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Housing in Canada



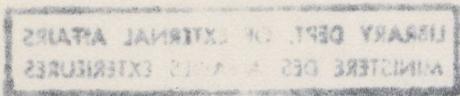
Reference Paper 101

Housing in Canada

(Revised April 1977)

53-682-537

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Ottawa



Produced by
Information Services Division
Department of External Affairs
Ottawa, Ontario, Canada
K1A 0G2

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Cat. No.: E 52-1/101

ISBN- 0-662-00994-0

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Canada's population grew from over 14,000,000 in 1951 to nearly 21,600,000 in 1971 and to an estimated 23.1 million in 1976. It is expected that, by the year 2001, it will reach some 30.8 million, more than double the 1951 figure. There has been a corresponding increase in the demand for new housing throughout the country, which is expected to continue.

As the population has expanded, so has the pace of urban development. In 1956, the population in urban areas represented 66.6 per cent of the total; this proportion rose to 73.6 per cent in 1966 and to 76.1 per cent in 1971. Approximately 36 per cent of the urban population was concentrated in cities of 500,000 or more in 1961. By 1976, some 42 per cent of the urban population lived in these large urban centres, roughly the same as in 1971. Urbanization during the past 20 years has seen a massive movement into the largest cities; it is not expected, however, that this trend will continue into the future. It is estimated that by the year 2001 about 50 per cent of the population will be living in nine large metropolitan areas, while all 23 census metropolitan areas will hold slightly less than 60 per cent of the total Canadian population. The highest growth-rate is expected in the cities with 30,000 to 120,000 population.

Family fission

The "undoubling" of traditional households owing to changing living patterns also affects housing demands. Formerly it was not uncommon for as many as three generations of a family to live together in the same house. Recent surveys indicate, however, that an increasing number of children move away from the "core" household as they grow up; and a large number of elderly persons also live by themselves.

Thus changing social patterns, urbanization and population increase, combined with continuing immigration and replacement of deteriorated housing stock, will set the pattern for Canada's housing requirements in the coming years.

In response to these housing demands, the Federal Government is undertaking intensive studies to ascertain long-term housing needs and, with the help of private investment and initiative, will provide for the construction of about 1,000,000 new housing units between 1975 and 1980. Federal responsibility for housing is discharged through Central Mortgage and Housing Corporation, a Crown company set up in 1946 to administer the National Housing Act.

High ownership percentage

Canada has a strong agrarian heritage. The country was pioneered by owner farmers rather than tenant farmers, among whom the leaseholds and "lifetime" mortgages found in Europe were almost unknown. So it is not surprising that 1971 figures indicate that a high proportion — more than 60 per cent — of Canada's total housing stock of about 6,000,000 units is owner-occupied.

To the average man, the price of a new house represents about three times his annual income, and not many can afford to make such a purchase in cash. Usually a house is purchased by means of a mortgage, a long-term loan made on the security of the property itself. Loans of this type are made by a variety of institutions, such as banks, life-insurance companies and loan or trust companies. Mortgage loans may also be made by credit unions, fraternal organizations and even private individuals. The Federal Government and most of the provincial governments also help families to own their own homes. In fact, 20 per cent of the 3,500,000 housing units started since 1954 — more than 650,000 dwellings — have been financed under the National Housing Act.

In recent years, federal participation has been increasingly directed to the needs of low-income groups. In 1975 alone, the Federal Government provided for the construction of more than 40,000 units for families in the lower half of Canada's income range.

Most mortgages are amortized. The borrower agrees to repay, in equal monthly instalments, part of the principal with the interest due on the amount still owing. In this way, the loan is fully repaid at the end of the mortgage period. Between 1967 and 1975, 98 per cent

of all NHA mortgages were amortized over 25 years or more. Mortgage loans from both federal and private sources are available for the construction of rental properties.

Government assistance

Since the introduction of a rewritten National Housing Act in 1954, extensive changes have been made that greatly broaden the scope of federal assistance for housing. In addition to the NHA insurance of private loans, some housing programs are aimed at disadvantaged groups, such as low-income families, the elderly and the rural population. Others provide support for middle-income families and individuals during the first years of home-ownership. Since 1973, NHA financing for housing rehabilitation, land-acquisition and municipal infrastructure has been made available.

