

Housing Issues and Canadian  
Federal Budgets, 1968 to 1984

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B. Grieve

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School of Community  
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## CONTENTS

Introduction and Overview . . . . .	1
I. Housing Issues Raised in Federal Budgets, 1968-1984 . . . . .	19
II. Description of Three Major Housing Programs in the Annual Reports of CMHC, 1968-1983 . . . . .	45
A. The Assisted Rental Program (ARP) . . . . .	46
B. The Non-Profit and Co-operative Housing Programs . . . . .	47
C. The Home Ownership Assistance Programs . . . . .	53
Appendix	
A. Outline History of Canadian Housing Legislation, Key Studies and Conferences, 1900-1984 . . . . .	59
B. A Selection of 1969 News Reports and Editorial Comments from Canadian Newspapers on the Release of the Report of the Federal Task Force on Housing and Urban Development . . . . .	64

## INTRODUCTION AND OVERVIEW

As one of the more important sectors in the economy and as one of the fundamental human needs, housing has always played an important role in the national economy and in the daily lives of Canadians. During the past 15 to 20 years government has begun to play an increasingly important role in the housing sector. The federal role has increasingly taken the form of numerous short term housing programs announced in the budget speeches of the finance minister.

This paper provides a summary of the new housing programs as well as the major program changes announced in federal budgets from 1968 to 1984. In addition, Part II contains a summary of the descriptions of the major programs provided in the CMHC Annual Reports during the same period. This provides further background on the nature of the key programs of the 1968-1984 period.

The objective of this monograph is to assist housing policy research by providing original source information about the evolution of recent programs and policies. The federal budget has become an increasingly significant short term policy tool over recent years given the great degree of instability in macro-economic conditions and the severe problems with the housing market. To help put the programs adopted during this period in a broader historical context, Appendix A provides an outline chronology of Canadian housing legislation, key housing studies and major housing conferences from 1900 to the present. Appendix B provides a selection of 1969 news reports and editorial comment on the release of the then just published Report of the Federal Task Force on Housing and Urban Development. These clippings provide a good introduction to the housing issues and controversies of that day.

### The 1968-1984 Period

The 16 year period covered by this monograph was selected because it includes the full term of the Trudeau administration and because it covers the period since the Federal Task Force on Housing and Urban Development. The Task Force, chaired by Paul Hellyer, the Minister responsible for housing at the time, was established by the Cabinet in 1968

to examine housing and urban development in Canada and to report on ways in which the federal government, in company with other levels of government and the private sector, can help meet the housing needs of all Canadians and contribute to the development of modern, vital cities.

The report of the Task Force noted that government must take action to address the housing needs of both low and moderate income households. We cannot, the report concluded, rely solely on the private market mechanism for affordable housing.

To leave a general price structure to the mechanics of the private market is to expect that the normal competitive forces within that market will act as a cost control. (p.15)

The Task Force identified the supply and cost of housing as the two basic issues which government needed to address. Lower income tenant households and average income households aspiring to home ownership, especially family households, were identified as the focus of concern.

This housing market of relatively short supply and relatively high cost has made the quest for adequate accommodation a major problem for more than the lowest income groups. They have a problem, to be sure, but so do those in the next income brackets, the "average" wage earners.... With the general level of living costs what it is and with single-family dwelling prices what they are, the home-ownership dream of many of these Canadians is just that -- a dream. (p.15)

A review of federal housing programs since the 1969 report of the Task Force indicates that the stated focus of concern has been the lower income tenant households and the moderate income households aspiring to home ownership. Evaluations of most of these programs have yet to be carried out in order to determine what the actual impacts have been and who have been the primary beneficiaries. The programs introduced since the Task Force report have focused on either subsidizing private sector rental housing investment or subsidizing individual home ownership. Few of the programs since 1969 have directly assisted low and moderate income households. The distributional impacts of housing markets and housing programs, that is, those issues relating to the allocation of housing and housing opportunities to different income groups or social strata, have not been addressed by the programs of the past decade and a half.

The one set of programs from this period which do directly assist low and moderate income households is the non-profit social housing programs. The problems with the public housing program of the 1950's and 1960's resulted in the 1973 introduction of a non-market, socially mixed approach to social housing -- the public, private and co-operative non-profit housing programs currently funded under Section 56.1 of the National Housing Act. The allocation of funds to this set of programs, however, has been very small in comparison to the private market rental subsidies and

the home ownership subsidies. The establishment of the non-profit and co-operative programs as a replacement for public housing projects was one of the recommendations of the Federal Task Force:

Greater encouragement be given to the use of limited dividend, non-profit and co-operative projects as a means of providing adequate accommodation for lower income groups. (p.37)

This was in response to "the near-unanimous view" heard by the Task Force that the larger public housing projects were "ghettos of the poor; people who lived in them were stigmatized in the eyes of the rest of the community; social and recreational facilities were inadequate or non-existent; privacy was lacking and vandalism present." (p.19)

Of the 19 federal budgets between 1968 and the September 1984 election, all but five announced new programs or revision of existing ones (see Table 1). Few of these new programs or program changes focused on "social housing" -- housing for lower and moderate income households. Rather, the programs generally address the inadequate performance of the private sector in providing new rental and ownership units. In abandoning public housing and in providing minimal funding levels to the non-profit and co-operative housing programs, the social housing focus of federal housing policy shifted towards assisted home ownership programs. One key program of the mid-1970's was the relatively problematic Assisted Home Ownership Program (AHOP), which was discontinued after a few years. Most of the programs introduced during the past 16 year period have been temporary measures, rather than as on-going parts of a longer term housing strategy. They were generally direct responses to immediate macro-economic problems which were having negative impacts on the supply performance of the housing market.

While the focus of government housing subsidy programs prior to the 1970's was on public housing for very low income families and the elderly, most of the programs of the 1970's and early 1980's have provided subsidies to private rental investors as incentives for further investment and to middle and often upper income households as inducements to purchase a house or a larger new house. Most no longer exist and their names only mean something to a handful of housing specialists: AHOP, ARP, CHOSP, CHRP, CMPP, CRSP, and MURB. All these programs were announced in federal budgets as part of a package of measures designed for the economic and political conditions of the day. They have not been part of any broader housing strategy.

TABLE 1

SUMMARY OF HOUSING PROGRAM CHANGES ANNOUNCED IN FEDERAL BUDGETS  
1968-1984

Budget Speech	Housing Program Announcements
October 22, 1968	Winter Works Program provides direct loans for owner-occupied housing.
June 3, 1969	No programs mentioned
March 12, 1970	No programs mentioned
June 18, 1971	Exemption of principal residence from the 50% capital gains tax. Losses created by Capital Cost Allowance on rental property no longer deductible from non-rental income.
May 8, 1972	No programs mentioned
February 19, 1973	No programs mentioned
May 6, 1974	Registered Homeownership Savings Plan (RHOSP) introduced. Assisted Home-Ownership Program (AHOP) mentioned.
November 18, 1974	Multiple Unit Residential Building tax benefits (MURB's) introduced until Dec. 31, 1975. RHOSP reintroduced. AHOP extended by providing \$500 grants for first time new home buyers for one year. AHOP subsidy approach extended to rental sector by introduction of the Assisted Rental Program (ARP).
June 23, 1975	AHOP grants increased from \$600 to \$1200. ARP grants increased from \$600 to \$900 per unit.
May 25, 1976	Minor change to RHOSP.
March 31, 1977	RHOSP regulations tightened up.
April 10, 1978	No programs mentioned.
November 16, 1978	MURB provision extended for one year. Carrying charges on land waiting redevelopment made tax deductible.

TABLE 1 (continued)

SUMMARY OF HOUSING PROGRAM CHANGES ANNOUNCED IN FEDERAL BUDGETS

1968-1984

Budget Speech	Housing Program Announcements
December 11, 1979	MURB tax provision allowed to expire on Dec. 31, 1979. Mention of mortgage interest deductability and property tax credit legislation.
October 28, 1980	MURB's reintroduced to the end of 1981.
November 12, 1981	Canada Mortgage Renewal Plan introduced (CMRP). Canada Rental Supply Program introduced (CRSP). Tax changes requiring soft costs to be treated as capital costs in rental buildings.
June 28, 1982	Canadian Homeownership Stimulation Plan introduced (CHOSP), providing \$3,000 grants. Non-profit and co-operative housing allocation increased by 10% (2,500 units). CRSP allocation doubled to 33,000 units. CMRP extended from Nov. 12, 1982 to Dec. 31, 1983 with changes to the program. Canada Home Renovation Plan (CHRP) mentioned.
April 19, 1983	Canada Home Renovation Plan (CHRP) extended. Non-profit and cooperative housing allocation maintained at 25,000 units. Additional funding for CHOSP and extension to May 1983. Changes to RHOSP; top-up provision and purchase of furniture allowed for one year.
February 15, 1984	Mortgage Rate Protection Program announced. Changes to Interest Act to require disclosure of interest rate information and prepayment penalties. Encouragement of the development of mortgage backed securities to facilitate the introduction of long-term private mortgages.



## Four Distinct Periods

The 16 years in which the 19 federal budgets were delivered can be broken into four fairly distinct periods in terms of the housing issues addressed and housing programs announced. The first, from 1968 to 1973, is a holding period in which few changes were made. The government was undecided about what to do, especially what to do with the recommendations of the Hellyer Task Force. Paul Hellyer resigned from the cabinet over the decision of the government not to implement the recommendations of the Task Force, though, gradually, several of the recommendations have since been implemented. What was not carried out was the implementation of a more comprehensive approach to housing policy and programs. As the budget summaries in this monograph indicate, changes in programs have been ad hoc and remedial in character.

The second period, from 1974 to 1976, corresponds to the first serious post-war recession due, in part, to the energy crisis (the OPEC price increases). Housing starts fell during 1974 and 1975, especially apartment starts (see Table 2) and vacancy rates in most major metropolitan areas dropped to the 1% to 2% range (see Table 3). It is important to note that these problems with the housing sector predated the introduction of rent controls. As part of the wage and price controls of 1975, provincial governments followed the recommendation of the federal government that temporary rent controls be imposed. One often hears the argument these days that rent controls caused the sharp decrease in rental housing starts and the low levels of rental vacancies. Tables 2 and 3 indicate that these trends were already occurring well before rent controls.

The Finance Minister at the time, John Turner, responded to the drop in housing starts in the May and November 1974 budgets with two types of policy instruments which have been widely used ever since: tax expenditures and direct subsidies. The use of tax expenditures is politically expedient because the real costs of the program are hidden and usually difficult to calculate. The cost depends upon the tax bracket of the investor or household taking advantage of them. Tax expenditures became an increasingly used policy instrument in the federal budget starting with John Turner's tenure as Finance Minister. Only recently has the full impact, financial and political, begun to be understood. In his study of the use of tax expenditures as opposed to direct subsidies Woodside (1983) has concluded that:

This analysis has suggested that substantial differences exist between tax incentives and subsidies. On the one hand, tax expenditures are less visible and less subject to constraint, offer more freedom for a government to act decisively and inconspicuously, are a means of assistance for the well-to-do and for successful large corporations, appear to be without cost to the

TABLE 2

## HOUSING STARTS IN CANADA, 1960-1983

Year	Type of Unit			Total Starts	Total +/- Previous Year	% of Total	
	Single Detached	Semi-, Duplex, Row	Apartments			Single as % Total	Apt. as % Total
1960	67,171	12,000	29,687	108,858	-.-	61.7%	27.3%
1961	76,430	13,514	35,633	125,577	+15.4%	60.9%	28.4%
1962	74,443	14,717	40,935	130,095	+ 3.6%	57.2%	31.5%
1963	77,158	11,786	59,680	148,624	+14.2%	51.9%	40.1%
1964	77,079	13,461	75,118	165,658	+11.5%	46.5%	45.3%
1965	75,441	13,230	77,894	166,565	+ 0.5%	45.3%	46.8%
1966	70,642	12,281	51,551	134,474	-19.3%	52.5%	38.3%
1967	72,534	17,331	74,258	164,123	+22.0%	44.2%	45.2%
1968	75,339	18,156	103,383	196,878	+20.0%	38.3%	52.5%
1969	78,404	21,094	110,917	210,415	+ 6.9%	37.3%	52.7%
1970	70,749	27,881	91,898	190,528	- 9.4%	37.1%	48.2%
1971	98,056	29,410	106,187	233,653	+22.6%	42.0%	45.4%
1972	115,570	30,629	103,715	249,914	+ 7.0%	46.2%	41.5%
1973	131,552	30,526	106,451	268,529	+ 7.4%	49.0%	39.6%
1974	122,143	25,955	74,025	222,123	-17.3%	55.0%	33.3%
1975	123,929	37,166	70,361	231,456	+ 4.2%	53.5%	38.6%
1976	134,313	49,566	89,324	273,203	+18.0%	49.2%	32.7%
1977	108,403	44,994	92,327	245,724	-10.1%	44.1%	37.6%
1978	110,029	40,311	77,327	227,667	- 7.3%	48.3%	34.0%
1979	109,117	29,545	58,387	197,049	-13.4%	55.4%	29.6%
1980	87,721	22,551	48,329	158,601	-19.5%	55.3%	30.5%
1981	89,071	27,293	61,609	177,973	+12.2%	50.0%	34.6%
1982	54,457	18,241	53,162	125,860	-29.3%	43.3%	42.2%
1983	102,385	16,136	44,124	162,645	+29.2%	62.9%	27.1%

Sources: Canada Mortgage and Housing Corporation, Canadian Housing Statistics, Ottawa, various years.

TABLE 3  
 VACANCY RATES IN APARTMENT STRUCTURES OF SIX OR MORE UNITS  
 IN METROPOLITAN AREAS, 1968-1984

Year	Edmonton	Halifax	Montreal	Ottawa-Hull	Toronto	Vancouver	Total
1968 June	2.3	0.4	4.7	1.3	1.4	1.3	1.8
Dec.	-.-	-.-	-.-	-.-	-.-	-.-	-.-
1969 J	3.7	0.4	7.2	1.6	2.4	1.1	2.2
D	2.2	0.5	5.5	1.2	2.1	0.8	2.0
1970 J	5.7	2.3	7.9	2.1	2.5	2.5	4.7
D	1.9	2.9	6.2	1.3	2.4	2.0	3.6
1971 J	6.3	3.9	7.0	2.0	2.7	3.9	4.8
D	5.1	3.5	4.4	1.7	3.2	2.6	3.7
1972 J	7.6	4.5	5.6	2.4	2.9	2.3	4.3
D	6.0	1.5	3.0	1.6	2.3	0.5	2.7
1973 J	8.1	2.4	3.9	2.1	1.8	0.9	3.3
D	5.2	2.1	2.0	1.9	1.4	0.3	2.1
1974 J	5.4	2.7	2.6	3.2	0.9	0.3	2.4
D	0.8	2.2	1.2	2.5	0.9	0.1	1.2
1975 Apr.	0.8	2.5	1.1	2.1	1.0	0.2	1.2
Oct.	0.3	2.2	0.7	2.3	1.5	0.1	1.2
1976 A	0.1	2.6	0.6	2.5	1.2	0.4	1.1
O	0.0	1.8	1.3	3.1	1.0	0.6	1.3
1977 A	0.2	2.9	1.4	2.8	1.0	1.6	1.5
O	0.1	1.4	3.5	2.5	0.9	1.5	2.2
1978 A	0.9	2.5	3.4	2.5	0.8	1.4	2.2
O	0.9	2.2	5.5	2.6	0.7	1.3	3.0
1979 A	3.0	3.3	4.4	3.0	1.1	0.9	2.9
O	1.9	2.5	4.6	4.1	1.0	0.2	2.8
1980 A	2.7	2.5	3.7	4.4	1.1	0.1	2.5
O	1.0	1.2	3.5	3.8	0.6	0.1	2.1

(continued on next page)

TABLE 3 (Continued)  
 VACANCY RATES IN APARTMENT STRUCTURES OF SIX OR MORE UNITS  
 IN METROPOLITAN AREAS, 1968-1984

Year	Edmonton	Halifax	Montreal	Ottawa-Hull	Toronto	Vancouver	Total
1981 Apr.	2.4	1.0	2.0	2.4	0.5	0.1	1.6
Oct.	1.1	0.5	1.9	1.1	0.3	0.1	1.2
1982 A	3.4	0.9	1.7	0.7	0.4	0.6	1.4
O	4.6	0.6	2.7	0.3	0.7	1.9	2.1
1983 A	7.5	2.1	2.6	0.3	1.2	2.6	2.7
O	9.5	0.9	3.2	0.3	1.0	1.3	2.7
1984 A	11.4	0.9	2.6	0.3	0.8	2.4	2.7

Source: Canada Mortgage and Housing Corporation, Apartment Vacancy Survey, Ottawa, various years.

federal government, and are seen (by the corporate sector especially) not to involve intervention in the economy. On the other hand, subsidies are much more cost-efficient, can be subject to much closer controls on cost and conditions of use, go through a more broadly based and open process of policy formulation, and are commonly the means of redistributive social policies. (p.188)

In 1979 the federal government published its first accounting of tax expenditures to determine how much they were reducing tax revenues. They were found to total about \$26 billion, about one half of the 1978-80 \$53 billion federal budget. (Woodside, pp.176-177) Housing tax expenditures were found to cost about \$5 billion, about three times greater than the direct subsidy programs administered by CMHC. (See: Canada, Department of Finance, 1981; and Dowler, 1983)

The housing related tax expenditure programs announced by Finance Minister John Turner in the May and November budgets were the Multiple Unit Residential Building (MURB) tax incentives aimed at encouraging wealthy individuals to invest in rental accommodation and the Registered Home Ownership Savings Plan (RHOSP) tax deduction aimed at encouraging middle income tenants to save enough for a down payment on a house. The direct subsidy programs were the Assisted Home Ownership Program (AHOP) and the Assisted Rental Program (ARP). Only the RHOSP has been continued. The MURB tax subsidy has been turned on and off through the years (it is currently turned off) and both the AHOP and ARP programs were discontinued after a few years amid some degree of controversy about even their short term effectiveness. Spending on the AHOP and ARP programs was increased in Mr. Turner's final budget (June, 1975). In his June 1975 budget speech Mr. Turner explained that, with this set of programs, he hoped to

stimulate demand and help make adequate housing more accessible to Canadians of moderate means. They will also give an important stimulus to a sector of the economy which has not in recent months played its full role in providing jobs for Canadians. (p.24)

The third period, from 1976 to 1980, was another holding period during which the previously announced programs (AHOP, ARP and MURB's) were being implemented and then phased out. The only changes in housing programs in the budgets of Finance Ministers Donald MacDonald, John Chretien and John Crosbie during this period involved minor revisions to the RHOSP, an extension of MURB tax benefits and the establishment of a home insulation subsidy program (the Canada Home Insulation Program, CHIP). Finance Minister Allan MacEachen's October 1980 budget mentioned the need for reforming the tax expenditure system of subsidies, programs such as MURB's and the RHOSP. MacEachen noted that use of tax expenditures as a policy instrument is

expensive and it is incumbent on government to ensure that the incentives are effective and that their cost is justified. Tax incentives tend to pyramid with the result that a number of profitable corporations or wealthy individuals pay little or no tax.... We now have a tax system characterized by higher tax rates relieved by a complex network of incentives and tax preferences. One questions whether the economy might not be better served by a tax system with lower rates but with fewer and more selective incentives. (p.15)

Ironically, the one housing supply program announcement made by Mr. MacEachen in that October, 1980 budget was an extension of the MURB tax expenditure incentive. The budget papers noted that the estimated cost of the extension would be about \$15 million and the rationale provided was that the MURB extension would "reduce shortages of rental accommodation and provide a needed stimulus for the construction industry." (Budget Papers, 1980, p.104) Both of these estimations, of the relatively modest cost and of the impact in terms of reducing rental shortages have, proven to be wrong.

