 133,200 in 1964-65, six years from now, and that 25 per cent should be provided with adequate residence on the campus, then the present capacity of residence must be increased by 20,000 . . ." If you need accommodation for 20,000 students, and if this can be provided at \$2,000 per student, which is a very low figure, that would be \$40 million anyway for six years. If the figure for a residence is \$4,000 a year, which I notice the University of Manitoba is quoting, that would be \$80 million. So that the sum total of the need as we look at it is anywhere from \$40 million to \$80 million in the next five or six years, as a minimum. That would be a fair statement. Even that does not seem to give all the needs because the figure for the University of Manitoba is \$1 million, but I have later figures from the affiliated colleges which add another \$2 million for the next five years. So that the sum total is probably very extensive, and the need is great. Maybe this suggestion in the brief that something might be done through a change in the National Housing Act regulations is a good one. Perhaps this is a necessary step. What I am trying to get at is that we should this morning get a field of the sum total of the need, not only in the terms of students but in the terms of money. How much money is it going to involve at a minimum?

Dr. STEWART: The best answer I can give is that I believe it will involve around \$5,000 or \$6,000 at least per additional student for the instructional

buildings. That does not include residences. The cost of residences has to be put on top of that, and if you can estimate the expanding number of students and apply these two factors, then you get what the total cost will be. It will run into substantial millions of dollars.

Senator CAMPBELL: I would like Dr. Stewart to say whether or not funds are available from any other sources by way of loans for university purposes? My understanding is that it is practically impossible to borrow money for construction of this kind, university residences or buildings.

Dr. STEWART: I know of no other source.

Senator CAMPBELL: So that if you are to achieve your objective, then it will be essential to make some changes in the legislation to enable some public body to make these loans. The normal way would be either through the provinces or C.M.H.C. It seems to me that the machinery is completely set up for this purpose through Central Mortgage, providing there is an amendment made to authorize them to make these loans. Since this procedure has been followed in the United States, it is one that certainly deserves the most serious consideration of the Parliament of this country.

Senator WALL: Has there been any experience in the last 10 or 15 years where any university was able to raise, say, 20 per cent or 40 per cent of the capital cost of a university residence and then was able to go to some financial institution and borrow the remainder? Has there been any experience where they were able to use commercial financial institutions for that purpose?

Dr. STEWART: I do not know of any, and I gather my colleagues here do not know of any either.

Dr. FLEMINGTON: May I say a word in connection with what Senator Wall said a few minutes ago about having a complete picture before us. We three represent the N.C.C.U. in an official sense, really. Dr. Matthews is the Executive Secretary of the National Conference but, on the other hand, Dr. Stewart and I represent in a sense different phases not only of the country but of its universities as well.

Dr. Stewart comes to you this morning as the President of N.C.C.U., and the pale colour on his face is indicative of the fact that he has not had a chance to do any fishing this past week. On the other hand, I come to you after a week's fishing in Ontario. Senator Burchill might wonder why a Maritimer would come up here to fish, and I must say that what I caught does not compare with Miramichi salmon but I did have a delightful time, as you can see from the tan on my face. Dr. Stewart represents, you might say, the western part of Canada which has its university in each province. I come from an older part of the country where universities very largely grew up before the provinces entered the picture. We have 16 degree-conferring institutions in the Atlantic provinces and a great many of them are church foundations. The Anglicans, the Roman Catholics, and the United Church all have foundations there. In that sense we are not, you see, receiving any money from the provincial Governments. When I say that I am speaking of the Atlantic provinces as a whole.

Senator ISNOR: Except special grants.

Dr. FLEMINGTON: Yes, except special grants. New Brunswick has become rather enlightened in that respect in that it is giving an annual grant to all universities irrespective of foundations, whether church or not. I think Nova Scotia this year for the first time is following that plan and is giving a quarter of a million dollars to the universities regardless of whether they are denominational or not. As a matter of fact, we have no provincial universities in the Maritimes, with the exception of the University of New Brunswick. The rest of us are private and church foundations. The fact has been stated here again and again that it would be a nice thing to have residences. Down in the

Atlantic provinces not only is it a nice thing but it is compulsory. We cannot increase our numbers at the present time without residences. The University of New Brunswick is building residences at the present time with the help of the provincial Government, but what about the church institutions which are just as important and have not got that same source of revenue? An inquiry was made as to whether we could borrow money from other sources if we could get a certain amount of our own money raised. We are putting up residences for an additional 300 students at the present time, and I may say that Mount Allison has 80 per cent of her 1,100 students in residence right now. The town is also packed, as there are only 3,000 inhabitants and the 300 students themselves pack the town. We cannot expand, although the economy of the Atlantic provinces is improving. We cannot expand and provide the Maritimes with university students and, may I say, with all humility, the rest of Canada as well, as we have been doing for the last century—without these residences.

Senator Wall asked if it was possible to get money from other sources. We started this spring to build a residence on the basis of 300 additional students. One thing that gave us the impetus was that Captain Bennett, an old retired sea captain, and a brother of the former Prime Minister of this country, gave us \$100,000 this spring to put up a residence. He said "I am giving you this for two reasons. One is that you need this residence space, and the other is that with the Conservative regime we cannot afford to have any unemployment down in this part of our country, and we are giving you the money on the understanding that you start building at once."

Well, \$100,000 is not too much with which to put up a residence for 300 students. Dr. Stewart has referred to a remarkably low figure. We are putting up a residence for less than \$300,000. It is running from \$2,800 to \$2,900 per student but we cannot afford to do anything else. And so we are starting in with those residences with the \$100,000 that has been given to us, and equal grants from the Canada Council. Now, that Canada Council grant, honourable senators, I would like you to note, is very limited; it is only \$50 million altogether. We need \$80 million for residences, but that \$50 million covers the fine arts, the humanities, social sciences, all of those things, and only a fraction would ever go to residences. So it is exceedingly important that we have something like that Central Mortgage committee to fall back on to give us the additional money we need at a low rate of interest, because it is not right for us to raise our board and lodging to the necessary figure; we have to be able to finance those things ourselves. It is true that every university can borrow a limited amount from the banks, but the interest rates are high. I want to give you that side of the picture as far as our part of the country is concerned.

The CHAIRMAN: Gentlemen, we have another witness, and in fairness to him I will have to call him. I would like to say to you, Dr. Stewart, Dr. Flemington, and Dr. Matthews, how much we appreciate the efforts you have put forward this morning, and how grateful we are to you for coming and giving us the opportunity of hearing you.

We shall now hear from Mr. Mooney, Executive-Director of the Canadian Federation of Mayors and Municipalities.

George S. Mooney, Executive-Director, Canadian Federation of Mayors and Municipalities, called.

Mr. MOONEY: Mr. Chairman, honourable senators: My name is George Mooney, and I am the Executive-Director of the Canadian Federation of Mayors and Municipalities, in whose name and on whose behalf I am appearing this morning.

The Canadian Federation of Mayors and Municipalities is a national organization set up by the municipal governments of Canada to provide the means of inter-municipal cooperation between and among the municipalities of all provinces. It convenes an annual National Municipal Conference, carries on intensive research programs into all phases of municipal government and other matters of municipal interest, and acts as the spokesman of municipal governments with respect to municipal matters of inter-provincial and national concern.

Its membership comprises the direct affiliation of over 300 municipal governments, primarily the larger cities and towns, and of all provincial-municipal unions and associations of municipalities. The embracing nature of its direct and indirect affiliation of municipal governments, large and small, urban and rural, permits the Federation to speak with some measure of authority on behalf of the municipal governments of the country. It is a non-profit organization and is financed entirely by the membership fees of its affiliate municipal governments and provincial unions and associations.

The municipal governments have a lively and vital interest in the matters now under consideration by the Senate Standing Committee on Finance with respect to the report of the Central Mortgage and Housing Corporation for 1957. This fact has been testified to in the evidence given by the witnesses which the Committee has heard at the several meetings preceding today's Session, the record of which we have read with great interest, and with most of which the Federation is in substantial agreement.

The municipal governments are deeply mindful and aware of the great contribution the Federal Government has made in facilitating and encouraging and making possible a vast housing program aimed at improving the housing and living conditions of the people of Canada. Since 1935, when the National Housing Act was first enacted, and in the subsequent years, particularly the years since the end of the war, during which its provisions have been progressively liberalized, it has come to play a key role in the national housing program throughout the country. Under its provisions more homes have been built than otherwise would have been possible and a new standard of housing has been ushered in, which, unquestionably, has raised the quality of housing throughout the country. But although we have made great strides in coming to grips with our housing problem, the goal of decent minimum standard housing for all Canadians has by no means been reached. While we have added a large volume of new and improved housing stock, there are still important gaps in the housing program. The biggest gap is in the low-cost and low-rental field. And we still have slums.

It has been suggested to the Committee by some witnesses that one of the bottlenecks which the housing industry is up against in its endeavour to build more houses, and, particularly, low-cost houses, is the attitude of municipal governments with respect to their local building and zoning by-laws, the installation of municipal services, particularly watermains and trunk sewers (the so-called "big pipes") and other related matters.

The points of view that have been expressed are understandable and well taken; although it would be wrong to say that municipal governments themselves are, in fact, the culprits who have created the roadblocks. The actual fact is that, with the best will in the world, municipal governments, large or small, urban or suburban or rural, have found themselves caught up in a situation, not of their doing, which prevents them from being anything else but a bottleneck with respect to most of the matters complained of.

Before dealing with these matters it would perhaps be useful if there was on the record some background data aimed at throwing some light on the reasons why municipal governments have become, in a sense, to the extent

complained of, the unwitting bottleneck in slowing down and retarding—and making more expensive—an orderly and progressive- and less costly-housing program. The general facts are well known and have been settled in other places; but in appraising a situation such as is now under study by the Committee the central and background facts are sometimes lost sight of. It is worth repeating them even in summary form.

Members of the Committee are generally aware of the vulnerable nature of the municipal finance structure. In periods of deflation, property values drop and municipal values thereby decline. In periods of inflation, property values rise but there is strong and compelling resistance against any corresponding increase in the tax rates on property. This, despite the fact that municipal governments like everyone else are subject to the spiralling prices and wage levels of an inflationary period.

Moreover, and unlike the flexible, varied and multiple sources of revenue available to other governments, the property tax, which is the main source of municipal revenue, does not respond to economic influences as quickly or in the same magnitude as do other forms of tax which are geared to productivity of business or income. On the face of it, it is anomalous that municipal governments who administer areas wherein the greater part of the taxable wealth of the country is concentrated are unable to tax this wealth except in a very limited and restricted degree. If a municipality had access to the total taxable wealth of its incorporated and administrative area there would be no municipal finance problem; nor could the matters complained of be laid at the door of municipal governments, for they would not exist. The fact of the matter is, however, that the revenue sources available to municipal governments are both restricted, limited, tenuous and vulnerable.

As a consequence, municipal governments have been operating within a financial straightjacket wherein there is room neither to meet the backlog of unmet accumulated need for local capital works and improvements, nor to keep pace with the current needs, let alone make provision for the many requirements which continuing and accelerated urban growth and expansion are forcing upon them.

Ever since the end of the last war, and increasingly with every passing year, the pressures for urgent and costly programs of local improvements and modern community facilities have continued to mount. The factors which have created the pressures for immediate and large-scale municipal improvements derive from the following:

1. Growth in urban population and the consequent unprecedented demands for new schools, new roads, new hospitals, new water and sewerage systems and other essential municipal facilities.
2. Spread of urban blight and obsolescence particularly in our older and larger cities and which has a depreciating effect on property use and property values with consequent serious revenue decline to municipal governments.
3. Flight to the suburbs which has added vast new capital municipal needs to an already large backlog born of depression and war.
4. Technological advances which have outmoded much of the standard municipal plant and facilities of an earlier period.
5. Increasing prosperity which has brought with it the demand that we use our economic abundance to generate higher levels of human and community wellbeing.

Over and above these considerations, there is another factor, the significance of which cannot be dismissed. We are living in a period where the progressive achievements of our Canadian democracy are being challenged by other economic and political ideologies. It is in our cities and towns that the ideological crisis of our times is most evident. They have become the symbols

of our democratic civilization. The homes men live in, the schools their children attend, the social institutions and cultural facilities which are available, the means of transportation and the amenities of living—including running water and sewage disposal—are the physical standards by which men judge the measure of a good society.

The attainment of these requirements is rightly the primary responsibility of each community and its autonomous local government. It is to them that we must turn to as a national community as we seek to maintain and upgrade our educational standards, improve our physical and mental health, clear our slums, build better homes and safer highways, renew and redesign obsolescent urban areas and provide the water systems, sewers, roads, parks, schools and the like in the newer suburban communities throughout the nation.

While the municipal governments must continue their independent and self-governing responsibility for local growth and development; and while the provincial governments must continue to exercise their constitutional powers and prerogatives with respect to municipal institutions; it is clear that the revenue resources of municipal governments, even when coupled with the supplementary financial aid which the provinces can make available to them, are insufficient to support the heavy financial costs entailed if our cities and towns are to keep pace with the pyramiding requirements of exploring urban growth and the consequent urgent need for major programs of housing, urban redevelopment and renewal. And that applies to the matter of watermains and trunk sewers.

In this connection, the Committee is probably already aware of the very comprehensive study which Central Mortgage and Housing Corporation made in 1956 of the sewerage services in urban communities throughout Canada as existed at that time. The three hundred municipalities surveyed embraced the places where nineteen out of twenty urban Canadians now live. The facts revealed by the survey were startling. Of the total surveyed population, 2,652,000 or 32% of the total, were living in municipalities with a low frequency of connection. The population in largely unsewered municipalities in the provinces of Ontario and British Columbia was 1,941,000, or 24% of the total surveyed. It was also revealed by the survey that many of the new dwellings constructed in the years 1951 to 1955 were located in largely unsewered municipalities. For example, of the 327,000 new dwellings in metropolitan areas 40% were located in municipalities of this type. These municipalities include many large suburbs built in recent years. To quote the report itself . . . the survey did not reveal any precise idea of the extent to which recently constructed dwellings are unsewered, but "it did indicate that under pressure of the housing boom the situation has been deteriorating."

The question raised by these facts, and to which earlier witnesses have already referred, is why and how does it happen that municipal governments have not been able to cope with the demonstrable need for constructing watermains and trunk sewers. The answer is not difficult to find. It is within the following framework of circumstances:

1. Watermains and trunk sewers are only one of the many community needs which municipal governments have been under pressure to provide.
2. Municipal governments are severely restricted in their ability to finance the capital costs of local improvements and public works. They are restricted both by the extent to which local taxpayers can carry the capital and interest burdens involved and the extent to which the investment market is willing to buy their bonds.

Two current examples will serve to illustrate the problem: Within a stone's throw of the City of Montreal are two fast growing suburban communities. One is larger than the other.

Community "A" is now endeavouring to float a bond issue amounting to several millions of dollars for the construction of trunk sewers, street paving and sidewalks. A reputable informant told me just yesterday that investment bond dealers feel the issue cannot be sold (a) because of the marginal state of the debt carrying capacity of the community, and (b) because the Department of Municipal Affairs would probably frown on the issue in any case because of the added burden it would have on the already top-heavy funded debt of the municipality.

Community "B" is a community that grew out of the sticks. It began with no laid watermains or sewers of any description. It is now a fairly large and fast growing municipality. At the present there is a community waterwell, but no water piping. The water is distributed by means of a large water wagon. As it comes down the street, a boy rings a bell and householders come out and purchase their water requirements by the pail. The community is unable to float a bond issue that would be acceptable to the investment market, so they worked out a deal with a contractor to finance the needed watermain and sewer construction and have turned over to him as collateral, or as a guarantee of payment, the entire equity which the municipality has in its already paid for public works improvements and capital plant.

This is municipal financing with a vengeance!

Another current example related to the problem of sewers is that in one of the oldest communities in Canada. The original sewerage system is now literally falling to pieces. It will have to be replaced. Moreover it does not embrace the entire area of the now built up and expanding community. To replace the old sewer system and extend it to cover the entire built up area will cost in excess of \$2 million dollars. The funded debt of the municipality is less than \$2 million dollars. The dilemma that the community is confronted with is obvious. The present answer is that the old system must continue to suffice and the new areas must go without sewer connections.

The municipal governments have been fighting the past in their endeavour to deal with the present insofar as their finance problems are concerned. There is the deadweight of the accumulated and under-discharged debt load of an earlier period. There is the obsolescence of much of their capital plant. They are also fighting inertia and a not inconsiderable measure of indifference in some quarters where their plight should be more readily understood, appreciated and acted upon.

It is for these reasons that they have been seeking and urging a Dominion-Provincial-Municipal Conference for the sole and express purpose of considering ways and means whereby the municipal governments of Canada can be placed in a position to more adequately discharge the responsibilities which devolve upon them. The anticipated informal meeting which is to be held in the fall of this year between the Federal Government and representatives of the Federation and to which reference has already been made by previous witnesses, is a move in this direction. It has been made clear that it will be unofficial and informal and will decide nothing. But it will be exploratory and should pave the way for subsequent meetings between all three levels of government when the municipal problem in its entirety can be frankly faced up to and ways and means hammered out to deal with it... and in such manner that municipal governments in all provinces will thereby be put in a position to get on with the backlog of jobs that they frankly have been unable to deal with and, at the same time, provide the means whereby they can more adequately plan their future requirements already fast rushing upon them.

Hitherto, the Government of Canada has recognized, in principle and in degree, that the national revenue and financial facilities available to the Dominion Government should be brought to bear on some segments of the urban growth problem. Numerous shared cost programs have been entered

into with the provincial governments, which, directly and indirectly, have facilitated municipal action with respect to matters now under consideration by the Senate Committee. The National Housing Act has been a boon to municipal governments, although they have not yet learned to make the fullest use of it. Particularly is this so with respect to the provisions for financial assistance for slum clearance, land assembly and urban renewal projects.

Without the National Housing Act it is doubtful whether any municipality could have carried out limited slum clearance projects. It is equally doubtful, even with such measures, whether any municipality, large or small, could hope to undertake a concerted and comprehensive program of urban renewal and development of the magnitude now required in our larger cities and towns. And it is no less doubtful whether municipal governments will be able to finance the heavy costs involved in providing water and sewer connections to new housing areas, particularly in suburban growth communities, unless some sort of facilitating financial aid is made available. They are unable to do so for several reasons, the most important of which is that their tax and finance structure conceived to meet the needs of an earlier time is now inadequate for these times.

This is the crux of the municipal problem and there is no easy or simple way to solve it.

Members of the Senate Committee may be asking themselves, why should the Federal Government concern itself with urban watermains and sewers? And, if it did, will it not have the questionable effect of creating further speculation in land value by producing "windfall" gains to landowners?

It may be a trite answer, but the fact of the matter is that the provision of watermains and trunk sewers, the "big pipes", has become the key to our housing problem from now on; and, particularly, low-cost housing. It is as much an urgent national problem as the constructing of highways in the Yukon. It certainly affects many more people as well as the continued well-being of the already developed and economically important urban growth areas of the nation. It is as much a national problem as is the need for new hospital construction to which the Federal Government has already made substantial contributions. It is the immediate and urgent bottleneck in the national housing program and until it is resolved, it will continue to frustrate the basic aims of the National Housing Act.

So far as the speculative potentials that may arise consequent upon extending water and sewer facilities to new housing areas is concerned, the answer, again, may be trite, but the fact is that it has been the very lack of such facilities that, to a very considerable extent, has already created speculation in urban land values. Being mindful of the possibility, however, it seems reasonable to expect that safeguarding measures could be instituted whereby the speculative possibilities could be reduced to their minimum and which, indirectly, could recoup for public purposes a goodly portion of the unearned income which otherwise would accrue to the landowner. Tax experts are not without ingenuity in such matters. Certainly, appropriate measures have long been needed to curb the completely unwarranted, if not vicious, land speculation which has characterized urban real estate since the end of the war.

Municipal governments would concur with most of the views put forward to the Committee by previous witnesses. It would be redundant, therefore, to elaborate at any great length on the well-informed and expert testimony which the Committee has already had from these authorities. There are one or two observations, however, which perhaps should be made.

Previous witnesses have referred to the rigidities and other problems they have come up against in connection with local building and zoning by-laws. The complaints were not spelled out in detail. Therefore it is difficult to know just what the difficulties were. But, in general, it can be said that

the building codes in most Canadian municipalities today are either modelled on the National Building Code, or are, in fact, precisely the National Building Code. I cannot imagine that municipal governments would want to lower the standards which, after many years of very careful evaluation by competent engineers, architects and construction people, have been incorporated in the National Building Code. It would be a backward step were they to do so. There may be some local rigidities that have crept in, but, by and large, municipal building standards across the country have been raised to a much higher standard than hitherto and municipal governments would view with concern any suggestion that they should be seriously modified.

So far as zoning ordinances are concerned, here, again, municipal governments have been endeavouring, in the interest of the total community, to hold the line with respect to the improved zoning standards that they have been able to achieve. Poor zoning, or the lack of it in the past, has led to great abuse in land usage and it will take a long time to correct some of the bad usage which is now on the land. On balance, municipal governments are reasonable and where it can be demonstrated that, in fact, a local zoning ordinance is prejudicial to some desirable housing development, modifications can be arrived at.

Municipal governments share the views expressed by earlier witnesses with respect to the need for producing low-cost housing that will be within the ability of low-income families to afford. But they would be opposed to achieving a low-cost house at the price of lowering the minimum standards which have been built up. It is not true that a house built today is built merely for this generation. The fact is that it will serve well beyond this generation. We must be mindful, therefore, both with respect to the site location of low-cost housing, its design and its component building materials, that it will be so conceived and constructed that in fact when it is completed it will be something more than merely the incipient beginning of a future slum.

We have covered a lot of the waterfront without examining in too great detail the municipal position with respect to the continuing housing problem. Suffice it to say that the municipal governments have a very great interest in the problem, particularly with respect to low-cost and low-rental housing where the greatest gap in the national housing program has been. In large cities particularly there is need for low-cost and low-rental housing. The migratory nature of employment in large cities creates a problem. The fact that a man is employed in one area of the city one day and next week is employed miles away on the other side of the city adds to the problem. The fact that you have a heavy concentration of low-income workers in large cities aggravates the problem.

For those and other reasons the municipal governments would like to see low-rental housing and they would like, moreover, to be getting on with the job of slum clearance and urban renewal. The desire is there, the means to do it are not.

Back in February a delegation from the Federation met with Prime Minister Diefenbaker. Among the things discussed was the whole matter of housing. A submission was left with the Prime Minister and we can do no better today than to quote from that section of it dealing with the matters now under consideration by the Senate Committee.

In brief, the Federation memorandum called upon the Federal Government to extend its participation in low-rental housing and urban renewal projects under the National Housing Act by substantially increasing its share of the cost of clearing blighted sub-standard areas. It moreover asked that the municipality's share of such costs be advanced to the municipalities to be repayable by them over a period of years. Finally, it asked that the cost of

financing main sewers and watermains in new neighbourhood developments be financed by the Federal Government within the framework of the development provisions of the National Housing Act.

There will be some questions that members of the committee will want to ask me and, for which, I am at your complete disposal.

The CHAIRMAN: On behalf of the committee and on my own behalf, Mr. Mooney, I would like to thank you very much for your presentation at this time. The meeting is open to questions.

