

Principles of Low Rent Housing

By LEONARD C. MARSH

CANADA'S minimum needs for housing were set in the Committee on Reconstruction's Housing Report at 606,000 units for the first ten years after the war. This average target of at least 60,000 a year was arrived at only after the most detailed assessment of the available facts, and anyone who examines the mine of information in that Report will see that it would not have been difficult to set the programme at a much higher figure. For one thing, only half of the estimated backlog of substandard dwellings (350,000 units in 1941) was included in the total; for another, this total takes no account of rural and farm needs. However, taking this minimum figure as yardstick it might seem that, with a slow start, building has been catching up with the target. In 1945 about 43,000 units were built; last year about 62,000. Early in the present year, 80,000 units were predicted as the possible achievement for 1947. Why should there still be complaints, shortages and harrowing examples of inadequate accommodation on all sides?

One of the reasons, undoubtedly, is that there has been a much less satisfactory price control than might have been maintained (and its virtual abandonment in the United States has made matters worse). Equally, if a determined national housing programme had been set as a No. 1 objective, strong priorities could have been enforced through building material controls especially, against all non-essential types of construction. In the competitive situation which has actually prevailed, costs of all

building have sky-rocketed. With a steady decline in the statistics of building permits and the announcements of the abandonment of several housing projects because of mounting costs, it is very doubtful indeed if the figures will hit the 80,000 mark this year.

But there are other reasons. An aggregate figure of housing units does not tell enough of the story. The implicit assumption of the Curtis Report recommendations is that the national programme would be divided reasonably between home ownership and rental housing, would contain a definite proportion of genuine low-rental projects (as well as some farm housing), and would mark a beginning in slum clearance.

Incomes and Rents

In short, housing programmes mean nothing unless they are related to the hard facts of the distribution of income. Judged by one of the best measurements available—income tax statistics—61.3% of all wage and salary earners who made returns for 1941 came below the \$2,000 level. Corresponding figures for 1944 and 1946 show the percentages to be 68.4 and 68.7 respectively. (The latter figures do not mean that incomes are lower in the post-war period, but probably that there are more earners—and fewer soldiers—than before the war; but the proportion in the lower income brackets is more marked than usual). Family incomes are undoubtedly higher than these individual incomes (which include many supplementary earners) indicate; but it would be generous to suggest that more than one-third of all Canadian families live on more than \$2,500 a year, even with current wage increases taken into account. Why is this significant? Because it is a well known rule of thumb that a family man should not attempt to build or buy a home of more than twice the value of his annual income. If \$5,000 is taken as the upper limit of a modest home

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purchase—and this is a conservative figure indeed, in these days—this means that assisted home building has little or nothing to offer two-thirds of the population. Now it is true that if building costs can be brought down, and if ways and means of assisting the home purchaser are persisted in—both eminently desirable—it is possible to hope that this proportion of one-third can be enlarged to fifty per cent of the population.

But what of the tenant families—now, as well as later on? The other significant ratio in the housing equation, which applies to them, is better known: that families of moderate income should not pay more than one-fifth of their income for rent.¹ In practically all our large cities, it is safe to assume that at least half of the families at present living in rented dwellings have incomes of less than \$1,800. The Housing Report enquiry on this point for 1941 showed that one-third of all tenant families in the twelve largest cities of Canada earned not more than about \$1,200; and even the middle third (between \$1,200 and \$1,800) averaged only \$1,389. Again, allowance has to be made for wage increases since the war (though along with this goes higher prices of food, clothing and other essentials). But clearly most city wage earners can only afford to pay rents of \$30, \$25, \$20 and even less. And real low-rental housing, which meant “below \$20” before the war, still cannot mean much more than \$25 to-day.

In this perspective, it is quite easy to see that even higher figures of annual building of the present types would not ease the shortage. War-time Housing units rent from \$22 to \$35, some at \$40. They are generally reserved to veterans, but in any case these rents assume an average income of at least \$1,500, and a good deal more if proper

allowances were to be added to the rents (i.e., on an ownership and permanent basis) to take care of maintenance and improvements, and a more proportionate share of city taxes than War-time Housing units at present pay. Secondly, there are N.H.A. houses, that is, houses which have been erected under the provisions of the National Housing Act. These may have been built before the war with monthly payments of \$25 to \$30 (to which taxes and upkeep costs must be added), but it is evident that only people with incomes of \$3,000 or more can safely take advantage of the home financing plans at present rates. Only 6900 loans were made under Part 1 of N.H.A. last year. As for the third medium relied on by the government so far—limited dividend corporations—Housing Enterprises has built apartments renting typically at \$47, \$53 and \$60 a month; and in some cities, the present requirement for prospective tenants is that they must earn at least \$200 a month.