Most of these programs combine a loan, a preferential interest-rate, and some form of subsidy or "forgiveness" on the loan.

NHA mortgage insurance

For both borrower and lender, there are several advantages to an NHA loan. The mortgage is insured by the Federal Government against loss owing to default and, since an NHA mortgage may cover up to 95 per cent of the lending value of the property, the down-payment is usually smaller than that required for a conventional mortgage. The 5 per cent equity each borrower must provide from his own resources may consist of cash, land or his own labour, or a combination of these elements. There is a maximum loan set regionally by CMHC for each area of the country.

Insurance companies, banks, trust companies and other lending institutions find NHA-insured mortgages attractive because, in addition to the Government-insurance feature, they offer a good return in a comparatively stable market. When the loan is made, the borrower pays a fee of about 1 per cent into a special mortgage-insurance fund. From this fund, the Corporation undertakes to repay the lender up to 100 per cent of the principal and interest in the event of the borrower defaulting. In such cases, the property concerned reverts to the fund. The percentage of defaults has been very low since the scheme began in 1954.

Formerly, the maximum interest-rate on an NHA mortgage was set by the Government and adjusted quarterly according to an estab-

lished formula. In 1969, the NHA maximum ceiling interest-rate was abolished, with a view to avoiding the fluctuations of NHA mortgage flows that had occurred periodically when the interest-rate was fixed. As a result of the Government guarantee, NHA-insured mortgages still tend to have a lower interest-rate than conventional mortgages.

There are many programs through which the NHA supports modest-cost housing production and subsidizes low-income households. The most important are:

Public housing

The Federal Government, through Central Mortgage and Housing Corporation, offers two forms of assistance for the production of public housing. In such housing, the rents are proportionate to the tenant's ability to pay.

Assistance may be extended:

- (1) Through federal-provincial partnership arrangements, with capital costs being borne 75 per cent by the Federal Government and 25 per cent by the provincial government. The provincial government may require the municipality to pay part of the 25 per cent provincial share on a mutually-acceptable basis. Operational deficits are shared by the federal and provincial partners in the same 75-25 per cent ratio. Each project is managed by a housing authority appointed by the province subject to federal approval.
- (2) Through long-term loans to provinces, municipalities or their agencies for the construction of new units, or acquisition and conversion of existing housing. Such loans may be up to 90 per cent of the costs involved. The Federal Government may make an annual contribution of up to 50 per cent to help pay for operating losses.

Non-profit housing

The Federal Government may also make loans to non-profit organizations for low-rental housing projects. Such projects may be rented either to low-income families or to the elderly, whose limited resources often bar them from the general housing market. A province, a municipality or a private group of public-spirited citizens may form a non-profit company. If the company can show evidence of need in its locality for a low-rental housing project, Central Mortgage and Housing Corporation is authorized to provide, at a lower-than-market interest-rate, up to 100 per cent of the lending value of a

municipality or privately-sponsored project, as determined by the Corporation. Provincially-sponsored projects may receive up to 95 per cent of lending value. Any non-profit organization may apply to CMHC for a contribution up to 10 per cent of cost in the form of a "forgiveness" or beneficial land-lease. Private sponsors may receive a grant of up to \$10,000 for use as "starter-funds". The housing may consist of self-contained units, hostels or dormitories, or any combination of these.

Assisted-rental housing

The assisted-rental program provides builders who finance their building through a conventional mortgage with financial assistance to bridge the gap between the rents they would have to charge to recover their investment and what they could actually expect to receive.

This assistance is in the form of a loan of up to \$1,200 a unit annually, interest-free for at least ten years. It decreases annually as market rents rise and close the gap between recovery rents and market rents. In areas of insufficient rental production, loans can be financed completely by the NHA.

Assisted home-ownership housing

Assistance for home-ownership is also available under the NHA to any family or individual, regardless of income, wishing to buy modestly-priced homes that are usually financed by a conventional mortgage. The assistance is an interest-free loan that is calculated to reduce the market interest-rate to 8 per cent.

Housing for Indians on reserves

Central Mortgage and Housing Corporation makes loans under the National Housing Act to status Indians on reserves for the construction of new houses, the loans being guaranteed by the federal Department of Indian and Northern Affairs.