The estimated cost of the MURB program provided by the budget has proven to be quite an underestimation. The MURB program became one of the more popular tax shelter vehicles because it permitted wealthy individuals to shelter income from other sources. As a result, the annual cost of the MURB program to the federal and provincial governments escalated from an estimated \$99 million in 1976 to \$273 million in 1982. Between 1976 and 1982, for example, the \$1.32 billion estimated cost of the MURB program was almost three times greater than the total \$449 million the federal and provincial governments spent on the non-profit and co-operative housing programs. (Arthur Anderson and Co., 1984, p.4) In addition to these cost considerations there is also the equity question relating to the beneficiaries of this expensive program. By the very nature of the MURB program, it is individuals in the 50% tax bracket who are the primary beneficiaries of MURB tax subsidies. MURB units also tend to rent at the higher end of the rental market and most are registered as condominiums at the time of construction in order to circumvent any municipal prohibitions on condominium conversion in case the investors choose to exercise that option in the future. A final factor relating to cost is that even though it is a federal government program, part of the cost is borne by provincial treasuries. About one third (\$436 million) of the cost of the MURB program between 1976 and 1982 has been paid for by the provincial governments through foregone provincial tax revenues (Arthur Anderson and Co., 1984, p.4).

As Tables 2 and 3 indicate, housing starts continued to fall during this third period, with only a slight recovery in 1975 and 1976. Vacancy rates also remained at very low levels. Even with Mr. MacEachen's extension of MURB's, vacancy rates slipped even lower after 1980. The MURB

program, as well as the ARP and CRSP private rental subsidies did result in increased starts but are an inefficient method for doing so. Landowners may, during the duration of such short term programs, increase the price of their building sites in expectation of the increased demand created by the programs. Though this has not been thoroughly studied yet, in their study of the Vancouver land market, Gau and Wicks (1982) find that it is unlikely that the MURB and ARP programs were successful in even generating improved rates of return to investors because the benefits of the subsidies were quickly capitalized into land prices. The other major efficiency concern relating to the private rental subsidy approach is the question of how many units would have been built without the subsidies in the first place. This has also not been thoroughly studied. A CMHC evaluation of the Assisted Rental Program, however, estimates that about 40% of the ARP units would have been built in 1976 without the generous subsidies (Lithwick, 1976).

The fourth period, 1981 to 1984, is similar to the second in that a host of new short term programs were introduced in response to the dramatically low levels of housing starts and vacancy rates. Added to these now traditional housing sector problems, was the very high level of mortgage interest rates. The same two types of policy instruments were used: tax expenditures and direct subsidies. A one year "top-up" provision for RHOSP's was introduced in the April 1983 budget. On the direct subsidy side, a replacement for ARP, the Canada Rental Supply Program (CRSP), was introduced in the November 1981 budget and expanded in the June 1982 budget. For the home ownership sector, the Canadian Home Ownership Stimulation Plan (CHOSP) was introduced in the June 1982 budget and extended in the April 1983 budget. This program provided \$3,000 grants to all purchasers of new housing and to first time buyers who purchase an existing house. There was no income limitation imposed on this very popular program. Instead of spending the \$300 million allocated in the June 1982 budget, about \$600 million was spent as of April 1983. (Budget Papers, 1983, p.15) The April 1983 budget allocated an additional \$30 million for CHOSP, though CMHC's most recent accounting indicates that \$782.4 million had been spent during the eleven month duration of the program (June 1982 to May 1983). (CMHC, Annual Report, 1983, p.10) For the mortgage interest rate problem, a temporary Canada Mortgage Renewal Plan was introduced in the Nov. 1981 budget and a permanent mortgage rate insurance program was announced in the February 1984 budget.

Social housing programs were rarely mentioned in the federal budgets during the entire 16 year period because these programs are an established function of the Canada Mortgage and Housing Corporation. After being introduced in the 1973 amendments to the National Housing Act, they were revised in 1978 and funding was gradually increased, though only modestly.

## What Are the Costs and Benefits of the 1968-1984 Programs?

How successful have these programs been over the past 16 years? While extensive evaluations have yet to be carried out, the problems identified by the Hellyer Task Force in 1968 and 1969 are, if anything, worse now than they were back then. The quality of the housing stock in general has improved a great deal, though supply and cost of housing remain very serious problems. Tables 2 and 3 clearly indicate the sharp decrease in the number of housing starts over the past ten years and the continually low vacancy rates. To the extent the various short term programs have achieved their objectives, they at least helped keep matters from getting worse than they currently are. However, there is a need to carry out detailed evaluations of the costs, impacts and beneficiaries of these programs. How many of the ARP and CRSP subsidized rental units, for example, would have been built without the subsidies? Who benefits from the ARP and CRSP subsidies? With regard to the home ownership programs, what has their impact been and have lower and moderate income households been the primary beneficiaries? Only detailed evaluations of these programs can provide specific answers to questions such as these.

The Ownership Programs. An examination of housing trends, however, does provide grounds for drawing some overall conclusions about the impacts of the programs in general. One objective of housing policy has been to provide to increasing numbers of households, especially lower and moderate income households, the option to become a home owner. Table 4 provides data on changes in home ownership rates between income quintiles since 1967. The percent of households owning their own units has remained virtually the same during this period (an overall change of 0.6% more home owners). However, there has been a decline in homeownership since 1977 (from 63.9% to 63.3%).

What is perhaps more dramatic is the change in who are the home owners. During a period in which a great deal of direct and indirect subsidies have been provided to the ownership sector and to first time home buyers, households in the highest two income quintiles have made substantial gains in homeownership rates (up by 10% each) whereas the households in the two lowest quintiles have increasingly become tenants. The middle quintile households have remained about the same, with a small increase of 4% during the entire period since 1967. Since 1977, however, the home ownership rate of the middle quintile has also declined, from 53.3% to 52.4%. In short, fewer households in the lower 60% of the income range are home owners today than they were back in 1967. The temporary programs introduced since that time have not, it would appear, been able to out pace the tide of rising house prices and mortgage interest rates.



TABLE 4

## CHANGES IN HOMEOWNERSHIP RATES WITHIN AND BETWEEN INCOME QUINTILES

1967, 1973, 1977, 1981

	% of Households Owning Their Unit				Change 1967-1981
	1967	1973	1977	1981	
Lowest Quintile	62.0	50.0	47.4	43.0	-19.0
Second Quintile	55.5	53.6	53.3	52.4	- 3.1
Middle Quintile	58.6	57.5	63.2	62.7	+ 4.1
Fourth Quintile	64.2	69.8	73.2	75.0	+10.8
Highest Quintile	73.4	81.2	82.3	83.5	+10.1
Total	62.7	62.4	63.9	63.3	+ 0.6

1981 Upper limits of income quintiles for households:

Lowest Quintile	\$ 11,404
Second Quintile	\$ 20,239
Middle Quintile	\$ 29,013
Fourth Quintile	\$ 39,893

SOURCE: Statistics Canada (1983) Household Facilities by Income and Other Characteristics, Ottawa: Supply and Services, Catalogue 13-567.

The Tax Expenditure Programs. The 1979 Department of Finance tax expenditure accounts provide some indication of who is benefiting from the housing tax expenditures. Table 5 presents a summary of how each income group benefited from housing tax expenditures in 1979. The greater one's income, the more housing tax expenditure benefits received.

TABLE 5

Average Dollar Benefits Per Tax Filer  
from Federal Housing Tax Expenditures, 1979

Total Income Group	Average \$ Benefit from Housing Tax Expenditures
Under \$ 5,000	\$ 32
5,000 - 10,000	171
10,000 - 15,000	314
15,000 - 20,000	619
20,000 - 25,000	964
25,000 - 30,000	1,312
30,000 - 50,000	1,994
50,000 -100,000	3,670
\$100,000 & over	6,753

SOURCE: Canada, Department of Finance (1981)  
Analysis of Federal Tax Expenditures  
for Individuals, Ottawa, p. 12.

The Rental Supply Programs. In terms of the rental supply subsidy programs, Table 6 provides data on the relative amounts spent on each program type since 1976. The public housing program was phased out during the 1970's. Expenditures continue to increase, however, because of the income tested rent supplement component and because a few projects were still being built in the 1970's. It is interesting to compare the data in Table 6 for the non-profit and co-operative housing program expenditures with the expenditures on the private sector rental supply programs (ARP and MURB). The private sector programs are supply incentives without providing direct benefits to lower income households. About 80% of the residents in non-profit and co-op housing projects are low and moderate income households receiving the benefits of the subsidy. In each year the private sector subsidies have been much larger than the non-profit and co-op subsidies. The MURB tax benefits are especially costly. The CRSP subsidies are not included in Table 6 because the cost of this program does not begin to show up until after 1982.

TABLE 6

## COMPARISON OF FOUR CATEGORIES OF FEDERAL RENTAL HOUSING SUBSIDY PROGRAMS

1976-1982

(Current Expenditure Basis, \$ Millions)

	Four Rental Housing Programs				Annual Totals
	1950-60's Public Housing	Non-Profit & Co-op Housing	Private Rent Supplement	Private Sector ARP & MURB	
1976	\$ 107	\$ 21	\$ 5	\$ 70	\$ 203
1977	141	31	7	97	276
1978	179	32	9	126	346
1979	265	37	9	148	459
1980	263	36	15	171	485
1981	320	74	16	195	605
1982	399	197	17	215	828
TOTAL	\$ 1,674	\$ 428	\$ 78	\$ 1,022	\$ 3,202
% of 7 year Total	53%	13%	2%	32%	100%

SOURCE: Arthur Anderson & Co. (1984) Federal and Provincial Government Expenditures to Assist and Promote Rental Housing in Canada, 1976-1982, Toronto.

Much more analysis needs to be done on the effectiveness of these past programs. The federal government, in the period since 1968, does appear to have been taking the easy way out by assuming that housing problems are temporary and that minor, temporary programs will help improve the situation. This is much easier than attempting to develop a longer term policy framework. It also appears that these programs have not addressed the affordability problem. Though temporary, they have been very costly. Only the small-scale non-profit and co-operative housing programs have contributed to increasing the stock of affordable housing. The units subsidized by the ARP, CRSP, AHOP and the CHOSP are all subject to inflation in the speculative real estate markets in which they are located.

As for the immediate future, there appears to be a relatively clean slate. Most of the programs introduced by the budgets since 1968 have been discontinued. The exceptions are two tax expenditure programs, the non-taxation of capital gains and the Registered Home Ownership Savings Plan, and the social housing programs, the non-profit and co-op housing programs funded under Section 56.1 of the National Housing Act. In view of this current unofficial "moratorium" on temporary housing programs and with the election of a new government in September 1984, an opportunity for substantial change exists. It is hoped that this research backgrounder on federal budgets helps contribute to an improved understanding of the past in order to improve housing policy decision making in the future.

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PART I

HOUSING ISSUES RAISED IN FEDERAL BUDGETS

1968 TO 1984

OCTOBER 1968

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Budget Speech of October 22, 1968

Canada, Department of Finance (1968) Budget Speech Delivered by Honourable Edgar J. Benson, Minister of Finance, Member of Parliament for Kingston and the Islands in the House of Commons, October 22, 1968.

A. Housing Related Issues That Were Discussed

1. Indication of growing needs, in terms of increased demand, in housing and urban development. (p.2)
2. Budget for CMHC should reflect the conclusions of the government after it receives the views of the Hellyer Task force.

We must of course, keep in mind the loans and investments to be made next year, as well as our expenditures, in assessing the nature and scale of our fiscal problems. Our detailed budgets in this field are not yet decided. By far the largest element in this total is housing. The capital budget for the Central Mortgage and Housing Corporation next year should reflect the conclusions of the government after it receives the views of the special task force headed by my colleague, the Minister of Transport (Mr Hellyer).(p.5)

3. Fiscal strategy, defined in terms of the the need to bring in more revenues to balance the budget, but at the same time contribute to price stability and support the economy by investment programs in housing.

But such action we will be contributing to the restoration of price stability, while at the same time giving support to the economy through investment programs in housing, farm credit and other economic fields. (p.8)

Housing Related Programs That Were Announced or Amended

1. Direct loans for owner-occupied housing:

"Slower than expected demand by provincial and local authorities for loans for public and other institutional housing has made it possible to provide a winter program of direct loans for owner-occupied housing." (p.4)

The program will meet a direct need and will stimulate employment.

JUNE 1969

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Budget Speech of June 3, 1969

Canada, Department of Finance (1969) Budget Speech Delivered by the Honourable Edgar J. Benson Minister of Finance, Member for Kingston and the Islands in the House of Commons, June 3, 1969.

A. Housing Related Issues That Were Discussed

1. Demand for capital and resources in building industry is high. The construction industry tends to lead the upward spiral of costs and prices. (p.7)

B. Housing Related Programs That Were Announced or Amended

1. Depreciation or Capital Cost Allowances for tax purposes be deferred for a period of two years on commercial buildings put in place up to the end of 1970, to ease pressure on the demand for construction supplies and resources. (p.7)



MARCH 1970

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Budget Speech of March 12, 1970

Canada, Department of Finance (1970) Budget Speech Delivered by the Honourable Edgar J. Benson, Minister of Finance, Member for Kingston and the Islands, in the House of Commons, March 12, 1970.

A. Housing Related Issues That Were discussed

1. Declining housing starts:

Housing starts reached 210,000 units for 1969 as a whole, but they declined successively for each quarter of the year. The government is now providing a substantially increased flow of funds for low cost housing projects this coming year. This reflects the high priority we place on meeting the need for housing in general, and for low-rental homes in particular. (p.2)

2. Concern with inflationary aspects of construction industry. (p.6)

B. Housing Related Programs That Were Announced or Amended

1. Expansion of CMHC direct mortgage lending due to insufficient private funds in the mortgage market:

nearly \$150 million more for loans to CMHC to assist in offsetting an expected decline in the flow of private funds into financing housing, to give more emphasis to low cost rental housing and to finance more municipal sewerage urgently needed to reduce pollution. (p.5)

JUNE 1971

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Budget Speech of June 18, 1971

Canada, Department of Finance (1971) Budget Speech Delivered by the Honourable E. J. Benson, Minister of Finance, Member of Parliament for Kingston and the Islands in the House of Commons, Friday June 18, 1971.

A. Housing Related Issues That Were discussed

1. Reform of income tax system, including changes in housing tax expenditures.

B. Housing Related Programs That Were Announced or Amended

1. Proposal to tax 50% of capital gains, except for capital gains accrued from a principal residence. Prior to this amendment, capital gains accrued from any holdings or investments were not considered taxable income.
2. Losses created by Capital Cost Allowances on rental property will no longer be deductible from non-rental income.

MAY 1972

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Budget Speech of May 8, 1972

Canada, Department of Finance (1972) Budget Speech Delivered by the Honourable John N. Turner, Minister of Finance and Member of Parliament for Ottawa-Carleton, in the House of Commons, May 8, 1972.

A. Housing Related Issues That Were discussed

1. Housing is mentioned in reference to the stimulation of the private sector and dealing with unemployment.

Housing starts in 1971 broke all records. CMHC concentrated on housing for low income groups. Private financing of housing increased dramatically, providing a vigorous forward thrust in this sector of the economy. (p.3)

No programs are announced or mentioned.

FEBRUARY 1973

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Budget Speech of February 19, 1973

Canada, Department of Finance (1973) Budget Speech Delivered by the Honourable John N. Turner, Minister of Finance and Member of Parliament for Ottawa-Carleton, February 19, 1973.

A. Housing Related Issues That Were discussed

1. The major issues raised in this budget are unemployment, encouraging faster growth in the economy, and reducing inflationary pressures. The relationship between house building and the expansion of the economy are mentioned:

Consumer spending and house building which contributed so much to the earlier stages of the expansion, will continue at high levels but could rise less rapidly. (p.7)

No programs are announced or mentioned.

MAY, 1974

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Budget Speech of May 6, 1974

Canada, Department of Finance (1974) Budget Speech Delivered by the Honourable John N. Turner, Minister of Finance, and Member of Parliament for Ottawa Carleton, May 6, 1974.

NOTE: The May 1974 Budget was not adopted. An election was called.

A. Housing Related Issues That Were discussed

1. The high level of starts in 1973 may be unsustainable due to the shortage of labour, materials, and serviced land. (p.5)
2. The negative effect of inflation on cost of housing and the ability of average Canadians, particularly young people of modest income, to meet housing needs. (p.18)

An important aspect of the recent inflationary experience in Canada has been its impact on the cost of housing and the ability of the average Canadian, particularly young people and people of modest income, to meet their housing needs. The government has put into place a number of important programs and measures to ease both the supply and cost aspects of the problem. These measures are reflected in the expansion of the budget of Central Mortgage and Housing Corporation to \$1.2 billion per year. Special assistance to low-income families has reduced the net cost of their mortgage financing. Indeed, in cases of demonstrated need, the amount of the Assisted Home Ownership Grant is such as to reduce the effective rate of interest paid to almost 6 per cent. (p. 18-19)

3. The lack of private sector mortgage funds for lower cost housing. (p.20)

Fourth, together with my colleague, the Minister of State for Housing and Urban Affairs, I propose to take steps to assure the fullest possible allocation of mortgage funds to lower cost housing. In addition to the use of the mortgage insurance provisions of the National Housing Act, we propose to enlist the support of the principal lenders and the private mortgage insurance corporations to adjust down payment requirements in such a way as to confine high-ratio loans to middle and lower-priced housing. (p.20)

B. Housing Related Programs That Were Announced or Amended

1. The Registered Homeownership Savings Plan (RHOSP) is introduced to "ease the formidable difficulty facing young people" in accumulating a down payment. (p.20) The RHOSP is designed to "encourage savings" and to "reduce current speculative pressures on housing prices". (p.20) It is noted that it is "difficult to measure the cost of this new measure". (p.20)

My last and most important measure in this field will greatly ease the formidable difficulties facing our young people in accumulating the savings required for a down payment on a home and its initial furnishings. (p.20)

I am sure that the introduction of this innovative program will encourage savings, and make it easier for Canadians to acquire homes. Together with the steps to be taken in respect of down payments, this proposal should help to reduce current speculative pressures on housing prices. It is difficult to measure the cost of this new measure. But no doubt as it develops and Canadians become aware of its real value, the Registered Homeownership Savings Plan will become a source of significant tax savings to many Canadians and particularly the young. (p.20)

2. Changes in deductability of carrying costs on land awaiting development to assist in bringing land onto the market more quickly. (p.19)

I am proposing that the carrying costs on land awaiting development may not be charged against other income but be taken to account as the land is sold. (p.19)

3. The removal of sales tax on construction equipment and materials purchased by local governments for the construction of water systems. (p.19)
4. Encourage banking institutions to adjust down payment requirements to confine high ratio loans to middle and lower priced housing. (p.20)

Budget Speech of November 18, 1974

Canada, Department of Finance (1974) Budget Speech, Delivered by the Honourable John N. Turner, Minister of Finance and Member of Parliament for Ottawa-Carleton, Monday, November 18, 1974.