Slum Clearance

The final compelling fact is that not an acre of slum or blighted area has yet been cleared as part of a housing programme in any city in Canada. Such building as has been done has sought new sites—some of them vacant lots it is true, but more of them farther and farther away, on new streets, even outside the main metropolitan unit altogether. Yet every large city in Canada has blocks of decaying property and unhealthy living conditions, a source of misery and social costs, crying out for eradication from its older sections. Industrial and commercial development may properly be part of the replacement, but this transformation will not occur by a process of hopeful *laissez-faire*. Some rehousing must be undertaken in the inner sections of cities if urban reconstruction is to make sense, and if the deadly process of deterioration at the centre and haphazard and costly sprawl at the fringes is to be

¹ A practical modification, written into the U. S. National Housing Act and applied in the public housing projects, is that large families (of low income) should not pay more than one-sixth.

arrested. Try as we may, therefore, we cannot escape the need for a big and specifically organized low-rental housing programme. Indeed the astonishing thing is that alone of almost all the English-speaking countries, we have no national legislative provisions for it.² Yet all the principles of low-rent housing operation have been demonstrated in Britain for 40 years, in Scandinavia, Holland and Germany for 25 years, and—what is probably of the greatest significance and applicability for us—in the United States for 10 years. Under the low-rent provisions of the United States Federal Housing Acts, local housing authorities in nearly all the large cities have undertaken slum clearance and are now successfully operating more than 500 projects. Visitors to some of the American developments to-day may easily be confused, because they have been supplemented so extensively by war-time housing projects for industrial workers and service personnel of much higher incomes. But the rents of the true low-rental projects have been maintained unchanged, and their over-all average (shelter rent) is actually as low as \$12.50 a month; or \$18 if light, water and gas are included. The following figures for an example in Seattle (Yesler Terrace) show how the rents are graded.

Grade	Income	Rent Range	
		1 Bedroom	4 Bedrooms
A	Up to \$ 630	\$ 9.75	\$10.50
B	\$525- 840	13.50	14.75
C	701- 1,020	17.50	19.50
D	901- 1,200	22.00	24.50

Added war-time units, known as types D₁, D₂ and D₃, rent at rates varying from \$27.50 to \$41.00 a month for families with incomes of \$1,201 to \$1,800.

The overlapping in the income ranges reflects the fact that differentials are

maintained between dwelling unit sizes as a means of adjusting accommodation to family size as well as income. Three-quarters of the families living in these houses have incomes below \$1200, which is the maximum for eligibility.

Local Housing Authorities

The swirl of inflation which has engulfed the United States in the last year, and now threatens us, may force revision of such remarkable figures as these; but the main principles remain unchanged. The major ones are three-fold: (a) operation by local housing authorities, (b) Dominion financing, and (c) rent-reduction subsidies.

The local Housing Authority is essential. Slum clearance and urban rehabilitation demands local interest—American experience has proved abundantly that they become a source of keen civic pride; moreover, the housing projects require full-time responsible management. The American pattern is to appoint a small number (say, five or six) of citizens, chosen solely for their interest in housing; only the manager, who is responsible to this Board, is a salaried official. Some cities appoint for rotated terms of 2, 3 or 4 years etc., as an extra device to free the authority from any local political pressures. The desire to keep the authority independent has been so great that in some cities (e.g. New York) there has been considerable resistance to the suggestion that the mayor or aldermen should be allowed to be members. British practice reflects more confidence in local government, and the typical situation is that the Housing Department is simply one among the various offices of the City Hall. Canadian developments might well follow a midway course, with close co-operation between the local housing authority and the city governments; and it is to be noted that the first local housing authority so far set up (in Toronto) has the mayor as its chairman.

What is important is that the authority should have full control over its

²Clauses in the pre-war version of the National Housing Act, on which citizen groups were working in three or four cities until the war intervened, disappeared in the post-war revision.

finances and its administration, its primary job being to operate the project and keep the accounts. It should within a short time, however, develop experience which should make it a valuable adviser on housing conditions and needed developments in the city generally. In the interests of efficient regional planning, indeed, most cities and districts with satellite and suburban areas (such as Montreal, Toronto, Winnipeg, Vancouver) would be well advised to set up Metropolitan housing authorities to survey the needs of their whole combined area. Any fear that the municipalities might be creating a body over which they had no control is groundless, for they would have (a) their right to participate in the appointment of members of the authority and (b) in the last analysis, power to refuse to make available their proportion of the subsidies which the housing units would require.

As Toronto has shown, it is not necessary to wait for amendment to the National Housing Act to set up a local authority. It is obvious, however, that the N.H.A. should be amended to render local housing authorities eligible for loans and grants. Almost the whole of Part 2 has been drawn up with the limited-dividend corporations and insurance companies in mind. There is a special section for the accommodation of mining and lumbering companies, etc., but nothing for local governmental or municipal authorities. The section on slum clearance authorizes Dominion grants to municipalities "to assist in the replanning, rehabilitation and modernization of slum areas," which is comprehensive enough—but the grant is apparently available only if the land acquired for this purpose is then sold by the municipality to a limited-dividend corporation or insurance company. Moreover, the determination of the amount of the grant depends on the price at which the land is sold "to a limited-dividend corporation or an insurance company."