There is a growing stock of housing on Indian reserves. To facilitate access to it, the National Housing Act has been amended to authorize CMHC to make loans for the purchase and improvement of existing housing, as well as for new construction.

At the same time, status Indians on reserves may qualify for assistance under the non-profit, co-operative housing and assisted home-ownership programs of the NHA. The changes will ensure that

NHA assistance provided to individuals living off reserves is also available to those who live on reserves.

Rural and native housing

In order to provide better housing in rural and remote areas, and to involve those communities in the entire housing process, NHA loans are available at lower-than-market rates through federal-provincial partnerships. A committee composed of persons from the community decides what their needs are, and plans for the construction of new houses or the rehabilitation of existing ones. The financial assistance varies with the income of the eligible family.

Further subsidies

In addition to the preferential loan programs mentioned above, many housing units financed or supported under the NHA are also eligible for subsidies that reduce the shelter expenditure to an affordable level. The maximum number of units eligible for this subsidy varies with the loan program. In public housing and non-profit housing for the elderly, 100 per cent of the units may be subsidized; other programs allow a "mix" of all incomes in the apartment building or the housing development.

Land-assembly

Under federal-provincial arrangements, the Federal Government will provide, through the Corporation, 75 per cent of the cost of acquisition and development of land for public and general housing purposes; profits and losses of such an undertaking are shared on the same 75-25 per cent basis by the Federal Government and the provincial governments. The land acquired may be serviced by the municipality and sold in lots, either to prospective home-owners or merchant builders. In some areas a similar federal-provincial partnership may assemble raw land for future development.

As an alternative, loans of up to 90 per cent of the cost of acquiring and servicing land for public and general housing purposes may be made to a province, municipality or public housing agency.

House-building a major industry

House-building is today a major industry in Canada, carried on by firms, employing from ten to 1,000 or more men, whose product is

aimed at the mass market. The larger firms of merchant-builders can often achieve economies impossible to the builder of a single "custom-built" home.

Such large firms may build from 50 to 300 houses or more at a time on a large tract of land they have purchased and subdivided into building lots. In the larger projects, provision will be made for schools, churches, shops, paved streets, sidewalks, underground utility services, parks and playgrounds.

Winter building

Formerly, construction work all but stopped during the winter, when below-zero temperatures prevented builders from using conventional techniques. In recent years, the construction industry and the Federal Government have made efforts to solve this problem and thus offer year-round employment to construction workers. Research has resulted in the widespread use of improved winter-building techniques, including heated, pre-mixed concrete and temporary plastic tents that can be heated to enclose the construction-site.

Since Canada is one of the world's largest producers of wood and wood products, it follows that a great deal of wood is used in Canadian house-building. It is estimated that three out of four new houses (single-detached, semi-detached, duplex and row) are of wood-frame construction. In wood-frame construction, the basic frame or skeleton of the house is of lumber but the exterior walls, which are added later, may be of stone, artificial stone, brick, stucco, metal or wood. One out of four of the new homes are made of solid brick, stone or cement block.

Of the single-detached houses financed under the National Housing Act in 1976, 68 per cent were bungalows, 25 per cent were "split-levels", 6 per cent had two storeys, and 1 per cent had a storey and a half.

Advantages of prefabrication

Prefabrication as a method of house-building is attracting increasing attention because of the savings that can be made through a centralized operation and assembly-line methods. Housing components such as roof-trusses, exterior walls, interior partitions and kitchen units are made at a central factory and then trucked to the building-site, where a basement has been excavated and a foundation of poured-

concrete completed. Using prefabricated components, two men can assemble a three- or four-bedroom house in five working days. On large projects, with crews of specialists, this building-time can be further reduced.

Continuing research and a changing and expanding consumer demand result in new building materials being introduced into the market in a steady stream. Plywood has now replaced lumber in many interior and exterior uses. Pre-painted plywood exterior siding is a recent innovation. Pre-painted aluminum and steel siding, because they require little maintenance, are used more and more despite a somewhat higher cost. Cold-water piping, coloured exterior siding and moulded bathtubs are a few of the new uses for plastic in house-building.