A. Housing Related Issues That Were discussed

1. General economic problems of inflation slower growth, maintaining the level of production are mentioned. (P.5)
2. The problem of a decline in housing starts, especially rental housing.

Since early summer, however, signs of slowing down have appeared. (p.5)

Another was the decline in new housing starts -- especially in rental housing, where construction was curtailed by the increasing squeeze of costs against real income. (p.5)

3. The weakness in the construction industry threatens to reduce employment, raise costs, increase housing prices and rents, and lead to a lower standard of accommodation.

I have already referred to the short-term prospects for construction of new housing. The projected weakness in this sector of our economy troubles me a good deal. It threatens to reduce employment, raise production costs and increase housing prices and rents. Even more important, a reduction in the supply of new housing could lead to a lower standard of accommodation than Canadians deserve. (pp. 17-18)

4. Greater emphasis placed on stimulating new construction of rental units for persons of moderate income. (p.19)

The Assisted Home-Owner scheme has proven its value and will be extended. Much greater emphasis will be placed on stimulating new construction of rental units for persons of moderate income. Moreover, these programs will be a very effective use of government funds because they will provide the incentive that will attract capital funds from the private mortgage market. (p.19-20)

5. Housing measures announced will "provide the impetus necessary to increase the housing stock in this country at a healthy pace and fulfill our commitment to place decent accommodation within the reach of every Canadian." (p.20)

B. Housing Related Programs That Were Announced or Amended

1. The sales tax on building and construction materials is reduced to 5%.

I propose that, effective tonight, the rate of sales tax on building and construction materials be more that cut in half to 5 percent. This measure will cost the federal government in a full year \$450 million. I am confident that this measure will add stimulus to the industry and will, at the same time, contribute to a moderation of prices for housing. (p.19)

2. The introduction of the Multiple Unit Residential Building (MURB) tax provision.

Mr. Speaker, for reasons already discussed, I am particularly anxious to provide a quick and strong incentive to the construction of new rental housing units. I therefore propose to relax for a period the rule whereby capital cost allowances on rental accommodation could not be charged against income from other sources.

Specifically, in respect of new, multiple-unit residential buildings for rent, started between tonight and December 31, 1975, the capital cost allowance rule will not apply. This means that an owner of an eligible rental unit will be permitted to deduct capital cost allowance against any source of income at any time. I am confident that this measure will attract a significant amount of private equity capital into the construction of new rental housing. (p. 19)

3. The Registered Homeownership Savings Plan (RHOSP) is reintroduced.

Finally, in order to assist young people in accumulating the capital required for a down payment on a house, I announced last May, and want to reaffirm tonight, the introduction of a new savings vehicle to be known as the Registered Homeownership Savings Plan. I hope and expect that the bulk of the savings flowing into this plan will provide an important new source of mortgage funds to finance the construction of the new housing we require in this country. (p.18)

4. The Assisted Homeownership Program is extended by providing \$500 dollar grants for a period of one year for those purchasing new, moderately priced housing units for the first time. "This time limit will increase its effectiveness as an immediate stimulus to housing construction." (p.19)
5. CMHC policies will continue to adapt flexibly to housing conditions; in addition to extending the AHOP scheme, expanded emphasis will be placed upon stimulating new construction of rental units for persons of moderate income.(p.19) This program became known as the Assisted Rental Program (ARP).
6. To bring land onto the market more quickly, and to prevent the holding of land for long-term speculative purposes, carrying costs on land awaiting development will no longer be chargeable against other income. Carrying costs can only be taken into account when land is sold. (p.18)
7. The sales tax on construction equipment and materials used in municipal water systems will be eliminated. (p.18).



JUNE 1975

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Budget Speech of June 23, 1975

Canada, Department of Finance (1975) Budget Speech and Notices of Ways and Means Motion, The Honourable John N. Turner, Minister of Finance and Member of Parliament for Ottawa-Carleton, Monday June 23, 1975.

A. Housing Related Issues That Were discussed

1. The importance of residential construction for social and economic reasons.

In the November budget, I stressed the importance the government attached to residential construction for both social and economic reasons. Faced with the prospect of a rapid decline in housing starts, we announced a series of measures to improve the situation. (p. 22)

2. The need for a strong growth to reduce unemployment. (p.7 )

3. The problems of inflation and increasing house prices.

We have seen a large increase in the price of housing in recent years; construction costs have risen, land costs in particular have soared and mortgage interest rates remain high although they have fallen from the peak levels of last year. This is therefore an area where the effects of inflation have been felt with particular severity. Provincial governments as well as the federal government have taken steps to mitigate the problem. But more needs to be done. (p.23)

B. Housing Related Programs That Were Announced or Amended

1. The level of government financed housing is to be increased:

First, the government has decided to increase substantially the level of housing activity directly financed from public funds. The \$1 billion commitment authority for housing already provided to CMHC this year will be increased by a further \$200 million. This will permit increased lending to limited dividend rental projects, to purchasers of new homes under the Assisted Home Ownership Program and to provincial and other non-profit housing agencies. All these programs are directed towards meeting the housing needs of Canadians of modest means. (p.23)

2. An increase in grants available for housing financed by the private sector.

Second, I wish to announce a temporary increase in the grants available for housing financed by the private sector. Honourable Members will recall that legislation was passed recently authorizing direct payments by CMHC in order to bring the cost of new privately financed housing, both rental and owner-occupied, down to a reasonable proportion of the budget of moderate-income families. This important innovation extended to housing financed in the commercial mortgage market [contain] benefits previously available only on housing financed by the government. We are now introducing a temporary increase in these grants from an annual maximum of \$600 to \$1200 for owner-occupied housing and from a maximum of \$600 to \$900 for rental accommodation. (p.23)

3. The above two measures are designed to "stimulate demand and help make adequate housing more accessible to Canadians of moderate means. They will also give an important stimulus to a sector of the economy which has not in recent months played its full role in providing jobs for Canadians." (p.24)
4. The above measures are estimated to cost \$125 million.

MAY 1976

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Budget Speech of May 25, 1976

Canada, Department of Finance (1976) Budget Document issued by the Honourable Donald S. MacDonald, Minister of Finance and Member of Parliament for Rosedale, on the Occasion of the Budget, May 25, 1976.

A. Housing Related Issues That Were discussed

1. Housing starts rose significantly despite the drop in total real expenditures on housing construction. This was due to the effects of the worldwide recession, especially among Canada's major trading partners. (p.8)

B. Housing Related Programs That Were Announced or Amended

1. The RHOSP program is amended by allowing an individual to shift a plan from one institution to another.

MARCH 1977

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Budget Speech of March 31, 1977

Canada, Department of Finance (1977) Budget Speech, Delivered by the Honourable Donald S. MacDonald, Minister of Finance and Member of Parliament for Rosedale in the House of Commons, March 31, 1977.

Canada, Department of Finance (1977) Budget Document issued by the Honourable Donald S. MacDonald, March 31, 1977

A. Housing Related Issues That Were discussed

1. Emphasis on restraint in growth of government expenditures.
2. Economic growth in 1976 was led by consumer demand and housing construction. (Budget Speech p.5)

B. Housing Related Programs That Were Announced or Amended

1. Changes to RHOSP to prevent misuse:

More than 400,000 Canadians have established RHOSP's. These plans help taxpayers accumulate savings for the purchase of a home. However, the rules have been criticized for allowing families to contribute to a RHOSP even though they currently own a home or have no intention of acquiring one. I propose changes to prevent misuse of the plan. A taxpayer will not be permitted to make a contribution to a RHOSP if the spouse with whom the taxpayer is living owns a home.... (Budget Speech p.15)

APRIL 1978

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Budget Speech of April 10, 1978

Canada, Department of Finance (1978) The Budget, Prepared by the Honourable Jean Chretien, Minister of Finance in the House of Commons, April 10, 1978.

Nothing of significance regarding housing issues or programs were mentioned.

NOVEMBER 1978

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Budget Speech of November 16, 1978

Canada, Department of Finance (1978) Budget Speech Delivered by the Honourable Jean Chretien, Minister of Finance, in the House of Commons, November 16, 1978.

Canada, Department of Finance (1978) Budget Papers, Notices of Ways and Means Motions and Supplementary Information on the Budget, November 16, 1978.

A. Housing Related Issues That Were discussed

1. Housing measures are placed under "Sectoral and Regional Policy" in the Budget Speech, the goals of such policy being to improve efficiency, to lower costs, and to promote a better distribution of economic activities across regions.

B. Housing Related Programs That Were Announced or Amended

1. The MURB (Multiple Unit Residential Buildings) provision is extended for one year:

I want to announce two measures to reinforce the government's support for housing. First, the tax incentive for multiple unit residential buildings will be extended for one year. (Budget Speech p.16)

Budget Papers document states that extension of MURB provision is designed to increase the number of multiple unit residential starts in 1979 and provide employment through the winter. (Budget Papers p.36)

2. Provision for the deduction of interest and property taxes on land held for redevelopment or resale by developers. This is a reversal of the action taken in the May 1974 Budget Speech.

Second, developers will be allowed to deduct the carrying charges incurred after tonight on their land inventory. (Budget Speech p.16)

The Budget Papers document states that this provision will provide an opportunity for planning more projects in Canada. (p.36) The provision will encourage developers to undertake land acquisition for development purposes.

DECEMBER 1979

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Budget Speech of December 11, 1979

Canada, Department of Finance (1979) Budget Speech delivered by the Honourable John Crosbie, Minister of Finance and Member of Parliament for St. John's West in the House of Commons.

NOTE: Progressive Conservative Government under Prime Minister Joe Clark in office for about nine months.

A. Housing Related Issues That Were discussed

1. Energy conservation and the need for substitution for oil.
2. Restraint in government spending.

B. Housing Related Programs That Were Announced or Amended

1. Increased funding for Canada Home Insulation Program. (p.12)
2. Mention of mortgage interest and property tax credit legislation, noting that personal income taxes would be reduced by \$ 1.2 billion in 1980, rising to \$ 2.9 billion in 1982. (p.5)

If the opposition parties permit our mortgage interest and property tax credit legislation to be passed into law, reductions in federal personal income taxes will be \$1.2 billion in 1980, rising to \$2.9 billion in 1982. (p.5)

3. Expiration of the MURB tax provision on December 31, 1979 since pressure on vacancy rates not as serious as previously. (p.17)

Finally, I have reviewed the special capital cost allowance provisions for multiple-unit residential buildings. This tax shelter was introduced in 1974 and has been extended many times since. The pressure on vacancy rates is not now as serious as previously. Thus, I am letting this provision expire, as currently provided, on December 31 of this year. (p.17)

OCTOBER 1980

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Budget Speech of October 28, 1980

Canada, Department of Finance (1980) The Budget, Delivered by the Honourable Allan J. MacEachen, Member of Parliament for Cape Breton Highlands-Canso, October 28, 1980

Canada, Department of Finance (1980) The Budget Papers and Notice of Ways and Means Motions on the Budget, October 28, 1980.

NOTE: The Liberal Party under Prime Minister Trudeau returns to power.

A. Housing Related Issues That Were discussed

1. Energy security/economic security.
2. The realization that tax expenditures are expensive, and that it is incumbent on the government to ensure that the tax incentives are effective, and that their cost is justified. Notes that the incentives tend to pyramid with the result that a number of profitable corporations and individuals do not pay tax.(Budget Speech p.15)

We will only maintain a good tax system, however, if we keep on looking for ways to make it better. I am particularly concerned to ensure that the tax system is fair and seen to be fair. Three areas of the tax system are worth examining from this point of view.

First, tax expenditures. Honourable Members will be familiar with the concept which was described in a paper tabled by my predecessor last year. Within a short period of time I intend to table an updated tax expenditure account.

The incentives and preferences identified in the tax expenditure analysis raise some important issues. They are expensive and it is incumbent on government to ensure that the incentives are effective and that their cost is justified.

Tax incentives tend to pyramid with the result that a number of profitable corporations or wealthy individuals pay little or no tax. Other countries have responded to this by introducing minimum taxes or

special levies on tax preferences. While this approach may be an answer to the problem, perhaps a fundamentally different one would be preferable. We now have a tax system characterized by higher tax rates relieved by a complex network of incentives and tax preferences. One questions whether the economy might not be better served by a tax system with lower rates but with fewer and more selective incentives. (Budget Speech p.15)

B. Housing Related Programs That Were Announced or Amended

1. The reintroduction of MURBS:

I am now proposing to reintroduce the incentive for the construction of the Multiple Unit Residential Buildings, the so-called MURB provision, to take effect tonight until the end of 1981. (Budget Speech p.16)

The Budget Papers document notes that this measure is introduced to "reduce shortages of rental accommodation and provided a needed stimulus for the construction industry." (Budget Papers p.104) The cost of the program is estimated at 15 million dollars in foregone revenue in its first full year of operation. (Budget Papers p.104)

2. Announcement of grants to encourage homeowners to move from oil to natural gas, electricity etc. (Budget Speech, p.10)



NOVEMBER 1981

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Budget Speech of November 12, 1981

Canada, Department of Finance (1981) Budget Speech, Honourable A. J. MacEachen Deputy Prime Minister and Member of Parliament for Highlands-Canso, November 12, 1981.

Canada, Department of Finance (1981) Budget Papers, Supplemental Information and Notices of Ways and Means Motions on the Budget, Tabled in the House of Commons by Honourable A.J. MacEachen, Deputy Prime Minister and Minister of Finance, November 12, 1981.

A. Housing Related Issues That Were discussed

1. Impact of severe inflation and high interest rates, especially the effect of high interest rates on homeowners, small businesses and farmers. (Budget speech p.1)

I am also greatly concerned over the distress of homeowners having to renew their mortgages at higher interest rates, and over the shortage of rental accommodation. I have sought ways of honouring the government's commitment to protect those most in need.  
(Budget Speech p. 5)

2. Concern for creating a more equitable tax system and need to review tax incentives. (Budget speech p.3)

Many Canadians find our tax system unfair, and I agree with them. They realize that that taxes are necessary to pay for important government services, but they feel that rates of tax are too high. They sense that others, the well-advised or the wealthy, very often pay less than their fair share.

A study of selective tax preferences available to individual taxpayers, which I am tabling tonight, shows that the revenue lost through selective write-offs, exemptions and deferrals are massive. Over \$47 billion of personal income escaped tax in 1979. If these preferences were eliminated, rates of tax could be halved without reducing federal revenues. Some higher-income individuals are able to reduce their tax rate to well below that paid by lower-income Canadians. Some can escape paying taxes entirely. This is unacceptable. (p.3)

For these reasons I propose to end a number of special tax preferences, to restrict others, and to lower marginal tax rates. (p.3)

B. Housing Related Programs That Were Announced or Amended

1. Introduction of the Canada Mortgage Renewal Plan allowing homeowners to defer part of higher interest rates, when mortgage payments exceed 30% of gross income.

Those homeowners who have a reasonable amount of equity in their home can obtain relief by deferring part of the higher interest. The government is prepared to guarantee the interest deferred, within limits, when mortgage payments exceed 30 per cent of gross income. (Budget Speech p.5)

2. Proposal by the government to pay for all or part of the interest deferred for those homeowners whose mortgage debt would reach unduly high levels as a result of interest deferral. (Budget speech p.5)
3. Introduction of Canada Rental Supply Program (CRSP).

In order to encourage the construction of rental housing, the government will provide interest-free loans of up to \$7500 per unit for 15,000 units allocated to tight markets across Canada. (Budget speech p.5)

The above three programs estimated to cost \$350 million dollars. (Budget speech page 5)

4. A limit on the principal residence exemption from capital gains to one residence per family. Previously, it was possible to register ownership of two dwellings under each spouses name, or register ownership of a residence in the name of an unmarried child under age 18. (Budget Papers p.18)
5. Proposal to add soft costs, to the extent that they relate to real property or acquisition of real property, to the capital cost of land or buildings. The costs added to the building would be written off at the same rate as the building (5% per year). Capitalization of these costs would assure that such costs can be resold when the building is resold. Previously, investors in rental or commercial developments would have been able to obtain an immediate write-off in full of 'soft costs' incurred prior to completion of construction. (Budget Papers, p.27-28)

JUNE 1982

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Budget Speech of June 28, 1982

Canada, Department of Finance (1982) The Budget, Honourable A.J. MacEachen, Deputy Prime Minister, and Member of Parliament for Highlands-Canso, June 28, 1982.

Canada, Department of Finance (1982) Budget Papers, Supplementary Information and Notice of Ways and Means Motions, Tabled in the House of Commons by Honourable A.J. MacEachen, Deputy Prime Minister and Minister of Finance.

A. Housing Related Issues That Were discussed

1. Concern for recession, high interest rates and unemployment.

One of the areas of the economy selected for immediate assistance and stimulus is the housing sector -- a sector which is severely affected by high interest rates. The government is concerned with the difficulties faced by many Canadians wishing to purchase a house, with the hardship experienced by many homeowners having to renew mortgages, with the availability of rental accommodation and the number of residential housing starts, and with the high unemployment rate in the construction industry. (Budget Papers, p. 19)

2. Need to bring down inflation and increase productivity--introduction of the '6 and 5' program for government sector. (Budget speech p.8)
3. Expanded housing program to stimulate construction industry and job creation.