Senator LAMBERT: I was very pleased to see the emphasis you made upon the importance of municipal expansion as to sewage facilities. As you know very well we have in the federal district and in the municipality of the city of Ottawa a problem which has been given first priority by a joint Parliamentary Committee dealing with this question. Just in that connection I would like to ask you if I am not right in assuming that the province of Ontario, through its water resources legislation and its present commission, in which Dr. Berry has been very prominent, provides very liberal and generous financial assistance to any municipality within Ontario which wishes to establish a sounder method of sewage disposal and water supply than has existed in the past? I believe they have a plan, a 30-year amortization financing scheme, which is available to any municipality in the province. I understand too that this legislation is meeting with general support in this province.

I am emphasizing this because I think municipalities do not catalogue as strictly as they should and turn to real estate activities in suburban areas at the expense of something that is basic and fundamental, and I am inclined to think that a good deal of this housing may become a surplus commodity on the market.

Mr. MOONEY: I am not at all sure, Senator Lambert, that the policy of the Ontario Water Resources Board is as extensive as you suggested it is in so far as making low-interest money available for financing the cost of sewers for all municipalities in this province. Whether it could be extended to the cities of Ottawa, Hamilton, Toronto or Windsor, for instance, I am not sure. Certainly it has not been so extended as of the moment.

My impression is that the intention of the legislation is aimed at these municipalities who require these services but who because of their financial limitation are not able to finance the cost themselves. In practice the Board is probably assisting marginal municipalities who otherwise would be unable to proceed with such undertakings. The municipal governments are learning rapidly, Senator Lambert, the wisdom of planning their capital works programs and giving them priority. The capital works budget has become an important feature in the financial planning of most large cities, and there is an increasing practice to give priority to these projects. We have some interesting examples where this is not in effect but despite those examples it is fair to say that in general the policy of financed works planning is being pursued.

I do not share entirely the view, Senator Lambert, that new housing development in suburban communities—the housing stock that has been constructed—is threatening to become a glut on the market or that there has been an over-expansion or overdevelopment. However, there could be and we must be mindful of that possibility.

Senator LAMBERT: I think we have had evidence before this committee already that there is such a surplus.

Mr. MOONEY: It is possible there is a demonstrable surplus in some areas but this would not characterize, in my view, as I know this country, the overall situation at the moment.

The CHAIRMAN: And it would be at certain price levels too.

Mr. MOONEY: Oh, very definitely, Mr. Chairman. There is a slowing down in the effective demand for housing over and above \$15,000, \$16,000, \$17,000. There has been a bit of levelling off at this price range in a number of areas across the country, but the demand for a house from \$12,000 to \$15,000 and lower is consistently high.

Senator MOLSON: In your brief, Mr. Mooney, you deal at length with big pipes. It is one of the problems that we have had put before this committee very forcibly. If in addition to this problem we include the problem of sewage disposal and water pollution, I take it that this would be so far beyond the capacity of most of our municipalities that it isn't being dealt with as a present problem in this brief.

Mr. MOONEY: It is not dealt with in this brief because in a sense it is one step removed from the immediate matters under consideration by the committee. But it is a problem all across the country, Senator Molson. Some municipalities have entered into construction projects on sewage disposal undertakings, and the matter certainly is a lively subject in many areas, particularly areas that border on lakes and rivers where there is an added pollution factor consequent upon the fact there is no adequate sewage treatment of the water, and the sewage goes into the rivers and lakes.

Senator MOLSON: Isn't it true that around Montreal, where all bodies of water are polluted, one town takes the water that has been polluted by another town farther up the river, then purifies it and uses it and then the water goes back into the river in a polluted condition and the next town has to go through the same procedure?

Mr. MOONEY: Well, it would appear that that would be the end result of the recent sewage treatment plants construction in some municipalities on Lake St. Louis, in fact they will merely be purifying the polluted water they received and turning the purified water back into the river to be polluted again as it moves down the stream.

Senator LAMBERT: That is the process that takes place all the way from Ottawa to Montreal.

Mr. MOONEY: This is a great national problem, and there is growing concern with respect to the matter.

Senator LAMBERT: There is the Pollution League in Montreal. I wondered if it was making any headway there.

Mr. MOONEY: Well, it continues to decry the problem.

Senator ISNOR: I was going to make the same comment and ask questions about the subject raised by Senator Molson. I had a note here, concerning page 16, but it has been answered, so I have nothing further to say, except that I would ask Mr. Mooney if he would be good enough to tell us the date when this was prepared.

Mr. MOONEY: Yesterday, sir.

Senator CAMPBELL: I was wondering if the witness was directing his brief first, to the trunk sewer problem or the water main and sewer within the subdivision?

Mr. MOONEY: No. When I used the word "water main" and "trunk sewer", I was not referring to the lead on water pipes or sewers or to the so-called laterals that feed into a residence; that is the responsibility of the owner of the building, and normally forms part of the mortgage and as such becomes an integrated part of the ongoing amortization of the house.

Senator CAMPBELL: You are speaking mainly of the trunk sewers?

Mr. MOONEY: Yes.

Senator CAMPBELL: What specifically do you suggest that the federal Government should do? Do you suggest it should make loans available to the municipalities and finance its undertakings, or enter into the construction industry?

Mr. MOONEY: I would suggest that federal participation could be one of two ways. One, a direct, outright grant for the construction costs of water mains and trunk sewers, or to make available a loan at a moderate rate of interest to cover the cost, and when I use the word "moderate", I means better than moderate.

Senator CAMPBELL: Well, this has been the type of discussion with past governments, has it not?

Mr. MOONEY: We have been discussing this matter of moderate interest rates for municipal capital fund borrowings for a number of years, and we have suggested in the memorandum we left with the Prime Minister back in February that there be established a federal-municipal loan fund that would make available to the municipal governments a capital fund at a low interest rate over an extended period of amortization. If such a fund was available it might well be that it would be the source that the municipalities would borrow from to construct these undertakings.

Senator HORNER: What rate of interest would you suggest, 2 per cent?

Mr. MOONEY: Yes, I think that is a fair idea of what I mean by moderate.

Senator LAMBERT: I suppose you are aware, Mr. Mooney, of the Municipal Grants Act, which is a federal disposition, payable to the municipalities to cover all costs relating to federal property located in any municipality?

Mr. MOONEY: Yes, I am very familiar with the Municipal Assistance Act, Senator Lambert, As you now know, while it is still on the statute, it is moribund. It really never fulfilled the purpose it was set up to achieve. There were very limited loans made under the act. The total fund was to be \$30 million. The amount of money which any municipality could borrow under the fund was related to that \$30 million based on the per capita relationship of the borrowing municipality to the total population of Canada. In effect it would have meant, as far as Montreal was concerned, that Montreal could have borrowed about \$250,000. Well, you can just see how far \$250,000 worth of borrowing would assist the financing of the capital needs of Montreal. Multiply that across the country and it means that the thing was innocuous—ineffective.

Senator LAMBERT: If I might say so, you are referring to something different from what I asked about.

Mr. MOONEY: I am sorry, sir.

Senator LAMBERT: The Municipal Grants Act is based on the servicing of the properties that the federal Government owns in different municipalities, and the fund, that was distributed over 100 municipalities, amounted last year, I think, to somewhere around \$8 million or \$9 million, but that was to take care of the assessment and taxes and the services of water, and so on, relating to the Government institutions. But in view of your recommendation, I was just thinking that if the federal Government or the federal authorities take on more responsibility for municipal affairs, that act is there, which could be amended, of course, to meet something of your needs.

Mr. MOONEY: Hardly, Senator Lambert, for this reason: The Municipal Grants Act, to which you referred, and about which I misunderstood you, is an act providing for ex gratia payments in lieu of taxes on federal crown departmental property located in municipalities. Now, there would be very little if anything in the way of federal crown property in some of the newer suburban localities where it is needed, so it would not provide the need.

Senator LAMBERT: It is limited?

Mr. MOONEY: Yes.

Senator CRERAR: I have a few questions I should like to ask the witness. In the brief presented to the Prime Minister and his colleagues, which you quote at the end of your memorandum, it would mean substantial contributions by the federal Government for the purposes you have mentioned there, such as the cost of clearing blighted areas, the cost of financing main sewers and water mains, and new neighbourhood developments. Have you made any estimate of what amount of money would be required for that?

Mr. MOONEY: It would be a vast amount of money.

Senator CRERAR: Would you agree that if the federal Government did this for one city like Montreal it would be under an obligation to do it as a matter of policy right across the country?

Mr. MOONEY: Oh, yes.

Senator CRERAR: But you do not know what money would be required?

Mr. MOONEY: It would be of the range of many millions of dollars annually, Senator Crerar. If we are to get on with the job of slum clearance, if we are to get on with the job of urban renewal and re-development and make our cities functional for the times in which we live, to refurbish them as they need to be refurbished, to clear out the obsolescence, to make them fill the purpose which modern urban living requires, then there is a vast amount of municipal improvement re-development cost that has to be faced up to. The capacity of the municipal Governments of this country to undertake such a program will be limited of course by the amount of manpower available, the amount of materials available, and the amount of money available annually for such undertakings. But the program, before it would be finished, would be a program that would extend over a period of 25, 30, 40 years, and maybe longer. But the municipal Governments as of the moment are not in a position to initiate or undertake this task of urban renewal because they are unable to finance the costs involved.

Now, the idea is already provided for in the National Housing Act. The section on urban renewal and redevelopment has provided facilities whereby the federal Government will participate to the extent of 50 per cent with the municipality in the purchase and clearance of the land—the federal government will pay 50 cents on the dollar. Section 36 of the National Housing Act provides that you can use some of that land as you would want to do, and as a matter of fact legislatively are required to do, for a certain amount of public low rental housing, and the federal Government provides 75 cents on the dollar for capital cost purposes for such undertakings.

What we have said to the Prime Minister is that the 50-50 participation envisaged under the urban renewal sections is not in itself sufficient to enable the municipalities to venture in any large way into such costly undertakings.

Senator CRERAR: Mr. Chairman, I have listened with very much interest to Mr. Mooney's presentation. But may I say, Mr. Mooney, that your proposal vis-à-vis the federal Government is a two-pronged one—you are asking the federal Government first to make available a loan at low interest rates to municipalities of money for these developments and also to give outright grants. Now, the federal Government is finding it necessary in its financial program to issue long-term bonds at a rate of $4\frac{1}{2}$ per cent. You would want the money substantially cheaper than that, I suspect.

Then again, the requirements that you mentioned a moment ago would run into very considerable sums of money and the federal Government had a deficit this year of \$650 million or thereabouts, and the Canadian Tax Foundation of Toronto, which is a very responsible body, predict from their studies that these deficits will continue for a number of years.

Would you agree that it is desirable to put the country further in debt to carry through these undertakings?

Mr. MOONEY: Not necessarily, but it may require, Senator Crerar, that as a national community we re-examine where we are now spending money, and perhaps we have come to the point as a nation when the total public revenues available to all levels of Government, and the present services and activities of all levels of Government should be re-examined with a view to asking ourselves as a nation whether in effect the money we are able to spend is being spent in places where it is desirable, at the moment, to spend it.

I have suggested, and I underline, that because the problem of urban growth and development with all its attendant heavy financial costs is so heavy, that I think as rate-payer citizens in the communities we come from are all saying we have got to do something about it. I have underlined that this cannot be, that these major undertakings that are before the municipal Governments of the country cannot be proceeded with because they are financially unable, with their limited resources, operating in the kind of a financial straight-jacket in which they have to operate, they are unable themselves to undertake and commit the communities that they administer to these heavy obligations. We have reached the point, in my view, when as a nation we have got to see the parallel interest that exists between all levels of Government, federal, municipal and provincial in these problems that affect urban well-being.

The lively and vital interest of the Federal Government is already demonstrated by the fact that we do have a National Housing Act which does make available money for urban housing and other related measures. We do recognize in part the element of parallel interest but we have not recognized sufficiently the idea or the necessity that because of this parallel interest there must be some inter-fiscal sharing, parallelwise, in the cost involved.

Senator ROBERTSON: I too have enjoyed very much your presentation but there is one thing I would like to ask you. Running through your brief is the idea, it seems to me, of direct relations between the federal and the municipal Governments. You seem almost to entirely eliminate the provincial Governments? Why is that?

Mr. MOONEY: I have not suggested, Senator Robertson, that the provincial Governments be eliminated nor does the brief suggest that. On the contrary we concede and admit in the brief, and point out that the municipalities are part of the constitutional framework whereby they are the creatures of their respective provinces. The municipal Governments contend very strongly that in these matters such as we have been discussing that the provinces should be involved finance-wise and otherwise.

Senator ROBERTSON: For instance, you said that in the representations made to the Prime Minister that a federal-municipal fund be created. Why would not the provincial Government be included?

Mr. MOONEY: I would have no objection.

Senator ROBERTSON: I realize you do not have any objection but why would the provinces be excluded?

Mr. MOONEY: Senator Robertson actually that term Federal-Municipal Fund is a term which the municipalities created based on the proposition that there had been more or less the equivalent of that in the Municipal Assistance Act of 1935 which was a Federal-Municipal Loan Fund. The provinces of course had to agree and I understand that they had to participate as guarantors in any loans made to the municipality, but in effect it was a direct loan fund between the federal agency and the municipal Government.

Senator DUPUIS: Mr. Chairman, may I ask a question of our good friend Mr. Mooney, who we must congratulate for a well drafted brief?

I would like to know from him how he can reconcile the low rent of housing with the high cost of land. For instance, as he knows very well, in the slum district in the centre of the city of Montreal there is a housing project which has been accepted by many bodies in the city of Montreal and by the federal Government; but, at that place the cost of land is \$10 a foot. As he has already said, if we add the cost of the building to the cost of the land, and the federal Government is bound to pay 50 per cent, how then can he reconcile the low rent in the city of Montreal with the high total cost of these buildings? Those people in that area were paying from perhaps \$15 to \$25 a month, but with the completion of this building project, if it is ever completed, there will be huge costs to the country and to the city of Montreal; and one of the costs involved in that of the land. Therefore, would it not be better to go outside the city of Montreal and buy low cost land, as was suggested, on the *Domaine St. Sulpice*?

Mr. MOONEY: I do not wish to get into a discussion about what is being presently done in Montreal, and there is a similar development in Toronto; however, I do want to say to Senator Dupuis, that the people who lived in that area, which has been described for the most part as a slum area, live there first because of the depressed values of the property which they rent very cheaply, and secondly because there were no attendant costs for transportation and other things. In cities like Montreal, Toronto and Winnipeg there will always be need for low-rental housing close to the core of the city, and if you do not provide re-housing for those people who are displaced from a slum area in a nearby area you have really not solved part of the problem that you have set out to solve, namely, to find ways and means whereby low income families can obtain decent housing at a minimum cost, and at the same time not add to their burden extra costs that are inherently involved if they have to go out to such places as *Domaine St. Sulpice*, which is four or five miles away.

Senator DUPUIS: Mr. Chairman, the witness is diverting the question to a social one. It seems quite proper not to displace these people for a certain time, but I am talking about the cost of these houses, and asking him how he can reconcile the low cost of renting them with the price of building them. Would it not be better from a financial point of view to take these places over in the centre of the city and use them for business purposes?

Mr. MOONEY: You could certainly build equivalent housing at lower cost if you had cheaper land cost.

Senator DUPUIS: We have cheaper land available in Montreal.

Mr. MOONEY: But you still would not resolve one of the problems you set out to resolve when you decided to eliminate the slums to provide decent housing for those people because, for the most part, they will require to live in the area in which they now live.

Senator DUPUIS: Was any census taken to determine that?

Mr. MOONEY: I understand there was a very comprehensive survey.

Senator DUPUIS: I never heard that they were consulted to determine whether they preferred new housing to a house in that very expensive area.

Mr. MOONEY: I am quite sure such a survey was made of the entire area before the project was proceeded with. In fact, it would greatly surprise me if Central Mortgage and Housing Corporation did not require such a survey before the construction was proceeded with.

Senator DUPUIS: Am I right, Mr. Chairman, in understanding from the witness that I was correct in my belief that the land values in part of the slum clearance area was \$10 or \$15 a foot?

Mr. MOONEY: Of those proportions.

Senator DUPUIS: In your brief you mention two districts around Montreal which were lacking a sewage system. Without asking you the names of those municipalities, may I ask if they are on the Island of Montreal?

Mr. MOONEY: They are contiguous bridgehead communities. I would be glad to give the names in confidence to the chairman.

The CHAIRMAN: The names may be given to Senator Dupuis.

Gentlemen, we have exhausted our quorum, and we must adjourn. May I thank you, Mr. Mooney, not only for your brief, but for your very excellent efforts in answering and trying to satisfy the inquiries of the senators.

The meeting adjourned until Thursday, July 31st, 1958.

APPENDICES REFERRED TO IN BRIEF SUBMITTED BY
DR. A. STEWART, PRESIDENT, NATIONAL CONFERENCE
OF CANADIAN UNIVERSITIES

REFERENCES

1. E. F. Sheffield, 'Canadian University and College Enrolment Projected to 1965', *Proceedings, National Conference of Canadian Universities 1955*, pp. 42-43.

2. Yves Dube, J. E. Howes and D. L. McQueen, *Housing and Social Capital*, a report of the Royal Commission on Canada's Economic Prospects, 1957, p. 84

3. E. F. Sheffield, 'Future Enrolment in the Universities—1958 Reading', *Minutes of the 1958 Conference of the Canadian Association of University Business Officers*, June 1958, pp. 35-37.

4. *Debates of the Senate*, 1st Session, 23rd Parliament, Volume 105, Number 23, December 3, 1957, p. 328.

5. C. T. Bissell (ed.), *Canada's Crisis in Higher Education*, Proceedings of the Conference held by the National Conference of Canadian Universities at Ottawa, November 12-14, 1956, p. 245.

6. *Proceedings, National Conference of Canadian Universities 1957*, p. 62.

APPENDIX I

CAPACITY OF UNIVERSITY STUDENT RESIDENCES RELATED TO FULL-TIME ENROLMENT IN 23 CANADIAN UNIVERSITIES, 1957-1958.

University	Men			Women			Total		
	Cap. ¹	Enr. ²	% ³	Cap. ¹	Enr. ²	% ³	Cap. ¹	Enr. ²	% ³
ATLANTIC PROVINCES									
Memorial University of Newfoundland.....	—	663	—	—	348	—	—	1,011	—
Dalhousie University.....	37	1,103	3	100	284	35	137	1,387	10
Nova Scotia Technical College.....	—	278	—	—	1	—	—	279	—
St. Mary's University ⁴	230	323	71	—	8	—	230	331	70
Mount Saint Vincent College.....	—	—	—	175	311	56	175	311	56
Acadia University.....	293	466	63	193	254	76	486	720	67
Mount Allison University ⁵	527	719	73	300	347	86	827	1,066	78
University of New Brunswick.....	85	1,211	7	70	152	46	155	1,363	11
QUEBEC									
Laval University ⁶	325	2,913 ^e	11	—	400 ^e	—	325	3,313	10
University of Montreal ⁶	115	3,330 ^e	3	—	1,100 ^e	—	115	4,430	3
McGill University.....	470	4,915	10	608	1,903	32	1,078	6,818	16
Sir George Williams College.....	—	953	—	—	197	—	—	1,150	—
ONTARIO									
Carleton University.....	—	479	—	—	166	—	—	645	—
University of Ottawa ^{4,6}	275	1,835	15	—	256	—	275	2,091	13
Queen's University ⁸	220	2,009	11	311	553	56	531	2,562	21
University of Toronto ⁹	883	7,823	11	600 ^e	2,844	21	1,483	10,667	14
McMaster University.....	100	876	11	135	292	46	235	1,168	20
University of Western Ontario ⁶	310	1,767	18	204	691	30	514	2,458	21
Assumption University of Windsor ⁹	150	718	13	50	151	30	200	869	25
WESTERN PROVINCES									
University of Manitoba ⁶	400	2,477	16	200	848	24	600	3,325	18
University of Saskatchewan ⁶	245	2,511	10	105	766	14	350	3,277	11
University of Alberta ⁹	588	3,073	19	152	1,143	13	740	4,216	18
University of British Columbia.....	780	6,314	12	202	2,291	9	982	8,605	11
TOTAL	6,033	46,756	13	3,405	15,30	22	9,438	62,062	15

NOTES:

¹Capacity of residences. Sources: university calendars; *Commonwealth Universities Yearbook, 1958*.

²Enrolment of full-time undergraduate and graduate students at Dec. 1, 1957. Source: Dominion Bureau of Statistics, *Fall Enrolment in Universities and Colleges, 1957*.

³Capacity as percentage of enrolment.

⁴It seems likely that the residences serve secondary school students as well as university students.

⁵Including 32 apartments for married students—counted as capacity for 32 men.

⁶Exclusive of affiliated colleges.

⁷Including Macdonald College.

⁸Including capacity for 34 men and 21 women in co-operative residences, not owned by the university.

⁹Including associated colleges on the same campus.

^e=estimated

APPENDIX II

AMORTIZATION TABLES

The tables show the montly rates required to amortize investments of \$2,500, \$5,000, \$7,500 and \$10,000 at rates of interest of 2, 3, 4, 5, 6, 7 per cent per annum compounded yearly. The rents are collected nine months every year. Table 1 assumes the rents can be collected for 20 years; Table 2, for 30 years and Table 3 for 40 years. The figures are rounded to the nearest dollar.

For illustration, suppose an investment of \$5,000 per student is made in a building which lasts for 30 years, the interest rate being 3 per cent per annum. The rent per student each month required to amortize the investment is \$28.

20 YEARS	2%	3%	4%	5%	6%	7%
2,500.....	17	19	21	22	24	27
5,000.....	33	37	41	44	48	53
7,500.....	50	56	63	66	72	81
10,000.....	67	74	82	88	96	106
30 YEARS	2%	3%	4%	5%	6%	7%
2,500.....	11	14	16	19	20	22
5,000.....	22	28	32	38	40	44
7,500.....	33	42	48	57	60	66
10,000.....	44	56	64	76	80	88
40 YEARS	2%	3%	4%	5%	6%	7%
2,500.....	8	12	14	16	18	21
5,000.....	17	24	28	32	37	42
7,500.....	24	36	42	48	54	63
10,000.....	33	48	56	64	74	84

APPENDIX III

Financial Estimates Regarding the Construction and Operation of a Student Housing Project for 752 Students on the Campus of the University of British Columbia.

Capital Cost

Land (University Campus)	nil
Residences	
a) Buildings	2,940,000
b) Furniture and Equipment	330,000
Dining Facilities	
a) Building	400,000
b) Equipment	100,000
Services and Utilities	
a) Water, Sewers & Drains	30,000
b) Heat	50,000
c) Electricity, Telephones & Fire Alarm	50,000
d) Roads & Parking	50,000
Landscaping	30,000
Total Capital Cost	4,000,000

Annual Operating Costs and Revenues

Revenue

Regular Session	
752 students @ \$70 for 7 months	370,000
Summer Session	
752 students @ \$105	75,000
Conventions and meetings during May and June @ $\frac{1}{4}$ occupancy	65,000
Total Revenues	510,000

Operating Expenses

Food and Housing services	400,000
Net Revenue	110,000

Annual Cost of Interest and Amortization of Loan over 50 years

Equity	Loan	Total	Amount of annual payments at various interest rates and various amounts of loan				
			3%	3½%	4%	4½%	4¾%
	4,000,000	4,000,000	155,462	170,535	186,201	202,409	210,700
1,000,000	3,000,000	4,000,000	116,596	127,901	139,651	151,807	158,025
2,000,000	2,000,000	4,000,000	77,731	85,267	93,100	101,204	105,350

As indicated in the above table the annual net revenues of approximately \$110,000 would carry (a) close to *two-thirds* of the annual cost of interest and amortization at an interest rate of 3% and (b) about *one-half* the annual cost of interest and amortization at an interest rate of 4¾%.

