

# The National Housing Act 1938

By HORACE L. SEYMOUR

*The Nova Scotia Town Planning Act of 1912 contained a provision to encourage Councils to guarantee bonds up to one-half the capital required for any company carrying out a Housing programme on any area planned under the Act. This feature was omitted from the 1915 Act which was a "compulsory" Act. Certain municipalities were required to prepare plans within three years, amended in 1919 to six years but it has been found such legislation does not always work. What is mostly needed, is legislation so drafted that the municipalities that really wish to plan can do so most effectively.*

## N. S. Housing and Town Planning Legislation

IT is understood that the Nova Scotia Town Planning Act is to be amended, and no doubt its relationship to existing housing legislation will be considered. The Nova Scotia Housing Commission Act 1932 encourages the formation of housing companies. Prof. S. H. Prince of King's College, Member of the Nova Scotia Housing Commission, points out in his recent *Society and the Housing Crisis* that:—

The Nova Scotia Housing Commission Act of 1932, first legislation of its kind in Canada, incorporates the principles of tax-exemption and rent restriction. Governmental long-term, low-interest loans are available to companies building under the Act.

This Housing Act also encourages the creation of local Planning Boards under the "Town Planning Act". This, of course, is the most desirable kind of co-operation.

Preceded by thorough educational

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courses in co-operative housing, there is the beginning of a movement for co-operative housing in Nova Scotia. This has been made possible with the assistance of the Extension Department of St. Francis Xavier University and the co-operation of the Nova Scotia Housing Commission.

Housing Co-operatives have been most successful in continental European countries, especially in Scandinavia; Building Societies most successful in Great Britain and the United States. In Great Britain the building society plays a prominent part in the life of the ordinary wage earner. Small savings are accepted. Advice is given about houses. The Building Society has succeeded where the Housing Co-operative, involving complete co-operation as to ownership as well, has not been organized to any great extent. The Building Society seems to suit the Britisher, especially where single homes instead of apartments are to be built. It should be emphasized that Building Societies, as far as building is concerned, are co-operative and not organized for commercial gain.

Such a lengthy introduction, as this, to the consideration of the provisions of the National Housing Act 1938 is only justified by restating the belief of the writer that active leadership or assistance in encouraging a housing program must come not only from public spirited bodies and individual citizens in the municipalities or from industrial and labour organizations, but also from provinces and municipalities. Canada's new Housing Act provides for low-interest, long-term money under certain conditions, but the Act does not provide (as has been done in some countries) for the construction by federal authorities of any low-cost housing or slum-clearance projects. In general we need happy relationships in Dominion-Provincial-Municipal affairs, if we are to avoid

waste and reduce the tax levy. In particular, the National Housing Act 1938 cannot be successful without such co-operation. Let us see what is required of each party in the transactions that should bring us nearer to that ideal of *Homes for All*.

### The Dominion's Part

Part I of the National Housing Act 1938 repeals the Dominion Housing Act 1935, but re-enacts most of its provisions. Important amendments and additions are designed with the assistance of the lending institutions to extend the facilities of the Act to families in lower income groups and in rural as well as in urban areas.

Under the provisions of the Dominion Act 1935, the Dominion loaned about \$4,500,000. The total amount authorized for loan under Part I of the National Housing Act is \$20,000,000. That means a balance of \$15,500,000 is still available as the Federal Government's part of such housing loans. When a loan is desired, application is made locally to a lending institution.

Part II of the National Housing Act applies to low-rental housing, and involves new principles in the relationship of the Federal Government to the housing problem. In some provinces legislation in regard to taxation will be necessary and in general co-operation is required on the part of provinces, municipalities and public spirited citizens in the municipalities. Under this part of the Act the Federal Government is prepared to make all of the loans for low-rental housing projects up to a total of \$30,000,000 (to be loaned pro rata to urban population). This should provide in the next few years for about \$35,000,000 worth of housing units that are to be rented to families of limited income.

