FEDERAL HOUSING POLICIES AND THE DEVELOPING URBAN STRUCTURE: CONFLICTS AND RESOLUTION

by

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of

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We accept this thesis as conforming to the require standard

THE UNIVERSITY OF BRITISH COLUMBIA

May, 1967
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Date May 15, 1967
ABSTRACT

In this thesis, an attempt is made to relate the housing policies of the Federal Government to the income structure of families in Canada. It is felt that this is a fruitful area of study for students of planning since the questions of slum areas, urban renewal programs, and the general promotion of safety and welfare are involved. Moreover, in the urbanizing context in which we live today, cognizance will have to be taken of problems which cities face when low-income families settle within their boundaries.

The hypothesis with which the thesis was mainly concerned was this: Given the structure of income distribution in Canada, the housing policies of the Federal Government, with their major reliance on home-ownership financing, inevitably produce a housing shortage within the urban centres of the country.

To test the main hypothesis, federal policies as codified in the National Housing Act, as well as the speeches of Members of Parliament—especially those responsible for administering the housing Acts over the years—were examined. The findings clearly supported the contention, that not only does federal policies emphasize housing for home-owners, but insistence on private production of housing to meet all demands was the keystone of federal housing policies. These aspects of housing policy developed during the Second World War and continued into the 1950's and early 1960's. Quite recently, however, there has been a noticeable shift in the emphasis given to public housing.

Having affirmed that Government policies did in fact emphasize market
provision of housing seemingly without regard to the full implications, the question of needs, and the basic components of need were investigated.

Needs, it was pointed out, are not identical with demand. For whereas demand is expressed in terms of the ability and willingness to pay in the market, needs must be sought out, by first establishing the income level which allows the individual to buy his own home. For those who cannot meet market requirements, public housing, limited-dividend housing and other forms of subsidized housing are necessary.

Home-ownership as a value is perhaps still very strong in Canada. If satisfactory housing is provided for low-income families a policy of educating the public as to the benefits to the community as a whole is necessary. Such an education program should point out that home-ownership under the National Housing Act is itself subsidized. Furthermore, home-ownership often means massive assistance. The mortgagor may be said to own heavy debts, just as easily as he is said to "own" his home.

The market for housing production was examined in detail. Four significant points emerged:

1. Families receiving less than $4,000 cannot afford to own a home even under NHA arrangements and therefore are excluded from the home-ownership market.

2. For those families unable to benefit from the home-ownership provisions of the Act, low-rental housing is necessary. But so far only a negligible supply of housing has been produced under the NHA in spite of a wide range of provisions.

3. Study of financing conditions in Vancouver would indicate that there are significant shifts away from the use of NHA. On the other hand, NHA loans continue to play a noticeable role in suburban
areas of Greater Vancouver where suitable lot sizes and land costs can be found.

4. Evidence suggests that of late, more serious consideration is being accorded the problem of low-rental housing and public housing. The Minister assigned the task of overseeing the administration of the National Housing Act, has recently called attention to the plight of the many thousands of families who cannot obtain even minimal standard housing accommodation with public subsidy. In short, greater recognition is being given to the crucial role that the incomes of families play. But such a policy would have to show awareness of the fact that, since the federal resources available for housing are limited, allocation of federal funds should be in that area of housing in which greatest national welfare would result.

However, the basic problem of effectively providing housing for low-income groups remains. Its solution will require more wholehearted effort on the part of the provincial government along the lines of the government of the Province of Ontario. But it is felt that the Federal Government can also show much more initiative.
ACKNOWLEDGMENT

I am indebted to a number of persons who have given me encouragement and assistance during the completion of this thesis. I wish to thank Professor Robert W. Collier who directed the study and Dr. H. P. Oberlander, Head of the Department of Community and Regional Planning. From each, I received helpful criticism and suggestions which have been useful in improving my understanding of the problems involved.

Particular thanks are due to Professor Leonard C. Marsh of the Faculty of Education. His invaluable criticisms and his contribution to my insight into the problems of housing have been of lasting benefit.