APPENDIX IV

Exchange of correspondence between Dr. T. H. Matthews, Executive Secretary, National Conference of Canadian Universities, and Hon. H. C. Green, Minister of Public Works, May and June, 1958

Dr. Matthews to Mr. Green, 12th May, 1958.

I have been asked by the Board of Directors of the National Conference of Canadian Universities to enquire whether the Federal Government would be willing to consider making loans available through the Central Mortgage and Housing Corporation to the universities of Canada for the construction of residences for staff and students.

If such loans are contemplated, I should be most grateful if your Department would let me know the conditions under which they would be made.

Mr. Green to Dr. Matthews, 6th June, 1958.

In your letter of May 12th you advise that you have been asked by your Board of Directors to enquire whether the Federal Government would be willing to consider making loans available through Central Mortgage and Housing Corporation to Canadian universities for the construction of residences for staff and students.

I assume that your Board has in mind section 16 of the National Housing Act which provides assistance in the construction of low rental self-contained units to Limited Dividend companies. For reasons of policy we have not used the Limited Dividend plan to produce housing for special groups. You will

appreciate that any such assistance for one group would involve consideration of a great variety of other groups, for example nurses and staffs of public institutions.

The term "housing project" for purposes of section 16 is confined to self-contained accommodation. The financing of dormitory accommodation by means of the National Housing Act would require legislation to permit such loans.

The whole question of housing at colleges and universities is currently being studied and is one aspect of the housing problem that will be examined very carefully when possible amendments to the National Housing Act are being considered.

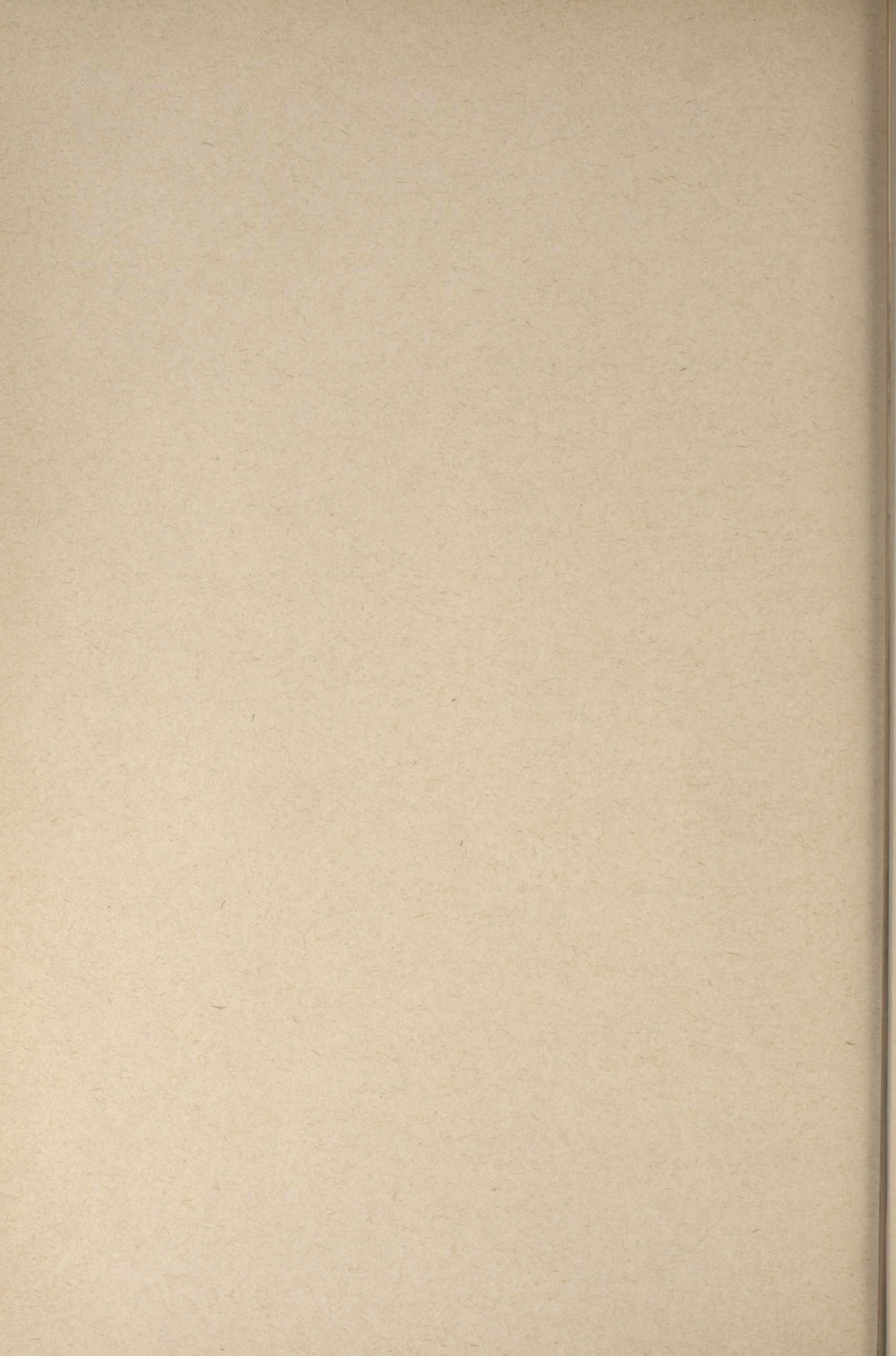
APPENDIX V

NATIONAL CONFERENCE OF CANADIAN UNIVERSITIES

Universities of the Conference

Acadia University	Wolfville, Nova Scotia
University of Alberta	Edmonton, Alberta
Assumption University	Windsor, Ontario
Bishop's University	Lennoxville, Quebec
Brandon College	Brandon, Manitoba
University of British Columbia	Vancouver 8, British Columbia
Carleton University	Ottawa, Ontario
Dalhousie University	Halifax, Nova Scotia
University of King's College	Halifax, Nova Scotia
L'Université Laval	Quebec, Quebec,
University of Manitoba	Winnipeg, Manitoba
McGill University	Montreal, Quebec
McMaster University	Hamilton, Ontario
Memorial University	St. John's Newfoundland
Université de Montréal	Montreal, Quebec
Mount Allison University	Sackville, New Brunswick
Mount Saint Vincent College	Halifax, Nova Scotia
University of New Brunswick	Fredericton, New Brunswick
Nova Scotia Agricultural College	Truro, Nova Scotia
Nova Scotia Technical College	Halifax, Nova Scotia
Ontario Agricultural College	Guelph, Ontario
Université d'Ottawa	Ottawa, Ontario
Queen's University	Kingston, Ontario
Royal Military College of Canada	Kingston, Ontario
St. Dunstan's College	Charlottetown, P.E.I.
St. Francis Xavier University	Antigonish, Nova Scotia
Université Saint-Joseph	Saint Joseph, Cte West, New Brunswick
St. Mary's University	Halifax, Nova Scotia
University of Saskatchewan	Saskatoon, Saskatchewan
University of Sherbrooke	Sherbrooke, Quebec
Sir George Williams College	1435 Drummond Street, Montreal, Quebec
University of Toronto	Toronto, Ontario
University of St. Michael's College	Toronto, Ontario
Trinity College	Toronto, Ontario
Victoria University	Toronto, Ontario
University of Western Ontario	London, Ontario
* National Research Council	Ottawa, Ontario
* Canada Council	Ottawa, Ontario

* Special membership



1958

THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE ON
FINANCE

on the Report of Central Mortgage and Housing
Corporation for fiscal year ending
December 31, 1957.

No. 8



THURSDAY, JULY 31, 1958

The Honourable C. G. Hawkins, *Chairman*

WITNESSES:

- Mr. Louis A. Rice, President, Toronto Metropolitan
Home Builders Association.
Mr. W. G. Clements, Secretary-Manager, Toronto
Metropolitan Home Builders Association.
Mr. Stewart Bates, President, Central Mortgage
and Housing Corporation.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

Extract from the Minutes of the Proceedings of the Senate, Wednesday, June 11, 1958.

The Honourable Senator Aseltine moved, seconded by the Honourable Senator Quinn—

That the names of the Honourable Senators Brunt, Emerson and Thorvaldson be added to the list of Senators serving on the Standing Committee on Finance.

The question being put on the motion, it was—

Resolved in the affirmative.

J. F. MacNEILL,
Clerk of the Senate.

THE STANDING COMMITTEE ON FINANCE

The Honourable C. G. Hawkins, *Chairman*

The Honourable Senators

Aseltine	Gershaw	Pratt
Baird	Golding	Quinn
Barbour	*Haig	Reid
Beaubien	Hawkins	Roebuck
Bouffard	Hayden	Robertson
Brunt	Horner	Smith (<i>Queens-</i> <i>Shelburne</i>)
Burchill	Howden	Stambaugh
Campbell	Isnor	Taylor (<i>Norfolk</i>)
Connolly (<i>Halifax North</i>)	Lambert	Thorvaldson
Connolly (<i>Ottawa West</i>)	Leonard	Turgeon
Crerar	*Macdonald	Vaillancourt
Dupuis	McKeen	Vien
Emerson	Molson	White
Euler	Paterson	Woodrow—44
Farris	Pearson	
Fraser	Petten	

(Quorum 9)

**ex officio member.*

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate

TUESDAY, May 20, 1958.

With leave of the Senate,

The Honourable Senator Aseltine moved, seconded by the Honourable Senator Pearson—

That the Report of Central Mortgage and Housing Corporation for the fiscal year ended the 31st of December, 1957, be referred to the Standing Committee on Finance for consideration and report.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

J. F. MacNEILL,
Clerk of the Senate.

THE HISTORY OF THE

REIGN OF KING CHARLES THE FIRST

BY JOHN BURNET

IN TWO VOLUMES

LONDON: Printed by J. Sturges, at the Black-Swan in Strand, 1724.

THE SECOND VOLUME

THE HISTORY OF THE

REIGN OF KING CHARLES THE FIRST

BY JOHN BURNET

MINUTES OF PROCEEDINGS

THURSDAY, July 31, 1958.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

Present: The Honourable Senators Hawkins (*Chairman*), Connolly (*Ottawa West*), Crerar, Gershaw, Haig, Horner, Isnor, Lambert, Pearson, Pratt, Smith (*Queens-Shelburne*), Thorvaldson, Turgeon and White—(14).

In attendance: The Official Reporters of the Senate.

Consideration of the order of reference of May 20th, 1958, was resumed.

The following were heard and questioned by members of the Committee:—

Mr. Louis A. Rice, President, and Mr. W. G. Clements, Secretary-Manager, Toronto Metropolitan Home Builders Association.

Mr. Stewart Bates, President, Central Mortgage and Housing Corporation.

At 1.10 p.m. the Committee adjourned to the call of the Chairman.

Attest.

John A. Hinds,
Assistant Chief Clerk of Committees.

STATEMENT OF PROGRESS

January 1st 1884

The undersigned has the honor to acknowledge the receipt of your letter of the 27th inst. in relation to the above mentioned matter. In reply to inform you that the same has been forwarded to the proper authorities for their consideration. It is the policy of this office to give prompt attention to all such communications, and it is hoped that the same will be given the consideration which they deserve. The result of the same will be communicated to you as soon as it is ascertained.

Very respectfully,
Your obedient servant,
[Signature]

THE SENATE
STANDING COMMITTEE ON FINANCE

OTTAWA, Thursday, July 31, 1958.

EVIDENCE

The Standing Committee on Finance, to which was referred the report of the Central Mortgage and Housing Corporation for the fiscal year ended 31st December, 1957 met this day at 10.30 a.m.

Senator HAWKINS in the Chair.

The CHAIRMAN: Gentlemen, the hour of 10.30 has arrived and we have a quorum. We have with us this morning two of the officers of the Toronto Metropolitan Homebuilders' Association. We also have with us this morning Mr. Stewart Bates, President of Central Mortgage and Housing Corporation, the Steering Committee having decided that it would be wise to have Mr. Bates present at this last meeting of the committee to sort of tidy up and wind up the proceedings.

First of all I will introduce Mr. Louis A. Rice, president, and Mr. W. G. Clements, secretary-manager, of the Toronto Metropolitan Homebuilders' Association.

Mr. Clements will deliver the brief on behalf of the Association.

W. G. Clements, Secretary-Manager, Toronto Metropolitan Homebuilders' Association, Toronto, called.

Honourable senators, the Toronto Metropolitan Home Builders' Association has been continuously active since its incorporation in 1921. It has a membership of approximately 600, consisting chiefly of merchant builders but also including supply and service firms and sub-contractors in the house building industry. This organization is an affiliate of the National House Builders Association which has already appeared before you. However, we appreciate the privilege of presenting information on matters affecting house building costs and financing, particularly as they apply to a rapidly growing area such as Metropolitan Toronto, for which we speak.

Firstly, may we say that at the centre of today's housing problem is the need to bring costs down within the grasp of the maximum number of wage earners. As an Association we built some demonstration low rental units in 1954 which, with government co-operation in regard to land acquisition, our members hoped to be able to produce in quantity to rent at \$58 monthly. Over 6,000 cards expressing a desire to rent such accommodation were received from visitors to the houses. The project did not materialize, but the response did further convince us of the need for lower cost accommodation.

To reach the average wage earner, every housing dollar that can be saved without impairing structural or financial soundness must be saved. A house selling at the average NHA price of \$14,362, and with a mortgage of \$12,527, requires an annual income of \$4,452, on the 27% debt ratio basis. In other words, every \$1,000 of mortgage means a difference of approximately \$7.00 in the weekly pay envelope required to qualify for the mortgage.

While builders were highly pleased with CMHC's recent change to a 27% debt ratio basis, we might point out that some lending institutions refuse to recognize it and still insist upon the old 23% basis. At least one company will accept the 27% on direct loans only; not on regular NHA insured mortgages. Where the 23% basis is used, every \$1,000 of mortgage means a difference of

\$8.00 in the weekly pay required. These amounts may sound small, but they have real significance in their effect on the number of potential home owners.

By far the greatest obstacle to the building of low cost housing in the Metropolitan Toronto area, is the expense of developing land for building purposes. May we examine the reasons for this situation.

Prior to 1946, the cost of supplying services such as paved roads, curbs and gutters, sewers, watermains and sidewalks were met chiefly by taxes raised under local improvement by-laws. Since then a practice has developed under which all of these costs are loaded upon the house purchaser as part of the original purchase price.

It has become standard practice for municipalities within the Toronto area to demand the installation of every conceivable improvement as conditions of approval of a plan of subdivision. These requirements include the following:

1. Complete sanitary sewer systems and storm sewer systems.
2. Oversize sewers if necessary to serve areas beyond the limits of the subdivision.
3. Paved streets and undertakings to maintain them for two or three years after construction.
4. Sidewalks, curbs, street lights and signs.
5. Planting of trees and sodding of all front lawns and, in one case at least, sodding of the entire lot.
6. Contributions on a foot-frontage basis to cover municipal capital expenditures.

A typical example of the cost of servicing building lots is outlined below:

Raw land (40 acres)	\$209,075.00
Legal fees	1,113.00
Mortgage interest (18 months)	22,800.00
Municipal taxes (18 months)	5,025.00
Municipal park dedication	10,453.00

\$248,466.00

Raw land cost per lot (222 lots) $\frac{248,466}{222}$	\$ 1,120.00
--	-------------

COST PER LOT

Raw land cost (as above)	\$ 1,120.00
Roads, curbs, sidewalks, sewers and water (double connections)	1,783.00
Storm outfall	95.00
Engineering fee @ 6.00	113.00
Survey	25.00
Town planning consultants fee	7.00
Municipal grant @ 35.00 per acre (engineering fee) ...	7.00
Municipal contributions @ 5.00 per lin. ft. frontage and flankage	295.00
Municipal sewer inspection fee	29.00
Municipal water meter	20.00
Performance bond (18 months)	21.00
Maintenance bond (24 months)	8.00
Company overhead	98.00

Total

\$ 3,621.00

SERVICED LOT COST

Average width on 222 lots	44.7 ft.
Cost per frontage ft.	\$81.00

The foregoing example is picked at random from the Township of Scarborough but the major dormitory municipalities in Metropolitan Toronto, namely Scarborough, Etobicoke and North York are comparable. Further, many requirements which originate in Toronto appear to establish trends which are subsequently adopted in municipalities right across Canada.

The example is quite conservative in that the municipal park dedication is computed at raw land cost. More common is the practice of the municipality taking several fully serviced lots or demanding a large cash contribution.

As recently as 1958, Scarborough has made additional demands as set out below which have added a further \$418.00 per lot to the costs:

$\frac{5}{8}$ water service (separate connections) to lot	\$ 37.00
Separate sewer connections to lot	98.00
Municipal 25' setback (additional length of sewer, drive, water, sidewalk and sod)	23.00
Rear yard sodding (approx. 650 sq. yds. per lot)	235.00
Public Utilities Commission charge	25.00
	<hr/>
	\$418.00

All of the demands required to be met in processing a plan of subdivision increase the cost of providing building lots and it will be seen from the foregoing breakdown why the minimum price for serviced lands in Metropolitan Toronto today has now been driven beyond \$4,500 per lot. As there is a direct relationship between the cost of the finished house and the cost of the lot it has become impossible to build houses for sale in the price bracket where the greatest need lies. Even in the case of a house selling at \$15,000, the land cost alone represents about one-third of the total price.

Still another cost-adding factor is the demand made by many municipalities upon the subdivider and builder to provide industrial assessment on a percentage basis. Residential building permits are not issued until proof is provided that the industrial assessment is forthcoming. The subdivider thus finds himself in the position of fighting for industries and paying their assessments. The end result of all this is that the home purchaser subsidizes the industries. We appreciate the position of the municipalities in this matter, but a much more fair distribution of taxes might be obtained if all industrial and commercial assessments went directly to the province and were then equitably distributed back to the municipalities.

In addition to these growing expenditures, other factors, such as minimum lot size requirements and prohibition of the construction for sale of higher density multiple family residential units such as row housing, contribute to the increase of the cost of the finished product. One municipality, for example, now requires that frame houses be a minimum of 17 feet from the lot line; 34 feet between houses.

This Association believes that some of these requirements are non-essential and might well be eliminated. On the other hand, the crux of the problem still appears to be the inability of the municipalities to finance those improvements which are quite properly considered as essential.

It is the submission of this Association that the Government of Canada, perhaps in co-operation with the Provinces, should find some way of helping to provide the basic services which are needed for proper housing. The provision of trunk sewers, disposal plants, watermains and pumping stations has become much more than a matter of local concern. We submit that, since the problem appears to be beyond the financial range of the municipalities, there is an urgent need for help from higher government levels in this matter.

The provision of trunk sewers and watermains over adequate areas would also have the effect of balancing supply and demand in respect to land suitable

for subdividing. At the present time there is so little land available for immediate servicing that a "sellers' market" exists in regard to raw land prices.

May we also point out that the cost of developing land today has become a major financing operation because most municipalities demand that these services be installed before construction of houses is started. This restricts land development to those with large capital resources. As a result there is danger of this work falling into the hands of a few big companies.

We submit that another urgent need is for a steady, predictable supply of mortgage money. The recurring shortage of this "raw material" of house building impedes long range planning, keeps the industry in a chaotic state, lowers efficiency and adds to cost. We do not presume to suggest how this situation might best be overcome, but we do believe that this problem should be kept uppermost when government housing-finance policies are being formulated. Provision for the entry of the chartered banks into the mortgage lending field has already been a most encouraging move—as has the NHA residual lending plan.

We notice that under the present regulations, direct, residual loans are available to home-owner applicants in centres with populations in excess of 55,000. Speaking particularly for the Metropolitan Toronto area, this Association submits that mortgage loans of the home-owner applicant type do not lend themselves to the best use of the funds which are available. They are not in accord with accepted practice among home buyers.

The subdivider sells lots wholesale to the merchant builder who uses production type techniques to keep costs and sale prices at a minimum. In these circumstances the individual finds it almost impossible to buy a single lot. Even if he were able to do so it would be of doubtful advantage to him. The place for home-owner applicant loans would appear to be in the \$20,000-and-over price bracket. Here the owner can usually afford to pay the price for custom styling and building. But this is a field for conventional rather than NHA financing.

In seeking means by which costs can be reduced, the mortgage insurance fee charged by CMHC and which is added to the amount of the mortgage, has received some scrutiny. However, this Association would concur with the opinion that against liabilities of \$1½ billion, the amount of \$30 million now accumulated in the fund cannot be considered as excessive. We would agree that it is prudent to allow the 2% rate to remain and that the situation should be reviewed when the default position is better known and the fund has reached an improved ratio in respect to liabilities.

Finally, may we stress the heavy cost of the rules, regulations and requirements which are imposed upon house building by a variety of boards, councils and commissions; each with its own special objectives and each with the power to enforce them. The most disturbing thing is that they tend constantly to increase; sometimes, we feel, without due regard for the eventual cost to the home buyer. Excessive lot size requirements are a typical example.

We appreciate the value of the National Housing Act to the home buyer and to the home builder. Furthermore, the Act has been kept up-to-date and administered in a manner that has earned our respect. At times differences of opinion arise but they are usually settled reasonably and to the best advantage of the home purchaser. Nevertheless we submit that the inclusion of a builder on CMHC's Board of Directors, to take his place with representatives of architecture, social service and labour, would further co-ordinate activities.

No one is more interested than the merchant builder in providing the best housing at the lowest cost. With an adequate supply of land and mortgage finance he can and will meet the need.

All of which is respectfully submitted.

Toronto Metropolitan Home Builders' Association.

Mr. Chairman, this concludes our brief. If there are any questions you wish to ask on the subject, I suggest that they be directed to our president, Mr. L. A. Rice, who is a builder, and whose day by day work brings him into contact with most of the problems involved.

The CHAIRMAN: Thank you, Mr. Clements for a very excellent brief.

Gentlemen, the meeting is now open for questions which you may wish to direct to Mr. Rice in connection with the brief.

Senator SMITH (*Queens-Shelburne*): Mr. Rice, I am interested in the statement on the first page of the brief in which you point out that some lending institutions refused to recognize the increase to 27 per cent of a debt ratio basis. Have you noticed that is happening in a large number of instances, or does it happen only once in a while, where a mortgage company still insists on a ratio of 23 per cent?

Mr. L. A. Rice, President, Toronto Metropolitan Home Builders' Association: Senator Smith, I can't say this is happening with a great many companies, but we know of one instance where it does happen; they take the attitude that with agency funds they can take a greater risk, while with their own funds they would rather not take what they think is a greater risk; therefore, they insist on the 23 per cent ratio being maintained.

Senator SMITH (*Queens-Shelburne*): I can understand why some companies would do it. My question is, does it happen often enough to make it an important factor?

Mr. RICE: I don't know. This is something which came to light only recently. Maybe if we pursued the subject further we might find some other companies taking the same attitude.

Senator CRERAR: Mr. Chairman, the assembly seems a bit quiet; I have one or two questions to ask. For instance, Mr. Rice, on page 3 of your brief, in the third paragraph from the bottom of the page, you speak of the need of a steady and dependable supply of mortgage money. You refer to it as the "raw material" of the building industry, and you say that the shortage of this raw material lowers efficiency and adds to the cost of homes built. You say, "We do not presume to suggest how this situation might best be overcome."

You point out that there is a situation existing that is impeding house-building but you have no suggestions to make as to how it can be overcome. I suggest that it would be useful to the committee if you could offer some suggestions as to how it can be overcome.

