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CANADIAN HOUSING AND COMMUNITY PLANNING

Canada's approach to the post-war housing problem has necessarily been of a dual character: provision of accommodation to meet immediate needs, and provision of adequate, improved housing over a period of years.

To tackle the job - a job that has called for ingenuity, imagination, energy and money - Canadian builders, planners, scientists, labour leaders and government departments have joined hands in an effort which has produced housing units at new record levels and which has witnessed many radical changes in procedure. In 1945, 48,600 new dwellings were completed. The following year, the figure jumped to 67,300 and, in 1947, to another all-time high of 80,000, a three-year aggregate of nearly 196,000 units.

The Problem

Canada's housing shortage has been accumulating since the early years of the present century, although it did not reach acute proportions until the last few years. Canada's population grew rapidly as a result of large-scale immigration in the years immediately prior to 1914. World War I brought a vigorous industrial growth which resulted in a radical shifting of the distribution of the population from rural to urban districts. Out of every 1000 persons in the country at the census of 1911, 546 were resident in rural and 454 in urban communities. By 1941 the figures were reversed with 457 persons out of every 1000 residing in rural and 543 in urban communities.

During the economic depression of the 1930's the effective demand for housing naturally fell off and the building industry operated far below capacity, so that Canada entered the war with a large backlog of necessary housing still unbuilt and an estimated 175,000 sub-standard housing units which were in need of replacement.

In 1939 with income paid out to individuals of approximately $4.25 billions, there were in Canada 2.8 million family and non-family units requiring housing. The housing inventory at that time was about 2.6 million units with a vacancy ratio of about 3%. Even in 1939, however, 10% of the housing units were occupied as shared accommodation.

Between the years 1939 and 1947 income paid to individuals more than doubled. During this same period the number of families increased by 24%, with an unprecedented marriage rate of 115,000 annually in this eight year period, as compared with the previous high of 77,000 in 1929. The increase in the number of families requiring accommodation and in individual income soon absorbed most vacancies and placed extreme pressures upon the short supply of housing available at that time. It was possible during the 1939-1947 period to add only 400,000 housing units to meet a net family

formation of approximately 600,000.

Consequently, Canada finds itself with a potential of 3.4 million family and non-family groups fitted in to a housing supply of three million units. This does not necessarily indicate an effective demand for 400,000 units, because in the 13% multiple occupancy of today there is a substantial number of families whose income is not sufficient to enable them to buy and maintain a private establishment at prevailing property and living costs. For while individual income payments increased between 1939 and 1947, so also did the cost of new housing and of most other items which go to make up the family budget. In 1947 the cost of materials and labour entering into house construction was estimated to have increased between 84% and 94% over 1939 while, at the end of 1947, the cost of living index stood at 148.3 an increase of 48.3 points from August 1939. It is estimated that the immediate demand for housing units - that is the number which could be immediately occupied if available - now ranges between 100,000 and 200,000 units. Whatever the figure is, it is so large that production of new houses over the next year or two cannot make good the backlog as well as provide for the present rate of net family formation.

The Curtis Report

In March, 1944, the Sub-committee on Housing and Community Planning, with C.A. Curtis as chairman, completed the first comprehensive study of Canada's housing situation. It found that even in normal times over-crowding in Canadian homes, both urban and agricultural, was widespread.

The Sub-committee's report to the House of Commons recommended that a large-scale housing programme be undertaken at the end of the war and that the programme's provisions should include home ownership, home improvement, slum clearance, low rental projects and rural and farm housing. A prominent place for town and community planning in all building projects was urged. The report proposed that the Government encourage home ownership by broadening the benefits offered in the National Housing Act, 1938, to include a smaller down payment on a house, a lower rate of interest and a longer time in which to pay back the loan. Special stress was laid upon the needs of Canada's low-wage earners for adequate housing at moderate rentals. For that part of the population unable to pay rents at commercial rates, Government subsidy was suggested.

Canadian Housing Legislation

Since 1935, the Canadian Government has administered, through various agencies, legislation designed to assist in the financing and improvement of housing throughout Canada. To help meet present problems and to achieve a greater measure of co-ordination, Central Mortgage and Housing Corporation was formed by Act of the Twentieth Parliament (December, 1945). Briefly, its purpose and functions are to administer the National Housing Act, 1944, and earlier housing legislation, to construct, own and manage rental housing units; to administer the Emergency Shelter Regulations and to conduct housing research and community planning projects.