A typical Canadian house

Data based on new dwellings financed under the NHA in 1976 indicate that the typical Canadian house is a three-bedroom single-detached structure of frame construction with 1,075 square feet of floor area for living space. The average cost of the bungalow is \$40,035, including \$8,989 for the freehold land the purchaser buys with the house. The average resident of such a house would be about 30.8 years old, married, with two children and earning \$10,536 a year. There is, of course, a very wide variation in these figures from city to city throughout the country.

Such a house has a thermostatically-controlled central-heating system with electric fans blowing heated air through wall-ducts and vents into each room. The fuel is usually oil or natural gas. Electric heat is gaining in popularity in many areas.

Hot and cold water are piped into the kitchen, laundry-room and bathroom; the source of water is usually a municipally-operated purification-and-pumping plant. The bathroom is equipped with a flush-toilet, a bath and a shower. An increasing number of homes have two bathrooms.

Because the house is protected by a blanket of insulating material inside the walls, the occupants are shielded from the extremes of winter and summer temperatures and the heating cost is relatively low.

A modern 100-amp electrical service meets the needs of the numerous electrical appliances in the house. An automatic washing-

machine, a clothes-dryer, an electric stove, a refrigerator, a freezer, a television-set, a vacuum-cleaner, a floor-polisher, an electric dishwasher — most, if not all, of these appliances would be found in a typical Canadian home.

Multiple dwellings

In recent years, with the accelerating trend towards urbanization, buildings that make more intensive use of expensive land have become an increasingly important part of the Canadian housing scene. In 1976, more than 45 per cent of the new housing units constructed were multiple dwellings.

High-rise apartments have long been a feature of Canadian cities, often grouped with row or town houses and shopping centres, schools, parks and recreation areas to form an entirely new residential complex.

Condominiums, however, are a relatively new feature of urban Canada, which appeals to the increasing number of Canadians for whom rising construction and land costs have made home-ownership, in the traditional meaning of a detached house, an expensive matter. Condominiums are high-rise apartment buildings or row or town houses similar to those constructed in Canada for many years. But, instead of renting a unit, a prospective homeowner may buy his own apartment or row unit, just as he would buy a detached house. In addition to his mortgage payment, he would pay a monthly sum into a fund for the maintenance of commonly-owned shared facilities such as hallways, elevators, parking lots, land and recreation areas. In many cases, the down-payment required to purchase a condominium is somewhat lower than that required for the average bungalow.

Need for community planning

More and more municipal governments have turned their attention to programs of civic improvement, establishing new departments to direct these activities and employing town-planning specialists. The object has been to help solve the problems created by the rapid expansion of cities into the suburbs and, at the same time, to reinvigorate the centres of cities and rescue them from the effects of decay. To assist provinces and municipalities in this field, the following NHA programs were introduced in 1973:

- (1) A Neighbourhood Improvement Program, offering a broad range of federal contributions and loans through Central Mortgage and Housing Corporation to assist in the improvement of living conditions in seriously run-down neighbourhoods. The purpose of the program is to encourage and support the efforts of municipalities, in concert with neighbourhood residents, to improve their environment and to develop social and recreational amenities.
- (2) A Residential Rehabilitation Assistance Program, under which federal funds are available from Central Mortgage and Housing Corporation to assist in improving and repairing substandard dwellings. This aid, in the form of a loan and partial "forgiveness", is available to home-owners earning \$11,000 a year or less, landlords who agree to rent controls, and non-profit corporations and co-operatives. The program applies to home-owners and landlords in areas participating in the Neighbourhood Improvement Program. In other areas, it operates through special agreements with provinces, and it applies to non-profit corporations and non-profit co-operatives in any area.

