

HOUSING: THE ROLES OF INDIVIDUALS AND GOVERNMENT

An address by the Minister of Resources and Development, Mr. Robert H. Winters, made to the Winnipeg Real Estate Board, February 9, 1953.

...No group of real estate men needs to be told that we Canadians are living in an expanding economy. Our cities are rapidly growing by reason of industry and other activities, and in the outlying areas we have perhaps an even more spectacular growth in the fields of engineering and industrial development. Throughout the nation business and economic conditions are buoyant by any standard of earlier years. More people are employed, more goods are being produced, and capital development is at record levels. This is true for the country as a whole but it has particular emphasis in our urban communities. Ever since the turn of the century there has been a distinct trend towards industrialism of Canada, with resulting urbanisation. As a result we have seen even greater growth in our urban communities than in the nation as a whole. To illustrate my point, I think the Province of Saskatchewan is a good example. In the last census period there was a decrease of about 7 per cent in the population of the Province as a whole, but the four largest cities had an increase of 33 per cent in the number of families. In Manitoba the population increased in this period by 6.4 per cent. But the Greater Winnipeg area had 18.0 per cent more people. In the suburban municipalities of Greater Winnipeg the increase was 51.8 per cent.

Housing in Winnipeg

Families needing accommodation in Greater Winnipeg in the post-war years have received assistance in large measure. In the years 1945 to 1952 inclusive, there have been 20,600 housing units completed. Of this 3,560 units or about 17 per cent were built directly by the Federal Government. They include veterans' rental projects as well as married quarters for the Department of National Defence. In addition, about 46 per cent have been erected under the terms of the National Housing Act. The Federal Government, through Central Mortgage, has been associated with the construction of about 63 per cent of all the houses built in Greater Winnipeg in the post-war years.

The 1952 completions, at 2,093 housing units, were about the same as 1951 but less than in the period 1947 to 1950, which averaged about 3,200 completions a year. The lesser number of completions in 1952 reflected the low level of starts in 1951. However, going into the year 1953 there were 1,670 housing units under construction, some 300 more than the corresponding carry-over into the year 1952. If the Spring starts follow a normal pattern, then the completions of new houses in Winnipeg will be considerably higher than they were in 1952 and may approach the level of earlier years.

600,000 Houses Since War

Favourable economic conditions together with the large increase in the population and even larger proportionate increase which has taken place in the number of families, as well as the rapidity of this growth itself, have brought a number of problems, not the least of which is the supply of new housing. You might well ask me the question - what success has attended our efforts in meeting this problem? Since the end of the war the house-building industry, aided by municipalities, provinces and in large measure by the Federal Government, has seen to the erection of some 600,000 new housing units. Although all of us would like to have seen more housing, nevertheless I think that in light of all circumstances, a good job is being done. Argument may be made that the number of houses is not enough, but it is certainly the case that the number which has been built has put a strain upon the resources required to achieve and maintain a high level of house building. During the early post-war years, and occasionally since then, building materials and in some places labour, were in short supply. This situation is now somewhat easier and it's probably the case that materials and labour are not as important a limitation as they were.

But probably a more important question than how we have done, is, how we are presently doing? It will be recalled that, in the years immediately following the war, the increase in the number of new residential units progressively increased until, in the years 1948 to 1950, there was an annual average of some 91,200 starts. Then as a result of Korea and the necessity of turning the nation's resources to the defence effort, there was a sharp decline in the number of housing starts, which dropped to some 68,600 in 1951.

Although the volume of new housing turned down because of an immediate diversion of resources for the defence effort, the building industry quickly adjusted itself and as soon as conditions permitted a greater supply of housing was being produced than had been possible immediately after the outbreak of war in Korea. By the middle of 1952 the tempo of new starts had increased and during the last half of the year new residential starts were in excess of the 1950 rate of about 91,000 units a year. I emphasize the word "rate" for the period because I do not wish this statement to be misinterpreted that the starts in 1952 were that number.

Buoyancy Likely to Continue

There is good reason to believe that this buoyancy in new housing starts may well continue into 1953. Labour and materials are available, mortgage financing is in reasonably good supply, and there appears a strong effective demand from prospective home owners and renters. One unfavourable feature, which varies as between communities, is the difficulty which may exist in the municipalities being able to supply sufficient serviced land for a large volume of new housing. I understand that this has not been as acute a problem in Greater Winnipeg as it has in Toronto and other communities, but that availability of serviced land here is becoming a matter of interest and concern.

When we came out of the war, many of our municipalities had a cushion in their supply of municipal services and a surplus of educational facilities. The early post-war building, therefore, did not cause undue strains upon the municipalities. However, the continued growth of new residential construction soon used up these surpluses. In many cases it was not long before new houses involved the municipality in new roads, new sewers, new water supply, new school building and generally an extension of all the facilities of the municipality. At the same time costs were rising, the expense of administration was increasing, with resultant effects on taxes, and in more recent years the money markets have not been to the liking of the municipalities. Civic administrations soon came to realize that the small house tended to be a deficit upon their books.