I am announcing a five-point package of new and expanded housing programs. These programs will stimulate residential construction and job creation. (Budget speech p.8)

B. Housing Related Programs That Were Announced or Amended

1. Announcement of new home construction and first time buyers plan--the Canadian Homeownership Stimulation Plan (CHSP).

First; the government will provide grants of \$3000 to all purchasers of new houses on which construction starts before December 31, 1982, and to first-time

buyers who purchase an existing house before that date. It is estimated that 18,000 purchasers will be eligible for this grant. The total cost of the program is \$300 million. (Budget speech p.8)

The Program is in recognition of the significant slowdown in housing starts, especially in non-rental housing, the high unemployment rate among construction workers, and difficulties faced by related businesses, and the impact that the construction industry has on job creation. (Budget Papers page 20)

The measure was intended to stimulate construction (50,000 new jobs) before the new mortgage instruments that were described in an accompanying paper became available. (Budget Papers p.20)

2. The initial 30 million dollar allocation to the Canada Home Renovation Plan was doubled to 60 million dollars to generate an estimated 10,000 jobs. (Budget Speech p.8, and Budget Papers p.21)
3. The annual allocation for non-profit and cooperative housing increased from 25,000 to 27,500 units in 1982. "This is in recognition of the fact that the housing needs of low income Canadians deserve special attention." (Budget Speech p. 8) "This should generate an additional 4,500 jobs, largely in 1983. The cost of this measure will reach an annual level of \$10 million in 1984-85." (Budget Papers p. 21)
4. Expansion of Canada Rental Supply Plan (CRSP):

Fourth, some 54,000 jobs are expected to result from the Canada Rental Support Plan for the construction of new rental units in tight markets. (Budget Speech p.9)

Program doubled to 33,000 units in 1982. (Budget Speech p.9)  
Flexibility in terms of the sufficiency of the maximum \$7500 interest-free loan to be examined. (Budget Speech p.9)

5. Expansion of Canada Mortgage Renewal Plan to December 31, 1983, from November 12, 1982. Homeowners having to spend more than 30% of their gross income on mortgage costs as a result of renewals taking place after June 28, 1982 will be eligible for a non-taxable cash grant of up to \$3000. This means that it will no longer be necessary to defer interest before becoming eligible for a grant. Estimated to cost between \$25-50 million depending on the number of households who needs assistance. (Budget papers p.21)

APRIL 1983

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Budget Speech of April 19, 1983

Canada, Department of Finance (1983) Budget Speech, Delivered in the House of Commons, by the Honourable Marc Lalonde, Minister of Finance, Member of Parliament for Outremont, April 19, 1983.

Canada, Department of Finance (1983) Budget Papers, Supplementary Information, and Notices of Ways and Means Motions on the Budget, Tabled in the House of Commons by the Honourable Marc Lalonde, Minister of Finance, April 19, 1983.

A. Housing Related Issues That Were discussed

1. An uncertain economic recovery underway even though housing starts are up due to lower mortgage rates, and higher personal incomes. (Budget speech p.1)
2. Concern with high unemployment rate and the importance of the private sector in dealing with this problem. (Budget speech p.1)
3. Two major themes:
  - a) ensure that beginnings of economic growth spreads to entire economy.
  - b) create conditions required for sustained growth and during the rest of the eighties. (Budget speech p. 1)

B. Housing Related Programs That Were Announced or Amended

1. Extension of Canada Home Renovation Plan. An additional 120 million dollars made available to provide grants up to \$3,000 to low and middle income Canadians. Introduced in March 1982 as "primarily a job stimulation initiative". (Budget papers p.14) During 1982, the program's existing budget of \$115 million has been entirely committed. The additional \$120 million should allow extension to March 31, 1984. (Budget Papers p.14)
2. An additional \$40 million being allocated over two years to Residential Rehabilitation Program. "This program is directed to the improvement and repair of substandard housing in designated areas." (Budget Speech, p. 10) Prior to budget, \$155 million allocated for 1983-84. (Budget papers, p.14)

3. Maintenance of the allocation of social housing units:

Third, the annual allocation of social housing units is being increased by 2500 units in 1983, which will maintain the total allocation at 25,000 units. This will provide additional support to the housing needs of low income Canadians." (Budget speech, p.10)

4. An additional \$40 million is being committed for native housing. Supplementary to a special increase of \$22 million per year recently approved by the government. Existing on-reserve program provides \$73 million dollars annually. (Budget Papers p.15)
5. Additional \$30 million for Canadian Homeownership Stimulation Plan that will allow program to be extended to May 1983. (Budget speech p.11) Up to April 19, 1983 200,000 home purchasers have received grants, at a cost of \$600 million. (Budget papers p.15)

The above five programs, estimated at an additional cost of \$355 million are designed to "spur recovery in housing industry." (Budget papers p.15)

6. Changes to RHOSP guidelines to "assist eligible home buyers to acquire newly constructed homes and to accelerate the use of accumulated RHOSP savings". (Budget Speech p.11)

a) Top-up provision: Currently, tax deductible contributions up to a total of \$10,000 can be made to a RHOSP at the rate of up to \$1,000 per year. Individuals eligible to contribute to a RHOSP who buy newly constructed homes and associated furnishings before the end of 1984 will be able to deduct from taxable income in one lump sum the amount needed to bring their total deductions up to the \$10,000 limit. (Budget Speech p. 11)

b) Allow RHOSP funds to be used for purchasing furnishings to the end of 1983.

Changes to RHOSP "will provide about \$125 million to new homeowners." (Budget Speech p. 11)

Budget Speech of February 15, 1984

Canada, Department of Finance (1984) The Budget Speech, Delivered in the House of Commons by the Honourable Marc Lalonde, Minister of Finance, February 15, 1984.

Canada, Department of Finance (1984) Budget Papers, Tabled in the House of Commons by the Honourable Marc Lalonde, Minister of Finance, February 15, 1984.

A. Housing Related Issues That Were discussed

1. Increasing the security of homeowners.

Increasing the economic security of Canadians will strengthen confidence and helps boost growth and job creation. I shall propose innovative measures to increase the security of homeowners." (Budget speech p.2)

2. Improving efficiency, productivity and competitiveness. (Budget speech, p.2)
3. Increasing flexibility in the mortgage market to provide borrowers with better information, and firmer rights to protect homeowners against extraordinary increases in mortgage rates. (Budget speech p.17-18)

B. Housing Related Programs That Were Announced or Amended

1. Mortgage Rate Protection Program announced. Program to provide income security to homeowners facing mortgage renewals at much higher interest rates at a modest fee. (Budget speech, p. 18)
2. Amendments to the Interest Act to require disclosure of interest rate information and prepayment rates and penalties. Also, to guarantee right of prepayment and limit on prepayment penalties. (Budget speech p.18)
3. Encourage the development of mortgage backed securities to facilitate introduction of private sector mortgages that run longer than five years. Increases homeowner security since it guarantees mortgages costs for a long time. (Budget speech p.18)

The measures I am proposing to improve the security of homeownership will enable and encourage more Canadians to buy their own homes. This will increase their personal economic security and contribute as well to residential construction, business investment and growth. (Budget Speech p. 18)





PART II

DESCRIPTION OF THREE MAJOR HOUSING PROGRAMS  
IN THE ANNUAL REPORTS OF  
THE CANADA MORTGAGE AND HOUSING CORPORATION  
1968 TO 1983

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- A. The Assisted Rental Program (ARP)
- B. The Non-Profit and Co-operative Housing Programs
- C. The Home Ownership Assistance Programs

## A. THE ASSISTED RENTAL PROGRAM (ARP)

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### 1975 Annual Report

"The building of rental accomodation has declined over the past few years, costs have risen in many urban areas at a faster rate than new rentals could support. This has resulted in low vacancy rates, increasing demand and consequential rent increases."

"The Assisted Rental Program plan was enacted in April to encourage the development of modest rental housing by providing annual subsidies of up to \$600 per housing unit. The subsidy was later increased to \$900."

"The subsidy, which may be negotiated for periods of five to fifteen years is designed to reduce operating costs so that rents at market levels will yield a return to the investor."(p.21)

"Developers have responded positively, since the program, combined with extension of capital cost allowances, makes apartment construction economically more attractive."

"Activity by approved lenders under this program totalled \$444 million during 1975, representing 21,092 units." (p.21)

### 1976 Annual Report

"The Assisted Rental Program was enacted in April 1975 to encourage the development of modest rental housing at a time when building costs had risen in many areas at a faster rate than new rentals could support." (p.24)

"[T]he National Housing Act was amended in December 1975 to remove the subsidy and to provide a system of annual interest-free loans for up to 10 years, secured by second mortgages. The maximum loan in the first year is \$1200 per dwelling unit and the loan in subsequent years is reduced by 1/10 each year. This loan is designed to supplement rental income where a gap exists between the cost of building and operating the project, and the rents that can be charged."

"The approval of this second mortgage loan is conditional upon an operating agreement with predetermined rental levels established between the builder and CMHC."

"In 1976 ARP assistance was approved on rental projects containing 23,102 units, with committments for second mortgage loans amounting to \$137.5 million. Of these dwelling units, 22,863 were financed by NHA secured loans from private lenders totalling \$136.7 million." (p.25)

A. The Assisted Rental Program (continued)

1977 Annual Report

"The Assisted Rental Program (ARP) provides for interest-free second mortgage loans on moderately priced rental housing, in order to reduce rents in the early years of the life of the property."

"In 1977 commitments for ARP assistance were made for 60 125 units."(p.32)

"The original allocation for this program in CMHC's 1977 capital budget made provision for ARP assistance on 30 000 dwelling units. In view of the many applications for this assistance prompted in part by the then expected cessation of the capital cost allowance tax provisions at the end of 1977 (subsequently extended for one year) and because of the need for new rental housing construction, an additional budgetary allocation of \$140 million was made available to this program in August 1977." (p.32)

1978 Annual Report

ARP is replaced by the Graduated Payment Mortgage: "At the year end, 3743 units had been approved under GPM (Graduated Payment Mortgage) arrangements. This total exceeded the 1 920 units approved under the 1978 Assisted Rental Program." (p.20)

B. THE NON-PROFIT AND CO-OPERATIVE HOUSING PROGRAMS

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1968 Annual Report

Non-Profit housing: "The conditions of operating agreements with non-profit corporations are not as stringent as those with limited-dividend companies. The rents charged are determined by the Corporation, but maximum incomes are not specified. Non-Profit corporations are required to lease housing to tenants who are unable to obtain other accommodation suitable to their needs and ability to pay. This ensures that priority is given to individuals and families of low income." (p.13)

--2237 units an hostel accomodation for 5912 persons.  
--\$58.0 million in loans. (p.13-14)

1969 Annual Report

No description of the program is provided.  
--2237 units and hostel accomodation for 5940 persons.  
--\$58.0 million in loans. (p.16)

## B. The Non-Profit and Co-operative Housing Programs (continued)

### 1970 Annual Report

The Special \$200 Million Low-Cost Housing Programme is described. (See also home-ownership programs below.)

"In a sociological sense, the concept of public housing cannot lay claim to unqualified success in Canada. While recognizing the importance of physical improvements in the housing stock for low-income families, the Task Force on Housing and Urban Development questioned the social integrity of public housing projects. Anticipated gains in terms of individual and community spirit had not materialized. In contrast to volume production of good physical housing, an environment had not generally emerged from such projects of sufficient character and of a quality to nourish the growth of personal incentives and dignity in living styles." (p.15)

"In consultation with the National Labour Co-operative Committee, assistance was provided to co-operative housing associations across Canada." (p.22)

### 1971 Annual Report

No description of the program is provided.

--3280 units and hostel accommodation for 5523 persons.

--\$70.4 million in loans. (p.20)

### 1972 Annual Report

No description of the program is provided.

--1981 units and hostel accommodation for 3032 persons.

--\$39.1 million in loans

### 1973 Annual Report

Non-Profit housing: "loans were made to non-profit organizations for 4,314 dwelling units and 4,210 hostel beds in a total amount of \$95.1 million." (p.16)

Co-operative housing: "Effective August 13 the new Section 34.18 of the Act allows for loans to cooperatives to be made using the terms of Section 34.15 (Assisted Home-Ownership ) or, if incorporated as a non-profit organization, using the terms of Section 15.1"

"Loans were made for \$7.6 million to provide 414 housing units, including an estimated contribution of \$700,000 to non-profit continuing cooperative associations using the benefits of Section 15.1 terms." (p.16)

B. The Non-Profit and Co-operative Housing Programs (continued)

1974 Annual Report

Non-Profit housing: "Assistance to Non-Profit organizations sponsoring low-rental housing developments increased to \$125 million in 1974 from \$95 million the previous year. Activity in 1974 involved a total of 4388 self-contained units and hostel accomodation for 3,645 persons." (p.16)

Co-operative housing: 728 units approved, \$19.8 million. (p.16)

1975 Annual Report

Non-Profit housing: "The objective of the Non-Profit Program is to provide housing to senior citizens at modest rents. Efforts have been made to extend the program to family and special purpose housing, with encouraging results."(p.16)

"Capital funds committed to the program continue to increase, totalling \$160 million in 1975. Loan approvals during the year provided for 4948 housing units and 4506 hostel beds." (p. 16)

Co-operative housing: "Cooperatives provide the opportunity for planning and management by the people who live in the project."

"The past year has seen a very large expansion in the cooperative program, as 1,495 families made use of the advantages of stable housing costs and the social benefits of involvement in the provision and management of their own homes. Committments under the program in 1975 totalled \$44.4 million." (p.19)

1976 Annual Report

"NHA loans and contributions provided to non-profit and cooperatives are a means of helping moderate-income people to finance and manage community or cooperaative housing developments." (p.13)

"At the same time, \$328.3 million was committed for loans to non-profit and cooperative groups for 10,223 dwelling units, more than 50% higher than the number built in 1975." (p.14)

"[N]on-profit and cooperative groups also benefit from capital contributions of 10 per cent of project cost. Such contributions amounted to \$23 million in 1976." (p.14)

## B. The Non-Profit and Co-operative Housing Programs (continued)

### 1977 Annual Report

"Commitments of NHA loans, accompanied by 10 per cent capital grants to non-profit corporations and cooperatives to help moderate-income people to finance and manage community or cooperative housing developments totalled \$220 million in 1977, compared to an original budget allocation of \$338 million and actual commitments in the previous year of \$328 million." (p.20)

"The decline is partly the result of reductions in certain provincial assistance which has provided supplementary support for this activity in the past. It is also the result of difficulties experienced by non-profit corporations in developing new housing projects within the prevailing cost and rental constraints." (p.22) 6714 units and 1188 hostel beds in non-profit and cooperative projects. (p.23)

### 1978 Annual Report

"NHA loans and contributions provided to private non-profit corporations and cooperatives are a means of helping moderate-income people to finance and manage their own housing developments." (p.12)

"Recent policy changes have shifted the emphasis away from the public housing programs, which have acquired some negative social implications, and have strengthened those programs such as non-profit and cooperative housing which are privately financed and which help people to help themselves. These, and other federal housing programs have also successfully stimulated a shift in production away from the high end of the scale, towards moderately priced housing affordable to people with limited incomes." (p.12)

-new non-profit program announced in May.

-2053 units under new program, compared with 1400 units for old program. (p.12)

"This accomplishment makes possible the phasing out of the old public housing program, which tended to isolate low-income people, in favour of the privately financed non-profit and cooperative programs which allow a more acceptable blending of population groups and are more responsive to the plans and priorities of local governments." (p.13)

B. The Non-Profit and Co-operative Housing Programs (continued)

1979 Annual Report

"Under the Non-Profit and Cooperative Housing Programs, commitments more than doubled in 1979, up from 8027 to 18 316 dwelling units. This increase reflected another of the policy changes underlying the NHA amendments of early 1979; namely the increased emphasis on the provision of subsidized housing by means of the Non-Profit and Cooperative Housing Programs, rather than through the traditional public housing programs." (p.20)

1980 Annual Report

"[P]rivate non-profit corporations and cooperatives have been the main agents for the provision of social housing in urban areas. Initially, this was with direct mortgage loans from CMHC but now, since legislative changes were enacted in 1979, it is with private mortgage loans insured by CMHC."(16)

-CMHC Capital funding of non-profit and co-operatives: 304 units.  
-Other Capital funding: public non-profit 6,342 units  
private non-profit 12,954 units  
co-operatives p4,830 units (p.17)

1981 Annual Report

Social Housing: "Corporation assists Canadians whose income is insufficient to gain access to adequate housing." (p.16)

"Strong demand for both the public and private sectors for the development of non-profit and cooperative housing continued in 1981. An evaluation of the cost-effectiveness of these programs was started during the year and will conclude in the course of 1982." (p.16)

-CMHC Capital funding: non-profit and co-operative 435 units  
-Other Capital funding: public non-profit 6,678 units  
private non-profit 9,449 units  
co-operative 8,196 units

B. The Non-Profit and Co-operative Housing Programs (continued)

1982 Annual Report

Social Housing: "In 1982, the Corporation continued to make assistance available to Canadians whose income was insufficient to allow them access to adequate housing." (p.15)

"Through the Non-Profit and Cooperative Housing Programs, assistance equivalent to the write-down of the mortgage interest rate to as little as two per cent was contributed unilaterally by the federal government."(p.15)

Demand for assistance exceeded the number of units in the budget. An additional 2500 units were allocated after the June Budget Speech. (p.16)

-CMHC Capital funding:	non-profit and co-operative	185 units
-Other Capital funding:	public non-profit	7,646 units
	private non-profit	8,480 units
	co-operative	6,663 units (p.17)

1983 Annual Report

Cooperative, Non-Profit and Public Housing Programs: "Social housing programs are designed to provide much needed housing for low- and moderate-income Canadians." (p. 12)

"The Corporation completed the analysis of a comprehensive evaluation of the Non-Profit and Cooperative Housing Program in 1983. This evaluation, which began in 1982, concluded that while the programs were successful in achieving many of their purposes (for example, increasing the stock of adequate housing accomodation) they did not meet the housing requirements of those most in need of support. Another issue identified in the evaluation was the high per unit cost of subsidies for low-income residents. In response, steps are being taken to address some of these issues." (p.14)

-CMHC Capital funding:	non-profit and co-operative	101 units
-Other Capital funding:	public non-profit	6,787 units
	private non-profit	9,003 units
	co-operative	6,092 units



## C. THE HOME OWNERSHIP ASSISTANCE PROGRAMS

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### 1968 and 1969 Annual Reports

No home ownership assistance programs are mentioned.

### 1970 Annual Report

Introduction of The Special \$200 Million Low-Cost Housing Programme.