Mr. RICE: That is a very good question, Senator Crerar, but I do not think that I am qualified to answer it. It would take a lot of study to find the answers. I am sure, however, that there are many men employed by the Government who could probably work out the solutions better than we could.

Senator CRERAR: Also in your brief you make about the same kind of comment which we had before the committee on a previous occasion as to the cost of supplying sewers, sidewalks, storm sewers, watermains, as being one of the real barriers to the building of houses by members of your organization, and everybody claims that they have no suggestions as to how it could be overcome. Is it your idea that the federal Government should make contributions to the costs of these services?

Mr. RICE: Senator Crerar, I am not an authority on the subject but I understand that quite a number of years ago the federal Government did contribute under some scheme and I understand that scheme is still on the books, that the Government contribute up to about one-third of the cost to a municipality to roadbuilding programs and so on. That might be a partial answer.

Senator CRERAR: Well, if that was the case at one time I think that perhaps the federal Government of that time should have had its head examined. The point I am getting at is this, and to me it is a very important point: who pays in the end? Are we going to incur deficits and increase the public debt? I think that is a very important point that should be cleared up. Implicitly many of these presentations that have been made to us recommend something along this line.

Mr. RICE: I certainly do not subscribe to subsidies. I do not believe that that solution is in the best interests of all concerned. In reading your proceedings we have noticed that during the various discussions the low-cost house is being discussed continually and we believe that probably in the long run it would be in the best interests of the country as a whole to have the lower cost house built. This method could save money in the long run rather than shift the burden to the municipalities, having the municipalities spending large amounts of money to build low-cost housing. We believe however that it can be done without direct subsidies to the homebuilder. So these grants which you mention which might be a burden on the country as a whole I believe possibly would be cheaper in the long run.

Senator CRERAR: No matter how it is done, if assistance is given it is a subsidy.

Mr. RICE: Well that might be true. But many other industries are subsidized. The farmers, for instance, are subsidized in certain respects.

Senator CRERAR: Will you agree with this, that if that principle is to be extended to farmers and to everyone else that sooner or later the Government must take the authority to direct their activities?

Mr. RICE: Unfortunately I have to agree with you, and I for one see the danger in a situation of that nature.

Senator CRERAR: You would not say for a moment that that is a desirable journey's end to arrive at?

Mr. RICE: I do not think it is too desirable but if it is a necessary evil we may have to have it.

Senator CRERAR: Now, that is a dangerous statement. Do you not think that a line of action will eventually change our whole complex of freedom?

Mr. RICE: I entirely agree with you Senator Crerar, but I think you are getting a little too deep for me now.

Senator CRERAR: I do not want to get too deep for you at all. But it does seem to me that that is a very important point.

One other question, Mr. Rice: have you any view on the fact that we are putting too much emphasis on the building of big metropolitan areas, big cities?

Mr. RICE: I believe that we are. It creates many problems, transportation problems for instance. I believe possibly people might be happier living in smaller centres that can be handled more economically. I believe you are absolutely right.

Senator CRERAR: As a matter of fact, during the depression years of the thirties, 90 per cent of the problems of Government I will say, certainly outside the agricultural area of Saskatchewan, arose in the cities. I know that is a fact in the province of Manitoba because I have the figures somewhere.

Mr. RICE: I cannot speak with any authority on that subject, Senator Crerar.

Senator LAMBERT: Mr. Chairman, I wanted to ask the witness with reference to the first paragraph describing the membership of this organization which is made up of, I assume, merchant builders and accessory supply houses,

whether they have contacted the municipal authorities of the Toronto areas in connection with this submission? Has it been closely discussed with them? In other words this is a problem that affects the whole metropolitan area of Toronto, as I understand it, and you come here to a federal committee to discuss ways and means of maintaining the housebuilding industry in that area. What is the official position of the city of Toronto in connection with this? Does it recognize a present demand for new house areas being developed at the present time?

Mr. RICE: I think, Senator Lambert, the problem in Toronto at present is the question of supply of the large service facilities such as sewerage facilities, collector sewers and water feeder mains. I believe we are all conversant with the amalgamation of the 13 large municipalities around Toronto into the metropolitan area which was formed for that reason. I believe it was created by Bill 81, a provincial bill. The Metro Council is concerned directly with these large items, while the smaller municipalities, which form part of the metropolitan Toronto setup, deal more or less directly with the subdivider and builder. So we have two separate bodies which we are dealing with in the Toronto area. I am sure that these various bodies are well aware of our feelings in these matters, and are aware that from time to time briefs of this nature have been presented before public institutions.

Senator LAMBERT: Last week we had as a witness Mr. G. S. Mooney, Executive Director of the Canadian Federation of Mayors and Municipalities. I was just wondering in connection with what he had to say and what he agreed with under questioning, whether the city of Toronto proper, or the metropolitan area, would support everything in this brief from the point of view of immediate necessity?

Mr. RICE: Senator Lambert, I don't think at this time they would make a statement of that nature. I believe they sincerely feel they should do what they are doing but personally I don't know what the various members of these boards think in this regard.

Senator LAMBERT: May I ask you this direct question? Do you think that the demand for new housing, particularly in the field you are speaking of, low-rental housing, which is the type that has been emphasized here, has increased? In other words, is there any increased pressure in the demand for such accommodation at this stage as compared with what it was a year or two ago?

Mr. RICE: I believe the pressure is steadily building up and that we are not alleviating the housing situation for the lower-scale wage earners, who naturally make up the bulk of our population. We are forcing them into higher-priced accommodation, such as apartments, and consequently they are unable to save enough money to make a down payment on a low-cost home.

Senator LAMBERT: I am thinking of present economic conditions and, as far as I can see, there is no prospect of them improving a great deal, and I am wondering if these conditions will have some repercussions on the house building industry. In your brief you naturally represent those interested in maintaining housebuilding activities. I am interested in knowing what the demand for those houses might be. There is no consumers' league or organization to give us the consumer's point of view on these things. Representations of public need come to us from provincial organizations, you might say, whose interest is mainly in keeping up the pace of building.

The CHAIRMAN: We have Mr. Stewart Bates here, Senator Lambert, and you can ask him later.

Senator LAMBERT: Mr. Bates has given us the position that Central Mortgage and Housing Corporation has taken in relation to all this, but he too

is limited to a certain extent in connection with these things. We have had admissions here from all quarters that there is some doubt as to whether or not there is an acute shortage in the supply of houses to accommodate people at this time. I know Toronto is growing very rapidly and there has been a demand there for new houses, and so on, but to appreciate to just what extent there may be pressure for new housing I think we have to relate it to the economic situation.

Mr. RICE: Senator Lambert, I cannot give you any statistics to prove there is a need but I can tell you from my direct contact with the buying public that there is a need and a demand. I cannot tell you whether it is for 100 houses or 1,000 houses, but there is a demand for a lower-cost house.

Senator SMITH (*Queens-Shelburne*): Mr. Rice, don't you really mean the market when you use the word "demand"? You say there is a great demand for low-cost housing. Don't you really mean a market where people would have the money to buy a low-cost type of house, and where you could get the cost down by doing something about the cost of the land? Perhaps I am putting the word "market" into your mouth and you do not intend to use it, but I would like you to tell me if you mean market.

Mr. RICE: I suppose demand and market are normally linked together, Senator Smith. Let us say that the market is dependent upon the demand. If people require this type of housing and it is all they can afford to buy, and they are satisfied to buy it, then we should satisfy their demand.

Senator HORNER: I was going to suggest to the witness that, of course, he would not like to give that reply to Senator Crerar, but I don't mind pointing out to Senator Crerar that when he formed part of the Government which instituted many of the things now heading in the direction he fears, I did my best then to point out to him it was a downhill and slippery road with no return. I said that once you start on a course of that kind you couldn't turn back. Now he is endeavouring to change directions in midstream.

The CHAIRMAN: I appreciate your point. There is only one thing I am going to say. I am not going to give Senator Crerar an opportunity to reply at this time.

Senator CRERAR: I can assure you that I don't wish an opportunity to reply.

Senator ISNOR: In regard to the survey that was made in 1954, four years ago, you received 6,000 applications for \$58-a-month accommodation. What is the main reason you did not proceed along that plan?

Mr. RICE: At that time, Senator Isnor, we had some discussions with members of the provincial Government, who I believe are partners with the federal Government in the ownership of land, and at that time the property which we had in mind was not forthcoming.

Senator ISNOR: Do you think it would have shown a profit to you?

Mr. RICE: I might say that we as an association felt we should contribute a certain amount. We felt that we should do this as a gesture of good will and good faith on the part of the homebuilders in the Toronto area. We believed we should contribute something towards alleviating the situation, and while this scheme may not have alleviated the situation to any great extent, we were willing to contribute in some small manner in helping towards this end. In other words, there was not a great deal of profit in the building of these low-rental houses but we were willing to go along in a scheme such as that.

Senator ISNOR: The fact remains, however, that there were 6,000 applications, and now you are at the same stage that you were in 1954. For some reason or other, you did not proceed?

Mr. RICE: Yes.

Senator ISNOR: And we have just reached that stage now, Mr. Chairman, trying to create or construct houses at something near the rent of \$56 a month. May I inquire, Mr. Rice, as to whether there are any restrictions in regard to the frontage? You state that in the metropolitan area it is 44.7 feet. I always understood it was around 50 feet that the developers tried to use?

Mr. RICE: I believe that the Planning Department of Ontario asked that all municipalities follow the 50 foot lot width, and Scarborough, I understand, was a hold-out, and they did not subscribe to the full 50 foot, and so we have this figure arising in Scarborough. Most other municipalities do use the 50 foot measurement for the width of a lot.

Senator HORNER: You point out here that a 17 foot clearance is required. You would not be able to build a very large house even on a 50 foot lot with a 17 foot clearance.

Mr. RICE: That is correct; that is something that has happened in the last two or three months. We know of one municipality, at least, that has passed a new bylaw with respect to this.

Senator HORNER: Nearly all the provinces, or at least Saskatchewan, regards a 50 foot lot as a must for all new buildings—at least 50 feet.

Mr. RICE: The Planning Department of Ontario asks for that, I believe; I do not know if it is mandatory or not.

The CHAIRMAN: Any further questions?

Senator ISNOR: Yes, I want to talk about land value in Toronto. Mr. Rice states in his brief that roughly speaking it is a third of the price of a completed house. Would that apply to the higher-priced houses as well?

Mr. RICE: Unfortunately it does, senator. If we get into the type of house, say, \$50,000, the builder may pay anywhere between \$12,000 and \$13,000 for 80 feet, 90 feet, or 100 feet of land.

Senator HORNER: Didn't that include, in your brief, the servicing, or was it the land alone?

Mr. CLEMENTS: That included the servicing.

Senator ISNOR: \$1,000 less the services.

Senator HORNER: The services are more than that.

Mr. RICE: If you take off the cost of the raw land which we have at \$1120 a lot from the total of \$3600, we have roughly \$2500, the cost of servicing this particular lot, and as we pointed out below there is now in Scarborough an additional cost of \$418, which has also happened in the last few months.

Senator PEARSON: In your planning of new subdivisions in these metropolitan areas, is it not true that the cities are just gradually creeping out all the time, and that the owners of those pieces of land know that eventually they are going to be part of that city and there is a big hold-out causing prices of land to go up very high in those areas?

Mr. RICE: I would say that is quite correct.

Senator PEARSON: Would it not be a better situation if instead of following a plan of creeping out they followed a plan like the Great Belt area around Ottawa, as was proposed? They said, "The city will stop here, and the next subdivision will be twenty miles out"; and then they could buy property out there with the anticipation that later that would be developed as the city grew?

Senator HAIG: Let me point out something before Mr. Rice answers. Water and sewers enter into the problem.

Senator PEARSON: The problem is this, Mr. Rice. You would start out with a new community, moving out say ten or twenty miles, which would be an entity in itself. It would also have to have its own servicing in that area. It would not be connected with the metropolitan area at all.

Senator HAIG: They couldn't get it. The cities cannot get it on the prairies.

Senator PEARSON: I am not speaking of the prairies particularly.

Senator HAIG: Winnipeg brings us water about 70 miles, and we have the greatest source of water and the best water in Canada.

Senator PEARSON: But I would like to get Mr. Rice's answer to my question.

Senator HAIG: I want to hear Mr. Rice's answer not on your basis at all, but on the basis of the whole question being put to him. It is the water and sewers that he is troubled about?

Senator PEARSON: I am just asking a question that I would like answered.

Mr. RICE: I am a little confused now.

Senator PEARSON: It is the cost of land I am thinking about, not the servicing or anything else, just the cost of land at this time. In your brief you build roughly four houses to the acre. That adds tremendously to the cost of that house. Now, would it not be possible to move out from the cities say ten or fifteen or twenty miles away and spot your land before, and buy that land so that you could get it cheaper?

Mr. RICE: Yes, I believe that, senator. If a large enough area could be purchased at one time so that the price is not bid up by speculators, for instance if you go ten miles north of No. 7 highway in Toronto, which is not a great distance so far as metropolitan Toronto is concerned, land could possibly be purchased for as low as \$200 to \$500 an acre, whereas we have this terrific price of \$5,000, and in some instances \$8,000, in the closed-in area; and if a huge area could be purchased at the very low price, that would answer your question. There is also probably another avenue to be explored. We believe that the price of land is determined by the proximity of water and sewer mains, so that if large lengths of water and sewer main could be laid along various roads leading through these various areas which could be developed there would be so much land available close to the services that automatically the price could be reduced. I am not saying that is possible, but it is a theory.

Senator HAIG: Name one city to me where that could be done outside of Toronto.

Mr. RICE: I am not prepared to do that, senator, I cannot tell you. I know Toronto, I am not too familiar with other cities.

Senator HAIG: You could not get people to go ten miles out of Winnipeg, the distance is too far to come into work every morning and go home every night, and they will not do it.

Senator PEARSON: They have done it for years in Selkirk; they have been travelling a distance of 25 miles in and out.

Senator HAIG: That is all right; they couldn't find any other place to go. These cities have to compete with other cities across Canada for manufacturing; Winnipeg has to compete with Toronto and Montreal on price, but if we have to cart the goods over an area 10 or 20 miles, we can't compete successfully. The people won't go to live there.

Mr. RICE: That may be the trend, but in the Toronto area we don't seem to have that problem.

Senator HAIG: Furthermore, in Winnipeg we can't get water closer than 80 miles away. This year the water level in the lake is down five feet, and machinery had to be bought to pump it, whereas in other years it ran downhill

to Winnipeg for a distance of 65 miles. As I say, now we have to pump that water into pipes to serve these people. Who is going to pay for it?

This is the situation: You can buy land 10 miles out of the city for a \$100 an acre, or you can buy land within the metropolitan area for \$800 an acre. The \$800 land is cheaper than the other land, because you can build four or five houses on it and sell them. You can't sell the houses you build on the \$100 an acre land.

Senator PEARSON: Would it not be cheaper to buy the land farther out at this time and take the water to it from the metropolitan area?

Senator HAIG: It costs too much.

Senator PEARSON: It would be cheaper than paying the \$5,000 an acre that we hear about, for land in the metropolitan area. Surely, you could lay a lot of pipe for that price.

Senator PRATT: Mr. Chairman, I am sorry that I was not able to be in the meeting for the reading of what appears to be a very informative brief. May I ask if it contains anything which involves matters of federal concern, or does it deal exclusively with the jurisdiction of the city of Toronto and the province?

Mr. RICE: Senator Pratt, we are talking as a local group from this large metropolitan area of Toronto. We believe that in so doing we can put our point across, and the Central Mortgage and Housing Corporation may come into the picture in some manner to enable us to bring about lower costs to the home builder. I may be entirely wrong, senator, but I believe we are rapidly reaching the point within our area where there will be no homes built for less than \$20,000. This is not our fault, but is due to rising costs.

Senator PRATT: The main feature of your presentation is to bring C.M.H.C.'s operations more closely in touch with the operations in this area.

Mr. RICE: As we point out in our brief, generally across Canada these things seem to follow a pattern. I don't know where they start, whether in Montreal, Toronto or Winnipeg, but once they start they seem to follow a pattern and spread across Canada; every municipality eventually is faced with the same problem.

Senator SMITH (*Queens-Shelburne*): Mr. Rice, can you give us any information as to what the taxes would be on a typical \$15,000 house in the metropolitan area?

Mr. RICE: In Etobicoke, for instance, we estimate the taxes on a 1,050 square foot residence, costing \$15,200, to be \$250. That is on the minimum sized lot, 50 feet, with all of these various things included in the price, curb, pavement, water, sewer and so on.

Senator SMITH (*Queens-Shelburne*): In other words, if the municipality itself is going to look after these extra costs, your taxes would therefore be quite a bit higher.

Mr. RICE: If all those services are installed, that is quite true. We also believe that the requirements may be a little too high. In other words, the home owner initially would not require the services, but the municipality asks for them.

Senator SMITH (*Queens-Shelburne*): I think it is interesting to point out to you that even in small towns where we do not have the extra cost of high priced lots, we are paying more taxes on the \$15,000 house than you are paying in the heavily populated area. It strikes me if a man wants to live in a metropolitan area he should be quite willing to pay more taxes on his home than if he lives in a small town, because he gets the benefit of higher wages and so on.

Therefore, I am wondering if there is undue complaint from those who want to live in an area like metropolitan Toronto, because they have to pay more on the capital costs to get sewer and water connections; whereas, in other municipalities these things are paid for on the taxes, and they are quite considerable, particularly when related to the average income. My point is, I am wondering if we should recommend that the national body should reduce the cost to those particular home owners in areas like metropolitan Toronto.

Perhaps you do not wish to comment on that.

Mr. RICE: Senator, don't get me wrong; we are not asking this for Toronto alone.

Senator SMITH (*Queens-Shelburne*): I understand that.

Mr. RICE: It is the trend which is rapidly travelling across Canada.

Senator CRERAR: Mr. Chairman, I have a few questions I should like to ask. At the top of page 2 of the brief you give a typical example, which I take to be an accurate example and not a theoretical one.

Mr. RICE: Yes, it is an actual example.

Senator CRERAR: In your actual example you as a builder go out to buy 40 acres. The first thing the municipality does is insist that it be supplied with a sanitary sewer and storm sewer system; then it must have over-sized sewers, if necessary, and some municipal official will determine that. Then you must have paved streets and undertakings to maintain them for two or three years after construction; you must have sidewalks, curbs, street lights and signs; you must plant trees, sod the front lawns, sod the entire lot. Evidently the municipal authorities in this instance have very aesthetic tastes. On top of that you must make a contribution on a foot frontage basis to cover municipal capital expenditures—that is probably your share of the salary of the mayor, or something of that kind. You pay about \$5,225 an acre for your 40 acres, and then you start to develop it.

The brief is very interesting, Mr. Chairman, in that it sets out very clearly the various costs of developing an area until the house is built. But do you not think that \$5,000 an acre is a bit exorbitant? If someone bought that land in the first instance, knowing that it was going to be used for house building, and sat on it, demanding his price, do you not think the municipality would be a little lax in allowing that to happen and failing to take steps to make the land available at a cheaper price?

Mr. RICE: Senator Crerar, you are absolutely right, but we are living in a free economy and a democracy, and if a man does not wish to sell his land I believe that is his privilege.

Senator CRERAR: Do you know what I would do in a case like that? I would say, "Very well, sit on your land but you will pay taxes every year on it and you can sit on it for 50 years if you want to."

Senator SMITH (*Queens-Shelburne*): In order to complete the picture in my mind, have you any information as to how much water rates would be, that is the amount of money that it costs the householder for water, and also sewer rates?

Mr. RICE: We have no sewer rate in the same sense as we have a water rate.

Senator SMITH (*Queens-Shelburne*): There is no charge for sewers?

Mr. RICE: There is no charge for sewers by the month. Water in most municipalities is metered. That is to say there is an individual water meter on the water pipe entering into every property, and the municipality charges so much per gallon of water passing through that meter. I might mention

here that they usually make a profit on it, depending on the wholesale rate which the municipality has to pay to metropolitan Toronto. Metropolitan Toronto might charge 16 cents a thousand gallons whereas North York will sell it to the consumer at 45 cents a thousand gallons.

Senator SMITH (*Queens-Shelburne*): Do you know what the average bill might be?

Mr. RICE: I can only tell you that in my own case it runs about \$14 every three months. That is for a four-bedroom house. That is for water.

Senator HAIG: Could not a municipality just say to a developer, as they do in Winnipeg, "Sewers for your subdivision will cost \$10,000, say, and you will have to pay cash". There they make the subdivider pay cash in advance for all these improvements before they are put in. That of course is added to the cost of the home because it is a part of the cost of the whole development of the property.

Mr. RICE: Yes, Senator Haig, you are absolutely right. If you examine our brief you will find listed there many of these things that we have to do, and some of the commissions, such as the Water Commissions and the Hydro Commissions may demand the cash immediately for those services. That is the point I believe we made in our brief where we say that eventually this business of subdividing land will be resolved into the hands of larger corporations and those having considerable reserves of capital.

Senator WALL: Let us suppose that a land assembly scheme involving the installation of trunk sewers, water-mains and everything else were handled by the municipalities under the supervision of the provincial Government with assistance from the federal Government may be paid for on a loan basis, because finally I think the basic principle must be maintained, and that is that the people who will receive the benefit of all these improvements and live in these areas should pay these costs. Certainly it is not intended as a principle that somebody in British Columbia will help pay for sewer installations to be used by people who are going to live in Manitoba. This enterprise of assembling serviced land is becoming a major problem, is becoming a very costly problem, and your inference is that it can only be handled by huge corporations or very large private enterprise corporations to the extent that I cannot buy myself a lot unless I buy it through a private entrepreneur or corporation who in turn tells me that you will pay so much for this land and I want to build a house, you cannot build it yourself.

Mr. RICE: You have hit the nail right on the head, Senator Wall.

Senator WALL: So I should be able to go to my municipality and say, "Look, I want to buy a lot, and the municipality should be able to sell me a serviced lot." That probably is the goal to which we should be aiming, without subtracting from the rights of private enterprise.

Mr. RICE: I believe as we point out in our brief, the municipalities should provide those services, that is what the municipality is created for, to supply the services for the good of all, but we believe they have relinquished those rights maybe due to their inability to handle the problem due to a lack of funds, or maybe they figure if somebody else will do the job let them do it. But the interesting thing is you will notice that a subdivider is paying, in the cost of his land, in some instances double costs such as for engineering, town planning and so forth. A subdivider on purchasing a piece of land from a farmer with a view to developing it must prepare plans which can only be done by engineers or town planners, and these plans must be acceptable to the planning board of the municipality concerned and quite satisfactory to their requirements. In turn the municipality have their own engineers and town

planners who must inspect those plans and do a double job on them, so you will see there are double costs involved in a good many instances.

The CHAIRMAN: I believe we have about exhausted the information we can obtain from our two witnesses from Toronto. I want to thank them most cordially for the contribution they have made and I feel they have given us some excellent food for thought. The question that Senator Wall was bringing up is a bit too long and complicated to discuss at this meeting today.

I now ask Mr. Bates to present the brief that he has prepared.

Stewart Bates, President, Central Mortgage and Housing Corporation, called:

Mr. BATES: Gentlemen, you have been listening to the brief of the Metropolitan Homebuilders' Association of Toronto, whose position I think is something the same as mine. I must say that 37 per cent of the housing being built in Canada today is being concentrated in metropolitan Toronto.

(See note at conclusion of Mr. Bates' evidence.)

Senator CRERAR: No wonder it costs \$5,000 an acre.