Part III of the National Housing Act applies to assistance to municipalities in respect of low-cost houses other than those covered by Part II. Such assistance, by way of the payment of a part of the municipal taxes by the Federal Government, in varying proportions and for a limited period, is only for one-

family dwellings costing not more than \$4,000, when erected by the owner for his own use and if under construction before the end of the year 1940.

Under Part III of the Act the amount of tax assistance in the next three years would be some \$5,000,000 if the assumption of the Minister of Finance be correct that \$100,000,000 worth of buildings may be constructed under the tax-assistance provisions of this part of the Act. The cost of a building lot is governed and would add only a small percentage to the cost of the building.

### Lower Cost Homes

Under the provisions of the Dominion Housing Act 1935, and before the passage of the National Housing Act 1938, over 4,000 family units were provided, for which the average loan was over \$4,000.

At the end of March, 1938, Dominion Housing Act loans in the Maritimes were as follows:—

	No. of Loans	Amount	Family Unit
P. E. Island.....	10	\$ 54,034	10
Nova Scotia.....	314	1,392,933	316
New Brunswick..	63	275,967	66

With but three or four exceptions, all the houses built in the Maritimes under the provisions of the Dominion Housing Act have been single family dwellings, with an average loan per family of well over \$4,000.

Since at the most only 80% of the value of the house and lot could be loaned, the average cost of homes developed under the D. H. A. is over \$5,000 whether in the Maritimes or in all Canada.

Under the new National Housing Act, the lending institutions are encouraged to make loans for homes costing \$4,000 or less in both rural and urban areas. This is done through additional guarantees and special payments where extra travelling is involved on the part of lending institution officials.

If a house is commenced before the end of the year 1940, and if the municipality that owns any suitable lots is willing to sell at not more than \$50 per lot, then the Federal Government will

pay taxes levied on the house only, (where as explained the house is a single family dwelling, costing not more than \$4,000, and built and occupied by the owner), as follows:

- 100 per cent the first year,
- 50 per cent the second year, and
- 25 per cent the third year.

A person building a \$4,000 home under the National Housing Act is still required to make a twenty per cent down payment and equal monthly instalments over a twenty-year period to retire principal and interest at five per cent. If, however, a home costing not more than \$2,500 can be built, the down payment is reduced to ten per cent.

This is a most important provision as most workers cannot raise the twenty per cent of the purchase price as was previously required; the severe depression of recent years has depleted the savings of thousands of prudent and thrifty families.

The \$2,500 home also enjoys Federal tax assistance for the first three years that taxes are levied, and, as explained special provisions have been made to encourage the lending institutions to engage in these smaller loans.

While it is felt that the farmer with his own labour may build the \$2,500 home, it is very doubtful if, except in British Columbia, the urban or suburban home can be built at that cost. At the best it could only be accomplished through mass production and wise planning to secure reduction in the cost of both building and utilities. The "pre-fabricated" house may yet be the solution of the problem though, so far, it has not meant less expensive construction.

It would seem that it is for the homes costing between \$2,500 and \$4,000 (requiring annual incomes of from \$1,000 to \$1,600) that assistance is needed to provide the intending owner with at least half of the twenty per cent down payment he is required to make, and for the lack of which he cannot build. If people with these incomes can be induced to build then the employment provided, can help those in the lowest-

income groups. It is submitted that the Building Societies of Great Britain, the Building and Loan Associations of the United States, and the Housing Co-operatives of other countries are the kind of organizations necessary to further the housing program now begun by the Federal Government.

### Low-rental Homes

The Federal Government wants to help by way of low-interest, long-term money but it must be assisted in actual construction of low-rental projects by the municipality under provincial guarantee or by a limited-dividend housing corporation. In any event the municipality must be authorized by the Province to collect not more than one per cent of the cost of any low-rental project by way of taxes and the municipality must be prepared to collect even less if necessary to ensure payments for interest and principal being regularly made.