"Changes to the National Housing Act during the 1960's were designed to increase the flow of private funds into open-market operations. These measures, however, produced neither a volume nor a variety of housing within the means of the lower ranges of income. The pattern of residential construction continued to be directed towards those in the middle and upper-income groups who could meet the rising costs of shelter." (p.15)

"These social and economic considerations became a matter of serious concern. They underlined compelling reasons for exploring options to penetrate the income scale to the lowest possible level, and without the use of subsidy, to offer a choice in good housing." (p.15)

The Special \$200 Million Low-Cost Housing Programme was designed to place housing realistically in reach of families earning \$4000 to \$6000 per year. (p.16)

Innovation was considered in terms of:

- (a) new tenures, sponsors, integration of lower and middle-income groups, and mixes of commercial and residential uses;
- (b) economic land uses, building methods, and advantageous financial arrangements; and
- (c) the development of new attitudes within the building industry, financial institutions, provincial and municipal governments, and the public towards low-cost housing. (p.16)

Sixty-seven per cent of all units were intended for homeownership.

### 1971 Annual Report

Low-income Housing: "A 100 million Assisted Home-Ownership Programme has been introduced in May 1971, as an extension of the \$200 Million Low-Cost Housing Programme of the year before. Both programmes were designed to bring home-ownership within the financial capabilities of families in the \$4000 to \$6000 and \$4000 to \$6000 income ranges." (p.15)

C. The Home Ownership Assistance Programs (continued)

1972 Annual Report

Private Market Assistance: "To assist families of limited incomes, the Assisted Home-Ownership Programme was maintained and extended to bring home-ownership within the financial capabilities of families whose incomes do not exceed \$7,000." (p.22)

1973 Annual Report

AHOP: "The Assisted Home-Ownership Program was introduced, with other amendments to the National Housing Act, in June 1973, with the objective of enabling low and moderate-income families to own a house without spending more than 25% of their gross income in meeting monthly costs of mortgage loan repayments and municipal taxes."(p.14)

"Generally the program will serve families in the income range of \$6,000 to \$11,000 per annum."

"The total number of new units financed in 1973 was 569 for home-owner applicants, and 4944 units for sale by builders, 1392 existing units were financed during the year." (p.14)

1974 Annual Report

"During the year, \$435 million was approved for 18276 units under the Assisted Home-Ownership Program introduced in June 1973. The objective of the program is to enable low and moderate-income families to own a house without spending more than 25% of their gross income on monthly mortgage payments and municipal taxes." (p.12)

"In the fall of 1974, the program was directed exclusively to new construction, to encourage housing starts and to increase employment opportunities in house-building." (p.14)

"Proposed amendments to the National Housing Act announced at the end of 1974 would broaden the impact of the AHOP program, by extending graduated grants of up to \$600 annually to new housing financed through NHA-insured lenders. Federal Government direct AHOP loans would be reserved for lower-income families." (p.14)

C. The Home Ownership Assistance Programs (continued)

1975 Annual Report

"The Assisted Home-Ownership Program is based on the premise that households should be able to achieve home-ownership without spending an unreasonable amount of their annual income."(p.22)

In 1975, CMHC made direct loans under AHOP for 15798 homes, totalling \$446 million. " "The private sector financed a further 8701 new homes under this program, totalling \$343.5 million." (p.22)

1976 Annual Report

"The Assisted Home-Ownership Program was first introduced in 1973. It enables eligible home-purchasers to keep their monthly mortgage and tax payments to a reasonable proportion of their incomes. The program was substantially modified under amendments to the National Housing Act, made in December 1975. The amendments were intended to encourage mortgage lenders and the house-building industry to finance and produce moderately-priced housing." (p.23)

--42,000 housing units built for sale qualified their purchasers for AHOP assistance. (p.23)

1977 Annual Report

"The Assisted Home-Ownership Program (AHOP) encourages the production of moderately priced housing for sale by providing financial assistance to purchasers. This assistance takes the form of an interest-free second mortgage and, depending on the relationship between a home-owner's income and the mortgage and tax payments he is required to make, may also include an outright grant. Additional subsidies are provided by most provincial governments." (p.29)

--32090 units designated for AHOP assistance in 1977.

1978 Annual Report

AHOP is not mentioned.

In the Policy Development section, it is noted that there were difficulties with many programs, for example: "the distortions to new housing production caused by home-ownership aids." (p.31)

## C. The Home Ownership Assistance Programs (continued)

### 1979 Annual Report

Mortgage Insurance: "Since 1973, this insurance has been extended to public and private lending under the Assisted Home-Ownership Program and Assisted Rental Program funded by federal subsidies. These two programs have largely been replaced in 1979 by insured Graduated Payment Mortgages made by private lenders." (p.14)

### 1980 Annual Report

Subsidies were provided only to units designated for AHOP assistance in previous years. (p.15)

### 1981 Annual Report

No home ownership programs are discussed.

### 1982 Annual Report

Market Housing Support: "However, a number of new market support programs were implemented during the year to assist homeowners and the housing industry." (p.13)

CMRP: "The Canada Mortgage Renewal Plan (CMRP) first announced in November, 1981, was designed to assist homeowners who were facing financial difficulties on the renewal of their mortgages."(p.13)

"There was a special guarantee for the deferral of interest payment when there was equity in the home. Where there was little or no equity, a non-taxable contribution was provided." (p.13)

"At the end of the year, 9757 applications had been approved for total commitments of \$16.3 million in contributions." (p.14)

CHOSP: The Canadian Home-Ownership Stimulation Plan (CHOSP), introduced in the government's June budget, was implemented to stimulate the construction of new housing units, thereby creating employment and improving access to homeownership." (p.14)

"At the end of 1982, 13626 applications had been approved for a total commitment of \$410 million." (p.23)

C. The Home Ownership Assistance Programs (continued)

1983 Annual Report

CMRP: "The Canada Mortgage Renewal Plan (CMRP) was designed to assist home-owners facing financial difficulties resulting from high interest rates at the time of renewing their mortgages." (p.10)

--12,456 families assisted.

CHOSP: "The Canadian Home-owner Stimulation Plan (CHOSP), which was introduced in the government's June 1982 budget was designed to help more Canadians to own their own homes. This resulted in the construction of new housing units, thereby creating employment and stimulating the economy." (p.10)

--124,174 applications approved.

--\$375.5 million spent in 1983.

A P P E N D I X

APPENDIX A

OUTLINE HISTORY OF CANADIAN HOUSING LEGISLATION,

KEY STUDIES AND CONFERENCES

1900 - 1984

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- 1912 "Canadian Housing and Town Planning Conference," Winnipeg.
- 1913 Toronto Housing Company established; builds Canada's first limited dividend housing with government mortgage guarantee.
- 1919 Federal Housing Loan Program
- 1919 Report of the Royal Commission to Inquire into and Report Upon Industrial Relations in Canada
- 1919 Housing in Canada: The General Project of the Federal Government, by Thomas Adams.
- 1927 Housing in Canada: I. Housing in Relation to Land Development and II. The Housing of the Working Classes, by A.G. Dalzell, Social Service Council of Canada
- 1930's -----
- 1935 Dominion Housing Act  
\$20 million in loans helped finance 4,900 units over three years.
- 1935 Special Committee on Housing,  
established by the House of Commons.
- 1935 "A Housing Program for Canada," in Social Planning for Canada,  
by the Research Committee of the League for Social Reconstruction.
- 1935 The Housing Accommodation of the Canadian People,  
by the Dominion Bureau of Statistics.

Appendix A

- 1937 Federal Home Improvement Plan  
Subsidized interest rate on rehab loans for 66,900 units as a re-employment measure.
- 1937 National Housing and Planning Association established, sponsors national housing conferences in 1938 and 1939.
- 1938 National Housing Act  
Federal homeownership mortgage loans (about 15,000 authorized); low rental housing; Assistance to municipalities for low cost housing.
- 1939 Housing: A Study Prepared for the Royal Commission on Dominion-Provincial Relations, by A.E. Grauer.

----- 1940's -----

- 1940 Rent Controls introduced by the Wartime Prices and Trade Board.
- 1941 Wartime Housing Limited  
Built 45,930 housing units (\$253 million) in nine years.
- 1941 Housing in Canada, by H.F. Greenway, Census Monograph No. 8.
- 1943 Report on Social Security for Canada, by L. Marsh, for the Advisory Committee on Reconstruction.
- 1943 A Housing and Community Planning subcommittee of the Advisory Committee on Post-war Reconstruction is established, L. Marsh appointed Research Advisor.
- 1944 National Housing Act (major amendments)  
"An Act to Promote the Construction of New Houses, the Repair and Modernization of Existing Houses, the Improvement of Housing and Living Conditions, and the Expansion of Employment in the Postwar Period."
- 1944 Housing and Community Planning, Final Report of the Advisory Committee on Reconstruction's housing subcommittee.
- 1946 Central Mortgage and Housing Corporation established.
- 1946 Community Planning Association of Canada established.
- 1947 Regent Park North, Toronto, Canada's first public housing project.
- 1948 Houses for Canadians, by H.S.M. Carver.



Appendix A

1949 National Housing Act

Section 35 federal-provincial public housing assistance (75/25).  
About 12,000 public housing units built by early 1960's.

----- 1950's -----

1951 Residential Real Estate in Canada, by O.J. Firestone for CMHC.

1954 National Housing Act

NHA Mortgage loan insurance; housing redevelopment.

1955 An Experimental Study of Local Housing Conditions and Needs: A Report to CMHC, by A. Rose.

1956 Housing and Urban Growth in Canada: A Brief from CMHC to the Royal Commission on Canada's Economic Prospects.

1958 Regent Park: A Study in Slum Clearance, by A. Rose, about Canada's first public housing project.

----- 1960's -----

1964 National Housing Act (major amendments)

Urban Renewal and Public Housing expanded (90/10; 50/50).

1967 "Federal-Provincial Conference on Housing and Urban Development," Ottawa, December, sponsored by federal government.

1968 "Canadian Conference on Housing," Toronto, October, sponsored by the Canadian Welfare Council.

1969 Report of the Federal Task Force on Housing and Urban Development, Paul Hellyer, Chairman.

----- 1970's -----

1970 Urban Canada: Problems and Prospects, by N.H. Lithwick; Housing in Canada, Research Monograph 2, by L.B. Smith.

1970 \$200 million Innovative Housing Fund for low income housing.

1971 Ministry of State for Urban Affairs established.

1971 Programs in Search of a Policy: Low Income Housing in Canada, by M. Dennis and S. Fish.

Appendix A

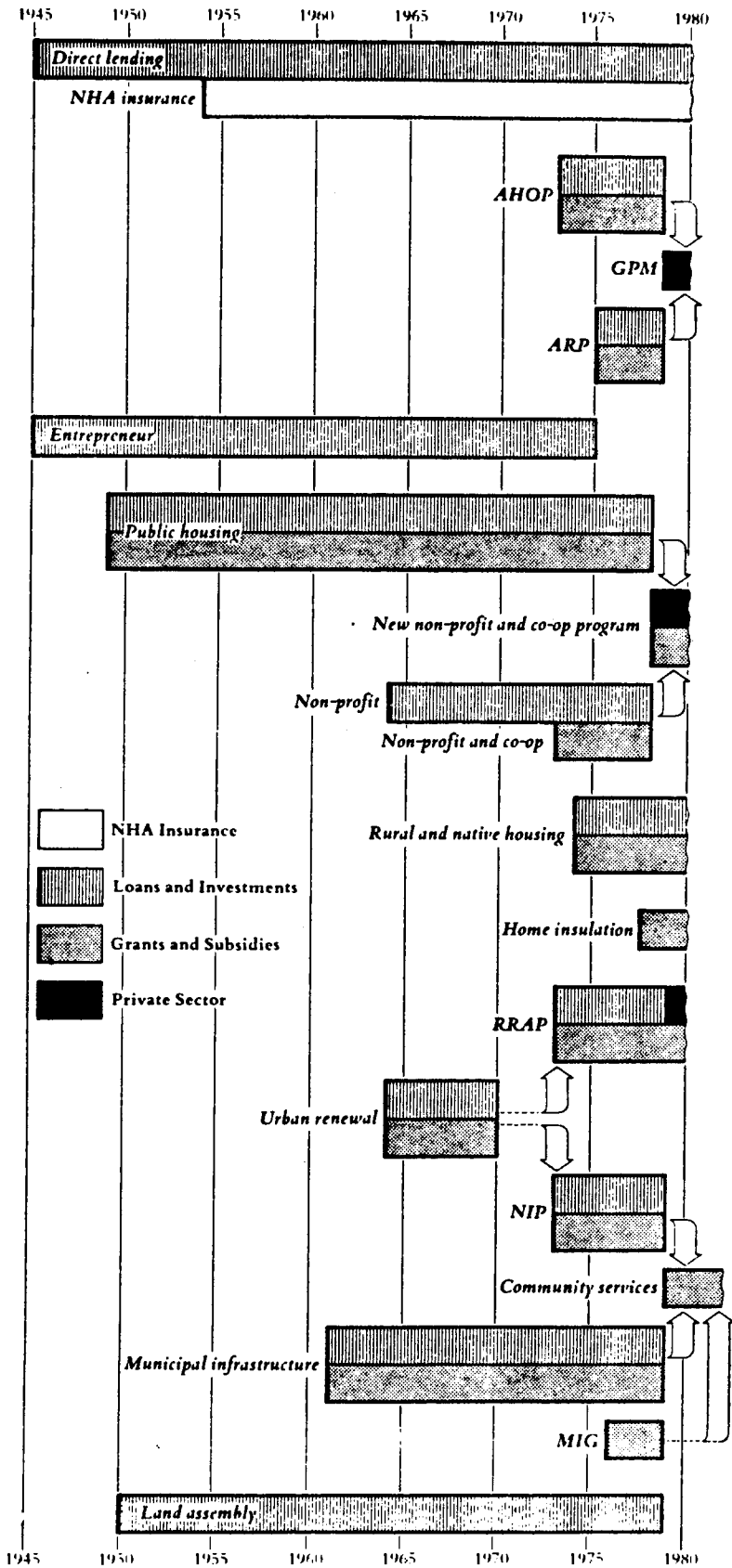
- 1973 National Housing Act (major amendments)  
Assisted Home Ownership Program; Non-profit and Co-op Housing Assistance; Neighbourhood Improvement Program; Residential Rehabilitation Assistance Program; Land Assembly Assistance; New Communities Program; Native Housing.
- 1976 United Nations Conference on Human Settlements, Vancouver.
- 1978 National Housing Act (major amendments)  
Programs revised; some abolished; theme: federal disentanglement.
- 1978 Ministry of State for Urban Affairs abolished.
- 1978 Down to Earth: The Report of the Federal/Provincial Task Force on the Supply and Price of Serviced Residential Land, David Greenspan, Chairman.
- 1979 Report on Canada Mortgage and Housing Corporation, by Task Force on CMHC, D.J. Matthews, Chairman.

----- 1980's -----

- 1981 Canada Rental Supply Program (CRSP) and the Canada Mortgage Renewal Plan (CMRP) initiated.
- 1981 "All Sector National Housing Conference," Ottawa, March, sponsored by the Canadian Real Estate Association.
- 1982 Canadian Homeownership Stimulation Plan initiated.
- 1983 Section 56.1 Non-Profit and Cooperative Housing Program Evaluation, by CMHC released in November.
- 1984 Mortgage Rate Protection Program legislation adopted by Parliament.

FIGURE A-1

EVOLUTION OF CMHC PROGRAMS, 1945 to 1980



APPENDIX B

A SELECTION OF 1969 NEWS REPORTS AND EDITORIAL COMMENTS  
FROM CANADIAN NEWSPAPERS ON THE RELEASE OF THE  
REPORT OF THE FEDERAL TASK FORCE ON HOUSING AND URBAN DEVELOPMENT

# The flaws in the house that Paul built

THE GLOBE AND MAIL, TUESDAY, FEB. 4, 1969

By ALBERT ROSE

**T**HE REPORT OF the Federal Task Force on Housing and Urban Development was tabled exactly when predicted by its chairman, Transport Minister Paul Hellyer, on a number of occasions since it began its operations in September last year. To this extent the device of a task force to inquire into a matter of national concern, rather than the appointment of a royal commission, seems justified. The task force travelled more than 30,000 miles across Canada, held a large number of public hearings, received a vast number of briefs from organizations and individuals, and completed its business within a relatively short time.

*Dr. Rose is professor of social work, University of Toronto, and author of Regent Park: A Study in Slum Clearance, and Canadian Housing Policies.*

The value of a report, however, is not necessarily related to the efficiency with which it is prepared. In reading the report one can scarcely believe that any experience has been accumulated during the past quarter century. There is much to suggest that the recommendations made and their translation into new legislation might have been accomplished, as has largely been the case during the past 25 years, by the officials of Central Mortgage and Housing Corp.

The major recommendations of the task force fall into four groupings:

- To facilitate and expand home ownership;
- To reduce the cost of housing;
- To de-emphasize the nature and role of public housing;
- To suggest the most appropriate forms of urban development during the last quarter of the Twentieth Century.

The recommendations seem to have been inevitable because of the composition of the task force itself. Its chairman, Mr. Hellyer, was a successful housebuilder in Toronto before he entered politics. The members are equally home-oriented.

The recommendations designed to facilitate and expand home ownership include these proposals:

- That the maximum NHA mortgage be increased from the present limit of \$18,000 to \$30,000;
- That the amortization period for an NHA loan be expanded from the present maximum of 35 years to 40 years;
- That a reduction in down payments by the purchasers of homes lead eventually to the prospect of a nominal \$100 down payment or no down payment;
- That the full benefits of NHA legislation with respect to mortgages on new homes be extended to the purchase of existing homes;
- That the insurance premium required on NHA mortgages, which now amounts to 2 per cent of the purchase price, be reduced to 1 per cent;
- That private lending institutions be consulted once or twice a year by federal officials to insure that they are making every effort to channel a sufficient proportion of their investment funds into residential housing.

These proposals are familiar and some of them have been implemented from time to time during the past 25 years. In the late Nineteen Forties a maximum NHA loan in the neighborhood of \$8,000 to \$9,000 was increased because the prices of houses had reached \$12,000 to \$13,000; some years later the loan was increased to \$13,000, when it was clear that the typical price of new homes in urban centres had reached \$15,000 to \$16,000; and more recently, the loan was raised to \$18,000, when it became apparent that house prices five or six years ago had reached \$20,000 to \$21,000.

In our past experience an increase in the maximum NHA loan did not restrain the relentless march of house prices; nor is it likely that the proposed extension of the limit to \$30,000 will mean anything more than the probability that typical new house prices will reach \$38,000 to \$40,000 within two or three years. Proposals to permit home ownership with little or no equity will scarcely commend themselves to the lending institutions which, after all, must make mortgage funds available; and even though the Mortgage Insurance Fund will recompense them, if the owner defaults, there is no provision to repair damages if non-equity owners treat their homes as they sometimes treat rental housing. Moreover, there is little likelihood that Canadian families with less than \$9,000 to \$10,000 a year could possibly carry a \$30,000 mortgage, pay increasingly higher taxes, and meet the costs of heat and utilities.