The first major function of Central Mortgage and Housing Corporation is to administer the National Housing Act, 1944, which was passed five months after publication of the Curtis Report. Amended on several occasions to meet changing conditions, the Act implements substantially the proposals of the Curtis Report, providing more generous terms for home ownership than previous Acts allowed in order to encourage a larger volume of building by persons of moderate income.

The objective of the National Housing Act is to assist the Canadian who wishes to own his home by offering these advantages, namely, reduced down payments, longer payment period, convenient monthly payments, 4½% interest per annum (calculated semi-annually) and sound, prescribed standards of construction with a view to improving housing in Canada.

(A detailed analysis and description of the various types of loans and grants provided under the National Housing Act will be found appended to this paper.)

Housing Research and Community Planning

The National Housing Act makes provision for housing research covering the fields of economic, statistical, sociological and technical research and architectural investigation. Studies and enquiries in the field of community planning and related educational work complete the programme of acquiring and disseminating new knowledge for the improvement of the living conditions of the Canadian people.

Economic research involves the assembly and interpretation of factual information. The Corporation is actively engaged in remedying the deficiency which has existed in this field. The Division of Building Research, National Research Council, has undertaken most of the actual technical and laboratory work required to establish the suitability of building methods and materials. Moreover new plans and designs for moderate and low-cost house construction are continually being drawn up and when completed are made available at a nominal cost.

In the past, few municipalities in Canada have taken advantage of community planning. Accordingly, the National Housing Act makes provision for the preparation and distribution of information to promote a better understanding of the principles underlying community planning. It also provides for studies of the problem of land utilization and for general research projects that will increase knowledge of this subject.

As a result, various studies have been assisted financially in Canadian universities and government departments. Financial assistance has been made available to the Community Planning Association of Canada, a private organization designed to foster public understanding of, and participation in, community planning in Canada.

Generally, under the provisions of the National Housing Act, Central Mortgage and Housing Corporation can co-operate with any planning authority to assist in the preparation of co-ordinated regional and community plans anywhere in Canada.

Direct Construction

Employing private contractors and under agreement with municipal authorities, Central Mortgage and Housing Corporation also builds houses on a rental basis for war veterans and their families. This is a continuation of the construction activities of Wartime Housing Limited, which was formed on February 28, 1941, to build and manage low-rental living accommodation for war workers in congested areas.

On January 1, 1947, the Corporation assumed administration and control of all completed Wartime Housing Limited projects and undertook to manage and rent the properties as well as to offer them for sale.

In 1948, all rights and properties of Wartime Housing Limited were transferred to the Corporation. As a result, it now receives advances from the Government, enters into contracts with contractors, signs agreements with municipalities and makes payments for work completed. To enable it to continue the program of low-rental house construction, the Corporation has also been empowered to acquire and develop land and to purchase materials and construct houses, using funds appropriated from time to time by Parliament.

Thus, the two largest housing agencies of the Government have been consolidated, a step which has resulted in substantial economies in operating costs.

From the inception of this construction programme in 1941 to April 30, 1948 there were 39,645 housing units built and occupied. Others are under construction.

The 1947 rental programme was terminated on July 1, 1947, in accordance with two months' notice previously given. On October 10, 1947, the Minister of Reconstruction and Supply announced a new 1948 rental program for which he set an objective of 12,000 units. The new programme differed from the 1947 plan in that larger payments in lieu of taxes were made available to the municipalities and the type of houses to be built conformed more closely to urban development in Canada.

Emergency Shelter

Transferred from the Wartime Prices and Trade Board to Central Mortgage and Housing Corporation in 1945, the Emergency Shelter Regulations are intended primarily to assist municipalities to find accommodation for families suffering acute hardship and distress from lack of shelter. Generally, such assistance is provided by making surplus Crown-owned buildings available at a nominal rental and by making financial grants towards the initial conversion cost of shelter projects.

At April 30, 1948, some 10,000 emergency shelter units were completed or nearing completion. Commitments made by the Government on emergency shelter account total $4.4 million, of which approximately $1 million has gone to help Canadian universities make available living units for married veteran students.

Building Materials

One of the factors that made it possible in 1947 to build the largest number of houses ever erected in Canada in one year was the substantial expansion of Canada's building material productive capacity. Output of building materials in 1947 reached record levels. Production for eight items, including cement, wood fibre insulating board, warm air furnaces, electric hot water tank heaters, asphalt shingles, asphalt rolls, rock wool batts and gypsum wallboard, was more than twice that of 1939. Increases were as much as nine times the pre-war volume for rock wool batts, and four times for asphalt shingles. Six other items showed increases of almost double the pre-war output. These included brick, cast iron radiators, hot water storage tanks, cast iron soil pipe, builders' hardware and gypsum plaster. Another three items - sawn lumber, bathtubs and domestic heating boilers - reached peak output. Of the other eleven items for which production figures are available, all showed increases over 1946 except two - steel pipe and electric hot water tank heaters.