The net result is that today a number of municipalities are requiring that the builder or owner, at his own expense, install all the municipal services. Some are actively discouraging new residential developments. A few municipalities who, faced with educational responsibilities which they feel are too much for them, are requiring a cash contribution from the builder or owner before a building permit is issued.

I recite these difficulties because I feel that in the national total this condition, rather than shortages of materials and labour, will be the limitation upon the number of new houses which may be started in 1953. The municipalities face a difficult problem. It's one which is not easy of solution. Municipal governments, just as a provincial or Federal Government, are responsible to their taxpayers and must govern themselves accordingly. Whereas, nationally and locally, there may be great social benefits accruing from rapid residential development, there must also be the capacity of the municipality to absorb such development.

Section 35

In the present period of very rapid urban growth municipalities are having difficulty in maintaining their traditional activity at a rate sufficient to look after a satisfactory supply of new housing. Your knowledge of the circumstances of some municipalities may satisfy you that it's a question of ability rather than willingness which has changed their policy about the provision of new and extended municipal services. When Section 35 of the National Housing Act was submitted to Parliament it became evident that the Federal Government recognized this situation. The Government is anxious that as many home owners and house builders as possible proceed with residential construction with or without financing under the National Housing Act. We felt that it was possible for the Federal Government to do something about this situation without intruding into constitutional relationships of the provinces - with their responsibility for property and local matters - and the municipalities to whom some of these responsibilities are delegated. Parliament has, therefore, made provision for financial assistance to municipalities for the development of serviced land, provided the provinces approve and participate.

Section 35 provides that the Federal and provincial governments may finance the servicing of raw land, thereby relieving the municipality faced with rapid expansion of having to enter the money markets to secure the sums required to finance the installation of services. Advances for this purpose are made three-quarters by the Federal Government and one-quarter by the provincial government. If the province so desires, it may make a supplementary arrangement with the municipality to bear a portion of the province's share of the investment.

This arrangement does not contemplate a radical departure from local ideas and requirements for street design and quality of services. It does not contemplate outside operators coming in to do a local job, but rather that the design, layout and quality of the services be determined by the municipal engineer. All work is awarded to private contractors after the tender calls have been advertised or done by the municipality itself. A land assembly project under Section 35 does not differ from any large, privately initiated development. The operation helps to relieve strains upon the borrowing capacity of the municipality and assures that developed land is made available by the partnership of provincial and Federal Governments to facilitate a continuing flow of new residential construction.

It is a matter of some wonder to me why, with the difficulties surrounding the development of serviced land so well known to builders, home owners, municipalities and everyone else interested in new residential construction, there have not been more proposals to us for land assembly. I can only say that every one of the twenty-four proposals put to us, with provincial endorsement, for the purchase and development of residential land, has been undertaken by Central Mortgage. Some 12,000 lots for houses have been put on the market in this way. This part of the Housing Act is available for further use. I believe that it can be of assistance in removing one of the main obstacles in the way of more housing.

The capacity of the municipalities comfortably to absorb new houses within their boundaries has been estimated to be about 3 per cent annum without undue strains being caused upon their administrative and financial capacities. By an increase of 3 per cent I mean that if a municipality of 45,000 people has within its boundaries some 10,000 residential units then it is probably the case that this municipality can arrange to absorb something of the order of 300 front doors per annum without undue strain.

A group like this is well aware that the municipalities in which most of our housing is now being built are increasing at a rate considerably in excess of 3 per cent a year. I have in mind the City of Edmonton where it is said that the annual rate of growth is of the order of 8 per cent. In Calgary the growth, although somewhat less, may be of the order of 6 per cent. East Kildonan, West Kildonan, St. James, Fort Garry and St. Vital as a group of municipalities are experiencing urban growth at the rate of about 7 per cent to 8 per cent per annum.

Private Enterprise and Government

The policy of the Government is to press forward with an ever-increasing supply of new housing by measures which seem to be prudent, reasonable and fitting to the concept of the majority of Canadians as to the role which Government should play in an undertaking which has been, and should remain, essentially one for private enterprise. We prefer, and I am quite sure that the members of this Real Estate Board also prefer, that the maximum amount of new housing be inserted into our housing stock on an economic basis. By this I mean that it would be desirable if no element of Government assistance were required and if all Canadian families were able to pay economic rents, or their equivalent in the field of home ownership. Were such the case, then the National Housing Act would today be very different legislation.

