



INFORMATION DIVISION

DEPARTMENT OF EXTERNAL AFFAIRS

OTTAWA - CANADA

No. 17 CANADIAN HOUSING AND COMMUNITY PLANNING
(Revised January 1950)

By the end of 1949, Canada had built since 1945 some 370,000 housing units, amounting to an average annual construction of about 75,000 units. Completions in each of the five years are as follows: 1947, 48,599; 1946, 67,315; 1947, 79,359; 1948, 81,243; 1949 (estimated), 96,000; total, 372,516 units.

Today, one of every nine Canadians is living in a new post-war house; completions during 1949 ran at the rate of one every $5\frac{1}{2}$ minutes.

The Problem

The present housing shortage in Canada derives mainly from the depression of the "thirties" and World War II, although it was accumulating to a lesser degree in the earlier decades of the century.

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 per cent. Even in 1939, however, 10 per cent of the housing units were occupied as shared accommodation.

Between the years 1939 and 1949, income paid to individuals more than doubled. During this same period the number of families increased by 30 per cent, with an unprecedented marriage rate of 118,000 annually in this ten-year period, as compared with the previous high of 77,000 in 1929. The increase in the number of families requiring accommodation and in family income soon absorbed most vacancies and placed extreme pressures upon the short supply of housing available at that time. It was possible during the 1939-1949 period to add only 570,000 housing units to meet a net family formation of approximately 780,000.

Consequently, Canada finds itself with a potential of 3.5 million family and non-family groups fitted into a housing supply of 3.1 million units. This does not necessarily indicate an effective demand for 400,000 units, because in the 12 per cent 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 September, 1949, the cost of materials and labour entering into house construction was estimated to have increased between 107 per cent and 112 per cent over 1939 while, at the end of 1949, the cost of living index stood at 159.9, an increase of 59.9 points from 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. In 1949, new housing completions exceeded net family formation for the first time since the war.

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 post-war 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 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 National Housing Act assists the Canadian who wishes to own his home by offering these advantages: reduced down payments, longer payment period, convenient monthly payments and 4 $\frac{1}{2}$ per cent interest per annum (calculated semi-annually). The Act also requires sound standards of construction so that the quality of housing in Canada may be improved.

(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 has been building houses on a rental basis for war veterans and their families. This is a continuation of the construction activities of Wartime Housing Limited (now consolidated with C.M.H.C.), which was formed on February 28, 1941, to build and manage low-rental living accommodation for war workers in congested areas. This interim program has now been replaced by a long-term Federal-Provincial policy applying to housing projects which require provincial assistance authorized by a 1949 amendment to the National Housing Act.

From the inception of the direct rental housing construction program in 1941 to November 30, 1949, there were about 48,000 housing units built and occupied.

Building Materials and Labour

Increase in the output of building materials and growth of the construction labour force necessarily accompanies the post-war expansion of house-building in Canada. An index of physical production of the more important building materials indicates that output in the first six months of 1949 was running about 64 per cent above 1939 levels and 33 per cent over the level of 1945. The construction labour force grew from slightly under 200,000 in November, 1945, to 366,000 in June, 1949.

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Increase in the output of building materials and growth of the construction labour force necessarily accompanied the post-war expansion of house-building in Canada. An index of physical production of the most important building materials indicates that output in the first six months of 1949 was running about 64 per cent above 1939 levels and 25 per cent over the level of 1945. The construction labour force grew from slightly under 200,000 in November, 1945, to 355,000 in June, 1949.

1949 AMENDMENTS TO THE NATIONAL HOUSING ACT

In December, 1949, Parliament approved Bill 142, "An Act to Amend The National Housing Act, 1944". Four changes were embodied in the amendments: two of these were of a minor nature and related to financing by co-operatives and an increase in loans available under the Home Improvement and Home Extension section of the Act.