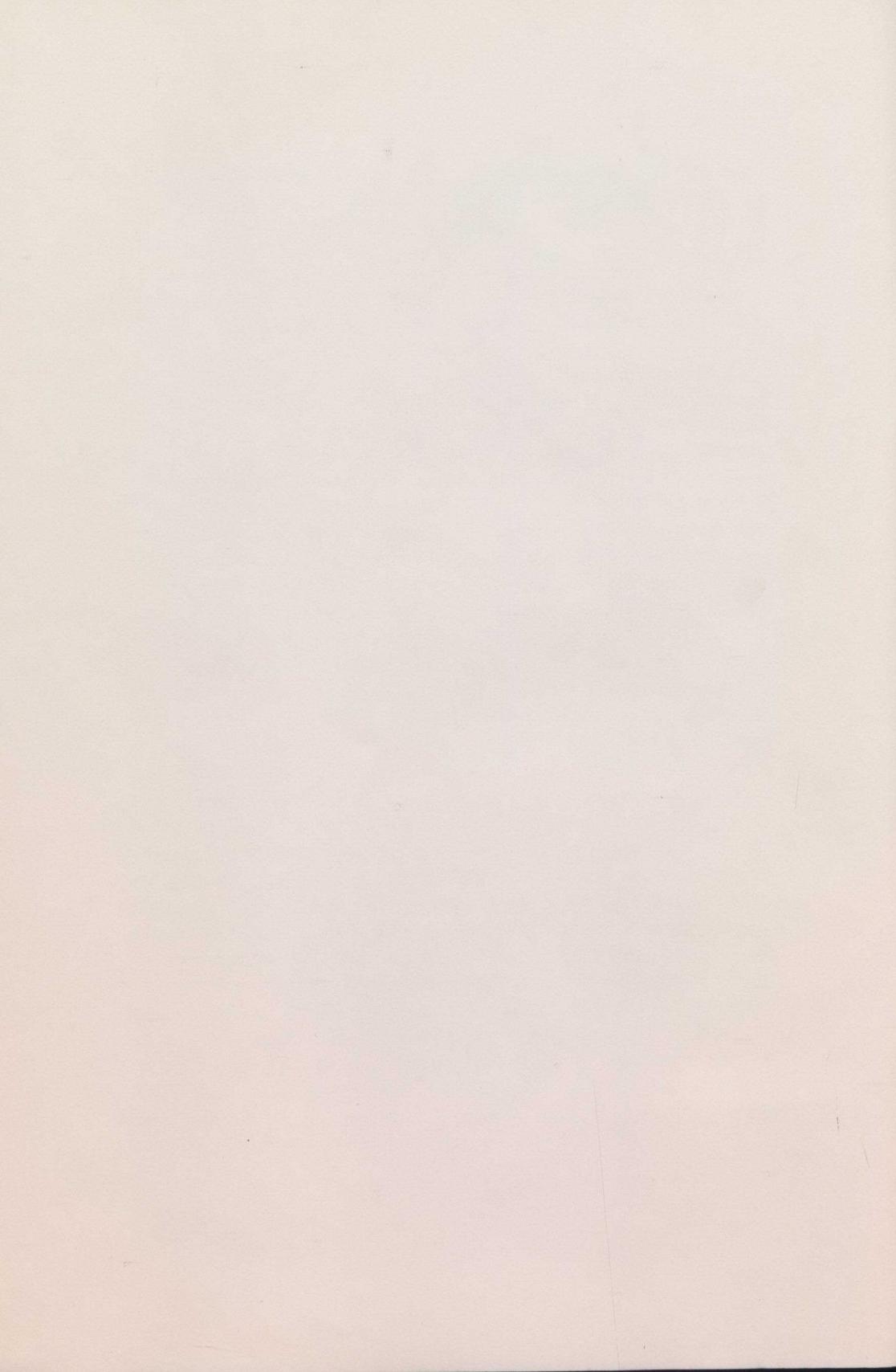
The National Housing Act also provides assistance through Central Mortgage and Housing Corporation for the development of communities either by way of cost-sharing arrangements agreed on between the federal and provincial governments or by way of loans and certain "forgiveness" elements to the provinces or their designated agencies. CMHC may participate in the acquisition of land, including land for transportation corridors and open space in or around the communities, the planning of the communities and the design and installation of services in them. Grants are available to induce municipalities to approve medium-density subdivisions, instead of the low-density zoning that often leads to "urban sprawl". A "new community" is an area of planned urban growth having all the facilities of a self-contained community. Spatially separated from an established community, it may be independent in its economic base or integrated with an existing urban centre.

To stimulate good housing-design and to encourage further research on urban planning, CMHC supports the Community Planning Association of Canada, the Canadian Housing Design Council and the Canadian Council on Urban and Regional Research. These

three groups, though separate in organization and aims, serve as a focal-point for many private and university programs that are being carried on in Canada. They also serve as a clearing-house for the exchange of information and research data.



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ISSN 0707-8576

