

# Federal Housing Policy

A Statement in the Canadian House of Commons,  
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Minister of Reconstruction

IT is now over four years since the war ended. Some problems which were emphasized and aggravated by war-time conditions have continued into the post-war period. Housing is one of them and it gives promise of being a long term peacetime problem. Therefore, any approach to the problem of housing should be based on peace-time conditions. Although constitutionally housing is primarily a matter for the provinces and municipalities, the Federal Government believes that any effective solution must involve the fullest cooperation among all levels of government, as well as industry.

Accordingly, on March 2, 1949, the Prime Minister wrote all provincial Premiers, stating that any suggestions or proposals they might care to submit for improving the housing of Canadian citizens would be considered by the Federal Government. At that time, almost all provincial governments were involved with their legislative programmes and were not able to give to the problem detailed attention, although most of them expressed concern and keen interest.

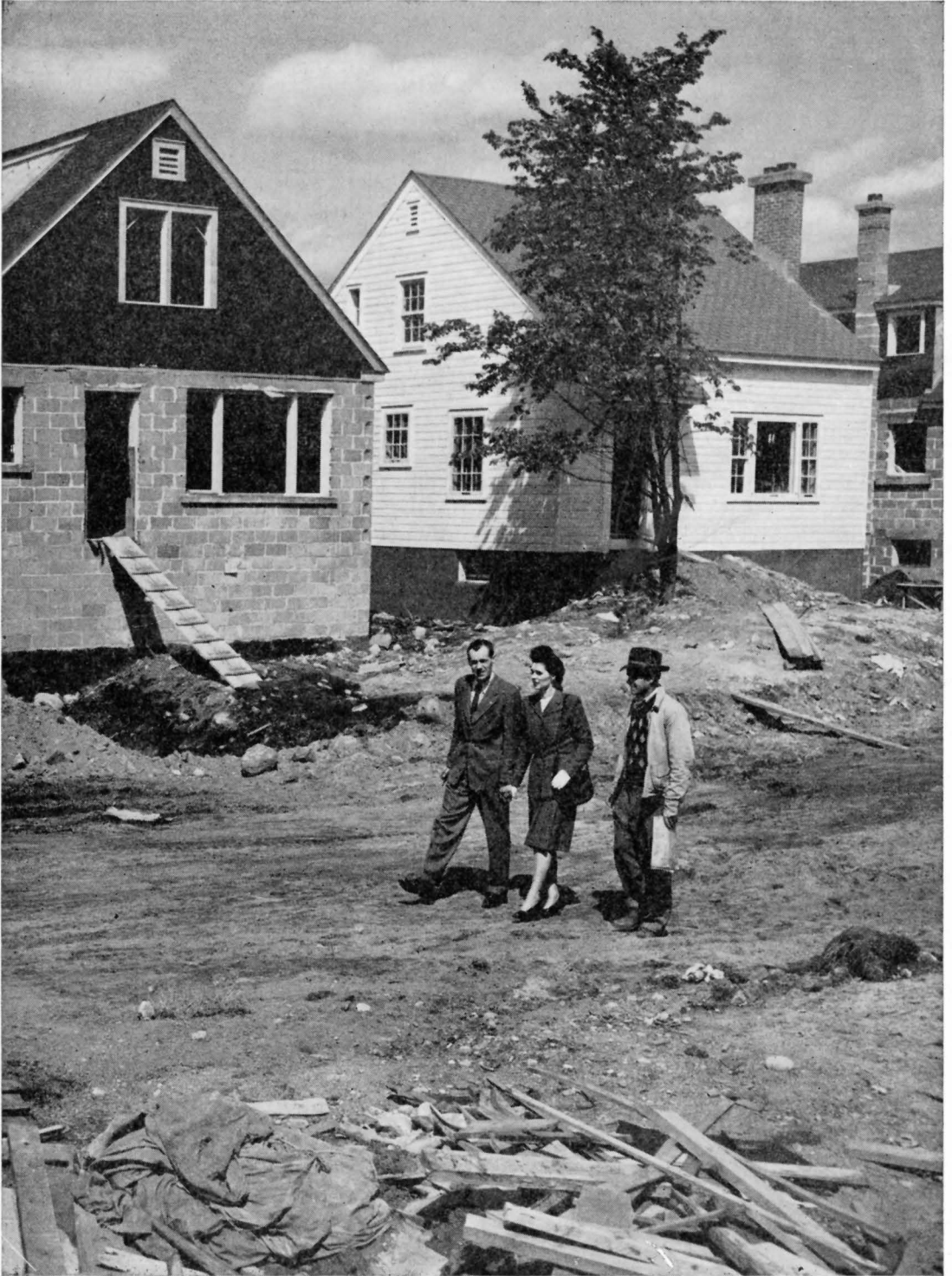
To facilitate consideration of the problem, we recently undertook to view housing conditions as well as building activity in each province and have had conversations with each provincial government about housing. From our discussions it was clear that the provinces recognized their constitutional and practical responsibilities in this field, but the majority indicated that financial assistance would be required from the Federal Government.