Notwithstanding our desire to see private enterprise do the whole job, there is reason to believe that there are housing needs which neither are nor can be looked after by the traditional method of adding to our stock of housing. In a city such as this, it probably is the case that about one-third of the population are in a position to acquire new houses either in the home ownership or the rental fields. Over the years the traditional method of adding housing to our stock has been for this economic third to acquire the new housing, and the remaining two-thirds of the population to acquire second, third, fourth and fifth-hand housing at prices which are commensurate with their family income or resort to multiple occupancy. If a condition develops, and in degree I believe it has, that this filter process is not fully meeting the needs of the population as a whole, then it seems to the interest of everybody, including private enterprise, that facilities should be made available so that the more pressing housing needs of people of all income classes can be met.

It was against this background that three years ago the public housing provisions of Section 35 were approved by Parliament. This section provides for economic housing but it also envisages public housing involving rental subsidies to families whose incomes are so low that economic rentals cannot be paid by them. I would like to emphasize, however, that this measure was brought forward on the basis that it would be employed only upon the request of provincial governments, and with their participation. For constitutional and other reasons, the Federal Government feels that the provincial governments, together with their emanations, the municipalities are in the best position to know what is needed for each municipality. It's a basic principle of operations under Section 35 that subsidized projects can proceed only when the province and the municipality are sufficiently impressed with the necessity for such projects.

I would prefer, and I am sure you would too, that all new housing be on an economic basis with no rental or other form of subsidy. But if the field is to be reserved to economic housing produced by private enterprise, then entrepreneurs in the housing field will have to find some manner in which the nation's total housing needs can be looked after. It's not my purpose tonight to build a case for public housing to this meeting, but I think it is fair to say that there are sectors in our economy where

families badly in need of housing and whose lives would be enriched through an improvement in housing conditions, are unable to secure such housing through traditional means. Therefore, the challenge to private enterprise is to find ways and means in order to achieve a full coverage in meeting our housing needs.

And while I'm on the subject, I think that discussion of this problem might be clarified if we could find a universally acceptable working definition of private endeavour in the housing field. I know that you will believe me when I tell you that I receive representations of various kinds which lead me to believe that there is some misunderstanding or difference of concept of just what constitutes private endeavour.

Some people, including a number of house builders, are, I believe, opposed in principle to any intervention by the Federal Government in the housing field. They seem particularly opposed to Section 35, presumably because it provides for a direct subsidy element. But we receive from these same people fairly frequently, suggestions that interest rates might be lower, down payments might be less, participation in joint loans by Central Mortgage might be more, that the amortization period should be increased, that the buy-back provisions in the event of non-sale to prospective home-owners might be more general and that steps might be taken by the Federal Government to ensure a regular flow of mortgage money from the lending institutions. All of these things require Government participation. For example the present interest rate of $5\frac{1}{4}$ per cent would be $5\frac{3}{4}$ per cent if 25 per cent of the loan were not Government money at $3\frac{3}{4}$ per cent. The amount of the loan would be 60 per cent instead of 80 per cent if the Government did not participate, and the amortization period would be 10 years rather than up to 30 years as provided in the National Housing Act.

Hardly a week goes by but that some proposal is sent to me by people in the private enterprise field who feel that Government should be doing something about this or that in the housing field. However, as soon as Government help to look after the type of need I have described to you for less fortunate families, then there is protest. Well, the field is wide open. The real challenge to private endeavour is to look after all the needs of the Canadian housing requirement. The assisted interest rate, increased amount of loan and guarantees of the National Housing Act and the buy-back provisions seem appropriate to me but I do think that a real private enterpriser, true to the principles of what I understand to be private enterprise, would take as vigorous an objection to this type of participation by the State, as he would take to other forms of participation such as provision of subsidies to families in a public housing project. In the final analysis he builds the houses in any event. The house building industry is doing a great job. It has done a job of housing Canadians which compares favourably with that done in any other country. But just as in so many other segments of our economy, there are a few in it who seem to be seeking more and more Government assistance, while at the same time trying to retain the reputation of being rugged private enterprisers.

Government in Secondary Position

Another example is that when credit circumstances are favourable, the National Housing Act should have, as a basic principle, direct participation by the State. In fact, the policy of the Government is quite the contrary. The National Housing Act is designed to provide important encouragement and stimulus by the Federal Government to our traditional manner of adding to our housing supply. At the same time, it is designed so that the Federal Government, through its agency Central Mortgage and Housing Corporation, shall be in a secondary rather than a primary position. The majority of the operations under the National Housing Act take the form of joint loans, where the lending institutions are the administrators and for all practical purposes are the mortgagees as far as the borrower and home-owner are concerned. Likewise, in the case of loans made to limited dividend companies for low rental housing, care is exercised that Central Mortgage be only a mortgagee and that suitable management for the low rental project shall be provided by local groups. In our public housing arrangements one of the basic principles is that whereas the property shall be owned in common by the Federal and Provincial Governments, the actual management of the property, selection of tenants, and all other matters directly connected with the landlord position are in the hands of a local housing authority. All through the various provisions of the National Housing Act, you will find the same principle. I am sure that many Canadians find this policy to their liking.