I owe deepest appreciation to the Vancouver Branch of Central Mortgage and Housing Corporation, to many representatives and officials of mortgage companies, and real estate firms, to the Vancouver Housing Authority and the United Community Services of Greater Vancouver all of whom gave unstintingly of their time, experience and knowledge.

Limitations of space, rather than oversight, prevents me from expressing my gratitude to several other individuals who have been quite helpful.
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CHAPTER I

INTRODUCTION

There is a crisis in housing—a harsh, persistent crisis that continues to hold at bay any easy solution. It is a crisis that exists in its most virulent form in slums and blighted areas. It affects the city, especially the large urban metropolis. It affects all countries, rich and poor, to a greater or lesser degree, and in one form or another.

The strength of the forces which have created this crisis show little evidence of abatement. Perhaps slums have been in existence since the dawn of civilization. We know that reform legislation in Britain during the nineteenth century was directly related to the problems of housing, welfare and sanitary conditions. But the intensity of social and economic pressures at this point of momentous changes in human inter-relationships, in interpersonal conduct and life styles, has focused attention on inadequate housing as one of the great impediments to mankind's progress.

Among the many important forces referred to above are the so-called "population explosion", and rapid urbanization. It will be shown that both of these forces have been generated by the industrial-technological-scientific revolution of modern times. But underlying all these are socio-cultural changes of vast dimensions. And these last are rooted in the psychological needs, desires and motives of man. Thus, while these events propel us

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forward, the need for food, for social contact, for love, and for shelter grows. The importance of shelter is seen in the fact that it is in the home that the enjoyment of these basic needs attains greatest fulfillment and expression.

Statement of the Problem

Serious housing shortages have arisen in several urban areas in Canada. These shortages continue in spite of continued efforts on the part of the Federal Government, especially since World War II, to deal effectively with the problems of housing.

The housing deficiency may be the result of the fact that (a) the actual number of units being built is insufficient; or (b) the cost of the production of housing is too great for a significant portion of the nation to afford on the strength of their incomes.

This paper will argue that, given the existing family income structure, and the acknowledged difficulties of Dominion-Provincial jurisdiction, the major cause of the shortages in housing is to be found in the Federal social policy—such as over-emphasis on home-ownership—and the connected limitations on federal housing legislation. For the Federal Government fails to integrate its program effectively with such fundamental and dynamic events as industrialization and urbanization and the problems arising therefrom.

2The federal Minister responsible for housing, The Honourable J. R. Nicholson, recently declared: "congestion in the cities, and in the urban areas, is great", and notes that often the lack of amenities is shocking". See: Canada, House of Commons: Debates, Ottawa, May 28, 1964. See also survey carried out by Moira Farrow, "Housing Scarce as a Pot of Gold", reported in the Vancouver Sun, February 9, 1967, p. 1, for some aspects of the local Vancouver situation.

3See below, Chapter II, pp. 50-51 where it is pointed out that a highly industrial, urbanizing society produces a number of human discards. Moreover, housing the industrial workers themselves creates problems, not the least of which is forcing the lower income groups to double up in slums.
Urbanization is not peculiar to Canada. Many countries are forced to face the tremendous problems that a rapid rate of urbanization creates. Analysis of this process, understanding of those people most affected, and awareness of the pressures it exerts on housing, municipal services and urban land use and land values should all be reflected in the national housing policies. This would lead to greater benefits in return for expenditures made by the Federal Government.

Housing in a Rapidly Urbanizing World

In discussing the social phenomenon which we call the city, Louis Wirth began with these significant remarks:

Just as the beginning of Western Civilization is marked by the permanent settlement of formerly nomadic peoples in the Mediterranean basin, so the beginning of what is distinctly modern in our civilization is best signalized by the growth of great cities.4

The process of urbanization has been remarked upon by many authorities—quite often with alarm. Catherine Bauer Wurster, for example, points to Calcutta as an extreme case which dramatizes the excessive social costs of

Consider for instance these remarks by W. E. Lent, assistant manager of Canada Manpower Centre in Kitchener, speaking before the Employment Advisory Committee: "There is an extremely critical shortage of housing...and even where employers are successful in recruiting workers from other areas, the end result is frequently that the worker returns home after fruitless efforts to find accommodation". Note, however, that W. L. Butler, mayor of Kitchener and other civil leaders disagreed. According to the latter observers: "talk about a lack of housing has been exaggerated". No doubt, there are many other responsible citizens who view the matter similarly. Reported in the Toronto Globe and Mail by Roger Newman under the title: "In Kitchener They Talk of Shortages of Workers, Housing, Industrial Land", October 18, 1966, p. B5.

rapid urbanization. She argues that one of the central problems of urbanization is the pressure it creates on the housing stock.