The other two amendments authorize (1) an increase loan for home builders or home purchasers and (2) Federal-provincial-municipal housing projects. The legislation in respect to the latter is broad in scope and is designed to be comprehensive in character. For example, it can be utilized for a land assembly scheme; that is, making unserviced land ready for a housing development by providing water and sewers and the other necessary services. Alternatively, it can embrace a housing project including the provision of land and services and the building of houses for sale on a lease-purchase arrangement. If a province makes a request for a public housing project in the low-income bracket, authority exists in the Act to implement that proposal, too.

The essence of the Federal-provincial plan is that the federal government is prepared to consider any proposal which might be put forward by a provincial government. Under such a plan the federal government, through Central Mortgage and Housing Corporation, will assume 75 per cent of the initial cost; the province 25 per cent. If the province so desires, it may pass on some of the 25 per cent to the municipality concerned. Operating profits or losses on any of the projects will be assumed on the same basis - 75 per cent Federal and 25 per cent province.

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 purposes are guaranteed by the Corporation.

JOINT LOANSLoans 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, under the 1949 amendment, from 64 per cent to 75 per cent of the money is furnished by the lending institution and from 25 per cent to 36 per cent by Central Mortgage and Housing Corporation.

There are two types of loan available - the basic loan and the higher loan. The basic loan enables a prospective home-owner or builder to borrow up to 80 per cent of the appraised value of the proposed house and lot. The higher loan enables him to borrow the basic loan, plus an additional amount of one-sixth of the basic loan, provided that the sale or contract price is considered fair and reasonable by Central Mortgage and Housing Corporation. The additional one-sixth loan is made only when the house is satisfactorily completed and title is in the name of the purchaser.

The maximum loan obtainable as a basic loan is \$8,500; as a higher loan, \$9,916 - if the appraised value of the house is \$10,625 or more.

Period of repayment may be 20, 25 or 30 years, depending on circumstances. After the initial down payment, the borrower pays monthly instalments on the loan: \$6.30 a month per \$1,000 in principal and interest over 20 years; \$5.55 per \$1,000 over 25 years; and \$5.04 per \$1,000 over 30 years.

Interest rate is $4\frac{1}{2}$ per cent per annum, calculated semi-annually.

Co-operative Housing

Joint loans are also available on the same basic terms for projects by approved co-operative housing societies.

Loans for Rental Purposes

Joint loans may also be made for rental housing projects such as apartments, but the loan may not exceed 80 per cent of the lending value (85 per cent 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.

To stimulate the construction of rental housing, a rental insurance plan was introduced in 1948. The purpose of the plan, which authorizes 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 per cent 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 per cent 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 per cent 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 per cent of the lending value. The period of amortization extends 50 years, and the interest rate is 3 per cent.

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. A grant of this kind, amounting to \$1,150,000, to assist in the clearance in City of Toronto was approved by the Governor in Council in 1948.

Loans to Primary Industries

If stable and permanent employment is to be provided in out-lying 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 authorized 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 per cent of the lending value; the rate of interest is 4 per cent, 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 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: \$3,000, 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 $4\frac{1}{2}$ per cent 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 of 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.

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approved only if housing is available for themselves and their families.

Central Mortgage and Lending Corporation is authorized to give every encouragement to the development of this type of housing in connection with other operations of primary importance.

Any incorporated company engaged in the building, improving, leasing or selling of houses may receive a mortgage. The maximum loan is 80 per cent of the estimated value of the house, less the value of any other mortgages. The interest rate is 4 per cent, but may be increased to 5 per cent 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 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 \$2,000, the cost of building the house or two-thirds of the appraised value of the farm, whichever is the less amount, where there is already a mortgage or other encumbrance on the farm, the amount of the loan is limited to the least of the following: \$2,000, the appraised value of the farm, less the amount of the mortgage, 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 finance the amount of the new loan.

Loans for farm housing bear interest at 4 per cent 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 the approval of Central Mortgage and Lending Corporation, to purchase land to be used for housing development and to have the necessary services installed.

The price of the land to the buyer of 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 home-owners to finance additional self-contained dwelling units in existing houses. They may be used by any chartered bank or approved financial institution, under a license with Central Mortgage and Lending Corporation.

January 12, 1952

W.A.