Building Labour

Employment in the building industry, including highway and engineering construction, made substantial gains during 1947. The

index of employment in the building industry rose 31% from an average of 248.6 in 1946 to 325.1 in 1947.

Data on unfilled vacancies and unplaced applicants, based on reports from local offices of the Unemployment Insurance Commission, suggest a smoother transfer of skilled construction workers from job to job in 1947. The number of unfilled vacancies for skilled construction tradesmen declined 19% from a monthly average of some 4,600 in 1946 to 3,710 in 1947. The same trend was in evidence with regard to skilled construction tradesmen listed at the end of each month as unplaced applicants. The immigration of building tradesmen has increased rapidly since the end of the war.

APPENDIX

LOANS AND GRANTS AUTHORIZED BY NATIONAL HOUSING ACT

Basically, loans are of two kinds - joint loans made in conjunction with approved lending institutions (life insurance or trust and loan companies) and direct loans made by the Corporation itself. In addition, investments by life insurance companies for land assembly and rental housing, and loans by chartered banks and approved instalment credit agencies for home extension purpose are guaranteed by the Corporation.

JOINT LOANS

Loans to Prospective Home-Owners and Builders Building for Sale

Under the Act, loans are made jointly by the Corporation and approved lending institutions to prospective home-owners and to builders building houses for sale. They are called joint loans because 25% of the money is furnished by Central Mortgage and Housing Corporation and 75% by the lending institution.

The amount to be borrowed (the loan) is a percentage of the estimated cost of construction, including land, or the appraised value of the house, including land, whichever is the less (the lending value). The lending value does not necessarily equal the cost of the proposed property. The borrower must therefore be prepared to provide by cash, land or labor the amount (equity or down payment) by which the actual cost exceeds the loan. Ex-servicemen may draw on their re-establishment credits for two-thirds of their equity in a house.

Those loans intended to finance the construction of houses built under the Integrated Housing Plan by builders for sale at a price approved in advance by Central Mortgage and Housing Corporation, or by prospective home owners whose contract price is satisfactory to the Corporation, are based on the following percentage of lending value: 95% of the first $3,000. 85% of the next $3,000, and 70% of the balance. These compare with 95% of the first $2,000, 85% of the next $2,000, and 70% of the balance, in computing loans for the construction of houses without a fixed sales price.

At present the maximum loan is $8,500, with the exception that loans on ultimate four-room bungalows are limited to $5,000 and on each four-room unit of a duplex to $4,800.

The maximum period for repayment of joint loans is up to 25 years, unless the loan qualifies under the controlled and sales price provision and the income of the purchaser is, in the opinion of the Corporation, insufficient to meet the monthly charges of principal, interest and taxes, or unless the house is to be built in a planned area approved by the Corporation. In such cases, the repayment period may be extended to not more than 30 years.

The lot on which the house is to be built must be owned by the applicant before construction is started. The only exceptions are where the house and lot are purchased from a builder operating under the National Housing Act or where the borrower holds a long-term lease on land in such areas as National Parks.

Integrated Housing Plan

The purpose of the Integrated Housing Plan is to encourage residential construction by providing financial assistance to

builders building for sale moderately-priced houses or duplexes on land which they own. Principal features of the plan include a maximum, pre-determined sales price, a larger loan, recommended priorities, veterans' preference and a guarantee by Central Mortgage and Housing Corporation to purchase within a specified period any house which the builder is unable to sell.

Co-operative Housing

Joint loans are available to co-operative housing groups formed for the purpose of building houses or apartments for occupancy by members of the group. Loans may also be made to a co-operative housing association to assist in the construction of a rental housing project which the association undertakes to operate.

Loans for Rental Purposes

Joint loans may also be made for rental housing projects such as apartments, but the loan may not exceed 80% of the lending value (85% of the estimated cost where rental insurance is in force) and the repayment period is limited to 20 years for projects to be built in an unplanned area and for which rentals are not determined and approved in advance, to 25 years for projects to be built in a planned area and for which rentals are not determined and approved in advance and to 30 years for projects to be built in any area, provided they meet joint loan regulations prescribed by order-in-council.

There is in Canada today a very great need for rental housing. Yet more than 70% of the residential units built in 1946 and 1947 were for home-owners. As a result of this low level of new construction in the rental field, the Canadian Government has taken steps to encourage the construction of privately-owned rental accommodation.