## Don't meet need

These recommendations will do little or nothing to meet the housing needs of the two-thirds of Canadian families whose annual incomes are below \$7,500.

The proposal to extend NHA provisions to the purchase of older houses is an old recommendation that was discarded by the federal Government in favor of a provision extending this opportunity only to houses which were to remain in designated urban renewal areas and bought by homeowners seeking to rehabilitate them. The likelihood is that most older homes in urban centres will increase substantially in price when larger mortgages become available, and this provision may sharply reduce the supply of elder housing available to families in the \$8,000 to \$9,000 income bracket. The condition of many older homes, those now on the market at prices ranging from \$15,000 to \$25,000, is such that the lending institutions are unlikely to be enthusiastic about such financing.

The task force has proposed a series of measures which, it argues, will cut over several years the cost of the main components in the high cost of home ownership, namely land, building materials, fees, not to mention the cost of money itself. These recommendations include:

- That a capital gains tax be imposed on the speculative profits of all land sales, including the possibility of a special tax where land transfers occur without evidence of improvement;
- That the federal and provincial governments remove all sales tax on building

materials for residential construction, with the possibility that this change might begin with the introduction of rebates on materials used in "low-cost housing."

- That municipalities buy large quantities of land required for urban development within their boundaries and that the federal Government make direct loans to them for this purpose;

- That an investigation be launched into restraint of prices in the building industry and unfair labor practices;

- That fees in real-estate transactions paid to brokers, salesmen and lawyers be reduced by some form of voluntary restraint.

The expectation that the task force would also propose lower interest rates on mortgage loans through a federal subsidy—the absorption of two or more percentage points in the current rate of interest—did not appear in the report. The proposals for changes in taxation policies on the part of the two senior levels of government are particularly tiresome. Various associations in the construction industry have been urging the removal of the sales tax on building materials for several years; many organizations and individuals have been asking for the imposition of a capital gains tax, particularly on the profits derived from land transactions. The Carter Commission on Taxation proposed the imposition of capital gains taxes on a widespread basis. How likely this reiteration of these proposals is to be implemented is anyone's guess. Because of the scarce fiscal resources at the federal and provincial levels, I would judge that neither proposal will be accepted.

## An old process

Planning by local governments to acquire land for development is almost as old as the process of urbanization itself. In Canada the recommendation has been made again and again that municipalities be enabled to purchase and hold land for urban development. My Consultative Committee on Housing Policies for the City of Toronto made a similar recommendation more than three years ago. Between 1947 and 1952 the Housing Branch of Ontario's Department of Planning and Development, together with CMHC, acquired vast tracts of land (including those now occupied by Lawrence Heights, York University and the adjacent Edgeley Project) in a concerted process of land acquisition.

Thus, there is nothing new in this proposal, but the suggestion by the task force that the federal Government make direct loans to the municipalities for this purpose can scarcely be taken seriously in the present context of federal-provincial relations. This must be interpreted as a political recommendation, since it would be difficult to name more than one or two provincial governments that would permit direct federal-municipal negotiation on any matter affecting housing and community planning.

The less said the better about recommendations which propose federal investigations into price fixing and restraint of trade on the part of labor unions in the

building industry, as well as the curious and unrealistic expectations that voluntary restraint will prevail in fee-charging processes.

The report of the task force devotes 10 of its 85 pages to discussing the inadequacies of public housing in some of the older and larger projects in Canada, and the social and economic evils that have developed among tenant families. It had been anticipated, because of the visit of the task force to Toronto's Regent Park and Trefann Court, that the report would blast large concentrations of public-housing families. Yet the recommendation that no more large projects be built has long since been implemented by the Ontario Housing Corp. and is part of the philosophy of the seven other provincial housing corporations and two housing commissions in Canada.

In the latest available data from the Department of National Health and Welfare there were 46,216 mothers of 135,496 dependent children receiving Mothers' Allowances on March 31, 1966 (exclusive of

British Columbia). For the most part these mother-led families occupy poor housing and attempt to survive on inadequate incomes. In Metro Toronto such families make up more than 35 per cent of all families applying for public housing. If there were no public housing, where would they turn? There seems to be no understanding in the task force of the nature of poverty in Canada and the slum living that poverty creates. How can the task force seriously suggest "away with all public housing" when it has nothing to replace it?

Those who attended the Canadian Conference on Housing in Toronto in October last year heard Mr. Hellyer begin his address to the conference banquet by asking those who associated him with the concept of satellite cities to put up their hands. It was a curious performance, and perhaps 40 or 50 of the 600 people responded to his invitation. Apparently Mr. Hellyer believes that he conceived the idea of new cities detached from existing metropolitan areas. It is probably fruitless to point out to him at

this date that Ebenezer Howard wrote about such cities in his conception of the Garden City Movement between 1890 and 1914; that Sir Patrick Geddes in England played a substantial role as a planner of such cities; and that the British, the Scandinavians and the Americans have built many satellite cities.

There is nothing new in this concept, except that many such ventures have failed to attain their objectives and others have proved to be so costly that they could not possibly be self-sufficient. Those who worked in such communities could not afford to live in them; and those who lived in them often could not find employment in their communities.

Nevertheless, the task force report recommended that the federal Government seek the cooperation of one of the provinces in building such a city, housing perhaps 1 million people, to serve as a laboratory to test new urban living patterns. As a resident of Ontario, I suggest that Mr. Hellyer go elsewhere with his proposal.

# Paul Hellyer on housing: fact or fiction?

THE GLOBE AND MAIL, WEDNESDAY, FEB. 5, 1969

By ALBERT ROSE

**M**ANY PEOPLE WHO had anything to do with the federal Task Force on Housing and Urban Development, as it travelled across Canada, came away with the feeling that it was a grand experience in put-down (put-down might be defined as the denigration of a witness, or casting doubt upon his veracity or integrity). In its hearings and final report the task force rejected academics, experts, planners, citizens' organizations, the concept of public housing, provincial governments and their corporations, and even the federal agency itself, the Central Mortgage and Housing Corp.

This foray into the complexities of the housing problem in Canada was a fascinating exercise in petulance and politics. The politics can be forgiven, or at least understood, because housing is an extremely important political, as well as a social and economic, issue; and, as an anonymous, astute academic has written: "You can't take politics out of politics." The petulance, on the other hand, can't be forgiven or even understood.

Minister of Transport Paul Hellyer apparently embarked upon his mission with the notion that no other person or group (with the exception of a small sample of poorly-housed families) had anything to teach him and his task force.

As his team travelled from place to place, its constant carping about the testimony it received was remarkable. At times questions to witnesses were personal and even insulting. As late as the evening before the tabling of the report in Parliament, Mr. Hellyer appeared on the CBC television program, Twenty Million Questions, and continued to berate what he called "the experts and the academics." These people, he said, have many misconceptions concerning the housing situation, particularly about the problem of the allocation of subsidies.

The style and deportment of the task force was even more curious, considering that it was composed essentially of a group of academics. In addition to the intelligent, alert vice-president of York University, Dr. James Gillies, the committee included Dr. Doris Boyle of Cape Breton, who told public housing tenants in Toronto that they could save money by doing without a telephone, as she had done in her youth. It also included an ecologist, Dr. Pierre Dansereau, a scholarly architect, a specialist in mortgage finance, and a prominent developer who has not been timid in expressing his views on house-building and other aspects of urban development.

The report consigns to the ash heap questions about the propriety of home ownership for everybody. In its desire to assure Canadians that almost every family can aspire to home ownership "within a few years," the report rejects the real possibility that a substantial proportion of families in the last third of the Twentieth Century will have no desire to own a home. Despite the fact that 60 per cent of all housing starts in Canada last year were in the form of apartment dwellings, the task force gives little recognition of this fact and leaves the reader with the distinct impression that it was talking about a set of metropolitan cities entirely different from those occupied by half of the population.

What, in fact, does the phrase "home ownership within a few years" mean to a Canadian family with income of less than \$7,000 a year? The Economic Council of Canada, in its Fifth Annual Review of September, 1968, reported that all Canadian families in 1965 had an average income of \$6,669. More than 60 per cent of all Canadian families in that year had less than this income. Today we can assume that the average is between \$7,000 and \$7,500. Let us presume that the phrase "within a few

years" means within five years. For some time the annual average increase in the Composite Index of Residential Building Materials and Wage Rates has increased by about 6 per cent a year. So five years from now the cost of home ownership for families in the lowest half of the income table should be at least 25 to 30 per cent greater than it is today. Of course, there will be increases in income as well, but it is difficult to understand the logic of the argument that the possibility of home ownership will increase for lower income groups to encompass families with \$5,500 a year or less. The few will be able to accomplish this goal; to promise it to all approaches dishonesty.

This comment might also be made about the task force's emphasis on the elimination of red tape. The report does not clearly define red tape but it is clear that what is meant is a series of provincial and local planning controls that were instituted painstakingly after a century of disastrous city building in this country. Two years ago the former Ontario Minister of Municipal Affairs, J. W. Spooner, commented most effectively on this subject at a meeting of builders and developers in Toronto.

He said that he was determined to maintain good planning, despite the housing crisis, because he was certain that a substantial part of our critical situation resulted from poor planning in the past. It is too bad that the task force has to rely on unfocused attacks upon the bogeyman known as red tape. The absence of controls simply means an invitation to the development of future slums.

The task force has clearly put forward a number of recommendations and proposals that can only be termed political. By any form of analysis they constitute an intrusion into the rights and responsibilities of provincial and local governments who, without doubt, are responsible for housing

and physical planning within their geographical jurisdiction. The recommendation for forward purchase of land, the recommendation that local governments should be relieved by the provincial governments of at least 80 per cent of the cost of education, the recommendation that local governments (if they have not already done so) should adopt the National Building Code by 1970, the recommendation that regional governments should be set up throughout the nation and that these governments should assume the responsibility for purchasing and servicing land for urban development, the recommendation that municipalities should examine and alter their assessment procedures to ensure that speculation in land is no longer fostered by inadequate assessment procedures—all of these are the kind of proposals that Ottawa would choke upon if some provincial commission of inquiry were to recommend a closer examination and alteration of certain areas of federal jurisdiction to assist the meeting of a specific problem.

It is my conclusion that one of the reasons for the formation of the task force was to take away from the new provincial housing corporations, particularly the successful Ontario Housing Corp., some of the attention and kudos that have been gained through increasingly active provincial initiatives since 1965. By last year eight of the 10 provincial governments had created housing corporations and the remaining two have set up housing commissions to facilitate intergovernmental relationships. Ottawa has provided 90 per cent of the money but has had little of the credit. On the other hand, the complaints and criticisms about the chronic housing crisis throughout Canada have been focused on the federal Government.

There is a strong suspicion on the part of

many of us who are deeply involved in the housing situation that the knowledge of the task force, and particularly that of its chairman, Mr. Hellyer, concerning public housing in Canada is largely restricted to an examination of Toronto's Regent Park North and South. The report quotes costs allegedly required to create those projects which are grossly inaccurate. The report further slanders the residents of public housing and denigrates their conditions to the point of despair.

It is too bad that the report didn't make a comparison between modern public housing, despite its weaknesses, and some of the appalling slum conditions which existed before the introduction of urban renewal and redevelopment.

In the same area of proposals the task force recommends student housing accommodation be de-emphasized until the needs of poor families are met more satisfactorily. It is difficult to understand the relationship between these two propositions. The need for student housing is urgent throughout Canada and should be considered an investment in the future productivity of the national economy. It is the universities that recognize the problem, and they request such accommodation through their appropriate provincial departments. The need for housing for the poor, which can only be met through public housing, is customarily initiated by the local municipality, which must recognize the need among its residents and begin the process of meeting that need through a request to the appropriate provincial body. Application is ultimately made for federal financial participation.

At a time in the history of mankind when almost every nation has come to the conclusion that it is only through vast public housing programs that the shelter needs of the least affluent or most disadvantaged

individuals and families in the community can be met, it is most disheartening to learn that the task force thinks that home ownership "within a few years" is the most appropriate solution for every Canadian.

The alternative to public housing proposed by the report is the development of a system of rent supplements. It is alleged that the pitifully small rental subsidies in public housing (\$7-million annually) paid by Ottawa would have been better spent if \$50 a month were provided to each needy family. It is argued that such families would then be able to find their own accommodation.

What kind of accommodation? Every family that applies for public housing is living somewhere and this proposal merely means the payment of an additional \$50 a month for the same old "junk." A program of rent supplements is of no use unless it is accompanied by a program of rent controls and the enforcement of local housing codes. It is interesting to speculate on the government's reaction to a proposal that amounts to a guaranteed annual income supplement of \$600 for slum landlords.

Finally, there is the proposal that a federal Department of Housing and Urban Affairs be created. It is gratifying to be among those who made this proposal to the task force. If Ottawa is to pursue a strong and appropriate role in urban development, the full-time efforts of a separate ministry are required. In my view, however, there is the possibility that the report of the task force is a first step for federal withdrawal. We have heard much in the past two years of cost-sharing programs in health and welfare that have been turned back to the provinces without the transfer of adequate resources to support them. We must ensure that this does not happen in housing and urban development.

## The Sun VANCOUVER, BRITISH COLUMBIA, THURSDAY, JAN. 30, 1969

# Barrage of Criticism Greeted Government Housing Report

The Hellyer housing task force report ran into a barrage of criticism Tuesday.

A number of B.C. spokesmen hit out at the proposal to halt low-rental public housing developments.

And they charged that proposals for bigger and longer mortgages with no-down-payment plans will still leave the average family man out in the cold.

The reason: High interest rates will place monthly mortgage payments beyond the means of low and modest-income families.

The task force was also taken to task for failing to grapple with the problem of high interest rates.

The volleys of criticism largely drowned out scattered applause for some of its recommendations.

Municipal Affairs Minister Dan Campbell called the report skeletal and said it contains some "pretty pious hopes" of causing a drop in interest rates by removing the interest ceiling

on National Housing Act mortgages.

He said he doubts this would encourage more private money into the housing market.

"I'm satisfied the report does not represent a comprehensive housing policy for Canada," Campbell said.

"It is not legislation and it has become difficult to determine whether ministerial statements, even in report form, represent government policy," he added.

Campbell said B.C. will fight a recommendation that profits from the sale of land be treated as taxable income.

Vancouver acting mayor Hugh Bird said bluntly: "I don't like to be a pessimist, but I can't see much in the report that will supply the necessary housing."

Bird, chairman of city council's housing committee, zeroed in on the recommendation that mass, low-rental housing developments be halted pending a further review.

"That could be disastrous," he said. "There is a vast

shortage of decent housing for low income groups.

"If you eliminated public housing, there is nothing in there (the report) to take its place."

The seven-man task force team — backed by Transport Minister Paul Hellyer, who is also responsible for housing — found the mass, low-rental developments were "ghettos of the poor."

Commented Bird: "If we provided sufficient public housing, then there would be a variety of economic levels in each development. Then they would certainly not be ghettos."

Bird noted that the report suggests National Housing Act mortgages should go as high as \$30,000 for up to a period of 40 years without any down payment.

"The average wage earner wouldn't be able to pay the interest payments," said Bird.

Arthur Block, president of the Block Bros. real estate firm, said some of the recommenda-

tions would help.

These included removal of the 11 per cent sales tax on building materials, reducing the size of lots and 40-year mortgages, he said, although there was nothing new in these.

But Block was severely critical of the suggestion that the NHA mortgage ceiling be raised to \$30,000, saying, "This shows a serious lack of understanding of the problem."

Lending institutions, he said, would rather give one \$30,000 mortgage than two at \$15,000, so the money would flow where it was not needed.

Jack McKenzie, first vice-president of the International Woodworkers of America's regional council, said the report's recommendations will do nothing for persons in low wage brackets.

Referring to the proposed no-down-payment, long-term loans, McKenzie said: "My guess is that you would end up paying twice as much in interest as you would for the principle."

## 'Like a Cavalry Charge,' Says Expert, Criticizing Hellyer Housing Report

By HUMPHREY CARVER

Humphrey Carver, recently retired after being with the Central Mortgage and Housing Corporation since 1948, had been Chairman of the Corporation's Advisory Group and much involved in shaping housing policies. He is the author of "Cities in the Suburbs" (University of Toronto Press) and is a Fellow and Past President of the Town Planning Institute of Canada.

**MR. HELLYER'S** Task Force on Housing and Urban Development was set up in a climate of crisis. Not enough housing was being built to accommodate the surge of population pouring into Canadian cities, and particularly into the metropolitan cities of Ontario. But as the year went by things began to improve and 1968 turned out to be the year in which housing production headed for the new benchmark of 200,000 units. This somewhat changed the task of the Task Force.

Because 1968 was also the beginning of a new political era in Canada, there was good reason to conduct a review of the nation's policies for housing and urban development.

How would governments in the Trudeau-Stanfield period tackle these problems?

Is there something about the mood and style of the age we now enter, which could find expression in the way we build our houses and our cities?

If Paul Hellyer had known that the crisis was (for the moment, at least) going to disappear and that the Task Force would have to take on this far more formidable responsibility, perhaps he would have recruited a different force and chosen a method of operation less like a cavalry charge.

Perhaps it isn't entirely fair to criticize the members of the Task Force for inadequacies in a job they may not have thought they were going to undertake. Yet their report does attempt to give a total view of the whole frontier of housing and urban development and on this we must judge them.

**APART** from all the details, there are really three central questions to which the Task Force had to address itself and everything else is minor to these:

1. How does the private-enterprise housing system organize itself to fill the needs of the great majority of people? Capital has to be gathered and fed into the housing industry so that it

can deliver its products efficiently, when and where needed. What is produced has to satisfy a wide range of tastes and life-styles and age groups.

2. How does the public system work, to back-stop and supplement the private system? Assuming that there is going to be some public capital invested in housing and some subsidy money, what is the system for seeing that this reaches the people who need it? How do the three levels of government collaborate to do this?

3. What is the general framework for planning and preparing the land on to which all this housing is to be placed? How is open land converted into city land as economically as possible and so as to provide for the convenient organization of communities and the separation of the main traffic system?

**IF ONE** were giving marks on the Task Force's performance in an examination, I would say that on the first question they scored fairly well (with one extraordinary lack of insight); on the second question they would have to be marked "failed" and on the third question they did very well indeed. Let us look at their exam paper in detail.

### Question One

**THERE** is no doubt that this question was thoroughly understood. To get enough private capital for investment in housing (about \$10 billion in five years) will require some exhortation, some passionate entreaty and possibly some government coercion.