Mr. BATES: I am not saying you should give undue weight to the evidence of my predecessor here a few minutes ago, but anyone concerned with national affairs as you are, and as I am, cannot avoid the problem that arises when 30 per cent of growth is taking place in one city alone.

(See note at conclusion of Mr. Bates' evidence.)

Senator HORNER: It seems out of balance to me. Will the situation continue? In other words, will Toronto be able to maintain jobs for the people to occupy these homes? That is the sort of thing that concerns me.

Mr. BATES: Gentlemen, I think your problem is exactly the same as mine. This is the essence of the thing you are considering. Most of you are older than I am as Canadians, but I know that we have almost 4 million houses in Canada and that we have 6 million children at school. It will not be too long before they are going to marry and they will require at least 3 million homes. I don't know how you gentlemen felt in the twenties or thirties, but the fact is that the housing stock in Canada must almost double in the next 15 to 20 years. This you must accept. Whether it will be Toronto that will grow to that extent or whether there should be three new cities of a million population each, I don't know. That is not my problem. I believe the most important consideration confronting Canadians is that we have 6 million children at school, and 3 million families to be housed in the future.

The CHAIRMAN: And the children have to be educated.

Mr. BATES: We are educating them now. There is a housing stock of 4 million, of which a very large percentage is over 50 years of age. Some are decrepit and rat-infested, and on top of this we have 3 million new families that will have to be housed very soon. As I have said, this is the essence of the national problem.

The CHAIRMAN: Before you proceed with your brief, Mr. Bates, I will take it upon myself on behalf of all present to thank you most profoundly for the dramatic way in which you have placed this problem before us. I am sure that a great many of us did not realize the seriousness of the situation before you spoke.

Mr. BATES: The problem in Winnipeg, for instance, is a basic problem. It does not only exist in Winnipeg. It exists right across this whole country. We must almost double the housing stock to take care of our school children in the near future. Regardless of what immigrants come in or what happens, in the next 20 years we will have to provide for our own children who are

now at school. They will have to be housed somewhere and somehow, and they will have to be housed at a price. I don't think we should look, gentlemen, at the kind of country we knew 20 years ago where all across the Prairies the services were laid out for years in advance. We had a bank of sewer and water services, and so on. That bank broke and a good many municipalities during the depression could no longer afford to carry on. The fact is the bank was there, but there is no bank of services anywhere in Canada now except in one or two communities in the Prairies where they still have sewered lots laid out.

You could have three new cities of a million people each or you could add them on to the periphery of existing cities. Whatever happens, it will cost money to lay out the necessary services to house these people. You won't exaggerate anymore than I hope I would—although I am a prejudiced witness—that housing is going to be the most important part of this. It is not. It is going to be one part. Capital must be found to develop the resources and create jobs for our people. We talk about the supply of money for housing purposes being short. Well, it will be short as long as we have 3 million families to house. The supply of capital generally will be short.

Senator ISNOR: Just what do you mean by 3 million?

Mr. BATES: There are 6 million children at school, Senator Isnor. I am only saying that I assume most of them will be getting married.

The CHAIRMAN: That is a proper assumption.

Mr. BATES: That will mean 3 million families. Don't forget, we have 6 million children under 18 years of age. If they get married at the same age as young people are now marrying—20 and 21—it will not take long before they will be into the housing market.

Senator ISNOR: In other words, you are saying that at our present rate of house-building we will be 30 years catching up to the demand?

Mr. BATES: Be careful now, senator.

Senator ISNOR: Follow it through and see if I am not right.

Mr. BATES: This year we will build in Canada—I don't mean Central Mortgage but the people of Canada—150,000 houses at least. If you keep going at that rate you just about keep up with the children coming out of school. On top of this you have a million houses over 50 years old. You have some rat-infested dwellings and you have slum areas.

Senator HORNER: You must remember that old people do not live for ever and they will be leaving some very good houses.

Senator LAMBERT: The mortality rate has to be taken into consideration.

Mr. BATES: I am taking that into account. Death is inevitable but birth isn't.

Senator CRERAR: Granted that houses may be 50 years old, does that mean they should be replaced?

Mr. BATES: My house is 55 years old, Senator Crerar, and it must not be replaced for a long time.

Senator CRERAR: In 1951 I spent a couple of months in England in a house that was built in Cromwell's time.

Mr. BATES: That is a different country.

Senator HAIG: Houses will last a hundred years.

Senator SMITH (*Queens-Shelburne*): I hope that Mr. Bates will not lose the trend of thought he was developing so nicely.

Senator HAIG: I think Mr. Bates is right in his figures.

Senator CRERAR: I might have left a bit of a wrong impression. I know some houses in Winnipeg that were built 60 years ago and they are still very

comfortable homes. They have sewer and water service, electricity and everything else. I think those houses may be good for another 40 years.

Mr. BATES: This I could not deny, senator. I live in a house that is 55 years old, but one hundred years from now I cannot say what will happen.

Senator CRERAR: But you did not mean that houses fifty years old should be replaced?

Mr. BATES: No, but you have only to go down town in Ottawa, Montreal, Toronto, Winnipeg or Vancouver, and you will see what I mean. You know quite well what I mean.

Senator PRATT: Can your organization anticipate what number of houses a year will be built over a period of years? It stands at 150,000 new houses now?

Mr. BATES: This year it will be 150,000 new houses.

Senator PRATT: In the next ten or fifteen years, say, could you give us what would be the progressive rate of house building, the increase year by year over a period of years; has that been calculated, according to the general trend, I mean?

Mr. BATES: Yes, the Gordon Commission covered that a year ago, senator. 150,000 units, this is what we are doing this year, and we have to face up to the families coming out of school, and leaving aside the whole question of slums, renovation, urban re-development. This is one part of the total subject. I have read through seven volumes of evidence, senator, and have not looked at new urban re-development; leaving that completely out you must have something like 150,000 as a very minimum. If you are going to replace stock you must have more than this in the next fifteen to twenty years, because you have got four million houses and three million new families coming in on top of this.

Senator PRATT: An average of 150,000 a year plus the possible increase that is anticipated?

Mr. BATES: An average of 150,000 a year is not going to leave you with a lot of vacancies. Let me put it that way.

Senator WALL: And will not handle the problem of re-development?

Mr. BATES: Re-development, no. This has been set out in the Gordon Commission, the figures are there, if any gentleman wishes to look at them.

Senator HAIG: You mean that we as a committee in making our recommendation should always keep in mind that 150,000 Canadians will always be buying houses in the future?

Mr. BATES: More—the very least.

Senator HAIG: That does not include immigrants coming into this country or anything like that, though?

Mr. BATES: No. I would like to go back to the initial statement. You have six million children at school under eighteen years of age. It is true that some of us are going to die, but our death rate is not increasing as fast as the birth rate, and this addition is in front of us, it must be faced, and whether it is on the periphery of Toronto, Winnipeg, Vancouver, Shelbourne county, does not matter, it will be there, it will be somewhere, and this is the essence of perhaps the national problem. There is no other country in the world with so large a proportion of its population young children that we know of.

Senator LAMBERT: You are stating the situation in a very general way in giving this figure of six million. Have you adjusted the apportionment of the effort, say 150,000 houses, to the places where it is most needed?

Mr. BATES: No. In metropolitan Toronto this is going to go on. There is nobody directing it. Private enterprises go into the periphery of Toronto,

people leave the farms, and immigrants come into Toronto. That stands at 37 per cent. It is there. This is the heartland of North America.

(*"See note at conclusion of Mr. Bates evidence"*)

Senator LAMBERT: I am not disputing the need, but what I am asking for is more convincing evidence of the efficiency of the methods that are being employed to meet the need. In other words, we receive all sorts of representations from people who are engaged in the business of building. They also come in contact with the Central Mortgage and Housing Corporation. You probably co-operate with them in building houses, but you do not initiate the steps that are taken to meet this need. I think that is the real crux of the thing. I am thinking about the efficiency of the operations that are required to keep pace with the social development of this country. I think there needs to be some microscopic work done on these figures to show just where the need is. If it is going to be centered in Toronto, Montreal, or Winnipeg, then I think something very much different in the way of an approach to the problem has got to be adopted by Government auspices, either federal or provincial, because it is presenting an absolutely undesirable pathological growth, if you like, in our balanced economy.

Senator HORNER: Would you recommend a survey of the whole country?

Senator LAMBERT: Well, I think there has to be something more intensive done, and I think the best thing to do is to deal with it at the local level. I think the city of Toronto and the province of Ontario should assume some responsibilities in connection with this great growth in an endeavour to meet the practical need of the problem, instead of coming down here and saying they need so many millions to build houses. I think the intensive work really should be done on the ground.

Senator PRATT: Concentration of the population depends entirely on the industrial development taking place.

Senator LAMBERT: Not entirely.

Senator PRATT: I can well imagine a committee sitting down years ago in the United States talking about the same problem in New York when possibly it had a population of 1½ million people. The growth took place, and nobody under heaven could surely plan for a city like New York; its growth came about as a natural sequence of the development of the nation, and I think there is no other path for Canada to follow.

Senator LAMBERT: It is not altogether a question of industrial development, but one of immigration and its consequent social development. In other words, colonies of people come here, and not more than six months later they tie together in some part of say Ontario or Alberta because it is socially desirable for them in their mind to do so.

The CHAIRMAN: Gentlemen, we asked Mr. Bates to come here to give evidence, and I think we should confine ourselves to the taking of the evidence, together with his statements and questions on them.

Senator ISNOR: I should like one point cleared. Has Toronto, with 37 per cent, a greater growth than Montreal?

(*"See note at conclusion of Mr. Bates' evidence"*)

Mr. BATES: Oh, vastly.

Senator ISNOR: Well, that is not going to be your trouble in regard to house building.

Mr. BATES: Percentage wise? Well, maybe we are speaking about something different. I am speaking of percentage wise. This is undoubtedly so.

Senator ISNOR: I asked you a little while ago the number of units built by population.

Mr. BATES: You mean just the number of units built?

Senator ISNOR: I am referring to page 19 of your booklet entitled "Canadian Housing Statistics." Under the column "Total Dwellings", the figure for Montreal in 1956 is 420,901, and for Toronto it is 348,677.

Mr. BATES: Senator, I am looking at a different report than you are, but those figures are borne out. The absolute number of units in Montreal is greater than the absolute number of units in Toronto, but the percentage of growth in Toronto is prodigious compared to any other part of North America.

Senator LAMBERT: Quite apart from building units altogether?

Mr. BATES: Yes.

Senator ISNOR: From a population point of view, is not Vancouver making strides?

Mr. BATES: Yes, they are making great strides. But I get back to the point that 37 per cent of the total house building activity in the country is in Toronto. That is including areas like Etobicoke, Scarboro and York.

("See note at conclusion of Mr. Bates' evidence")

Senator ISNOR: I don't want to press this matter unduly...

The CHAIRMAN: We have it on the record; perhaps it does not add anything.

Senator LAMBERT: But it is very important from the point of view of total expenditure.

Senator ISNOR: We have to take not only the picture in Montreal or Toronto, but the whole of Canada into consideration. The question of industrial growth comes into it. Are you going to do for one section of Canada what you will not be able to do for other sections? We know that the population in Ontario, as represented by wage earners, is something like 35 per cent of the whole, that Quebec is 32 per cent, and my part of the country is about 9 per cent. The point is, are you going to do for Montreal and Toronto what you can't do for Senator Smith's section of the country? It seems to me that is what you have to consider in your report. We want some information as to whether you can give us the over-all picture, and not keep talking about the growth in Toronto and what you will have to do for Toronto.

Br. BATES: What I have tried to do, senator, is to tell you what the situation is; I have not passed judgment on the fact that Toronto has 37 per cent of the total housing starts. This is a fact, and it is quite clear in the report.

("See note at conclusion of Mr. Bates' evidence")

Senator ISNOR: You are giving us a solution to the housing problem in years to come, are you not?

Mr. BATES: Yes. But whether three million people settle in Halifax, Winnipeg or Toronto, I would not know. This will result from a multitude of complicated social, political and economic factors.

Senator LAMBERT: These facts and data come to you. You do not go out for them?

Mr. BATES: No.

Senator LAMBERT: In other words who initiates the demands for house building? Does Central Mortgage stand back ready to supply certain facilities?

The CHAIRMAN: They come from people who want the houses.

Senator LAMBERT: Do you supply that, or does the municipality or the builder supply it?

Mr. BATES: No. They first go to our approved lenders, which are the banks and insurance companies; they go to them wherever they happen to be. If they can't get funds from approved lenders, they come to us. We are the third removed from the potential buyer.

Senator LAMBERT: The information which you have just given us, contained in that report, is derived through applications made to the Central Mortgage and Housing Corporation for guaranteeing the loans.

Mr. BATES: We are giving you the figures of all loans, whether through approved lenders, or from other sources; we are giving you the total figures on house building.

Senator LAMBERT: What I am trying to get at is an analysis of the prospect of 6 million children coming along and being in need of housing. The actual need is transmitted to you through various channels?

Mr. BATES: Yes.

Senator LAMBERT: And I take it they are mainly commercial channels?

Mr. BATES: That is right. There is very little public housing in Canada; that is being done by municipalities, provinces and ourselves. It is insignificant, compared with the figure of 150,000 houses.

It might amount to 3,000 or 4,000 this year.

Senator LAMBERT: Of course there is provision for individual application in the act?

Mr. BATES: Yes. But whether people happen to go to Halifax or some place else, is a matter for their free choice.

Senator LAMBERT: It is like any other business, the need is reflected in the market and the demand.

Mr. BATES: Yes.

Senator LAMBERT: You are at the other end?

Mr. BATES: We are at the other end. If there happens to be any place in the country where the regular lenders do not choose to make loans, we may be giving a bigger proportion than usual. For instance, in smaller communities where private lenders do not care to lend, our proportion there will be higher. But we are always in the residual position, never initiating.

Senator CONNOLLY (*Ottawa West*): In other words, if a problem is local, it does not make it any less national. You describe the Toronto area as the heartland of Canada. I think we here in the capital city would dispute that, and probably Montreal would question it too.

Mr. BATES: I was thinking of the area from Montreal through Kingston, through Toronto, Ajax, Oshawa, Hamilton down to Windsor, as really central Canada; this whole area is becoming integrated as a single region. Toronto is almost joined up with Hamilton; this is apparent if you drive through the area. The old metropolitan Toronto concept is not sufficient to meet the needs of the greater area which stretches east all the way to Ajax.

Senator CONNOLLY (*Ottawa West*): It is the St. Lawrence basin you are talking about, as an area.

Mr. BATES: Yes. This is reflected across the border, from Cleveland around to Chicago. This is what I meant by the heartland of Canada, not the city of Toronto.

Senator CONNOLLY (*Ottawa West*): I would hope not.

The CHAIRMAN: I suggest, Mr. Bates, you proceed with your statement.

Mr. BATES: This statement was put before you, because, after looking at the evidence that was given in the earlier committee meetings, it was apparent that practically nothing was said about the subject of urban re-development. Our urban areas are actually quite old in many respects. This is a new country, but we have within it urban areas quite old. Some of them are good, some of them are run down. This is what we wish to draw to the

attention of the committee. It was another aspect of the national problem, and the National Housing Act, that should come to your attention.

There is one subject, however, about which very little has been said during the course of the committee's sittings. I refer to the subject of urban re-development. The speech from the Throne last May stated that the Government was ready to cooperate fully under the authority of the National Housing Act in further projects for slum clearance and urban re-development to improve the cities and towns in Canada.

I feel that I should be lacking in my duty if I let your hearings draw to a close without first emphasizing the problem which is facing many of our cities and then attempting to describe a little of what can be done under the present National Housing Act to implement the federal Government's policy.

The last fifty years have seen Canada grow from an extremely sparsely populated, predominantly agricultural country, to a thriving Dominion of some 37 million people. In that period we have become a nation of city dwellers. In 1901, 37% of our population dwelt in the urban areas. In 1957 that percentage had risen to about 65%. There is every prospect that this trend will continue. It is estimated by the Gordon Royal Commission that by 1980 80% of our population will dwell in our cities.

Since the war, about 1,200,000 houses have been started. In spite of this great addition, many of our people are still living in deplorable conditions.

It seems difficult to believe, but nevertheless true, that here in the year 1958, with a standard of living as high as any other nation on earth, we do, in fact, possess an immense proportion of substandard housing. Of the four million housing units which exist in Canada, about one million are more than 50 years old and half a million are in need of major repair. Add to this the fact that we have not got enough houses and you will appreciate that we have an immense housing problem in this country. Almost 8% of the total families in Canada do not have a home of their own. In our cities alone, almost one in every eight families do not possess self-contained housing accommodation.

Simply put, the task of Central Mortgage and Housing Corporation as the federal Government's housing agency, is to attempt to create sufficiently favourable circumstances that decent shelter is provided for our present and future population. This requirement has no geographical, ethnic or economic boundaries. It is a problem which faces every part of Canada. Our approach to this problem has got to be, in essence, a local and sympathetic one. You can visit any one of our major cities and find run-down, obsolete, rat-infested dwellings which are still being occupied by families who are as much a part of that city as the citizens living in the ranch style bungalows on its outskirts.

It is regrettable that such conditions exist, but a great deal can be done. The facilities for doing it are already provided under the National Housing Act.

Section 23 of the National Housing Act provides for federal financial assistance to municipalities for urban redevelopment. This section has lost something of its old rigidity. Three years ago if we cleared an area of housing in the centre of a city it could be done only on the condition that it was replaced with new housing. This provision no longer exists. We can clear an area of housing in the centre of a city and have it replaced by commercial or industrial development. In other words that area now can be used for the best purposes, for present needs, not necessarily for housing, but for the best purposes.

While the Act certainly imposes an obligation for rehousing displaced families, the legislation recognizes that cities change as human beings do—that what was once a fine residential area, eminently suited to housing people of a city, may now be one of the finest commercial or industrial sites. Moreover, Section 32 permits private enterprise to work in partnership with the municipalities in comprehensive programs of urban redevelopment.

Under such programs, the Federal Government is ready to pay part of the net cost of acquiring and clearing a redevelopment site and a substantial part of the cost of constructing and operating rental dwellings for former residents of the area.

It is paradoxical that we have discussed, in this Committee, the shortage of serviced land at a time when hundreds of acres in our major cities are occupied by run-down, substandard and decayed dwellings. Like a vicious disease this blight is spreading. It does not stand still, it will not stand still and it will not shrink by itself. Admittedly, little blobs of redevelopment are appearing in our cities every day. Every time private interests pull down some substandard dwellings and erect an office block this, in itself, is an example of redevelopment. But if our cities are to become worthy of the standard of living which we have come to regard as our right, this redevelopment has got to be done by the concerted effort of the people, probably through their municipal governments.

The National Housing Act, in providing for assistance for urban redevelopment, is designed to allow local people themselves to control change in their cities. Once local initiative decides that slum clearance should be effected, the Federal Government is ready to help with both advice and financial assistance.

Considerable discussion has taken place during the Committee hearings on a subject which is exercising many of our minds—the subject of low cost housing. I should like to suggest that an equally important subject is “high cost housing”. When I refer to high cost housing in this context, I am not thinking of the expensive dwellings which are gracing so many of our cities. It is my considered opinion that the term “high cost housing” can truthfully and logically be applied to the slums which infest every one of our cities.

Capital costs and capital values are not the sole measurement of cost. Walk through any of our slum areas in Toronto, Vancouver, Montreal, St. John's, Newfoundland, Halifax or Saint John, New Brunswick. Take a look at the inhabitants who dwell in them and take a look at the conditions under which they live. The intrinsic value of one of these dwellings may be measured in a few thousand dollars.

The true cost of the existence of that dwelling has to be measured in many, many thousands of dollars. The cost of the fire brigades, the cost of juvenile delinquency, the loss to the community due to warped mental outlook, broken marriages, disease, traffic congestion, welfare services, these are the more obvious costs to the municipal entity in which the slums exist.

The National Housing Act already contains facilities for providing assistance for clearing our slums. I should be grateful if you would bear with me while I repeat the sections and facilities which provide for just such assistance.

Section 16—of the National Housing Act contains facilities for the acquisition of existing property by private companies with a view to rehabilitating these properties and renting them at a low rent. Unfortunately, practically no advantage whatever has been taken of this part of the National Housing Act.

Of course, great advantage has been taken of the limited dividend provisions of this Section, but the item I have referred to has been almost unused.

Section 23—of the National Housing Act provides for federal assistance to municipalities in acquiring slum areas and clearing the sites. This is done, of course, with the full cooperation of the Provincial Government. The assistance given is 50% of the cost of such acquisition and clearance. The remaining 50% is expected to be provided by the municipality with or without the assistance of the Provincial Government.

Unfortunately, only four of our cities have taken advantage of these facilities. The cities concerned are—

Toronto: in which two projects have been started during the last eight years. I think in Regent Park South we are doing 730 units and in the St. Lawrence Heights we are doing 1,020 or some such figure. This is one of the cities I am handing a little bouquet out to here. We are doing about 2,000 units.

Montreal: The site for the Jeanne Mance project has been cleared. This was started last year and it will amount to 800 units when it is completed two years from now.

St. John's, Newfoundland: This one is currently under way and we must have 160 units by now. Relatively speaking, this is a high proportion for a small area.

Halifax: They have just started the clearance of a slum site, and there will be about 300 units.

So our total performance under section 23, if you add together the total number of units, comes out somewhere in the region of 2,500 units.

Section 36—of the National Housing Act provides for 75% of the capital cost of erecting low rental accommodation by a federal-provincial partnership. This section of the Act can be used for rehousing tenants of former slum areas, where such area has changed its use. The remaining 25% of the cost is provided by the province.

There has been much greater activity under this Section of the Act than the others I have mentioned. Up to the end of 1957 54 projects had been constructed in 36 cities and towns. The distribution, by province, of these projects is as follows:—

Newfoundland	3
Nova Scotia	1
New Brunswick	4
Ontario	41
Saskatchewan	3
British Columbia	2

Altogether 5,845 rental units had been constructed up to the end of 1957.

Part V—of the National Housing Act provides money for urban renewal studies to any city desirous of carrying out such a study. These studies can clearly define the areas of decay and allow the drawing up of a proper and methodical plan of redevelopment.

In this country we have 50 cities with a population in excess of 25,000. So far, 14 cities have taken advantage of grants for urban renewal studies.

These cities are—Halifax, Saint John, Moncton, Kingston, London, Toronto, Hamilton, Windsor, Sarnia, Winnipeg, Saskatoon, Regina, Trail and Vancouver.

I do not think these things have been spelled out publicly at any time in the past. This accounts for my using this opportunity of meeting with you to have them put on public record.

It will be seen, therefore, that the means to attack the problem of slum clearance already exists. We, at Central Mortgage and Housing Corporation, can do nothing to force people to do these things but, at the same time, I feel that I should be remiss if I did not put on record that such facilities do exist.

I should like to express the hope that municipalities would seek to acquire a greater knowledge of the facilities. Our Branch Managers, our officials in the Regional Offices and our staff at Head Office are fully equipped to be able to help, advise and guide these people. I refer to municipal officers and officials or elected representatives. We are endeavouring to train a staff which can sit down with any group of elected representatives or officials in any

municipality to discuss this with them. We brought our field staff to Ottawa for a six-weeks training course, and they are now available all across the country to discuss this locally.

No housing program in Canada can ever be an unqualified success unless we are substantially reducing the areas of our slums.

The CHAIRMAN: Thank you very much for the presentation of this brief.

Senator HORNER: We had a witness who suggested that one answer to our housing problem would be to loan money on the purchase of older houses. Could money be loaned under the National Housing Act for this purpose?