In 1947, three-fold action was undertaken: An allowance of depreciation at double the normal rates for a period of 10 years when applied to projects comprising four or more family dwelling units which meet the official requirements; approval of a longer period of amortization under the National Housing Act for loans on approved types of rental housing, and extension of priorities for materials to assist in the construction of approved rental housing.

As an additional incentive, a rental insurance plan was introduced in 1948. The purpose of the plan, which authorized Central Mortgage and Housing Corporation to guarantee an annual rental return to the builder-owner of a rental housing project, is to protect the investor who, because of present high costs, fears that he will be unable to compete with projects built a few years hence when costs may be down.

As noted above, lending institutions are authorized to make loans up to 85% of the estimated cost of a project to be covered by rental insurance. These, however, are direct loans by the lending institutions and not joint loans under the Act.

The amount to be guaranteed is 85% of economic rentals, a figure which will assure the investor of an amount sufficient to meet financing charges, taxes and operating expenses and to provide a 2% return on his equity investment.

OTHER LOANS

Direct Loans

To ensure that lending facilities of the National Housing

Act are available throughout Canada to the fullest extent, the Corporation is also authorized to make direct loans if joint loans are not available. Terms and conditions of direct loans are made on a joint basis.

Loans To Limited-Dividend Companies

Central Mortgage and Housing Corporation is also authorized to make direct loans to limited-dividend companies to assist in the construction of low-rental housing projects. Such loans may be for 90% of the lending value. The period of amortization extends 50 years, and the interest rate is 3%.

Slum Clearance Grants

The Act provides for slum clearance grants where land is sold to limited-dividend companies for the construction of a rental housing project. However, there is still a very great need for continuous occupancy of all available living accommodation. For this reason, no active steps have been taken to encourage slum clearance projects.

Loans to Primary Industries

If stable and permanent employment is to be provided in outlying areas where primary materials are produced, it is recognized that a fairly large proportion of married men must be employed. Married men can be attracted only if housing is available for themselves and their families.

Central Mortgage and Housing Corporation is therefore prepared to give every encouragement to the development of this type of housing in connection with on-site operations of primary producing companies.

Any incorporated company engaged in the mining, lumbering, logging or fishing industry may become a borrower. The maximum loan is 80% of the lending value; the rate of interest is 4%, calculated semi-annually. The term of amortization depends on the productive period of the area and the class of housing involved, but in any event may not be more than 15 years.

Loans for Farm Housing

The need for a higher standard of farm housing is not overlooked in the National Housing Act which provides for loans to assist in the construction of new houses on farms.

A procedure has been established for receiving and processing farm loan applications which are being considered from all sections of the country, except Saskatchewan and from owners of predominantly grain-growing farms in Manitoba and Alberta. Until the validity of the Saskatchewan Farm Security Act and its application to National Housing Act farm loans have been determined, no such farm loans will be made in that province. Similarly, until satisfactory arrangements can be concluded with each of the Prairie Provinces to permit the use of a flexible payment plan for repayment of loans by farmers operating farms primarily grain-growing in character, the Corporation is not willing to approve applications from this type of farm.

For the present at least, all farm loans under the National Housing Act will be direct loans by the Corporation.

The Act provides also for loans to farmers. Where there is no existing mortgage or other encumbrance on the farm, the amount of the loan is limited to either $5,000, the cost of building the house or two-thirds of the appraised value of the farm, whichever is the least

amount. Where there is already a mortgage or other encumbrance on the farm, the amount of the loans is limited to the least of the following: $8,000 the aggregate of the cost of building the house and the amount necessary to pay all indebtedness on the farm or two-thirds of the appraised value of the farm.

In considering loans to finance the construction of a house on a farm already mortgaged, the Corporation must be satisfied that the existing mortgage was not obtained to increase the amount of the new loan.

Loans for farm housing bear interest at 4½% per annum, calculated semi-annually. They are repayable over a period of up to 20 years from the date of completion of the house,

Land Assembly

Because of the shortage of serviced land in almost every Canadian municipality, approved lending institutions are enabled under the National Housing Act, but only with approval of Central Mortgage and Housing Corporation, to purchase land to be used for housing development and to have the necessary services installed.

The price of the land to the builder or home-owner will be fixed to assure that the home-owner will receive full benefit of the economies effected by this method of land assembly.

Home Extension Loans

Home extension Loans, for which provision is made under Part IV of the National Housing Act, are intended to assist house-owners to finance additional self-contained dwelling units in existing homes. They may be made by any chartered bank or approved instalment credit agency, under agreement with Central Mortgage and Housing Corporation.