From the purchasers' point of view the Task Force puts in a strong bid for the greatest flexibility and variety of purchase arrangements: spread the loan over 40 years or pay it off quickly or add to it for the cost of improvements; give NHA loans for old houses as well as new houses; give bigger loans, up to \$30,000, and eventually make loans without any down payment at all.

Perhaps the Task Force was a bit slap-happy in perceiving all the possible manoeuvres to make the system work. But one cannot quarrel with the underlying aim, that a free market will work best when it really has flexibility of response to what individual people want.

In dealing with this question the Task Force revealed an extraordinary lack of insight in the entire absence of any reference to rental housing in the whole discussion of the private enterprise field.

Did they picture future city growth entirely in the form of single houses? If one was trying to penetrate into the minds of the upcoming generation now in the universities and schools, one would rather expect to find a strong reaction against the suburbs as we have known them.

In this respect the report has a rather old-fashioned flavor; it's as if we were in the 1920s and the cosmopolitan inhabitants of apartments and town-houses had not yet arrived on the scene. Where has the Task Force been all this time?

### Question Two

**ONE** would have to say that the student had failed on this question because, in fact, he simply didn't understand what the question was. Perhaps "student" is the right word because, though the Task Force of seven people included four who had extensive experience in the private sector (Question One), it did not contain a single person who had had any previous experience in the public sector, either in public housing or in urban renewal.

At the pace at which the Task Force leader led his cavalry charge, they didn't have time to find out very much, they trampled underfoot some of the people who could have helped them understand and they were so distracted by the cries of complaint they heard, that they ended up baffled and confused.

On page 55 of their report are the words: "The Task Force is tempted to cry 'away with all public housing.'" And in their confusion I'm sorry to say that they took refuge in that last resort of the anti-intellectual: public housing is an un-Canadian foreign import, they said. (Perhaps along with the French and English languages, the Parliamentary system, the works of Beethoven and the Beatles and a few other items in our civilization.)

It has been a long and tedious battle to win for people of low income their fair share of the funds invested in housing. A big break-through occurred five years ago, when Ontario set up its own Housing Corporation to join with the federal agency, CMHC, in mounting a substantial program that had a budget of \$400 million in 1968. In the last two years every other province has set up its own Housing Corporation and there is now a proper constitutional structure for this important national task. The Task Force report does not mention this organizational structure and apparently did not even speak to the Ontario Housing Corporation. Why not?

Of course, there are many things wrong with the public housing projects just as there are many things wrong with private projects. For some years social workers across the country have been pleading with the federal government to extend its financing through the National Housing Act to include social and recreational centres in public housing and low-income areas. Why did the Task Force complain about the social deficiencies of public housing but make no suggestions along this line?

The Task Force noted complaints about the rent system in public housing which allows families with low incomes and many children to pay a smaller rent than families with more income and fewer children. Of course, there were complaints. Don't we all complain when the graduated



income tax takes away some of our increased earnings? How else would the Task Force suggest that the principles of the Just Society should be applied to a rent system which could reach out to families of low income? They don't say. They are just bewildered.

### Question Three

THE Task Force scores top marks and an "A" on this question, both for the recommendation and for the clarity of exposition. They

discovered that the price of land was the principal factor in the increased costs of housing and that speculation was the principal cause. They concluded that "to achieve cost efficiency and planning effectiveness, municipalities should acquire and service all or a substantial portion of the land required for urban growth within their boundaries."

It (the Task Force) believes, further, that the federal government should be prepared to make loans to municipalities for this purpose. In the view of the Task Force, the arguments in favor of municipal as-

sembly and servicing of land are overwhelming." Later in the report they urge provinces to press on with the establishment of urban regional governments which could acquire and plan the land for urban growth.

For many years the National Housing Act has offered federal financing for the assembly of land by provinces or municipalities and, in an occasional and random way, this offer has been taken up. But the Hellyer Task Force has given a new clarity of purpose, and a breath of fresh air and realism to this aim, if they had done nothing else they

would have won a place in history for giving us this excellent and brave statement.

Perhaps that's not a bad score for a group of seven people who took a six-month crash course in housing and then had to produce a report that would stand up to public criticism. Let's hope that their floundering on question two will not have done too much damage to the thousands of parents and children on the public housing waiting lists, who have been hoping to get into a place soon where there is a decent hot bath, a reasonably equipped kitchen and room for the kids.

# Financial Times

OF CANADA

FEBRUARY 3, 1969

## Housing and Hellyer

The Hellyer task force's report on housing, reviewed in some of its less obvious detail on page 9, brings up a picture of a Madison Avenue brainstorming session which was broken off half way through. A lot of bright ideas about what would be good for housing were put out on the table. But nobody bothered to throw the bad or redundant or inapplicable ones out and put the rest into a cohesive plan.

Nobody bothered, either, to question the assumptions under which the report was written. The main assumption was that there was a housing "crisis" because there was a shortage of owner-occupied homes. Underlying this was the even more basic assumption that this type of accommodation is the ideal for all kinds of Canadians. So the task force came up with a melange of suggested measures designed to allow middle-income people who can already afford decent rented quarters to own their own houses. For all its pious hand-wringing about the plight of the poor, it really had very little to say about the million or more Canadians who have an annual income of less than \$5,500.

For something that emotes so mawkishly about its concern for the people, the report is curiously callous on this score. It does call for "serious consideration" to providing income supplements to the poor so that they can afford normal housing, but one is nonetheless left with the feeling that, since the idea is to make home ownership feasible for anyone who can climb high enough on the income ladder, the poor deserve what

they get for choosing to be poor. This brutish attitude shows through most strongly in the suggestion that the system of income-related rentals in public housing is a disincentive for people to pull themselves together, get a well-paying job and buy a ticky-tacky house like a good, patriotic Canadian.

It also looks like a report written with a weather eye on the political angles. This is not to accuse the independent members of the task force of acquiescing in a political exercise, but it is to say that a fact-finding group headed by a politician is likely to find politically-oriented facts. It may seem a small point, but the frequency in which Mr. Hellyer's handsome face appears in the illustrations (in nine out of 11 photographs) does nothing to dispel this impression. The philosophical basis of its conclusions does even less: there are many more middle-income voters than either the rich or poor.

From a practical standpoint, many of its proposals can and should be implemented. The longer amortization period which it suggests would be especially beneficial in bringing home-ownership within the grasp of more peoples' means. It frequently oversteps the constitutional line into provincial territory, but some of its better recommendations could be put into effect through federal provincial negotiation. It has its strong points — it is bound to. But in its broad outlines, its thinking is back in the days of postwar reconstruction, haunted by the ghost of Mr. C. D. Howe.

# The Financial Post

Second Section

February 8, 1969

Pages 17-24

## 'Illusion to think the private market can house all decently'

By Michael Wheeler

The critic of the task force report on housing is likely to find himself in an unpopular minority.

The report gives the impression of offering something for everybody within the framework of some of our most cherished values — encouragement of home ownership, freedom of choice for the individual, maximum reliance on the private market, minimum government direction and no increase in public expenditure.

Moreover, as a result of the "town meetings" held in the course of its travels, the task force members have discovered that it is not only the majority of comfortable Canadians who dislike public housing but the poor themselves who, presumably, would rejoice with the task force if the program were discontinued.

If the evidence on this point is not totally convincing, the members of the task force would comment "only that exceptions to universality neither prove general conclusions nor do they invalidate them." One would hope, however, they would at least modify them.

If the task force is critical of municipalities for imposing unnecessary restrictions it does not spare those elements in the private sector either which keep costs unnecessarily high — "some building material suppliers and some trade unions." And lawyers and realtors are exhorted to reduce their charges.

The willingness of the task force to be flexible on issues is most forcibly demonstrated in its approach to the creation of new mortgage lending institutions: "... the task force believes in new institutions if necessary, but not necessarily new institutions."

### Disarmed

Thus the would-be critic finds himself disarmed at every point. But the issues raised are too important to be left at that level and now that we have had time to digest the report we must ask ourselves, and go on asking, what does it all add up to?

The task force accepts the principle that "clean, warm shelter" should be considered a basic human right and sets forth the firm target of one million new dwellings in the next five years. It does not attempt to break down this global target according to the requirements of particular income groups, information which we would need to determine the probability of the right to shelter being implemented for low income people.

The task force early in the report establishes its main concern as being to find ways to extend home ownership through the private market to "average" wage earners who in increasing numbers are denied this "dream."

This is a very proper concern and was undoubtedly the main reason for the creation of the task force in the first place; but to stress it above all others results in a limitation of choice even for the average wage earner and perpetuates the neglect of the bottom 25% of the population whose housing problems, by the task force's own admission, are the most severe and which antedate by many years the current crisis.

The task force plainly consid-

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ers it an anomalous situation if people's housing needs cannot be met within the private market and it looks forward to the time when an oversupply of dwellings, combined with the "filter-down" process, will bring decent housing within reach of "all but the most deprived." This is to ignore the way in which the housing market actually works and to shut our eyes to the experience of every industrialized country, including our own.

### Mortgage funds

The task force hopes that by setting annual targets and can-

vassing lending institutions on their investment intentions the federal government can induce the requisite supply of mortgage funds over the next five years.

It is perfectly sensible for the government to set targets. It is also perfectly sensible for the government to try to forecast what the lenders will actually do. But since it is not part of the lenders' primary functions or intent to meet government objectives, it may commonly happen that their "investment intentions" will fail to be "adequate to meet" the government's needs. It is not clear from the task force recommendation how the two things are to be made to fit.

A central mortgage bank, as recommended by the task force, would increase the readiness of lenders to make new mortgage loan commitments, provided there was an authentic assurance of liquidity. But a plausible assurance can only be offered through firm undertakings to buy mortgages at definite prices in the future. Such undertakings cannot be given unless the government is prepared to put up the money and this is precisely the problem. It is probably not so prepared.

The task force is quite right to question the rigid adherence to only one form of mortgage contract as a basis for government mortgage loan insurance and its proposals for new mortgage forms are sound. Five-year mortgages could prove helpful to trust and loan companies because they tend to raise money on a five-year term or less. Variable interest rate mortgages could prove helpful to deposit institutions like banks, and trust companies to some degree.

### Raise ceiling

With regard to the recommendation to raise the maximum loan ceiling under the NHA to \$30,000, the task force report offers no evidence to support the view that this move would not actually diminish rather than increase the number of new housing units that will be built. An increase in the maximum loan will increase the demand for mortgage funds and by keeping upward pressures

on interest rates will presumably increase the supply of funds coming from the institutions.

On the other hand, it will also alter the composition of demand in favor of upper-income groups and thereby enrich the product mix of new housing output. These two effects, increased mortgage flows and enriched product mix, work in opposite directions on the number of new houses produced.

At best there is probably not much to be gained from this move, and at worst there could be something lost. Regionally, high land cost and wealthy areas, such as Toronto and Ottawa, will be aided and other areas such as the Prairies, Maritimes, and Quebec, damaged.

By contrast, the proposal for a progressive reduction in downpayments appears more socially useful since it advocates that priority should be accorded to the lower and middle income groups in obtaining modest housing without initial equity participation. The proposal is similarly sound to extend comparable conditions under the NHA to purchasers of existing homes as apply to new houses.

The recommendation of the task force that greater encouragement be given to limited dividend, non-profit and co-operative projects represents one of the few proposals in the report of any serious potential significance to low-income groups. Its actual importance will depend entirely on the amount of public funds that government is prepared to apply to limited dividend entrepreneurs.

### Limited dividend

There is little doubt that policies could be put into effect to vastly increase the output of useful modest accommodation by responsible private entrepreneurs under the limited dividend provisions. Non-profit companies and co-ops are probably less important as potential sources of output in large quantity, (although still vitally important for the social diversity they introduce) since it is not proposed to offer any financial advantages for co-ops, and since the output of non-profit companies is limited by the

scarcity of genuine eleemosynary sponsorship.

But limited dividend entrepreneurs can make money out of their projects and their demand could probably be developed to a point where large numbers of projects for moderate-income people could be built. While the idea of limited dividend companies is not in any way "revolutionary," the notion of making them major contributors to the flow of new housing output in Canada is novel. All that is needed is money.

Probably the most truly innovative proposal of the task force is that the federal government should make direct loans to municipalities or regional governments to assist them in assembling and servicing land for urban growth. The federal government can already do this under the partnership arrangements, but only as a joint owner with a province or its designate.

The task force intent is clearly to bypass the provinces despite their acknowledged pivotal role in bringing such a policy into effect. However, should the provinces respond favorably, and both permit and press their local governments to accept this role, the federal loan obligations could very quickly reach hundreds of millions of dollars. Everything here depends on the provincial response. The proposal to make urban land development a government responsibility is fundamentally sound and the opportunity should not be lost, because of constitutional niceties or other impediments, to exploit the possibilities this proposal opens up.

### Public housing

The task force reserves some of its most negative criticism for public housing and recommends a halt in large projects,

although just how large is too large is not specified. For years social workers have been calling attention to the problems of stigma and segregation now suddenly discovered by the task force, problems that for the most part are remediable given the necessary will and investment of resources on the part of the public.

However, it is obvious that the task force is against public housing in general and the effect of its recommendation will be to curtail even further a program that in 20 years has accounted for less than 1% of our current housing stock. Given this small amount, it is small wonder that the residents feel set apart from their neighbors.

One wonders why the task force did not consult with the Ontario Housing Corp., which probably has achieved as much success as anybody in the integration of public housing with the general community.

As an alternative to public housing the task force recommends federal loans to municipalities to assist in acquiring "dispersed existing housing for use by low-income groups." The federal government is already empowered to do this and the loan merely requires a municipal and provincial request.

As another possible alternative to public housing the task force recommends serious consideration be given to a program of income supplements to permit low-income families to rent or purchase housing according to their own needs in the private market.

Universal income supplements would be enormously expensive, and in the short run inflationary. No purely distributive measure can ration an inadequate total stock of dwellings. If supplements are not universal, the conditions of entitlement have to be established, and the task force offers

no constructive policy framework for this.

All housing subsidies represent income supplements of one kind or another and merely to talk about "considering" a program of income supplements is to do nothing that hasn't been done over the past 20 years.

### Supplements

However, if the federal government is financially prepared for it, a generalized program of income supplements, available from the federal government, without contributions from other levels of government, and payable to people in given income ranges occupying housing that meets certain minimum conditions, would do more than any other single thing to create a plausible conviction that everyone in this country would be housed decently before too long. Merely to give "serious consideration" to such a policy however, will create no such conviction because the most serious consideration will be about costs and the immediate scale of federal government subsidy liabilities.

The scope of the task force enquiry takes it inevitably into areas outside federal jurisdiction and just as inevitably it must content itself with giving sage advice to others. The report abounds in such phrases as "the task force would hope that developers would make provision for . . ." "Surely it is not beyond hope to suggest that . . . governments at all levels might be capable of improving and simplifying procedures," and, "all governments can do better. All governments must do better."

The rhetorical language is not accidental inasmuch as it reflects in too many instances simplistic assumptions about the nature of the problem and what is necessary for its remedy.

This is nowhere more evident than in the false analogy which the task force draws between housing and automobiles (people can do without cars and use public transportation but they cannot do without private houses unless the public provides them with an alternative, which it does not) and in its remarkable prescription for the elimination of slums by enforcing the concept of owner responsibility.

### Housing standards

A prerequisite to any recommendation for vigorous municipal enforcement of minimum housing standards is surely some understanding of why these by-laws have not worked well in the past. One important reason is that the occupants of most deteriorated housing are too poor to afford anything better and the enforcement of minimum standards is not practicable in the absence of financial aids whether the occupants be owners or tenants.

The municipalities themselves cannot afford such aids and they are correct to permit the continued use of substandard housing until such time as they are provided the funds that would make it possible to contemplate serious enforcement of standards of upkeep and occupancy. Given the funds to provide decent housing for poor people, the municipalities could then see to the repair or destruction of bad housing.

Although the task force report fails to fulfill its promise of being a charter for housing and urban development worthy of Canada in the last third of the 20th century, it nevertheless contains a number of useful proposals and the issues which it raises must be the subject of continuing scrutiny.

## Le rapport Hellyer est décevant

Paul SAURIOL

### Le Devoir, jeudi, 30 janvier

Le rapport de la commission d'enquête Hellyer sur l'habitation souligne une fois de plus la crise du logement qui sévit au Canada depuis longtemps et propose des solutions dont l'efficacité demeure problématique. Comme il fallait s'y attendre, cette étude entreprise par le gouvernement fédéral et dirigée par un de ses ministres débouche sur un programme plutôt superficiel, parce que l'autorité du pouvoir central ne va pas loin dans ce domaine de l'habitation qui est de la compétence des provinces.

La commission constate qu'il faut construire un million de nouveaux logements d'ici cinq ans; ce n'est pas une découverte bien originale, car le Conseil économique du Canada, dans son Quatrième exposé annuel de septembre 1967 affirmait que le nombre des maisons mises en chantier et complétées au Canada devrait atteindre 200,000 unités par année à la fin de la présente décennie.

Mais les moyens proposés pour atteindre cet objectif demeurent limités, pour l'essentiel, au crédit hypothécaire, ce qui paraît insuffisant. Pour diminuer le coût de la construction, le rapport propose la suppression des taxes de vente sur les matériaux de construction; ce serait un allègement non négligeable, mais les gouvernements devraient trouver ailleurs des revenus correspondants, ce qui ne serait guère facile, notamment pour les gouvernements provinciaux qui ont plus de responsabilités que de revenus.

Même en allégeant ainsi le coût de la construction, la commission prévoit une dépense globale de \$20 milliards, ce qui représente une moyenne de \$20,000 par logement. Or la recommandation essentielle du rapport est d'augmenter le crédit hypothécaire. Par la Loi nationale de l'habitation, le gouvernement fédéral a utilisé ce moyen depuis plus de vingt ans, et cette législation n'a aidé que les gens disposant de revenus relativement élevés.

La formule proposée comporte une diminution radicale et même la suppression complète du paiement initial sur l'achat d'une maison, parce que la commission estime que ce qui généralement empêche un citoyen d'acquérir une maison ce ne sont pas les versements mensuels, mais le versement initial; il n'y a pas de doute qu'on supprime ainsi un obstacle, mais en augmentant le fardeau de l'hypothèque.

D'autre part, le montant maximum du prêt à un acheteur serait porté de \$18,000 à \$30,000; de plus, le remboursement du prêt pourrait être réparti sur une période de 40 ans au lieu de 25 ans. Quant au taux d'intérêt sur les prêts garantis par la loi fédérale, qui est actuellement plafonné à 9% pour cent, le rapport recommande que le plafond (établi à 2.25 pour cent au-dessus du rendement à long terme des obligations du gouvernement fédéral) soit supprimé et qu'on laisse le taux s'établir librement selon le marché de l'argent.