Mr. BATES: If someone wishes to buy an old house he cannot get a loan for this purpose under the National Housing Act. N.H.A. loans are available only on new houses. If a person is in an old house and he wants to do a re-development job on it he can get a home improvement loan through the banks. These loans by the banks are backed by Central Mortgage so that the banks will not suffer any loss. I believe that under section 16 of the Act old housing can be taken over by a limited dividend corporation and redeveloped, but there has been no case of this in my time with the corporation. I think there was a case about 10 years ago. To answer your question directly, Senator Horner, my reply is that you cannot sell an old house and get an N.H.A. loan on it.

Senator WALL: With regard to section 16 of the Act, let us assume that 20 public-spirited individuals wanted to do something about redeveloping a certain part of their city and they put up \$1,000 each and organized, let us say, a Canadiana Enterprises Limited. Say they want to purchase a block of old homes to rehabilitate and rent at a low cost. What are the specifics? Why, in fact, has nothing been done under section 16 in this regard?

Mr. BATES: Senator Wall, since I came to the Corporation, which is almost four years ago, there has never been such an application.

Senator WALL: Let us assume that we have \$20,000 collected by 20 individuals who organized themselves into an enterprise with a view to doing a service to their community. What will the N.H.A. do for them, and how can their plan be furthered under section 16 of the Act?

Mr. BATES: Do you know this section?

Senator WALL: No, I must confess I don't.

Mr. BATES: Section 16(1) reads as follows: "The Corporation may, on behalf of Her Majesty and with the approval of the Governor in Council, make a loan to a limited-dividend housing company for the purpose of assisting in the construction of a low-rental housing project or in the purchase of existing buildings and the land upon which they are situate and their conversion into a low-rental housing project."

In other words, Parliament made it clear to this Corporation that section 16 had two purposes. One was to develop new low-rental housing, and the second was to develop existing housing on the land on which it is situated.

The question has never come up in my time. Mr. Secord, you have been with the Corporation 10 years. Would you care to answer Senator Wall's question? You may know of cases that have come up, and whether our requirements are stringent. It has not come to my attention in four years.

Senator WALL: Let us be practical. Say there is a block of 10 old houses that look dilapidated, some which might be torn down and some which might be rebuilt. And let us say there are these 20 citizens who want to do something about this and they are going to put in \$20,000 to do this as a service, and they are satisfied to get 3 to 5 per cent on their money. That is all they expect.

Mr. BATES: You mean, what are the procedures?

Senator WALL: What is an organization able to do with this whole problem?

Mr. BATES: Would you care to answer that, Mr. Secord?

Mr. SECORD: We consider an application from that company the same as we would from any other company wishing to build. At Prince Rupert there was an old army building used during the war, and that building was purchased by this group which put up ten per cent, and got a 90 per cent loan for rehabilitation, and use of that was limited to its operations.

Senator WALL: So if they put up ten per cent is that for the original building or for the re-developed building?

Mr. SECORD: Well, they would have to put up ten per cent of the total price, and have to show they have the facilities to buy that building first.

Mr. BATES: The question was only asked of me once by the Mayor of Halifax. There were some areas in the city, and he wanted to take up little pieces of it, and asked if section 16 could be used for this purpose, and I said that it could. This was the only occasion the question was ever asked.

Senator WALL: So that when you speak of a low rent, there may be a moral restriction, or is there a statutory restriction?

Mr. BATES: There is no statutory restriction, there is a contractual restriction which is really defined by Government policy. People coming into these projects should be people whose incomes are under the lowest third in that particular community, wherever it happens to be. It is different in St. John's, Newfoundland, for instance, from Toronto. This is a contractual obligation, and we have instruction from the Government as to what constitutes low-income families.

Senator WALL: In other words, this section 16 would permit a benefactor of the public to invest a certain amount of his money into some old building which could then be rehabilitated; the Government would provide them with 90 per cent, and if the whole project seemed successful he could provide then a service to the community through this section?

Mr. BATES: Yes, and we enter into a contractual arrangement with them. We say, "What are your costs, which you must prove to us?" In the case of old buildings I suppose the cost-plus improvements apply. We say, "What are your operating costs which you must prove to us?", and if it is five per cent of his equity this determines the rent, and we take these rentals every year in every limited dividend operation, and these rentals define the kind of people who can come into it.

Senator ISNOR: It is not quite as simple as that, is it Mr. Bates? Does not the property owner come into the picture and have the say as to whether he or she is willing to sell to the municipality, to enter into such a scheme?

Mr. BATES: You are speaking of an earlier stage before the property is acquired?

Senator ISNOR: Yes.

Mr. BATES: I think Senator Wall is talking about someone who owned the property. If somebody doesn't want to sell a piece of property, nothing can be done about it.

Senator ISNOR: Expropriation may take place as far as the city is concerned, and then pressure is brought to bear by a group saying that they do not want to move, and that perhaps they have lived there for forty years. Has that not been a stumbling block on more than one occasion to your housing projects?

Mr. BATES: I think maybe we are thinking of something different. Are you thinking of properties being expropriated to be demolished? This is a different subject from that which Senator Wall has raised.

Senator ISNOR: Perhaps that is so.

Mr. BATES: Senator Wall was talking of a building that somebody would take over and do a conversion job on by private enterprise.

Senator WALL: Seven or eight houses.

Mr. BATES: This would be done by private enterprise. I think, Senator Isnor, you are thinking of something else, are you not?

Senator ISNOR: Possibly so.

Senator WALL: Probably Senator Isnor is thinking about the problem that would emerge if there was an urban renewal study, as there was in Winnipeg. They took a section of Winnipeg and said, "Now, we think this is what should happen." But then the problem arose as to how they were going to acquire all that property or regulate the use of all the land holdings, and so on, in order to have that study come to a sort of respectable fruition. Is that not going to be the problem?

Mr. BATES: I think that is probably what Senator Isnor had in mind, and it is a problem, of course. A city has powers of expropriation, and if the council really wants to do a re-development job, and perhaps drive a highway through the city, they can do it, assuming public opinion will go with them. I assume you are having in mind the ordinary democratic process of objections, are you not.

Senator ISNOR: Mr. Chairman, I think this is a very fine brief, and to my way of thinking it is the best that has been presented to us. It has given us a clear picture. I am just wondering if we should go a step further in our thinking and ask for Mr. Bates' comment on a suggestion that was just made when the N.H.A. act was first introduced, in 1938 I think, that housing might be undertaken in a similar way as insurance is sold and guaranteed by the Government or its agent. Did Central Mortgage and Housing ever consider such a plan?

Mr. BATES: Is this not what the 1954 act did? The amendment of 1954 had brought the federal Government into the position of an insurer of the loans made on housing by the banks and lending companies; they became an insurance agent in 1954.

Senator ISNOR: Except that the individual builder still had to put up a certain amount.

Mr. BATES: He does not have to put up so much. If he had there would not be so many builders in this country.

Senator ISNOR: You have never considered the moral risk at all?

Mr. BATES: I do not think I am getting this question really right. Would you frame it again, please? What do you think is the builder's problem here?

Senator ISNOR: I was wondering whether you ever gave consideration to the financing of houses by Central Mortgage and Housing Corporation in the same way as insurance is sold at a moral risk?

Mr. BATES: No insurance company ever does anything on moral grounds. I just do not understand.

Senator SMITH (*Queens-Shelburne*): I think Senator Isnor wants to know whether or not you would give consideration to instituting the house building industry such as the Government has done in the annuity business.

Senator ISNOR: Thank you, I think that is pretty close to my question.

Senator SMITH: In other words, the Government gets into the business of buying and selling houses.

Mr. BATES: At one stage, Senator Smith, this Corporation owned 57,000 houses.

Senator SMITH (*Queens-Shelburne*): In other words, the federal Government is getting into the business of building and selling houses.

The CHAIRMAN: Now you are talking about policy decisions.

Mr. BATES: At one stage the Government owned 57,000 houses, but we now have the number down to 14,000; the Government policy has been to get rid of them.

Senator SMITH (*Queens-Shelburne*): That is wartime houses?

Mr. BATES: Wartime houses, defence construction houses and so on.

Senator CONNOLLY (*Ottawa West*): Mr. Chairman, I would like to talk for a moment about a matter that Mr. Bates raised in his memorandum submitted to us this morning. Perhaps I can describe it as the uneconomic use of urban properties in some of the larger municipalities, properties that are run down, whether for housing or industrial use. The private enterpriser buying up areas, tearing down the existing buildings, and replacing them sometimes with very fine living accommodation, perhaps even superior to anything in the area.

Mr. BATES: We have it in Ottawa.

Senator CONNOLLY (*Ottawa West*): You see it in Ottawa on streets which a few years ago were regarded as purely commercial streets.

Mr. BATES: Yes.

Senator CONNOLLY (*Ottawa West*): That is going on in some of the larger centres like Toronto and Montreal, sometimes at very great cost; although, usually there is a contract ahead of time whereby most of the space in these buildings are rented, and it becomes a feasible proposition.

Despite that kind of development, I suppose you do find in the metropolitan areas much land that is not being used economically in the interest of the municipality? Is there any possibility of getting the provinces or the municipalities to assess the properties that are not being used economically, with a view to conversion through expropriation or any other means that might be adopted? I ask that question for this reason: as I understand it one finds municipalities are facing increased costs for housing in remote sections, in the suburbs, while the downtown areas are not being economically used. Is there a problem there that the municipalities themselves should make a contribution to right now?

Mr. BATES: This, I think, is very important, senator. It is true in almost all communities in North America, and is not simply confined to Canada. I referred in my statement to Part V of the act. We feel that the urban renewal studies are the most important initial step in getting municipalities and people within them, to look at the best land usage for the downtown areas. This requires a comprehensive study. An excellent example is to be found in Halifax, in the study done by Professor Stephenson on urban renewal study. It shows the good things that can be accomplished, and that the people of Halifax had not dreamed about. This is an excellent example of how urban renewal studies affect the attitude of the mind of every citizen in the city, and the council, and I think it is the only answer we can give. Already 14 cities are doing these studies to see what is the best use for the old areas as well as the new—not a fixed, rigid study, but a broad, comprehensive flexible view into the future.

Senator LAMBERT: The initiative for it came from Halifax?

Mr. BATES: Yes.

Senator PRATT: Mr. Chairman, on that point, may I ask whether the money provided for urban renewal studies is a matter of arrangement with the province or the municipality as the case may be?

Mr. BATES: We have been putting up 75 per cent of the monetary costs, and in many instances we have added to that substantial personal costs, by way of staff and help.

Senator PRATT: That is done by your organization, without charge.

Mr. BATES: Yes, without charge. We pay 75 per cent of the monetary costs.

Senator PRATT: It is rather odd that more municipalities have not availed themselves of this opportunity.

Mr. BATES: Fourteen already have; this arrangement started only two years ago. There was none when I came to the corporation, and now there are 14.

Senator PRATT: It is evidence of a very active interest in it.

Mr. BATES: Very active.

Senator CONNOLLY (*Ottawa West*): Mr. Chairman, may I follow up on the question I asked earlier, and in connection with a question now asked by Senator Pratt? The C.M.H.C. has research facilities available to municipalities that would like to participate in programs for development.

Mr. BATES: I would not like to put it that way. We have a small staff; we will pay 75 per cent of the monetary cost—the federal Government does that; and we will try to throw in whatever human resources we can, without promising that we can do the job for them.

Senator CONNOLLY (*Ottawa West*): A good plan undertaken under this section of the act might very well result in a more efficient and more economic and perhaps even a more profitable use of land by the municipality.

Mr. BATES: Oh yes. Just to mention again the Halifax study, which was completed some eight months ago, the municipality agreed to follow the first phase of the study. I don't know how well you know Halifax, but behind the municipal buildings the Jacob Street area is a very poor, run down area. The houses were taken out for commercial re-development; the people who occupied those houses are to be put in Mulgrave Park, in a new re-development in another part of the city.

This was an area close to the city hall, very old, very run down and poor, which is now being converted to a completely new use, and is set out in the report as the first phase of a re-development study. So here we have a good example of a study that began ab initio, went through the whole process, went through the municipal council, and is in process of development now, and we, along with the city, are doing the Musgrove development area; we have designed the houses and the whole layout.

Senator LAMBERT: That conception originated in Halifax?

Mr. BATES: Yes.

Senator CONNOLLY (*Ottawa West*): In a measure that is being done in Ottawa under the National Capital Plan, is it not?

Mr. BATES: Not in this way.

Senator PRATT: You say there is a special federal grant that the Central Mortgage and Housing Corporation can use?

Mr. BATES: 75 per cent of the cost—and it comes from the minister. In other words it is in his estimates, it is not something that we do.

Senator CRERAR: A moment ago you mentioned that the land acquired under these provisions of the National Housing Act are to be put to their most

effective use. Have you any suggestions as to how the land may be made available? What form has that taken?

Mr. BATES: They have taken various forms. It is pretty much of an ad hoc decision on each piece of land. Maybe the land can be acquired only by federal-provincial partnership. The partnership may then agree to sell this land to someone who wants to build a commercial building, it may be that the partnership decides that they have had so much trouble acquiring this land that they are not going to give it up but will lease it maybe on a 99-year basis to an industrial-commercial development.

Senator CRERAR: To make it a little clearer, my question was: have any suggestions come forward as to how this land can be made available other than at exorbitant prices?

Mr. BATES: Yes. This is up to the partnership. For example, in Regent Park South in Toronto the partnership decided that the land would be used for low-cost housing, so it acquired the land and marked down the cost of it under section 23.

Senator CRERAR: Let me clear up what I have in mind. According to the brief presented in connection with a suburban area in or near Toronto it was stated that the acquisition of a 40-acre tract of land was made at the rate of \$45,000 an acre. Have you any suggestions as to how that can be overcome?

Mr. BATES: It is a difficult problem.

Senator CRERAR: Will you agree that there are certain people who would probably corner fresh air and sell it or would try to corner water supplies?

The CHAIRMAN: Mr. Bates need not answer that question.

Senator WALL: On pages 4 and 5 of your brief we have the breakdown of redevelopment facilities which have brought us, as I gather, an end result of about 5,000 or 6,000 units which is woefully small, woefully inadequate, indeed tragic. You have not commented on the reasons of that although I infer that it may be that the provisions are reasonably adequate. Now, what is missing? Is it inadequate public service conceptualization by builders, by people who are or should be interested in this? What is wrong that we have such a terrible record in this area?

Mr. BATES: Well, in the first instance, if you do not have a good urban redevelopment study made so that the people in that community can understand, and see its position, if you do not have that, you have nothing.

The CHAIRMAN: That is your answer, Senator Wall.

Mr. BATES: No public opinion can be created in favour of redevelopment until they can see visually some concept of a changed environment. So this is why we are so anxious to see these redevelopment studies going ahead and we are very encouraged by the fact that 14 are in process, with some completed, in Canada.

Senator WALL: I believe it would not be unfair to say that there is probably not enough money in this business and it is one of the things that suffer thereby.

Senator SMITH (*Queens-Shelburne*): Where did Professor Stevenson come from?

Mr. BATES: The University of Toronto brought him to Canada.

Senator SMITH (*Queens-Shelburne*): From where?

Mr. BATES: The United Kingdom.

The CHAIRMAN: At the last sitting it was suggested that if anybody had any specific question they wanted to ask Mr. Bates that they might submit

them to him in writing. In the meantime Senator Robertson has submitted a list of questions and before we adjourn I would like to have those questions answered.

Mr. BATES: The following are the questions and answers.

Question 1.

Senator Robertson asked how is the rate of interest paid on its borrowings from the Federal Government determined?

The rate of interest paid by Central Mortgage and Housing Corporation on its borrowings from the Federal Government is established, according to statute, by the Governor-in-Council.

In practice, this represents the cost of money to the government, plus a small handling charge. This handling charge is decided by the Department of Finance.

Question 2.

Senator Robertson asked what is the present rate of interest paid?

Order-in-Council No. 1958/629, dated 1st of May, 1958, sets out the current rates of interest paid. These are:

- (a) On advances made to the Corporation, which are repayable over a period of 20 years, the rate of interest is 4% per annum—convertible semi-annually.
- (b) On advances made to the Corporation for the purpose of making loans to limited dividend housing companies, repayable over a period of 40 years, the rate is $4\frac{1}{8}\%$ per annum, convertible semi-annually. The exceptions to these are as follows:
 - (i) For commitments made prior to the passage of Order-in-Council 1956/466, dated 22nd of March, 1956, the interest rates are adjusted to $3\frac{1}{2}\%$ per annum.
 - (ii) For commitments made after Order-in-Council 1956/466, dated 22nd of March, 1956, the interest rates are adjusted to $3\frac{3}{4}\%$ per annum.
 - (iii) For commitments made subsequent to September 30, 1957 and prior to April 1, 1958, the interest rates are adjusted to $4\frac{3}{8}\%$ per annum.

Question 3.

Senator Robertson asked how often is the rate of interest to be paid reviewed:

The rates of interest to be paid are reviewed semi-annually, with effect on April 1 and October 1 of each year. The reviews, themselves, usually take place early in March and September of each year. The reviews are conducted jointly by the Department of Finance and Central Mortgage and Housing Corporation.

Our rates of interest for borrowing from the Government are determined twice a year by consultation with the Department of Finance.

Question 4.

Senator Robertson asked what differential presently exists between the rate of interest paid by C.M.H.C. and the minimum interest rates charged by C.M.H.C. on loans to:

- (a) Home owners etc., and for home improvement loans.
- (b) Employee rental housing loans.
- (c) Limited dividend Companies' Loans.

Before answering this question, I should point out that home improvement loans are not made directly by Central Mortgage and Housing Corporation.

These loans are made by banks or approved instalment credit agencies. The loans are guaranteed by C.M.H.C. upon receipt of a fee consisting of 1% of the loan.

The going rate of interest on home improvement loans and, indeed, on housing loans made by banks and other approved lenders is 6% per annum. By Section 40 of the National Housing Act, loans made by the Corporation are subject to the same terms and conditions as those made by approved lenders. Therefore, the current 6% rate is mandatory.

If the Corporation were to lend at a lower rate than the approved lenders, it would mean that Government loans would be sought in preference to those made by established lenders. Residual lending would then become preferred lending and the Federal Government's mortgage commitments would reach immense proportions.

- (a) The differential which presently exists between the rates of interest paid by C.M.H.C. and the rates of interest paid to the Corporation by home owners and builders is $1\frac{7}{8}\%$ per annum. This does not represent, of course, net profit. Corporation loans are invariably made because no other lender would accept them. The reluctance of the approved lenders to accept these may be explained in several ways. One of the most common reasons is that the properties are situated in remote and outlying areas, resulting in excessively high administrative costs. For example, even in urban areas, a commercial lender calculates that his administrative costs amount to between $\frac{3}{4}\%$ and 1%. If the bulk of the lender's business was in the remote areas, this percentage would increase considerably.

Likewise, if you are lending on individual housing, for example, as distinct from apartment buildings, the costs of administration are very much higher. The costs to administer houses in remote areas in the country are much higher than to administer the cost of an apartment building consisting of 100 units somewhere in downtown Toronto.

Furthermore, if a loan goes into default, the difficulties of handling the transaction and ultimate resale prove extremely costly.

- (b) Senator Robertson referred to "employee rental housing loans." I assume that the Honourable Senator is referring to primary industry loans which are made for the construction of houses by companies. If this is the case, the difference between the borrowing rates paid by Central Mortgage and Housing Corporation and the lending rates charged by the Corporation is $1\frac{1}{4}\%$ (borrowing rate 4%—lending rate $5\frac{1}{4}\%$).
- (c) Loans to limited dividend companies carry an interest differential of $\frac{1}{8}$ of 1% per annum (borrowing rate by C.M.H.C. $4\frac{1}{8}\%$ —lending rate $4\frac{1}{4}\%$).

Question 5.

Senator Robertson asked, in view of the present re-conversion Federal financing, approximately what rate of interest will C.M.H.C. have to pay on its borrowings after the next review date?

At this date, the Federal Government has not indicated, in any way, to Central Mortgage and Housing Corporation, what rates of interest may be charged on future borrowings.

Question 6.

Senator Robertson asked if the same differential as between costs of borrowing and rates charged on loans is maintained in the future as it has in the past, what would the interest rate be to be charged on:

- (a) Home owners, etc., and for home improvement loans,

- (b) Employee rental housing loans,
- (c) Limited dividend companies' loans.

Bearing in mind the answer to question 5 when I said, in effect, that I had no indication from the Federal Government on possible future interest rates, it is not possible to answer Senator Robertson's question. We have no indication what the present Government is going to charge us on future rates.

Senator LAMBERT: The Bank of Canada is represented on your Board, is it not?

Mr. BATES: No, Senator Lambert. It was at one time but not now.

Question 7.

Senator Robertson asked, in view of the probable increase in the rate of interest that C.M.H.C. must pay in the future for their borrowings, and your 1957 statement that shows almost two million dollars of income over expenditure, would you care to comment on the possibility of C.M.H.C. reducing the differential between interest costs and those charged for loans, while at the same time keeping the financial affairs of C.M.H.C. on a solid and sound basis?

Could the differential be decreased by $\frac{1}{2}\%$ or more?

Could the differential be decreased by $\frac{1}{4}\%$?

This is a question which I regret it is impossible for me to answer. I feel that it would not be proper for me to forecast possible increases in the rate of interest since this a matter of Federal Government policy. Even if I had the knowledge of future interest rates, the question would still be difficult to answer without knowing in advance the volume of all loans made by C.M.H.C., the amount of each type of loan and the volume of insured loans which would be made by approved lenders. Moreover, the differential between C.M.H.C.'s borrowing rate and its lending rate fluctuates from time to time. The Corporation has no control over either of these rates. As indicated in the reply to Question 4, the differential must bear a considerable administrative cost.

Senator LAMBERT: Mr. Chairman, I move that we adjourn.

Senator HAWKINS: Before I entertain your motion to adjourn I would point out that this is the last hearing and the last witness before this committee with respect to this inquiry. I want to take this opportunity to thank everybody who has participated in it. Sometimes the questions have been long and tiresome and sometimes the answers may have been disappointing, but on the whole I think we have been very fortunate in the presentations that have been made to us both by the officials of C.M.H.C. and those who have appeared before us in a commercial and private capacity.

I do not think we have any apologies to make because somebody who is engaged in house building or in any other activity having to do with housing, has appeared before us and sponsored what he has believed to be in his best interests.

Now, gentlemen, the meeting is adjourned. Thank you very much.

The hearing was thereupon adjourned.

Explanatory Note

During his evidence, Mr. Stewart Bates referred to housebuilding activity in and around Toronto. Mr. Bates referred to 37% of the total housebuilding activity.

This percentage did not refer to the total number of houses built. It referred to the proportion of units built under the Government's Agency Loan plan for small homes. The proportion of total units approved, under this plan, for the Toronto area, up to the 25th July, 1958, amounted to 37% of the total units approved for the whole of Canada.

Up to the 25th July, 1958,—29,154 units had been approved, of which 10,752 were situated in the Toronto area.