Dominion Housing Loans

The largest share of the financing of

low-rent housing must come from the Dominion, because of the size of the programme, and also to permit the lowest possible interest rate. Under the FPHA scheme in the United States, local housing authorities were able to borrow up to 90 per cent of the development cost, and in the latter years of the pre-war schemes, the rates paid were not much higher than 2 per cent. Moreover, these local housing bonds were found to be easily marketable, and it is a widely held view among housing authorities that local projects in future might easily be financed on the basis of as much as 80 per cent local money and only 20 per cent federal money. Public housing is in fact a gilt-edged investment: there is complete security that both capital and interest will be repaid, rents which provide the bulk of the revenue are virtually constant and the bonds have both national and local backing.

It is too important a point to forget, that the interest rate affects vitally the annual costs of the schemes. If, for instance, the interest rate could be cut one-third (say from 3 per cent to 2 per cent), operation costs would be reduced 12 to 15 per cent. It is not inconceivable that loans for low-rent housing in Canada could be made available at 2½ per cent; though whether housing bonds should be given special attractiveness by being made tax-free, as they were in the United States, is much more dubious from the standpoint of fiscal policy.

Subsidy

The essential purpose of subsidies is to make sure that the rents charged will actually be low enough for the income groups for whom the housing is designed. Canadian legislation has evolved somewhat haltingly along two lines, in recognizing (a) the need for assistance in acquiring and clearing slum areas, (b) a rent-reduction fund. Municipalities are expected to make their contribution through the former channel, and some provinces have undertaken to partic-

ipate in this. Provinces which wished to demonstrate their interest in housing could also share with the Dominion a proportion of the rent-reduction funds of approved projects.

A channel for municipal assistance which has periodically been urged in Canada, and actually widely used in the States, is that of tax exemption, either for short or long periods. It is doubtful, however, whether this is good policy. American opinion has swung strongly against it, and our own controversies on the subject of War-time Housing have added to the prejudice against it in municipal circles. It is far better accounting and more enlightened social policy to face up squarely to the need for subsidy if the lower third of the population is ever to be decently housed. Low-rental projects, thus financed, would then pay their proper share of city taxes. In the long run, they would demonstrate, as they should, that the redeveloped area is an asset to the city. The subsidy would be a direct and worthwhile payment for the elimination of overcrowding, squalor, substandard living, the reduction of disease, delinquency and family disruption, to say nothing of the prevention of losses from blighted and deteriorating properties in the future.

To assess how much the subsidy should be, local housing surveys and cost calculations are of special value at the present time. But they need to be properly evaluated in national terms. Supposing that an average of \$40 a month rental is the best that can be achieved for a non-subsidy proposition, and that rents are brought down to \$25 average by an annual subsidy of \$180 per unit (say) 50,000 units, the bill would be \$9 millions per year. This, not the whole construction cost of the project, would be the only net cost to the taxpayer, for the loaned money would eventually be repaid, while rents pay the bulk of the annual costs. If this were the bill for our first instalment of low-rent housing, it would be only 75 cents per capita per year. It has been estimated

that in some of the better-provided provinces, the amount spent on tuberculosis services alone is \$1 to \$1.50 per head. Similarly, to many a large city its share of the total cost might very likely be no more than 1 per cent of its total tax levy. Who can deny that within twenty years or even less, this might be completely compensated by savings in social welfare costs and improvements in adjacent real estate values?

There are many other features of low-rental housing which cannot be dealt with in a short space. One of these is the possibilities which large-scale developments offer for construction and management economies. The American projects, which were limited by statute to a building costs maximum of \$5,000 a unit in larger cities and \$4,000 per unit in smaller cities, actually achieved average costs of \$3,780 and \$3,330. Another is the striking development which one project after another has demonstrated in such things as the response to community centre activities, health and welfare education, the elimination of delinquency through healthy recreational outlets, and the like, which comes when decent housing rescues the family from overcrowding or squalor. What is less familiar in Canada as yet is the extent to which low-rental housing areas, since they must be built as group projects, provide a practical example of community planning: the proper relation of housing to streets and traffic, parks, schools, recreation, shopping facilities—even the advantages of properly designed apartment buildings over the single house on a single lot, which unassisted by planning, has spread so many Canadian cities uneconomically and expensively over wide areas.

What is needed is a combination of Dominion policy and local initiative to give Canada the first few projects for all to see. Once that is achieved, it will be apparent that modern low-rent housing is not only a basic part of the answer to critical accommodation scarcities—important though that is—but a vital element in urban regeneration.