It should be noted at this point, that urbanization refers specifically to the process of concentration of peoples within an urban environment. This definition is based on the conceptual analysis and definition of urbanization by Hope T. Elridge. According to Elridge, urbanization cannot proceed without advances in technology, although the reverse is not true. He asserts that:

Urbanization is a process of population concentration. It proceeds in two ways: the multiplication of points of concentration and the increase in size of individual concentrations.

And he further notes:

Two conditions appear to be necessary for urbanization. One is the people and the other is the technology.

Kingsley Davis in the Scientific American (September 1965, Vol. 213, #3) has used as an index of urbanization the proportion of population living in cities of 100,000 and more. He also defines urbanization as "the proportion of the total population concentrated in urban settlements, or else to a rise in this proportion." He points out it is not simply the growth of

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5Catherine Bauer Wurster, "Housing Aid for Under-developed Countries" in The Study of International Housing, by the Sub-committee on Housing, Committee on Banking and Currency, United States Senate, (Government Printing Office, March 1963), p. 52.

6Hope T. Elridge, "The Process of Urbanization" in Joseph J. Spengler and Otis D. Duncan, Demographic Analysis, (Illinois: The Free Press of Glencoe, 1958), pp. 338-422. Elridge is not alone in this view. The National Resources Committee whose article, "The Process of Urbanization: Underlying Forces and Emerging Trends" identifies the following pre-conditions of urbanization: (a) agricultural surplus; (b) centripetal influence of steam power; (c) electricity and the automobile; (d) the technological revolution; and (e) sanitation. Obviously this theory has been evolved against a background of Western development. See also Hatt and Reiss, Jr., op. cit., pp. 64-67.
cities. To Davis urban population is a function of both total and rural population.  

Thus, urbanization is a process expressed in terms of the concentration of people and it is characterized by an increase in the number of urban areas and in size of the individual urban areas. It finds its economic and social basis in technological advancement.

The effect of this process on housing is said to cause pronounced limitations on the minimal space required for family life, on privacy and comfort. It contributes to problems of sanitation and disease, of broken homes, crimes, political instability and unrest.  

It is well to note that these problems are fostered wherever the lack of income, education and a satisfactory job force the city dweller into slum areas. On the other hand, urbanization hardly ever poses these severe problems for the wealthy city dweller, nor in most cases for the well-to-do suburban dweller. Their problems are more likely to be those produced by poor design of housing, lack of community facilities and by the need to commute to a job in the city.

Charles Abrams in Man's Struggle for Shelter has dramatized the conflicts and tensions induced by rapid urbanization on a world scale; for the

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7 Kingsley Davis, "The Urbanization of the Human Population", *Scientific American*, (New York: Vol. 213, No. 3, September 1965), p. 41. In this article Davis also makes the point that in under-developed countries the rate of urbanization is most importantly influenced by the rate of population growth which has been faster than that of any industrialized country even at the peak of their expansion.


process of urbanization has now assumed world-wide proportions. Abrams makes it quite clear that the "struggle" is one which involves the hordes of in-migrants who flock to the city in search of jobs. As might be expected, the most critical housing shortages exist in developing countries. Abrams' book clearly makes this point.

Nevertheless, advanced industrial countries have no cause for complacency. The United Nations publication, *Report on the World Social Situation* (1961) made the following comments on housing conditions in the industrialized countries of Europe and North America:

> During the period under review, the rate of construction of new housing in most countries of Europe and North America was high enough to reduce but not to overcome the housing shortages that date from the decades of depression and war. To varying degrees these countries have been able to turn more of their attention from the general quantitative shortage to the housing needs of special groups and to the needs for replacement of sub-standard dwellings.