A table showing the total dwelling starts across Canada is appended herewith:—

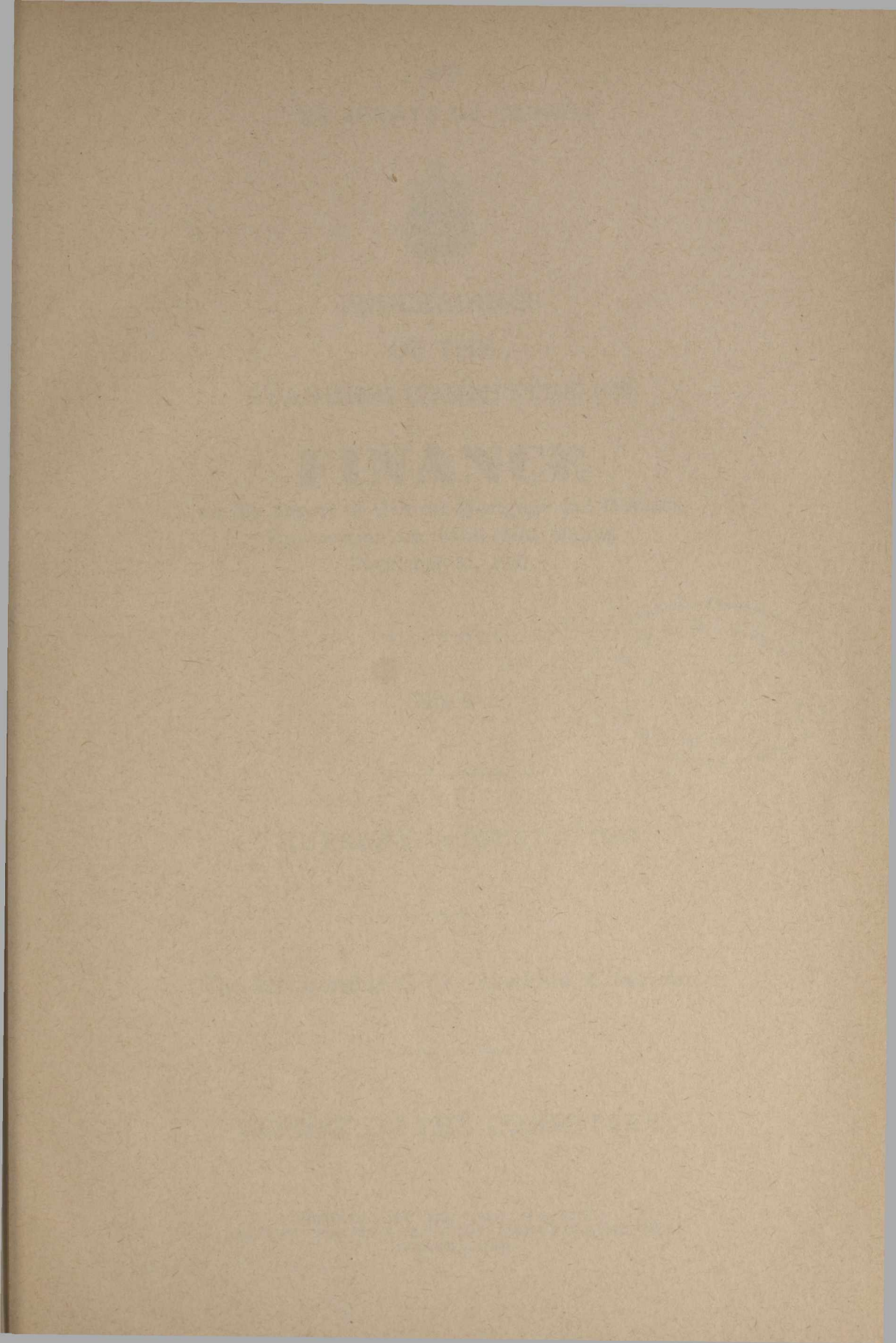
HOUSE-BUILDING ACTIVITY
DWELLING STARTS IN METROPOLITAN AND MAJOR URBAN AREAS

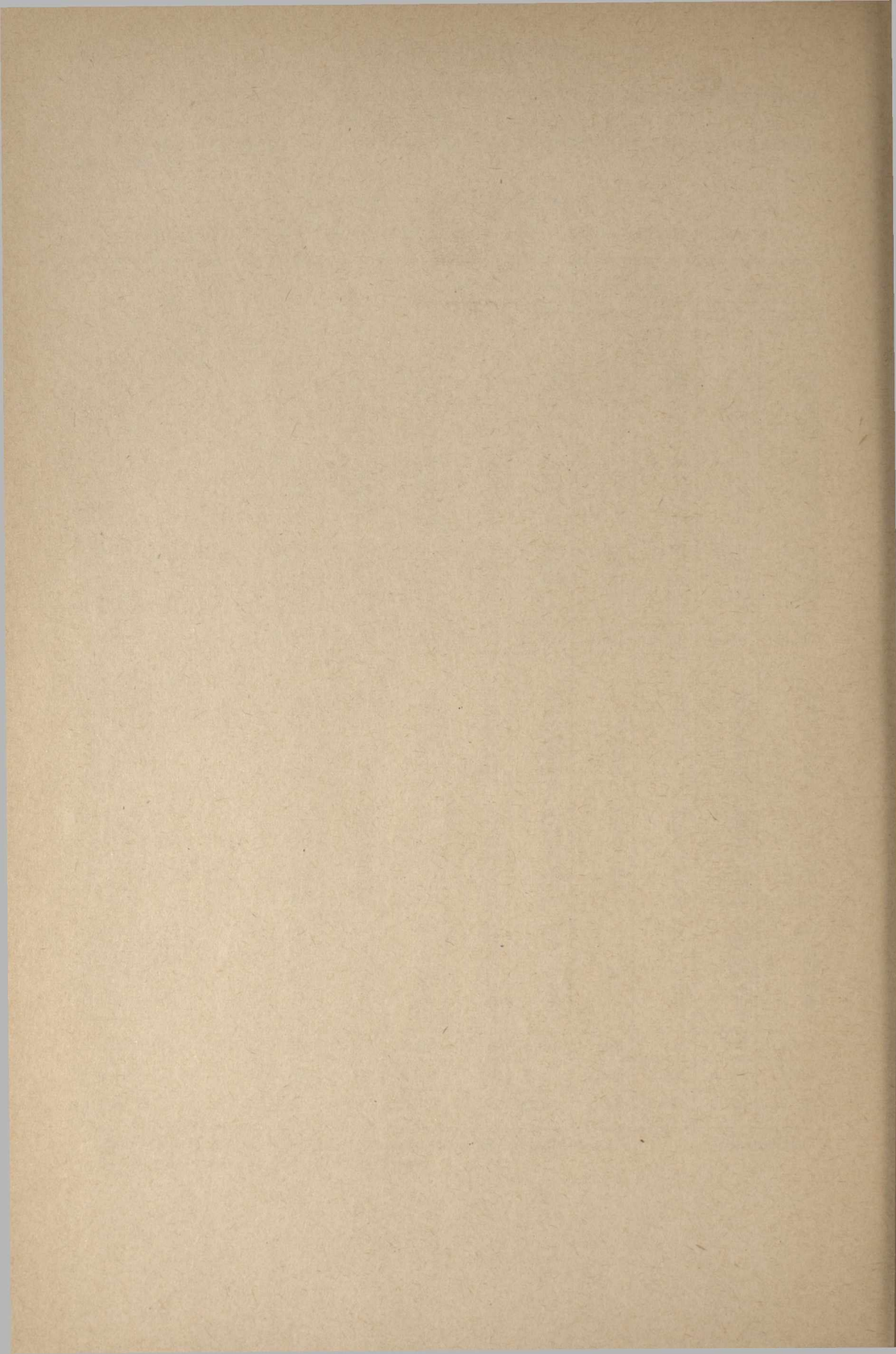
Area	1955	1956	1957	January-April		March		April	
				1957	1958	1957	1958	1957	1958
Metropolitan Areas									
Calgary.....	3,129	3,742	3,425	433	1,060	90	190	218	407
Edmonton.....	3,843	3,203	3,320	189	965	16	327	101	541
Halifax.....	1,314	1,189	842	122	143	25	40	71	59
Hamilton.....	3,368	3,401	3,264	451	908	119	266	191	408
London.....	1,415	1,370	1,269	244	621	59	161	129	266
Montreal.....	22,124	19,168	19,122	3,339	5,186	964	1,180	1,510	2,189
Ottawa-Hull.....	3,817	4,261	3,824	476	685	52	143	323	398
Quebec.....	3,359	2,651	1,287	319	237	119	70	114	103
Saint John.....	299	337	255	46	47	14	6	16	35
St. John's.....	495	463	206	21	87	—	15	10	43
Toronto.....	19,622	16,878	17,113	2,870	6,518	926	1,604	1,261	2,274
Vancouver.....	8,471	8,450	7,539	1,625	3,595	450	913	687	1,365
Victoria.....	1,546	1,187	1,053	270	470	67	176	94	148
Windsor.....	1,324	1,397	1,037	271	404	102	106	112	175
Winnipeg.....	4,926	3,389	2,092	107	559	14	123	69	296
Sub-Total.....	79,052	71,086	65,648	10,783	21,485	3,017	5,320	4,906	8,707
Major Urban Areas (1)									
Brantford.....	392	306	213	52	66	13	19	30	39
Chicoutimi-Jonquiere...	555	677	506	46	147	7	58	39	79
Ft. William-Pt. Arthur...	613	517	694	40	183	8	32	32	137
Guelph.....	435	341	268	53	129	12	31	26	57
Kingston.....	605	469	372	66	126	6	43	31	62
Kitchener.....	1,035	928	786	117	208	27	71	73	81
Moncton.....	351	409	248	9	29	—	2	9	19
Niagara Falls.....	559	411	322	84	183	35	59	34	71
Oshawa.....	827	685	1,084	112	541	22	106	68	275
Peterborough.....	522	374	474	43	122	7	29	35	82
Regina.....	1,445	1,011	1,035	28	54	—	4	9	35
St. Catharines.....	1,138	767	766	111	187	29	81	46	65
Sarnia.....	767	569	516	103	151	55	57	30	64
Saskatoon.....	868	990	1,080	35	176	—	10	35	157
Sault Ste. Marine.....	348	456	550	49	217	—	57	49	159
Shawinigan Falls.....	337	372	236	34	39	3	5	29	29
Sherbrooke.....	333	329	210	42	72	8	17	23	43
Sudbury.....	916	695	543	110	106	23	33	85	64
Sydney.....	100	245	257	15	29	3	8	8	12
Three Rivers.....	551	409	442	42	80	8	24	30	48
Timmins.....	35	23	37	2	—	—	—	2	—
Sub-total.....	12,732	10,983	10,639	1,193	2,845	266	746	723	1,578
All Other.....	46,492	45,242	46,053	5,134	6,210	1,085	2,029	3,071	2,895
Canada (2).....	138,276	127,311	122,340	17,110	30,540	4,368	8,095	8,700	13,180

(1) Includes the fringe areas of centres from 50,000 to 100,000 population.

(2) Excludes Yukon and Northwest Territories.

Source: DBS.





1958

THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE ON

FINANCE

on the Report of Central Mortgage and Housing
Corporation for fiscal year ending
December 31, 1957.

No. 9



THURSDAY, AUGUST 7, 1958

The Honourable C. G. Hawkins, *Chairman*

REPORT OF THE COMMITTEE

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1958

Extract from the Minutes of the Proceedings of the Senate, Wednesday, June 11, 1958.

The Honourable Senator Aseltine moved, seconded by the Honourable Senator Quinn—

That the names of the Honourable Senators Brunt, Emerson and Thorvaldson be added to the list of Senators serving on the Standing Committee on Finance.

The question being put on the motion, it was—

Resolved in the affirmative.

J. F. MacNEILL,
Clerk of the Senate.

THE STANDING COMMITTEE ON FINANCE

The Honourable C. G. Hawkins, *Chairman*

The Honourable Senators

Aseltine	Gershaw	Pratt
Baird	Golding	Quinn
Barbour	*Haig	Reid
Beaubien	Hawkins	Roebuck
Bouffard	Hayden	Robertson
Brunt	Horner	Smith (<i>Queens-</i> <i>Shelburne</i>)
Burchill	Howden	Stambaugh
Campbell	Isnor	Taylor (<i>Norfolk</i>)
Connolly (<i>Halifax North</i>)	Lambert	Thorvaldson
Connolly (<i>Ottawa West</i>)	Leonard	Turgeon
Crerar	*Macdonald	Vaillancourt
Dupuis	McKeen	Vien
Emerson	Molson	White
Euler	Paterson	Woodrow—44
Farris	Pearson	
Fraser	Petten	

(Quorum 9)

**ex officio member.*

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate

TUESDAY, May 20, 1958.

With leave of the Senate,

The Honourable Senator Aseltine moved, seconded by the Honourable Senator Pearson—

That the report of Central Mortgage and Housing Corporation for the fiscal year ended the 31st of December, 1957, be referred to the Standing Committee on Finance for consideration and report.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

J. F. MacNEILL,
Clerk of the Senate.

BOOK OF MEMOIRS

I. Journal of the Rev. J. W. Alden, D.D., President of the Board of Christian Missions, 1840-1845

London, 1846

With notes of the Rev. J. W. Alden, D.D.

The first part of this book contains a full and complete account of the Rev. J. W. Alden, D.D.

and his services to the cause of Christian Missions in the United States and in the West Indies.

The second part of the book contains a full and complete account of the Rev. J. W. Alden, D.D.

and his services to the cause of Christian Missions in the United States and in the West Indies.

The third part of the book contains a full and complete account of the Rev. J. W. Alden, D.D.

and his services to the cause of Christian Missions in the United States and in the West Indies.

The fourth part of the book contains a full and complete account of the Rev. J. W. Alden, D.D.

and his services to the cause of Christian Missions in the United States and in the West Indies.

J. W. Alden, D.D.

Author of the Memoirs

MINUTES OF PROCEEDINGS

THURSDAY, August 7th, 1958.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

Present: The Honourable Senators Hawkins—*Chairman*, Aseltine, Baird, Brunt, Connolly (*Ottawa West*), Crerar, Dupuis, Euler, Haig, Horner, Isnor, Lambert, Leonard, Pearson, Pratt, Smith (*Queens-Shelburne*), Stambaugh, Taylor (*Norfolk*), Turgeon and White.—20.

Consideration of the order of reference of May 20th, 1958, was resumed.

A draft Report, read by the Chairman, was discussed and adopted.

Consideration of the said order of reference was concluded.

At 12.05 p.m. the Committee adjourned to the call of the Chairman.

Attest.

John A. Hinds,
Assistant Chief Clerk of Committees.

MINUTES OF PROCEEDINGS

January 10, 1922

Present: [illegible] Secretary: [illegible]

The meeting was called to order at 8:00 P.M. by the Secretary. The minutes of the previous meeting were read and approved.

There was a report from the Finance Committee regarding the financial condition of the organization.

The following resolutions were adopted: [illegible]

Adjourned at 10:00 P.M.

Secretary: [illegible]

REPORT OF THE COMMITTEE

THURSDAY, August 7th, 1958.

The Standing Committee on Finance, to whom was referred the Report of Central Mortgage and Housing Corporation for the fiscal year ending December 31, 1957, report as follows:—

On May 20, 1958, the following order of reference was adopted by the Senate:

“That the Report of Central Mortgage and Housing Corporation for the fiscal year ended 31st December, 1957, be referred to the Standing Committee on Finance for consideration and report.”

Subsequently the Committee held eight meetings and heard evidence from the President of Central Mortgage and Housing Corporation, Mr. Stewart Bates, and other bodies interested in the building of houses. The evidence adduced was sufficient, in the opinion of your Committee, to justify the early adoption of the recommendations set forth herein.

1. Central Mortgage and Housing Corporation

A study of the evidence given by the President of Central Mortgage and Housing Corporation and other witnesses shows that the position of the Corporation is one of major importance to the economy of this country. Your Committee feels that the creation of conditions which will encourage a vigorous house-building programme is one of the prime duties of Central Mortgage and Housing Corporation. At the present time, this duty is, in the opinion of the Committee, being fully discharged.

It is evident that attention is being paid by the Corporation to the requirements of efficiency and economy in the use of public funds. Your Committee feels that the reduction in staff, without loss of efficiency or service, and its consequent saving in money is singularly praiseworthy.

As the interpreter and administrator of the Federal Government's housing policy, under the National Housing Act, Central Mortgage and Housing Corporation is, in the opinion of your Committee, diligently discharging these duties.

The Annual Report for the year ending December 31, 1957, which has been under study by your Committee, is a full and frank statement of the housing activities carried out during the year 1957.

Exhibit 1 shows the various reserves available for Mortgage Insurance, Home Improvement Loan Insurance and Rental Guarantees. From the evidence given on this subject, there appears to be some doubt as to whether the reserve fund for mortgage insurance is adequate or excessive. The Committee feels that a closer study of this fund is warranted. At the same time, it is the opinion of this Committee that an adequate margin of safety must be accumulated before any reduction in the mortgage insurance fee is contemplated.

Your Committee therefore recommends that an actuarial study be made of the Mortgage Insurance Fund, with a view to ascertaining the point at which a reduction in the mortgage insurance fee might be warranted.

2. *Mortgage Insurance on Existing Residential Real Estate*

Throughout the proceedings, frequent mention was made of the desirability of providing home ownership facilities for people of low income. (See Exhibit 2) One method by which this could be partially achieved would be to extend the facilities of the National Housing Act to modest existing houses.

Such an extension does not appear to be appropriate at the present time. The Committee feels that Central Mortgage and Housing Corporation should keep this subject under constant study with a view to advising the Federal Government of a suitable time for such an amendment. It is suggested that if and when the time for such an amendment arrives the facilities be limited to home owner loans and that a modest loan limit be applied.

3. *Loans for University Students' Dormitories*

The Committee listened to evidence presented by the National Conference of Canadian Universities of the growing need for providing accommodation to resident students.

At the present time, the Federal Government is facing increasing demands for financial assistance for various housing purposes. The Committee is of the opinion that housing people, particularly those of low income, deserves the utmost priority. To this end, the largest percentage of available mortgage resources, both federal and private, are presently required. The provision of hostel accommodation for universities is both desirable and necessary. At the present time, however, the federal funds available under the National Housing Act are fully required for housing purposes.

While sympathizing with the University authorities in this problem, your Committee does not feel that a recommendation for an amendment to the National Housing Act permitting the use of federal funds for financing such accommodation is merited at the present time.

However, as the evidence given to the Committee was to the effect that there is now no source for borrowing money for the construction of university residences, in the further study of this subject consideration might well be given by the Central Mortgage and Housing Corporation in conjunction with the educational institutions and the provincial departments concerned, to a suggestion that loans on such residences by approved lending institutions be qualified, subject to reasonable conditions, for insurance under that part of the National Housing Act providing for insurance of loans.

4. *Financing of Municipal Services*

Your Committee heard evidence with respect to this matter but is not prepared to make any recommendation on the subject.

5. *Low-cost Housing*

The Committee feels that a proper definition of the terms "low-cost housing" and "low income groups" is appropriate at this time. It is recommended that the following definitions be adopted:—

Low-cost Housing

Any single family dwelling, the cost of which, including structure, land, services or septic tank and well, does not exceed a total cost of \$9,000. Such a house must conform to the minimum housing standards for National Housing Act construction. (See Exhibits 3 and 4)

Low-income Groups

Any family, in any area, whose annual income falls in the lower third of the local income group.

(At the present time, the national average family income at the top of the lower third, amounts to \$3,600 per annum.)

Your Committee considers that home ownership for this group of our population should be encouraged as much as possible. A greater provision of houses at a cost not exceeding \$9,000 would provide homes for many people of modest income. An example of such a house follows hereunder:

Cost of house and land	\$9,000
Down payment	900
NHA loan	8,100
Insurance fee	162
	8,262
Monthly repayments at 6% over 25 years	53.00
Assumed taxes	15.00
	68.00
Total monthly payment	68.00

At a repayment ratio to income of 27%, a home owner earning \$3,022 per annum could afford to acquire such a house.

The Committee heard, with interest, of the plans of Central Mortgage and Housing Corporation to prepare designs for modest dwellings in the remote and outlying areas. It is to be hoped that this work will be extended to encourage a better standard of construction in these areas.

Evidence has been heard on the need for providing low rental accommodation. The Committee feels that the present facilities offered under the National Housing Act are adequate and that amendment for the purpose of extending these facilities is not warranted at present.

The Committee hopes that the fullest possible resources of Central Mortgage and Housing Corporation will be directed toward encouraging the provision of low-cost homes, the expansion of low rental accommodation, and the raising of standards of construction in the remote areas.

6. Shortage of Mortgage Funds

From the evidence presented, it is apparent that the flow of mortgage funds during the last few years has been both insufficient and erratic. Concern has been expressed by various witnesses about the future supply of mortgage funds. It is evident that there is a need for a close study of the problem of increasing the supply of mortgage funds and stimulating the sale of insured mortgages.

Your Committee recommends, therefore, that an organization be set up under the leadership of Central Mortgage and Housing Corporation to carry out a close study of this problem. This body would contain representatives of the Bank of Canada, the Department of Finance, chartered banks, life companies and other approved lenders. Its terms of reference should be confined to two aspects:—

- (a) Increasing and stabilizing the flow of mortgage funds.
- (b) Stimulating the sale of insured mortgages and encouraging the resultant sale funds back into the mortgage market.

7. Private Lending in Remote Areas

Evidence was given which suggested that a reluctance exists on the part of many approved lenders to lend in the remote areas. It appears that, although these loans carry the same guarantee as insured loans in urban centres, the administrative costs and greater difficulty of resale do present greater problems to a lender than loans in the urban centres.

While direct loans by Central Mortgage and Housing Corporation are, of course, available in these areas, the Committee does not consider that the Corporation should provide facilities which can be equally well supplied by a private institution.

Your Committee recommends that Central Mortgage and Housing Corporation initiates conversations with representatives of the approved lenders, in an attempt to influence the lenders to extend greater lending opportunities to the remote areas than exist at present.

8. *Urban Development*

The Committee was impressed by the evidence given of the growing need for slum clearance in many of our cities. Greater use of the facilities available under the National Housing Act will have to be made during the next ten years if this problem is to be dealt with.

From the evidence presented, it appears that municipalities are not taking adequate advantage of the opportunities for financial assistance in redeveloping the substandard areas of our cities.

It is to be hoped that possibly Central Mortgage and Housing Corporation, in co-operation with the Federation of Mayors and Municipalities, will provide more detailed information on the facilities available under the National Housing Act directly to municipal officials.

9. *Co-Operative Housing*

Evidence was given of the success of co-operative housing projects in many parts of the country. Inasmuch as this has provided economical and worthwhile housing, your Committee feels that efforts by co-operative groups to build their own houses should be encouraged as much as possible.

It is suggested that much wider publicity be given to the opportunities for co-operative housing under the National Housing Act. The Committee feels that the method of disseminating this information should be left to the discretion of Central Mortgage and Housing Corporation.

10. *Research into new methods of Construction*

Evidence was given of the initiation of research projects by the Corporation. (See *Exhibit 5*) It is felt that this is to be highly commended. Your Committee would like to express the hope that the utmost priority be given to further research work into finding new methods of construction which will reduce the cost of housing, new methods of sewage disposal, and new materials suitable for construction in the northern areas.

It is hoped that the resources of private industry will, at all times, be sought and that the present close co-operation which exists between Central Mortgage and Housing Corporation and the Division of Building Research, National Research Council, will continue.

Conclusion

The Committee has been impressed by the calibre of the witnesses heard and the quality of the evidence given. In such a complex field as that of housing the present and future population of the country, it is inevitable that differences of opinion exist on the best means of solving the problem.

Nevertheless, your Committee feels that the various organizations engaged in housing activities are to be commended for their effort and enterprise. In Central Mortgage and Housing Corporation, the Committee is of the opinion that the Federal Government has a housing agency of the highest quality. It is gratifying to note that the private interests with whom the Corporation co-operates in housing, building and financial matters hold the organization in the highest esteem. Your Committee expresses the hope that this close liaison and co-operation will continue to flourish in achieving the common aim of improving housing conditions in Canada.