This year's housing production will be higher than ever before. It is likely to reach a record high of approximately 100,000 units in 1949. This large number of units has been spread over all the

provinces, but provincial governments nevertheless agree with us that having regard to the high level of economic activity, increase in population, rapid growth of family formations, immigration, obsolescence of existing housing units, and other factors, there will be a continuing need for a large annual supply of residential units. New housing, even at the present record rate of production, is barely keeping up with current needs and making no important inroads into the backlog.

The joint efforts of industry and the three levels of government—municipal, provincial and federal—in their respective fields will be required to produce a larger supply of new units. I believe all provinces agreed with us that it is the desire of the average Canadian to own his own home and that the primary and most economical source of new housing had been and would be from private endeavour. Therefore, any arrangements between the two senior governments should be directed toward the encouragement of more home ownership and also of rental housing by individual effort.

The increasing difficulty for the prospective home owner of low and moderate income to finance down-payment requirements in building a house was emphasized by all provincial governments. The down-payment is the difference between the purchase price and the mortgage financing. The provincial authorities felt that the number of potential home owners could be increased if sound financing facilities were provided to reduce the down-payment requirements. It was recognized that larger mortgage loans might well tend to increase sale prices and there was general agreement that if additional financing for this



purpose is arranged, steps should be taken to guard against inflationary effects.

The shortage of serviced land is a very real obstacle in the way of an increased volume of house building. The abnormally rapid urban growth of recent years has been placing important financial burdens upon municipalities. Many are experiencing difficulty in producing funds to finance roads, sewers, water, sidewalks, etc., for the current house building programme. The provinces and the Dominion feel that this is a field in which the municipalities may need assistance from the senior governments.

During the conversations several of the provinces expressed the view that assistance to cooperative building projects was an important way in which housing might be increased. It was felt that in the medium and smaller communities, particularly in those provinces where co-operative building is customary, it would be impossible to further the development of local interest, particularly among people who are anxious to use owner-labour as their equity in their homes.

It was felt that although heavy reliance should be placed upon private endeavour to produce large quantities of housing over the years to come, it was desirable to take steps which would enable the provinces, joining with the Dominion, to develop projects either for home ownership or for rental. The housing deficit is so great in certain municipalities and the obstacles facing the municipalities so severe that early steps to remedy the situation may well require that projects be sponsored by the Dominion and the province. It is recognized by all concerned that care must be exercised to ensure that such projects do not reduce the flow of new housing by private endeavour.

As a result of these discussions, it is proposed to seek amendments to the National Housing Act this session to provide financing facilities to assist home

owners in down payment requirements. It is considered that such financing facilities would widen the band of potential home owners. It is proposed that the present level of loans to house builders would be little changed. However, it is proposed to seek amendment to the Act extending authority to Central Mortgage and Housing Corporation to make a loan to the home owner purchasing the house from the builder in an amount of one-sixth of the loan which has been made to the builder, provided that the sale price to the home owner is fair and reasonable. This would have the effect of providing financing for the home owner to the extent of approximately half of his present down payment requirements. Because of the danger in such an arrangement that the increased loan to the home owner would have the effect of increasing the sale price of the house, the provision of such extra financing for the home owner would be limited to houses which have been sold at a fair and reasonable price. There would be no restrictions upon the builder as to the price at which he may sell the house. However, the extra loan would only be made to the home owner if, at the time of application for such extra loan, we were satisfied that the sale price was fair and reasonable. Although this larger N.H.A. loan would take the form of two advances, the first to the builder and the second to the home owner, the original mortgage deed under which advances would be made to the builder would be written at an amount sufficient to avoid additional registration and legal costs if a further loan was made to the home owner.