An urban municipality can obtain a ninety per cent loan from the Federal Government but must also obtain a provincial guarantee for such loan. For this and other reasons it seems likely that the limited-dividend corporation (composed of public spirited citizens) must be depended on for effective action. While it may obtain only an eighty per cent loan from the Federal Government, a provincial guarantee is not required, the interest rate is only  $1\frac{3}{4}\%$  per annum payable half yearly and the principal can be repaid over a 35 year term.

The savings effected under the provisions of the National Housing Act should cut the economic rental of about 1% of the cost of home or apartment per month down to about  $7/12\%$  per month. The average maximum income of the family permitted to occupy the average maximum housing unit of \$3,000 would be \$1,800 per year and the assisted rent \$17.50 per month.

Of course, it is the lower incomes in which we are interested. Allowing 20% for rent, a family income of \$850 would be required for the \$2,400 apartment—if, as it is hoped, it can be built—and the assisted rental would be \$14 per

month. To reach lower incomes a rent reduction fund, subscribed to by the municipality or province, is suggested in the National Housing Act.

The area in which a low-rental housing project is being developed must be adequately planned and the zoning regulations must be sufficient to secure the loan during its life. Adequate municipal services must be available or be supplied forthwith.

### **The Province's Part**

In outlining the Dominion's part in the National Housing Act, most of what the province, the municipality and the individual must do has been detailed, or at least suggested. Leadership in all provinces by a Provincial Planning Board as in New Brunswick, or by a Provincial Housing Commission as in Nova Scotia, is strongly recommended.

If low-rental housing projects are to be provided under Part II of the National Housing Act, the province must legislate so that the municipality may collect annually not more than one per cent of the total cost of the project in lieu of taxes of all kinds, and as previously explained, if necessary, a lesser amount.

If the municipality feels in a position to undertake the construction of a low-rental housing project, the province must guarantee the ninety per cent of the cost which the Dominion may loan the municipality.

It has been mentioned that the area in which a housing project is being developed, must be adequately planned and zoned. Emphasis is placed in the National Housing Act and in statements of Federal Housing Administration officials on the need for adequate planning of areas where individual homes, as well as low-rental projects are to be built, and for zoning regulations and building codes that will protect the communities, where the housing units are constructed, against the intrusion of undesirable structures or a type of development that might destroy property values of the individual. Because it has been demonstrated that neighbourhoods without such control may

become blighted long before the individual houses suffer from age. And it has been pointed out that no matter how well you build your home, if a filling station or store takes over the adjoining lot, your investment is impaired. Also, no matter how well you build your beautiful house, if the other beautiful houses in the neighbourhood subsequently become occupied by people who live one-family-to-a-room and leave their garbage, ashes and waste on what used to be the lawn, your investment suffers. Under the provisions of the National Housing Act its administrators are insisting on practical requirements for building and for zoning regulations or protections that should result in sane standards for neighbourhood maintenance. The needed planning legislation must be enacted by the province.

### **The Municipality's Part**

We may briefly restate how the municipality may help in providing homes under the provisions of the National Housing Act.

If or when the province has provided adequate Town Planning legislation, then the municipality must plan and zone for the purposes already outlined. This involves study and technical advice but is one sure way of reducing the tax levy or at least of making the tax dollar represent more essential services.

If the individual building a \$4,000 home or less is to take advantage of the tax assistance provisions of Part III of the National Housing Act, the municipality must agree to charge not more than \$50 per lot for a reasonable number of lots, if such lots are owned by the municipality and suitable for residential purposes.

In regard to low-rental housing under Part II of the Act, the municipality must approve the low-rental project, must agree that taxes of all kinds levied by it shall not exceed one per cent of the cost of the property and that no income tax be levied on the limited-dividend housing corporation. Adequate municipal services if not available must be supplied by the municipality.