All which is respectfully submitted.

C. G. HAWKINS,
Chairman.

EXHIBIT 1.

RESERVES FOR MORTGAGE INSURANCE, HOME IMPROVEMENT LOAN INSURANCE AND RENTAL GUARANTEES FOR THE YEAR ENDED DECEMBER 31, 1957.

	Reserve for Mortgage Insurance			Reserve for Home Improvement Loan Insurance			Reserve for Rental Guarantees			Totals
	Total to December 31 1956	Year 1957	Total to December 31 1957	Total to December 31 1956	Year 1957	Total to December 31 1957	Total to December 31 1956	Year 1957	Total to December 31 1957	December 31 1957
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Fees and premiums received.....	21,466,846	7,278,911	28,745,757	565,219	306,032	871,251	2,041,026	370,368	2,411,394	32,028,402
Net income from securities.....	678,982	935,303	1,614,285	15,829	26,432	42,261	152,023	52,886	204,909	1,861,455
Interest earned on mortgages.....		1,049	1,049							1,049
Recoveries on claims paid.....				285	1,443	1,728				1,728
Real Estate acquired on claims paid.....		38,185	38,185							38,185
Profit on sales of real estate.....		3,792	3,792							3,792
	22,145,828	8,257,240	30,403,068	581,333	333,907	915,240	2,193,049	423,254	2,616,303	33,934,611
Deduct										
Claims paid and legal expenses.....		38,185	38,185	11,536	40,787	52,323	481,263	131,063	612,326	702,834
Loss on sale of securities.....							1,900		1,900	1,900
		38,185	38,185	11,536	40,787	52,323	483,163	131,063	614,226	704,734
	22,145,828	8,219,055	30,364,883	569,797	293,120	862,917	1,709,886	292,191	2,002,077	33,229,877

Mortgage insurance in force..... \$1,425,000,000
Amount insured in respect of Home Improvement loans..... \$ 4,306,000
Current year's rentals covered by Rental Guarantee contracts \$ 15,250,000

EXHIBIT 2.

CHARACTERISTICS OF LOANS AND BORROWERS UNDER THE NATIONAL HOUSING ACTS.

Range of Borrower's Income \$	PER CENT OF BORROWERS						
	1954	1955	1956	1957		1958	
				Non- agency	Agency	1st Quarter	
						Non- agency	Agency
Under 3,000.....	0.9	1.0	0.4	0.1	0.1	0.2	0.3
3,000 to 3,999.....	20.6	22.5	15.4	6.0	11.3	5.7	15.4
4,000 to 4,999.....	37.9	36.4	35.2	29.1	46.3	26.6	43.7
5,000 to 5,999.....	20.1	20.3	24.0	27.7	25.8	27.3	23.1
6,000 to 6,999.....	10.1	9.6	11.8	16.9	9.5	18.3	9.8
7,000 to 7,999.....	4.6	4.3	5.9	8.7	3.9	9.5	3.4
8,000 to 8,999.....	2.4	2.2	2.8	4.6	1.3	5.0	1.7
9,000 to 9,999.....	1.1	1.1	1.4	2.2	0.5	2.3	0.8
10,000 and over.....	2.3	2.6	3.0	4.7	1.3	5.1	1.8
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number of Borrowers.....	26,982	47,728	47,593	29,997	2,269	3,890	3,498
	\$	\$	\$	\$	\$	\$	\$
Average Applicant's Income..	4,962	5,023	5,312	5,857	5,026	5,962	5,036
Average Family Income.....	5,382	5,442	5,784	6,356	5,595	6,313	5,700
Average Down Payment ⁽⁴⁾ ..	3,084	2,773	3,217	3,929	2,461	3,694	2,263
Average Amount of Loan ⁽⁵⁾ ..	9,344	10,022	10,352	10,960	10,108	11,630	10,799
Average Cost of Dwellings ⁽⁶⁾ .	12,335	12,598	13,366	14,674	12,370	15,096	12,850
Average Debt Service to In- come Ratio.....	18.2	18.6	18.3	18.5	19.7	19.4	20.9

(1) Institutional loans only.

Source: CMHC.

(2) Includes agency loans.

(3) Income of head of family only. The income of dependents is not included.

(4) Based on the difference between average estimated costs or for builders' sales, prices and average loan amounts. Appropriate allowance is made for the mortgage insurance fee.

(5) From 1954 onwards the loan amount includes the mortgage insurance fee.

(6) For owner applicants the average costs are those estimated by the borrower, while for purchasers the actual sale prices are used. The mortgage insurance fee is included.

EXHIBIT 3.

PRICES OF HOUSES FINANCED UNDER
THE NATIONAL HOUSING ACTS.

(Per Cent)

Price Range \$	1954	1955	1956	1957		1st Quarter, 1958	
				Non-agency	Agency	Non-agency	Agency
Under 7,000.....	0.1	†	†	—	—	—	—
7,000-7,999.....	0.3	0.1	†	†	—	—	—
8,000-8,999.....	2.3	2.4	0.9	0.1	0.2	—	0.2
9,000-9,999.....	7.9	8.4	4.4	1.6	4.2	0.4	1.9
10,000-10,999.....	18.6	18.7	10.4	3.9	14.8	2.7	10.8
11,000-11,999.....	16.6	16.5	16.2	9.4	20.7	4.2	18.3
12,000-12,999.....	21.0	15.2	16.3	13.8	29.6	12.4	27.7
13,000-13,999.....	13.1	13.3	14.1	14.0	12.9	13.4	17.2
14,000-14,999.....	7.8	9.9	11.7	15.1	10.8	15.2	13.5
15,000-15,999.....	4.7	5.7	8.9	12.4	4.7	16.9	7.1
16,000 and over.....	7.6	9.8	17.1	29.7	2.1	34.8	2.2
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number of Dwelling Units..	26,984	47,728	47,593	29,997	2,269	5,964	9,425

Source: CMHC.

EXHIBIT 4.

SIZES OF HOUSES FINANCED UNDER
THE NATIONAL HOUSING ACTS.

Floor Area (Sq. Ft.)	1954	1955	1956	1957		1st Quarter, 1958	
				Non-agency	Agency	Non-agency	Agency
Under 1,000.....	27.1	28.9	19.2	12.0	22.5	7.2	21.5
1,000-1,099.....	26.9	26.9	29.4	27.6	63.6	24.1	62.8
1,100-1,199.....	23.5	20.9	22.5	26.0	3.7	30.2	8.3
1,200-1,299.....	12.2	11.8	14.7	17.1	7.2	19.2	5.1
1,300-1,399.....	5.5	5.9	6.9	8.0	2.3	10.7	1.7
1,400 and over.....	4.8	5.6	7.3	9.3	0.7	8.6	0.6
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number of Dwelling Units..	39,305	57,119	37,513	26,512	11,352	3,459	6,819

Source: CMHC.

EXHIBIT 5

Description of How an Individual Household Sewage Disposal Unit Might Work
and Description of the Experimental Foamed Plastic HutDESCRIPTION OF HOW AN INDIVIDUAL HOUSEHOLD
SEWAGE DISPOSAL UNIT MIGHT WORK

The best known individual sewage disposal unit is the septic tank and disposal tile bed. This method has been in use for over 100 years with little improvement and sometimes does not function well in congested areas.

In the septic tank the solids are reduced by settling out and digestion by bacteria called anerobes. The residue in the tank is called digested sludge. To purify this septic sludge requires the action of another bacteria called aerobes. These require large quantities of oxygen which is provided by allowing the sludge to flow through a tile bed set not too deeply in the soil so as to permit the penetration of oxygen. This action will purify the sludge quite well.

There is a unit available which uses these same principles but does much of the operation by mechanical means. The waste is flushed through a grinder which reduces the solids much as the septic tank does and the waste is then deposited into a tank containing water. Air is bubbled through this water continuously to provide oxygen for the aerobes which then purify the effluent. This process is called "activated sludge" and has been used for years in mass disposal sewage plants.

Such a unit is now available but it seems to have many limitations when used as a closed circuit re-using the same water again and again. Central Mortgage and Housing Corporation has financed a project to study this action and encourage improvements to make it operate satisfactorily.

This description of a possible individual household sewage disposal unit is based on the use of bacteria. There may be other methods and C.M.H.C. is trying to encourage additional work towards the elimination of mass sewage disposal pipes and plants.

One of the first things C.M.H.C. did when it was decided to study this problem was to have a literature search made. This search disclosed that very little research was or is being done on this subject.

The literature was checked carefully and letters were written to every major country in the world. It appears that the only country in which any work of this kind was done is the United States of America. Other countries appear to have discouraged such work because of high population densities and fear of pollution of the soils and waters. In the U.S.A., however, two units are now on the market. Both of these operate on the activated sludge or aerobic principle.

DESCRIPTION OF THE EXPERIMENTAL FOAMED PLASTIC HUT

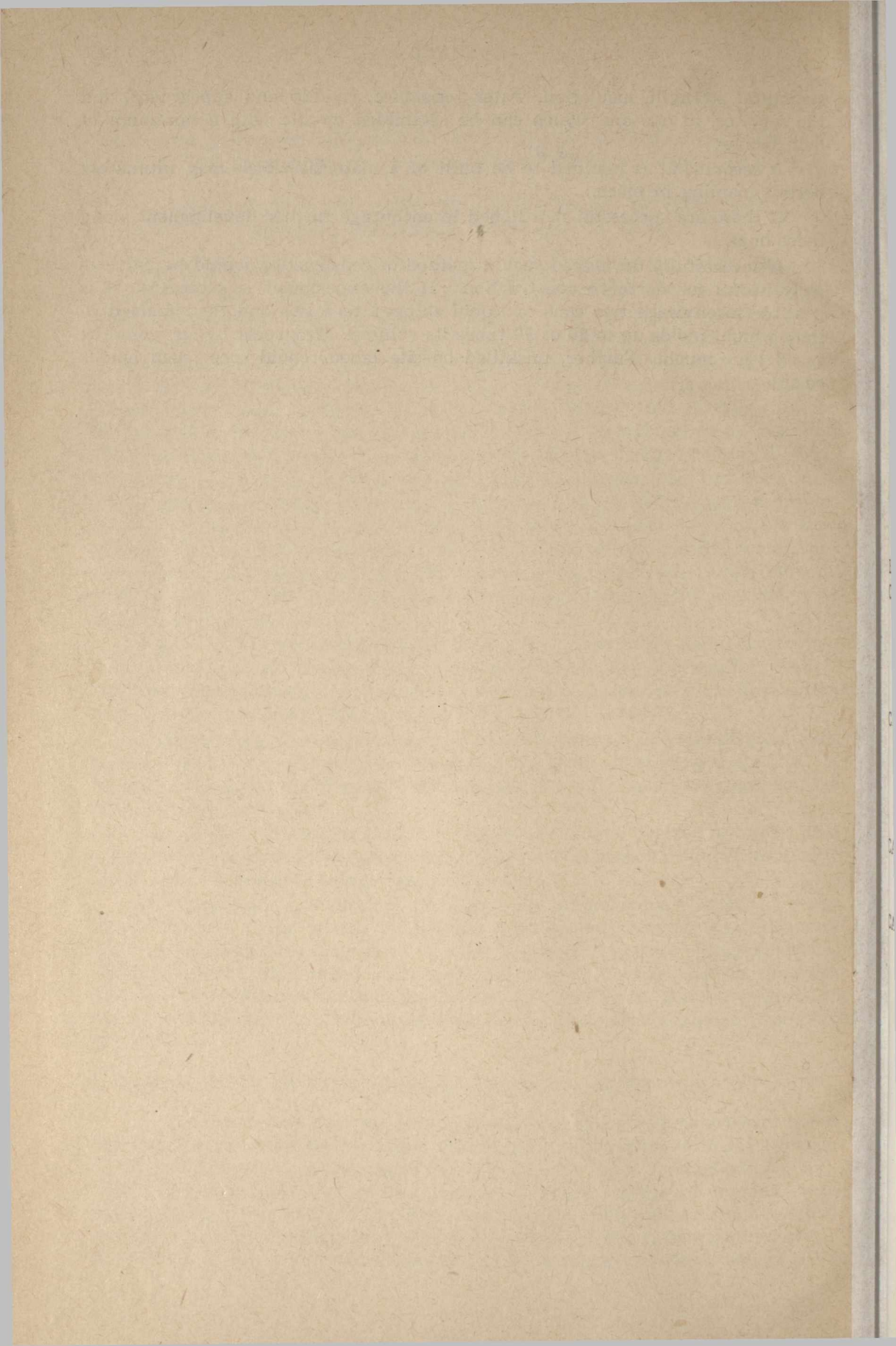
In the attempt to find some revolutionary approach to new construction methods Central Mortgage and Housing Corporation together with the Division of Building Research encouraged the development of a foamed plastic hut. The floor, walls and roof of this consist of various types of foamed cores with different type skins. The floor also includes water pipes and electrical conduit built-in in such a way that the jointing of the panels automatically connects the pipes. The objective is to develop materials which will provide

structural strength, insulation, water resistance, rigidity and appearance, and the services, in one and which can be assembled on-site with a minimum of field labour.

A second hut is planned to be built of a material which may ultimately permit foaming in place.

If these are successful it is hoped to encourage further development along these lines.

If successfully developed such a method of construction would be particularly useful for northern construction. If the experiment is successful, it is possible to envisage two cans of liquid shipped to a site and then foamed in light weight molds up to 20 or 30 times its volume. Transport by air would be eased very much. Further, unskilled on-site labour could erect such houses easily.



SENATE OF CANADA

Standing Committee on Finance
1st Session, 24th Parliament, 1958

INDEX

PAGE

BATES, STEWART, PRESIDENT,
CENTRAL MORTGAGE AND HOUSING
CORPORATION

CMHC Report, year ending Dec. 31, 1957

Discussion

1:23-33; 2:39-60;
5:137-42; 8:224-42

Statement

1:8-23; 5:132-7

BEECROFT, ERIC, NATIONAL DIRECTOR,
COMMUNITY PLANNING ASSOC. OF CANADA

CMHC Report, year ending Dec. 31, 1957

Discussion

5:125-32

Statement

5:119-25

CMHC

See

Central Mortgage and Housing
Corporation

CANADIAN BANKERS' ASSOC.

Housing, brief, discussion

6:158-68

CANADIAN CONSTRUCTION ASSOC.

Housing, brief, discussion

3:67-89

Incorporation, membership

3:67

CANADIAN FEDERATION OF MAYORS AND
MUNICIPALITIES

Housing, brief, discussion 7:183-201
Organization, members 7:189

CARON, JOHN, VICE CHAIRMAN, HOUSING
COMMITTEE, CANADIAN CONSTRUCTION
ASSOC.

CMHC Report, year ending Dec. 31, 1957 3:67-89

CENTRAL MORTGAGE AND HOUSING
CORPORATION

Advisory Housing Committee 3:68
Agency loans 3:83
Apartment blocks, assistance 1:27,28
Appraisals 6:155
Arrears, case 2:41
Board of Directors, composition 1:9
Building standards 2:48
Carrying charges 2:39-40
Co-operative housing 9:250
Foreclosures, case 2:42
Functions 1:11-3
Head office 1:10,11
Home improvement loans 6:161-2
Income, derivation 1:10
Insured loans
 Definition 1:11,12
 Premiums 3:78
Low-cost homes 4:97,98,106; 5:120
 Rural areas 1:23,24
Mortgage Insurance Fund 9:247
Municipal services, financing 8:230; 9:248,249
Regional offices 1:10,11
Remote areas, private lending 9:249,250
Septic tanks 1:31-2

CENTRAL MORTGAGE AND HOUSING
CORPORATION (Cont'd)

Statutory borrowing powers 1:10
University residences, loans 7:176-202; 9:248

CENTRAL MORTGAGE AND HOUSING
CORPORATION ACT

Section 17 1:9
Section 31 1:10

CENTRAL MORTGAGE AND HOUSING
CORPORATION REPORT FOR FISCAL
YEAR ENDING DEC. 31, 1957

Report to Senate 9:247-55

CHUTTER, S.D.C., GENERAL MANAGER,
CANADIAN CONSTRUCTION ASSOC.

CMHC Report, year ending Dec. 31, 1957
Discussion 3:73-87
Statement 3:67-73

CLEMENTS, W.G., SECRETARY-MANAGER,
TORONTO METROPOLITAN HOME BUILDERS
ASSOC.

CMHC Report, year ending Dec. 31, 1957,
statement 8:211-4

COMMUNITY PLANNING ASSOC. OF CANADA

Housing, brief, discussion 5:119-32
Organization, members 5:119,130,131

CONSTRUCTION INDUSTRY

Artisans, productivity 3:85
Government policy 3:68
Land, availability 3:72

CONSTRUCTION INDUSTRY (Cont'd)	
Multiple-unit projects	3:71
Trunk service charge	3:81
CROWN CORPORATIONS	
Government, position	1:8
DOMINION HOUSING ACT	
Enactment, purpose	6:149-50
DOMINION MORTGAGE AND INVESTMENTS ASSOC.	
Housing, brief, discussion	6:147-58
Organization, members, operations	6:147,158
FLEMINGTON, DR. W.T.R., VICE PRESIDENT, NATIONAL CONFERENCE OF CANADIAN UNIVERSITIES	
CMHC Report, year ending Dec. 31, 1957	7:187-8
FORTIN, JULES E., SECRETARY TREASURER, DOMINION MORTGAGE AND INVESTMENTS ASSOC.	
CMHC Report, year ending Dec. 31, 1957	6:151
FRIESEN, E.J., VICE PRESIDENT, CANADIAN BANKERS' ASSOC.	
CMHC Report, year ending Dec. 31, 1957	
Discussion	6:162-7
Statement	6:158-62
HOUSE BUILDERS	
Activity chart, major urban areas	8:242
Debt ratio basis	8:211-2,215
Subdivision requirements	8:212,213
Water, sewers, problems	8:218-20,222

HOUSING

"Basic", "stripped down"	5:122-3,126-7
Existing, improvement	5:120,121
Experimental foamed plastic hut, description	6:169-70; 9:254-5
Financing	4:94-5
Household sewage disposal unit, description	6:169; 9:254
Investment transactions	6:148,149
Land, serviced	4:95,108; 8:231
Low-cost	4:97; 5:132,134-6
Federal provincial projects	5:134
Limited dividend projects	5:134
Projects currently in process	5:136-7
Multiple	4:104,111
Municipalities, role	7:189-205
National policy, need for	5:120
Obstacles	4:95
Rental	5:121-2
Rural areas	6:156
Senior citizens	5:124,125
Shortage	5:119
<i>See also</i>	
Central Mortgage and Housing Corporation	
National Housing Act	

INSURANCE COMPANIES

Houses, lending	4:99,100
-----------------	----------

JOUBERT, MAURICE, PRESIDENT,
NATIONAL HOUSE BUILDERS ASSOC.

CMHC Report, year ending Dec. 31, 1957	4:97-114
--	----------

LEMMON, A.H., FIRST VICE PRESIDENT,
DOMINION MORTGAGE AND INVESTMENTS
ASSOC.

CMHC Report, year ending Dec. 31, 1957

Discussion

6:150-8

Statement

5:147-50

MOONEY, G.S., EXECUTIVE DIRECTOR,
CANADIAN FEDERATION OF MAYORS AND
MUNICIPALITIES

CMHC Report, year ending Dec. 31, 1957

Discussion

7:195-200

Statement

7:188-95

MUNICIPAL GRANTS ACT

Purpose

7:197

MUNICIPALITIES

Housing

Federal financial assistance

8:230; 9:248

Improvements

7:190-5

Water main, trunk sewer, problems

7:196,197

NHA

See

National Housing Act

NATIONAL CONFERENCE OF CANADIAN
UNIVERSITIES

Housing, brief, discussion

7:175-88

Members

7:205

NATIONAL HOUSE BUILDERS ASSOC.

Housing, brief, discussion	4:94-107
Incorporation, membership	4:93-4
Recommendations	4:94,96

NATIONAL HOUSING ACT

Interest rates	3:71,72
Low income people	5:133
Mortgages	
Interest rates	6:161
Market loans	6:160
Principal repayments	6:160
Multiple-unit projects	3:86; 4:106,111
Municipalities, restraint	5:123-4
Public housing provisions	5:123
Purpose	2:55
Second mortgages	4:103,104
Section 11	1:14
Section 14	1:13
Section 16	7:180; 8:231,233
Section 22	1:13,14
Section 23	8:230,231
Section 36	5:123,139
Section 40	1:13
University residences, proposal to amend	7:175-9
Urban renewal	3:69; 8:229-30,232-3, 236

See also

Central Mortgage and Housing
Corporation

REPORT TO SENATE

CMHC Report for year ending Dec. 31, 1957	9:247-55
--	----------

RICE, LOUIS A., PRESIDENT, TORONTO
METROPOLITAN HOME BUILDERS ASSOC.

CMHC Report, year ending Dec. 31, 1957 8:215-24

SMITH, JOHN CAULFIELD, EXECUTIVE
VICE-PRESIDENT, NATIONAL HOUSE
BUILDERS ASSOC.

CMHC Report, year ending Dec. 31, 1957

Discussion 4:97-110

Statement 4:93-6

STEWART, DR. ANDREW, PRESIDENT,
NATIONAL CONFERENCE OF CANADIAN
UNIVERSITIES

CMHC Report, year ending Dec. 31, 1957

Discussion 7:179-87

Statement 7:175-9

TORONTO METROPOLITAN HOME BUILDERS
ASSOC.

Housing, brief, discussion 8:211-24

Organization, membership 8:211

UNIVERSITY RESIDENCES

Accommodation, present supply 7:176,202

Alberta, situation 7:176

Construction costs per student 7:178,203,204-5

Interest rates, amortization period 7:178,180

NHA, proposed amendments 7:175-9

Students, coming flood 7:177

Value 7:176

URBAN DEVELOPMENT INSTITUTE

Formation, membership 4:107

Housing, brief, discussion 4:107-14

APPENDIX

6A - Description of a household sewage disposal unit and experimental foamed plastic hut 6:169-70

WITNESSES

- Bates, Stewart, President, Central Mortgage and Housing Corporation 1:8-33; 2:39-60; 5:132-42; 8:224-42
- Beecroft, Eric, National Director, Community Planning Assoc. of Canada 5:119-32
- Caron, John, Vice Chairman, Housing Committee, Canadian Construction Assoc. 3:67-89
- Chutter, S.D.C., General Manager, Canadian construction Assoc. 3:67-87
- Clements, W.G., Secretary-Manager, Toronto Metropolitan Home Builders Assoc. 8:211-4
- Flemington, Dr. W.T.R., Vice President, National Conference of Canadian Universities 7:187-8
- Fortin, Jules E., Secretary Treasurer, Dominion Mortgage and Investments 6:151
- Friesen, E.J., Vice President, Canadian Bankers' Assoc. 6:158-67
- Joubert, Maurice, President, National House Builders Assoc. 4:97-114
- Lemmon, A.H., First Vice President, Dominion Mortgage and Investments Assoc. 6:147-58
- Mooney, G.S., Executive Director, Canadian Federation of Mayors and Municipalities 7:188-200
- Rice, Louis A., President, Toronto Metropolitan Home Builders Assoc. 8:215-24

WITNESSES (Cont'd)

- Smith, John Caulfield, Executive Vice-President, National House Builders Assoc. 4:93-110
- Stewart, Dr. Andrew, President, National Conference of Canadian Universities 7:175-87