The "period under review" referred to here is very recent—from 1957 to 1961. Certainly, there have been no dramatic improvements in the situation since that Report was published. At least in Canada, it was shown that the housing shortage is still acute. (See Footnote 2 of this chapter.)

**Housing and Urbanization in Canada**

In a speech delivered in Vancouver recently by the Minister responsible for administering the National Housing Act, attention was drawn to the urgency of the housing problem. The Minister stated:

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10Note that Ericksen, *op. cit.*, p. 59-60, that the world's population is not yet a city population, and not even an urban population. The proportion of the world's population dwelling in cities of 5,000 and over is still only about 30 per cent.

This visit, however, is of a very special and very serious nature because we come together at a time, when Canada's housing performance generally has suffered a severe setback. A situation has been created that demands our urgent attention, demands it as a priority item. That is why we are meeting today, and that is the purpose of similar housing conferences, being convened from coast to coast by my provincial colleagues and myself.\textsuperscript{12}

Although the Minister is referring to the current housing situation which has part of its roots in short-run socio-economic conditions, his remarks reflect a singular characteristic of the urban situation. That characteristic is that any let-up in the production of housing in the face of continuous urbanization soon results in a crisis situation.

Evidence of the accelerating rate of urbanization is seen in the growth of Canada’s urban population. (See Table 1.) Not only is there massive concentration of population in urban areas but there is also a proliferation of the number of urban centres. (See Table 2.)

The pressures on urban housing in Canada are largely due to the demands engendered by the urban population growth. See the data presented in Table 1. There are also other significant factors which have influenced the demand for housing over the past few decades, for example, the Depression of the 1930's and World War II. The full impact of these components of demand will be considered in a later chapter.

Urban growth as compared with total population growth in the Dominion is graphically illustrated in Diagram 1 utilizing the data in Table 1. Here, semi-logarithmic scale is used to portray the rate of growth of each parameter. It is immediately noticeable that urban rate of growth is increasing at a much faster rate than the growth of the total population. The graphs are

\textsuperscript{12}The Honourable J. R. Nicholson, address to the Housing Conference convened in Vancouver, Hotel Vancouver, February 3, 1967.
### TABLE 1

**GROWTH OF URBAN POPULATION IN CANADA 1871 - 1961**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Population</th>
<th>Annual Per cent Increase</th>
<th>Total Urban Population&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Urban Population as a % of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1871</td>
<td>3,689,257</td>
<td></td>
<td>722,343</td>
<td>19.6</td>
</tr>
<tr>
<td>1881</td>
<td>4,224,810</td>
<td>17.2</td>
<td>1,109,507</td>
<td>25.7</td>
</tr>
<tr>
<td>1891</td>
<td>4,833,239</td>
<td>11.8</td>
<td>1,537,098</td>
<td>31.8</td>
</tr>
<tr>
<td>1901</td>
<td>5,371,315</td>
<td>11.1</td>
<td>2,014,222</td>
<td>37.5</td>
</tr>
<tr>
<td>1911</td>
<td>7,206,643</td>
<td>34.2</td>
<td>3,272,947</td>
<td>45.1</td>
</tr>
<tr>
<td>1921</td>
<td>8,787,949</td>
<td>21.9</td>
<td>4,352,122</td>
<td>49.5</td>
</tr>
<tr>
<td>1931</td>
<td>10,376,786</td>
<td>18.0</td>
<td>5,572,058</td>
<td>53.7</td>
</tr>
<tr>
<td>1941</td>
<td>11,506,655</td>
<td>10.9</td>
<td>6,252,416</td>
<td>54.3</td>
</tr>
<tr>
<td>1951</td>
<td>14,009,429</td>
<td>21.8</td>
<td>8,628,253</td>
<td>61.6</td>
</tr>
<tr>
<td>1961</td>
<td>18,238,247</td>
<td>30.2</td>
<td>12,700,390</td>
<td>69.6</td>
</tr>
</tbody>
</table>

<sup>a</sup>The definition of what is urban and what rural has been modified for census purposes over the years. In 1941, for example, areas incorporated under a charter were classified as urban without regard to the fact that the size of many un-incorporated centres was greater than a number of corporated towns. In 1961 all centres of 1,000 or more are classified as urban.