The same principles would be applicable to individuals who are making arrangements to construct their own homes and are not buying them from builders. Larger loans would be available to such individuals provided that the cost to the home owner of building his house was fair and reasonable.

A number of technical matters remain to be determined. I will be able to give

a fuller statement concerning these arrangements at the time the Resolution is being considered by this House. We are not asking the provinces to participate financially in these measures to encourage home ownership by reduction of down payments.

It is proposed also to seek changes to the section of the National Housing Act dealing with co-operatives. In the light of present conditions this section is not effective. Investigation is now going on in three provinces where co-operative housing is general, and I am hopeful that at the time other amendments are introduced, we will be ready to proceed with amendments to the co-operative section of the National Housing Act.

We also propose to introduce legislation to enable the Dominion to enter into agreements with the provinces for publicly assisted housing projects. These projects may take the form of the assembly of land and services to enable an increased volume of housing by private builders. They may take the form of the Dominion and province proceeding with moderate priced houses for sale to home owners. They also may take the form of rental projects, in which event the Dominion and the province would seek local management for the completed project.

During our conversations the provinces favoured the first two forms of project. They appreciated that there is a demand for redevelopment and slum clearance. However, with the present high cost of acquisition of land for redevelopment, the high cost of construction for centrally located fireproof residential development, as well as the difficulty in rehousing families presently occupying land suitable for redevelopment, there is reason for the conclusion that whereas rental housing of this kind may be desirable, now is not the time to proceed on a large scale. I would point out, however, that the terms of the enabling legislation will be broad and flexible enough to enable arrangements with the provinces

which would include rental projects either on an economic or a subsidized basis. Subject to the very real difficulties which I have just mentioned, the Dominion is prepared to proceed with rental housing projects in co-operation with the provinces.

With safeguards that the residential units to be built are of a modest type, the legislation contemplates agreements between the Dominion and the provinces to enter into projects in municipalities where need exists, and where suitable arrangements can be made with the help and co-operation of the municipality. Under the agreement both the Dominion and the province would have to be satisfied with the nature of the project whether it takes the form of land assembly, houses for sale, or rental units. All costs of any project developed under this joint arrangement would be a charge against the project. In developing a project each of the two senior Governments would be responsible for those operations which they are best able to handle. The province would see to the acquisition of the land and make arrangements for services. The province would receive requests for municipalities and other bodies for public assistance in housing. This meets the wishes of the provinces and it is appropriate that they should deal directly with their own municipalities.

The Dominion as its share of the joint undertaking would see to the planning, design and construction of the projects. It is recognized that a number of operations within the spheres of the Dominion and the Province will overlap. For that reason it is contemplated that there would be joint management of the development of each project by the Dominion and the province. Generally each partner would contribute managerial assistance within its own sphere.

Funds for the financing of each project would come 75% from the Dominion and 25% from the province. The project would be charged with a rate of interest slightly higher than long term

Dominion rates in respect to the Dominion's share of the investment. In respect to the province's share, its long term interest rate, with a like differential, would be a charge against the project. Amortization of the original investment by the province and the Dominion over appropriate periods would be a charge against the project. In the case of land being assembled for sale to private builders, and in the case of houses for sale, it is likely that the investment by both Governments would be relatively short term. Where the project takes the form of rental units, appropriate amortization periods ranging from 30 to 50 years would be established.

The annual profit or loss resulting from each project, whether land assembly,

home ownership or rental units, would be shared 75% by the Dominion and 25% by the province.