La commission estime qu'avec ces changements, les gens à revenu moyen ou modique pourront devenir propriétaires. Cette conclusion paraît trop optimiste si l'on en juge par l'expérience des dernières années, puisque la moyenne de revenu des emprunteurs n'a cessé d'augmenter. Avec des taux d'intérêt qui atteignent 9 pour cent et qui vont peut-être augmenter encore si on supprime la limite actuelle, et le coût de la construction qui va demeurer élevé même si on enlève les taxes de vente sur les matériaux, le fardeau va demeurer au-dessus des moyens d'une forte proportion des salariés.

Le remboursement sur une période de 40 ans peut alléger le montant du versement mensuel, mais la part de l'intérêt sur l'hypothèque dans le remboursement global va augmenter. Seul l'acheteur de 25 ans ou moins pourra espérer terminer ses paiements de 40 ans durant sa vie active. De plus, les maisons auront besoin de réparations importantes bien avant l'expiration des 40 ans, et si les versements mensuels représentent déjà le maximum de ce que le propriétaire peut payer pour son loyer, le coût de l'entretien et des réparations rendra le fardeau prohibitif bien avant que l'hypothèque soit éteinte.

L'importance que la commission donne au financement et au crédit hypothécaire dans ses recommandations vient probablement des limites de la compétence fédérale dans le domaine de l'habitation. Le rapport note que depuis 1945 plus du tiers des maisons construites au Canada l'ont été sous les auspices du gouvernement fédéral. Mais cela n'établit pas la juridic-

tion fédérale puisque, en dehors de ce qui a trait aux prêts hypothécaires, les dispositions de la loi fédérale exigeaient l'intervention et le concours des provinces.

La commission souhaiterait cependant élargir le rôle du gouvernement central et propose que ce dernier accorde directement aux municipalités des prêts pour leur permettre d'acheter des terrains, en vue de combattre la spéculation foncière, et aussi pour aménager des services.

Pour contourner les obstacles constitutionnels bien évidents auxquels se heurterait un tel projet, le rapport ajoute que le gouvernement central ne devrait pas tenter de dire quelle attribution on devra faire des fonds; le rôle du gouvernement fédéral serait ainsi essentiellement celui d'un banquier. Mais même avec cette précaution, le gouvernement central qui peut accorder des prêts aux citoyens, ne peut pas en consentir aux municipalités sans l'assentiment de chacune des provinces dont relèvement exclusivement les gouvernements locaux.

La commission se permet aussi d'autres recommandations qui relèvent du domaine provincial, comme celle-ci: "les gouvernements provinciaux devraient acquitter eux-mêmes une part beaucoup plus grande des frais de l'enseignement primaire et secondaire". C'est une demande que les municipalités ont souvent adressée aux provinces, et qui laisserait une plus forte part de l'impôt foncier aux fins municipales. Mais c'est une recommandation bien platonique dans un rapport qui s'adresse au gouvernement fédéral.

Parmi d'autres points de ce document qui mériteraient d'être relevés, mentionnons le coup de barre énergique qu'on veut donner en faveur de l'accès des citoyens à la propriété de leur demeure. C'est un vœu un peu utopique, mais qui a comme contrepartie la recommandation contestable de suspendre le programme fédéral de construction de grands projets publics d'habitation.

Il n'y a pas de doute que les grands ensembles de logements à loyer modique comportent des inconvénients sérieux et qu'il faudrait adopter des formules plus souples et nuancées afin d'éviter des concentrations de pauvreté. Mais ce n'est pas une raison pour tomber dans l'excès contraire. De même on doit éviter de démolir des maisons qui peuvent être restaurées utilement, mais là encore il faut de la mesure, et cela ne doit pas empêcher la suppression des taudis qui ne peuvent être restaurés.

Il est de même absolument nécessaire que les gouvernements interviennent, d'une façon ou d'une autre, pour subventionner le logement des économiquement faibles, que ce soit par l'habitation publique, ou par le revenu minimum garanti ou d'autres méthodes. La commission Hellyer affirme avec raison que l'accès à un logis propre et bien chauffé est un droit fondamental de l'homme. Mais ce droit ne peut pas être assuré par le crédit hypothécaire, même abondant, même prolongé, si le citoyen doit en définitive payer le coût élevé de la construction et un taux d'intérêt prohibitif sur le crédit qu'on lui accorde.

## A bad example

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Provision of public housing and the regeneration of slum areas have been two of our most critical and controversial urban issues for the past 20 years. It is, therefore, an excruciating disappointment to see the facile and, at times, uninformed way in which Transport Minister Paul Hellyer's task force has treated them.

In recommending a halt to all large public housing projects while a study of the economic, social and psychological issues of public housing is made, the task force report holds up Toronto's Regent Park project as an example of everything bad. So, it is necessary to take a closer look at what the report has criticized so roundly.

There are two Regent Parks—the North and the South. Regent Park North was the first public housing project anywhere in Canada. It was a city project, commenced in 1946 and involving demolition of an entire neighborhood of slum housing. For 10 years, Dr. Albert Rose of the University of Toronto School of Social Work studied the changes that were occurring as a result of the project. Then in 1958 he published a book entitled *Regent Park: A Study in Slum Clearance*.

He concluded: "There is little question that the physical and mental health, family welfare and social behavior of a substantial proportion of the individuals and families rehoused in Regent Park (North) have greatly improved. Children appear to be progressing well in elementary school and are said by teachers to be better clothed, more rested and more regular in attendance. Crime and delinquency have all but disappeared among the residents of the new housing. The fire hazard has been eliminated. In short, a relatively normal, healthful environment has been substituted for one of the poorest slum areas with profoundly significant social

effects." The project contained 1,400 units in four six-story buildings, one eight-story building, and numerous three-story row buildings on 42.5 acres. Recreation facilities and a community centre were included. By present standards, much would be changed. But at the same time, Regent Park North taught us much.

The concept behind it was to provide housing for people who needed time to re-establish themselves and to become independent. In 1964, before the housing crisis reached its present extreme stage, 14.8 per cent of the tenants moved out of Regent Park North, and of them 40 per cent bought their own home. Last year only 8 per cent moved out, of whom 5 per cent bought a home. Ample proof that public housing cannot be treated in isolation. The state of the economy, the housing market, social conditions—everything has a bearing on it.

Regent Park South—479 units in five 14-story apartments and 253 row houses, all on 26 acres—was started in 1953 and completed in 1957. In 1960 it was reported in *The Globe and Mail* that "there is a noticeable improvement in the houses bordering on Regent Park South, police work has fallen to the average for the city, there are fewer fire calls and the area is not generating as many welfare cases as it was in the 1940s and 1950s."

The project was a joint federal-provincial undertaking and it was criticized from the beginning for putting too many children in high-rise apartments. It was also criticized for its lack of open space and the federal Government was condemned for refusing to allow expenditures for recreation facilities, community centres and social requirements. Much of what is wrong with Regent Park South stems from this federal shortsightedness. It is equally shortsighted of the task force to condemn all

public housing on the basis of a project that was recognized as significantly imperfect from the start. When the task force was in Toronto it did not visit Alexandra Park or a number of the other more enlightened housing projects.

At Alexandra Park there has been spot demolition of deteriorated housing—not mass demolition. Older housing is being publicly and privately rehabilitated and public housing is being mixed with private housing. The Alexandra Park approach seems to be the kind of thing that the task force would approve. Yet it condemns both public housing and urban renewal.

The most astonishing recommendation is that old houses should be treated like old cars: owners would be forced to keep them in repair, and when they are worn out, to demolish them. In adopting this recommendation, the report implicitly denies that government has any responsibility for housing beyond doing what it can to maintain a stable housing market and rigidly enforcing minimum standard housing bylaws. But what of the people on fixed incomes who own their homes? Where do they find the money to demolish? Where do they go when their home is razed? They obviously can't afford to buy a new house. And since there aren't enough units to go around as it is, where do they rent? They probably couldn't afford the rent even if they found a place to stay. Houses just aren't like cars. It's a superficial, misleading and dangerous analogy. It's almost as harmful as the frenzied and repetitious description of public housing projects as ghettos of the poor. That simply is not true of most of the projects. It is an assault on the dignity of tenants who are constantly having to defend themselves against this sort of irresponsible comment.

In this important area something better was expected of Paul Hellyer, who, after all, used to live in Toronto.

# Mr. Hellyer's Housing Program

By Maurice Western

**O**TTAWA: In the "epilogue" of the report of Paul Hellyer's task force on housing and urban development, readers will encounter a warning with a familiar ring:

"To take even the most major recommendation and read it, much less implement it, in isolation from the others is to risk an interpretation and a result far removed from that intended by the authors."

One could compile a lengthy list of reports (among others those of Mr. Carter and the late Mr. MacPherson) which carried similar admonitions. What seems essential to the writers, however, rarely seems practical to governments. The present case is distinctive in that Mr. Hellyer himself is one of the authors; was indeed chairman of the force. Even so it is probable that the above words are written on the wind, for the obvious reason that the recommendations are addressed to governments at all levels, including some regional governments which do not yet exist.

There is another difficulty. The report develops an argument, sometimes persuasive, sometimes dubious, for each of its many recommendations (47 are listed in the summary). Any one of them may be relevant to the immediate difficulty being considered by the investigators; for example, a lengthening of the amortization period of NHA loans would doubtless assist some borrowers and bring them in to the housing market. But what is gained in one fashion may be lost in another and it will be necessary for the government to assure itself that the total effect of implementing all the recommendations (or all those within federal jurisdiction) will in fact be helpful.

It seems to me that the basic problem of recent years can be stated rather simply, although there is certainly no easy solution for it. Prices, including the price of money, have been soaring because governments, businesses and individuals have been straining the resources of the economy. Housing has been in competition with other claims on labor, materials, and credit and so on. In the result it has been priced beyond the reach of the average person.

There has been a similar experience in many other countries. In Sweden controls, now hopelessly outdated, have kept down the price of many apartments, but the result is that people have great difficulty in obtaining apartments; every city has its endless waiting list,

It is true that the great Canadian expansion has over-taxed resources in some centres while other areas complain of unemployment and under-utilization of resources. But this problem of immobility is not peculiar to our country; it is found even in states like Sweden where transportation costs are far less burdensome and where there are no difficulties of divided jurisdiction.

The basic question is: Will Mr. Hellyer's program check inflation or will it, by increasing the pressure on scarce resources, force up costs still more? Or to put it another way: Has the task force tackled symptoms and addressed itself to the individual sums while neglecting the over-all sum, or including in the addition an excessive component of faith?

It would be rash to attempt an immediate answer, because the proposals are a mixed bag. One has the impression, however, that Mr. Hellyer as a practical building man has been dominated by a desire to break bottlenecks and to get things moving.

What is the problem? The maximum NHA loan ceiling puts many houses out of reach of potential buyers. Fine. Raise the ceiling. Down payments are a further obstacle. Reduce or eliminate them. Monthly payments are too high. Make them less burdensome by extending the period of amortization.

The supply of mortgage funds is inadequate and it is not certain that existing lending agencies will yield to exhortation and do better. Very well, set up a central mortgage bank and pump more money into the system. Few municipalities or regional governments are in the business of assembling and servicing land. Encourage them by direct federal loans.

It is evident that Mr. Hellyer wants action. The effect of many of the action courses proposed might well be, at least initially, to increase effective demand. But such gains will not be lasting if an intensified scramble for money, materials and labor forces up costs still further.

At the same time the task force proposes to reduce costs by reducing taxes. Its major target is the tax on building materials. But if Mr. Benson is to bring the budget into balance and thus stem the inflation induced by deficits and borrowing he cannot spare tax revenues. He may be able to find a better tax or one bearing less directly on the building industry but if he is in earnest about inflation, tax he certainly will.

Again, to encourage municipalities to promote residential

development, Mr. Hellyer urges provincial governments to assume a much larger share of education costs. Ottawa will undoubtedly be told next month that the provinces must have greater access to federal revenues if they are to carry even their present burdens. Unless the script has been radically changed, Mr. Benson will tell them that the cupboard is bare. How then are they to assume larger costs while at the same time heeding the finding of the task force that they remove part of the sales tax?

Mr. Hellyer is persuaded that Canada would be better served with a separate ministry of housing and urban affairs. Perhaps we would. But the government is already too big and far too expensive. What existing department does Mr. Hellyer regard as expendable?

It is common knowledge that the high cost of housing is due in part to the soaring cost of serviced land. Mr. Hellyer would strike at this in part by discouraging speculation (through a special levy where ownership of land is transferred without improvements) and in part by treating all profits from the sale of land as taxable income. In effect this would amount to a limited capital gains tax — the entering wedge, since it is improbable that the government would long discriminate against one form of property.

There is little doubt that the government will find numerous proposals in the report which it can usefully implement. Mr. Hellyer, after all, knows a great deal about housing and he had the advice of some extremely able men. But if, as seems altogether likely, a solution of the housing problem depends on a solution of the wider inflationary problem, the minister may have been set an impossible task.

To state the matter rather differently: If the economy can be brought into better balance, housing will to a great extent solve itself. If inflationary pressures continue to build up (or if new ones are generated by the implementation of some of the proposals in the report) Mr. Hellyer may find that for every bottleneck he breaks two others are created.

At least he does not appear to have much to fear from parliamentary critics, most of whom seem, from their preliminary observations, to believe even more fervently than the government that the housing crisis will yield to housing programs developed in isolation from the general problem of inflation in the Canadian economy.

# NHBA president opposes recommendation that municipalities assemble housing land

By KENNETH B. SMITH  
Globe and Mail Reporter

VANCOUVER — Let the 85-page green-covered Report of the Task Force on Housing and Urban Development fall open at its centre pages and out leaps the point the house-building industry is least prepared to accept.

The report recommends that municipalities or regional governments should acquire, assemble, service and sell all or a substantial portion of the land required for urban growth within their boundaries.

The National House Builders Association, whose 3,600 members are responsible for 80 per cent of the country's residential construction, will not buy that one. The largest convention NHBA has ever held began here yesterday and will greet Transport Minister Paul Hellyer tomorrow.

One association official said that the minister's speech and audiovisual presentation is so extensive that he is arriving early to rehearse it.

"We agree with and heartily endorse the majority of the findings and recommendations in the report," the association's economic and technical research committees reported to NHBA directors in closed sessions at the weekend. "We believe them to be not merely imaginative, but, more importantly, realistic and capable of implementation within a reasonable time."

The industry's leaders find so much to their liking in the document prepared under the direction of the minister, a former Metropolitan Toronto builder, that their reaction to the land assembly proposal is an incredulous: how could you?

The new president of the association, 41-year-old Ralph Scurfield of Calgary, is even less likely than most members to accept the idea of municipal land assemblies.

He is a director of Carma Developers Ltd., a co-operative land development company owned by 40 Calgary-area builders. It has been in operation since 1966. Carma finds it can market land at \$1,000 a lot cheaper than municipally assembled land, he said yesterday.

The soft-spoken Mr. Scurfield, who believes the industry should orient all its policies toward serving every part of the public, also is not sure that the creation of a department of housing and urban affairs is necessarily the way to advance this public service role.

"I've never seen a government department where red tape did not increase," he said in an interview. "In Scandinavian countries, where so much of the housing is initiated by the government, the control is

so firm that the industry cannot react quickly to needs. There are shortages of housing all over Europe."

At another point he said: "A ministry for Canada would be a good thing as long as it's not just another regulating authority." He sees a ministry of housing having as its prime role seeing that a more adequate proportion of the gross national product is directed to housing.

"In the period 1956 to 1966 housing's share of the GNP dropped from 6 per cent to below 4. In that same period the total cost of government kept going up."

He would welcome a ministry of housing that builders and organized real estate have long sought, if a prime role would be cooperating with the industry in research and the development of new techniques and dissemination of information.

NHBA's two major committees say the proposed municipal-assembly policy would not be an effective measure in reducing or controlling land costs.

"The amount of capital required to have a meaningful effect on land costs on a national basis would be astronomical," their report states. "We believe the resources available to all levels of government would be more effectively used to continue and expand the extension of main trunk services. This measure would enable private developers to service a large number of building lots."

"The element of competition in our free enterprise system depends on a surplus of supply over demand. This element has been missing for many years in the case of serviced lots, not because of an unwillingness on the part of the land developers, but on their inability to connect their land holdings to main trunk services."

"We sincerely believe that rapid and extensive main service extension is the most effective and economical device to increase supply, restore competition and thus accomplish land cost reduction."

The Hellyer report is just as strongly worded the other way.

"In the view of the task force, the arguments in favor of municipal assembly and servicing of land are overwhelming . . . Without downgrading the initiative and enterprise of private developers, municipalities can do this job at generally lower cost to the ultimate user. There is no question in their mind that municipalities can plan the use of land more effectively if they assemble and service it."

The builders cannot understand this great faith in and enthusiastic praise for municipal bureaucrats. Aren't these the same officials who are responsible for the multiplicity of building codes and zoning regulations and nit-picking details about setbacks?

The Hellyer report condemns the lack of a grand design in municipal planning and the constant application of thou-shalt-nots when situations cry out for positive approaches.

At their best, the Hellyer report states at one point, municipal by-laws prevent the worst, but, as often as not, they merely inhibit the best. The builders could not agree more. So why arm municipal officials with even wider powers?

For the same reasons, NHBA's principal committees that have been studying the Hellyer report wish it had been much stronger on the subject of the National Building Code. They think its suggestion of universal adoption through persuasion is not realistic. Provincial legislation should make it mandatory on all municipalities, the builders say.

The industry praises the report for its approach to the subject of public housing and recommending a delay in further large projects until present policies and practices have been reviewed.

Since he was 28, Mr. Scurfield, who succeeds E. L. Mayotte of Port Arthur, has been president of Nu-West Homes Ltd. of Calgary, which accounted for more than 25 per cent of Calgary's single-family housing starts last year. Annual production by his company, including apartments, is about 900 units.

He puts a five-year warranty on his houses and receives 70 per cent of his business on the recommendation of earlier customers.

He is a native of Broadview, Sask., and has a Bachelor of Science degree from the University of Manitoba. He started building houses during summer vacations and one year built two practically single-handedly. After graduation, he worked on construction in Winnipeg, Thompson, Man., Edmonton, Lethbridge and Calgary. He started Nu-West in Calgary in 1957, building about 40 houses the first year.

He is also president of four associated Calgary companies connected with building. His integrated operation includes a materials supply company.

The Hellyer report suggests that economies of scale could be achieved if building were carried out by larger organizations. Mr. Scurfield said: "House building is a long way from the status of the auto industry. Our long-range planning doesn't indicate any substantial change in the number of builders: A number of giants may well emerge, but there won't be any sudden shift."

"It's difficult to go national. Conditions vary from community to community and customers' wishes vary. A series of models successful in one place won't necessarily do well somewhere else. You have better control in one centre, and if it's a growth centre so much the better."