I believe that there are many practical dangers if the Federal Government were to become the landlord of a large number of Canadians. This is more than a personal opinion. It will be recalled that immediately after the War we embarked upon a substantial programme of rental housing for returned veterans. This programme has been reasonably successful. Central Mortgage are a much smaller landlord than they were a few years ago by reason of the sale of a large number of these units to their occupants. However, our experience at that time and now indicates quite clearly why a Federal agency such as Central Mortgage should not be the landlords of Canadian families. Likewise, in the lending field, I think there is a great advantage to be gained if our established lending institutions are the administrators of the mortgage under the National Housing Act, rather than it being handled on direct account by Central Mortgage. On the other hand, occasions arise where the following of this reasonable policy just does not appear to be in the public interest. For instance, it became apparent that for a number of reasons loans under the National Housing Act were not available to Canadians who wished to build houses in communities of 5,000 population and under. The lending institutions had good and sufficient reasons (which I can well understand) for not wishing to take this type of business under the joint loan procedure. But we were left with a blind spot in our lending structure and as a result Parliament gave Central Mortgage authority to make direct loans where, in their opinion, joint loans were not normally forthcoming under the National Housing Act. I don't like the principle of this direct lending, but prefer it to the absence of National Housing Act loans for an important group of Canadians.

Another example is that when credit circumstances changed during 1951, loans under the National Housing Act were not available in a number of communities of 5,000 to 50,000 in population. We felt, and I am sure everyone in this room would agree, that there was a good reason why a resident in one of these communities, like any credit-worthy Canadian in our larger cities, should also be able to take advantage of mortgage borrowing under the Act. In these cases we were able to follow the basic policy of maintaining the secondary position of Central Mortgage, and yet have loans made in these communities. An agency arrangement was entered into whereby, with funds supplied by Central Mortgage, the lending institutions can make these loans in such communities and act as the mortgagee.

I mention these examples to show that whereas the basic principles behind the operations of the Government under the National Housing Act are designed as stimulus and encouragement in a secondary role, nevertheless where circumstances arise wherein it is felt that the national interest is not being served, the Federal Government has not hesitated, and will not hesitate in the future, to step into the field. But in so doing we make every effort to use existing facilities and avoid a primary position. Nor do I think, Mr. Chairman, that this is in contravention of the basic principles which I outlined as guiding us in our housing policy. We are anxious that there be as little intervention on a direct basis as possible. Rather we lean towards the maximum of stimulus and encouragement to the traditional and relatively satisfactory manners of adding to our housing supply.

I come back to my earlier suggestion, that the ideal condition would be that, through the field of private enterprise, all the housing needs of Canada were looked after. It is only to the extent that this is not taking place that the Federal Government is drawn into the field. The most outstanding example of this policy was the introduction of Section 35, when the Government believed and Parliament concurred that some housing needs in our larger communities could be best met by making an arrangement whereby the two senior governments, in partnership, could provide rental housing when those families not able to afford economic housing of their own could not otherwise secure satisfactory accommodation.

I understand that some consideration has and is being given to a public housing project in Winnipeg. It would be inappropriate for me to make any comments on it at this time because no formal application is before us. I repeat what I said earlier, however - that we are willing to participate in a worthy project provided that the other levels of government wish to proceed.

Our country is growing space, and nothing is more important in its development than that Canadians be adequately housed. I need hardly tell a group like this that a satisfactory economy must have as one of its main elements the welfare of the people who form our nation. The Government places great importance upon a continuing satisfactory volume of new housing, not only to look after our ever-increasing number of families, but also to correct some of the less satisfactory housing conditions which presently exist in many parts of the country.

There will be no reluctance by this Government to take every reasonable step to ensure that, within the circumstances of the moment, the volume of new housing is commensurate with the current needs of the nation. However, whereas Government can take these steps, it is well-known to all of us that without the enthusiastic co-operation of those in the housing business they will be of little avail. Not even the most enthusiastic supporter of Government intervention in the housing field, will believe for a moment that a satisfactory volume of housing can be produced in Canada without the operation of our well established means of producing such houses, made up of groups like yourselves in the real estate business, the house building industry, the suppliers of building material, labour in the construction field, as well as financing from our lending institutions. The problem is both an important and a complicated one, requiring the efforts not only of government at its various levels, but particularly of groups like this one with whom I have the great privilege to be present this evening.

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 to be compared with the great privilege to be present
 in this evening. And the Government is not interested
 in the future, to be sure, but in the present and
 every effort is being made to bring about a
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