It is proposed that the municipalities would receive as a payment in lieu of taxes an amount equivalent to taxes received by them on the basis of normal assessments and normal tax rates for comparable property. The level of these payments in lieu of taxes would be determined upon the advice of the Department of Municipal Affairs and the Municipal Board of the province concerned. If a province felt that municipal financial participation in the project were necessary or desirable, arrangements could be made by them for the municipality to assume a portion of the province's share of 25%. In any event, the

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The suburban areas of Canadian cities are expanding rapidly. These modern homes in Victoria, B. C., are typical of those being built in many parts of the country.

arrangement between the Dominion and the provinces would be unchanged.

There are a number of details still to be worked out, but I have outlined the general proposal. We feel that it would be a desirable partnership between the two senior governments. The proposal is flexible and would enable the senior governments to provide assistance where necessary. We feel that the provinces are better able to deal with land, services and municipalities than is the Dominion. As a result, the operations should be considerably more efficient than if the Dominion were operating in the field alone. Care would be exercised to see that the operations of the senior governments in this field supplement rather than replace the activity of private endeavour upon which we place the greatest reliance for large volume of house building.

The legislation to enable the Dominion to enter into these arrangements with the provinces is being brought forward at this session so that the provinces which need legislative authority to join with the Dominion may bring the matter before their legislatures as soon as possible. I cannot forecast whether all provinces will find the Dominion proposals acceptable. But I can say that without exception provincial Premiers and Ministers have discussed these proposals, as well as other alternatives, in a most friendly way with a determination to improve housing conditions. There is indication that they consider these proposals to be reasonable and it is my hope that most of the provinces will see fit to join with the Dominion in its effort to meet the shortage of housing in Canada.

These proposals are directed towards establishing a long term arrangement between the Dominion and the provinces whereby the nation's housing needs for its citizens can be met. It is hoped that the present form of veterans' rental housing programme can be merged into the new arrangement with the provinces. It is to be remembered that a greater

supply of housing of all kinds will in itself relieve the housing needs of veterans. We appreciate that the housing needs of veterans of World War II is a continuing problem. Therefore, within the framework of these proposals, by veterans' preference where appropriate, we hope that housing for veterans will continue to be provided.

It will be remembered that under the 1949 veterans' rental housing programme the Dominion built houses when municipalities participated by supplying land and services. Our 1949 veterans' rental programme shows clearly an increasing unwillingness and inability of the municipalities to participate in the present arrangements. Therefore, revised arrangements appear to be necessary to maintain a satisfactory flow of housing of this type. Under these proposals if the municipality and the province feel that a veterans' problem exists, houses may be produced for veterans' use. In particular, the Dominion would be quite agreeable to proceeding with joint Dominion-Provincial projects with a veterans' preference. In my conversations with the provinces it was quite evident that the provinces are as aware of the need for houses for veterans as is the Dominion.

No one can estimate the amount of additional housing which these proposals will create. The capacity of the construction industry, continuing effective demand by home owners, as well as the level of income of individuals, all have an effect upon the number of completions of residential units. No single method or approach in itself is a complete solution. The measures proposed to-day would be helpful. They may have the effect of increasing the total number of completions. If, for any reason, the volume of new residential starts should tend to turn down, these measures may well have the effect of maintaining a reasonable level of residential construction. They are an important step to minimize the wide swings in residential construction which have been the experi-



Construction of dwelling units, erected under public and private auspices, continues at a high rate in Canada, establishing new records each year.

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ence of the past. However, I would emphasize that these proposals are not our whole housing programme. We will continue to press other measures which have proved successful in recent years, such as N.H.A. loans of other kinds, rental insurance, the expediting of building materials, the programme of married quarters for the Department of National Defence, as well as research work directed towards improved methods of construction and economics in home building.

I hope the proposals outlined to-day will commend themselves to the House. Some success has attended our efforts in increasing the capacity of the house

building industry. There is no desire by the Dominion to enter the direct construction field. The policy as enunciated by the Minister of Reconstruction and Supply in 1946 is the keystone of our present policy; that is, the creation of conditions favourable to a large housing programme by private individuals and companies. Only to the extent that housing needs are not being met, is it proposed that the Dominion and the provinces will enter the field. It seems to me that only by the co-operative efforts of all levels of government and the house building industry can we maintain our high volume of new residential construction and increase it beyond its present level.