Source: Dominion Bureau of Statistics, Census of Canada, Ottawa. (Population includes the Yukon and North West Territories.

### TABLE 2

**GROWTH IN SIZE AND NUMBERS OF CITIES IN CANADA 1891 - 1961**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of cities of given sizes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30,000 - 99,000</td>
</tr>
<tr>
<td>1891</td>
<td>5</td>
</tr>
<tr>
<td>1901</td>
<td>7</td>
</tr>
<tr>
<td>1911</td>
<td>9</td>
</tr>
<tr>
<td>1921</td>
<td>9</td>
</tr>
<tr>
<td>1931</td>
<td>13</td>
</tr>
<tr>
<td>1941</td>
<td>19</td>
</tr>
<tr>
<td>1951</td>
<td>23</td>
</tr>
<tr>
<td>1961</td>
<td>42</td>
</tr>
</tbody>
</table>

Diagram 1. URBAN POPULATION GROWTH IN CANADA (1871-1971).

- - - Total Population in Canada.

- - - Total Urban Population.
based on the data presented in Table 1. The 1971 figures are those estimated by the Economic Council of Canada.

The growth in the population of census metropolitan areas further attests to the rapid increase in urban population (see Table 3). It is worthy of note, however, that although centrifugal forces are drawing people towards the "urban areas", defined in the sense used in the census, strong centripetal forces are also driving many urban dwellers into the suburban sections of the crowded metropolises. The Dominion Bureau of Statistics found that between 1941 and 1951, there was a 27 per cent increase in the population of metropolitan areas—from 4,032,455 to 5,122,026 people. However, growth in the suburban fringes within metropolitan areas, but outside the city limits proper, amounted to 68.2 per cent for all metropolitan cities combined.

The Federal Government’s housing program has played a significant role in this centrifugal movement to the suburbs. Its policies with respect to housing, which emphasize single-family home-ownership, require the existence of sufficient urban space to accommodate large building lots. But there

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13Census Metropolitan Areas (CMA's) are defined by the Dominion Bureau of Statistics for census purposes. The definition included groups of urban communities in Canada, which have close economic, geographic and social relationships. (See Census of Canada, 1961, Vol. 1, Part 1, Introduction, pp. x-xi.) For example, although the City of Regina has over 100,000 inhabitants it is considered not to have the characteristics of a CMA, since it has no suburban municipalities. (See Footnote 2 of Table 12, Census of Canada, 1961, Vol. III, Part 1.) Note also that for census purposes, all centres with 1,000 people or more are classified as urban.


15It will be shown in Chapter V that in the City of Vancouver, where 33 foot lots are prevalent, there is little building activity under NHA whereas in the suburban area where suitable lot sizes are available a great deal of activity goes on. (Required lot sizes of houses built under NHA are found in "Administrative and Site Planning Requirements: The National Housing Act—1954" published by Central Mortgage and Housing Corporation, p. 4.)
### TABLE 3

**POPULATION GROWTH IN CENSUS METROPOLITAN AREAS, 1941 - 61**

<table>
<thead>
<tr>
<th>C. N. Areas</th>
<th>1941</th>
<th>1951</th>
<th>1961</th>
<th>% Increase 1941-51</th>
<th>% Increase 1951-61</th>
<th>% Increase 1941-61</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calgary</td>
<td>93,021</td>
<td>142,315</td>
<td>279,062</td>
<td>52.9</td>
<td>96.1</td>
<td>200.0</td>
</tr>
<tr>
<td>Edmonton</td>
<td>97,842</td>
<td>176,782</td>
<td>337,568</td>
<td>80.7</td>
<td>91.0</td>
<td>245.0</td>
</tr>
<tr>
<td>Halifax</td>
<td>98,636</td>
<td>133,931</td>
<td>183,946</td>
<td>35.8</td>
<td>37.3</td>
<td>86.4</td>
</tr>
<tr>
<td>Hamilton</td>
<td>197,732</td>
<td>280,293</td>
<td>395,189</td>
<td>41.8</td>
<td>41.0</td>
<td>99.9</td>
</tr>
<tr>
<td>Kitchener</td>
<td>n.a.</td>
<td>107,474</td>
<td>154,864</td>
<td>n.a.</td>
<td>44.1</td>
<td>n.a.</td>
</tr>
<tr>
<td>London</td>
<td>91,024</td>
<td>128,977</td>
<td>181,283</td>
<td>41.7</td>
<td>40.6</td>
<td>99.2</td>
</tr>
<tr>
<td>Montreal</td>
<td>1,145,282</td>
<td>1,471,851</td>
<td>2,109,509</td>
<td>28.5</td>
<td>43.3</td>
<td>84.2</td>
</tr>
<tr>
<td>Ottawa</td>
<td>226,290</td>
<td>292,476</td>
<td>429,750</td>
<td>29.2</td>
<td>46.9</td>
<td>90.0</td>
</tr>
<tr>
<td>Quebec City</td>
<td>247,756</td>
<td>276,242</td>
<td>357,568</td>
<td>22.9</td>
<td>29.4</td>
<td>59.1</td>
</tr>
<tr>
<td>Saint John</td>
<td>70,927</td>
<td>78,337</td>
<td>95,563</td>
<td>10.4</td>
<td>22.0</td>
<td>34.7</td>
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<tr>
<td>St. John's</td>
<td>n.a.</td>
<td>68,620</td>
<td>90,838</td>
<td>n.a.</td>
<td>32.4</td>
<td>n.a.</td>
</tr>
<tr>
<td>Sudbury</td>
<td>n.a.</td>
<td>73,826</td>
<td>110,694</td>
<td>n.a.</td>
<td>49.9</td>
<td>n.a.</td>
</tr>
<tr>
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<td>1,210,353</td>
<td>1,824,481</td>
<td>33.0</td>
<td>50.7</td>
<td>101.0</td>
</tr>
<tr>
<td>Vancouver</td>
<td>377,447</td>
<td>561,960</td>
<td>790,165</td>
<td>48.9</td>
<td>40.6</td>
<td>109.3</td>
</tr>
<tr>
<td>Victoria</td>
<td>75,560</td>
<td>113,207</td>
<td>154,152</td>
<td>49.8</td>
<td>36.2</td>
<td>104.0</td>
</tr>
<tr>
<td>Windsor</td>
<td>123,973</td>
<td>163,618</td>
<td>193,365</td>
<td>32.0</td>
<td>18.2</td>
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</tr>
<tr>
<td>Winnipeg</td>
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<td>356,813</td>
<td>475,989</td>
<td>19.0</td>
<td>33.4</td>
<td>58.7</td>
</tr>
</tbody>
</table>

n.a. = not available

are also other factors which are important in determining the existing urban spatial arrangement. Transportation and the increase in family incomes, to mention but two other factors, are also powerful forces. In addition, the key function of individual motivation and cultural values in influencing certain developments in the urbanizing process should not be ignored.

The ultimate extent of future urban population growth cannot be projected with any degree of certainty. But it is generally accepted that such growth will continue in the foreseeable future. A study conducted by the Royal Commission on Canada's Economic Prospects (often referred to as the Gordon Commission) estimated that by 1980, the total population of the Dominion would be 26,650,000. Of this population, 75 per cent will live in urban centres. A more recent study prepared by Wolfgang Illing for the Economic Council of Canada estimates that by 1970, of a population of 21,729,000 over 74 per cent will dwell in urban centres. It will have been observed from Table 1 that the proportion of the population living in urban centres in 1961 was 69.6 per cent. Urban growth of these proportions will tend to increase the pressures on urban housing.

Already there is a persistent housing problem which, it is generally acknowledged, affects most acutely families and individuals of moderate- and low-income. One of the questions which will be examined in this study is how

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16 Kingsley Davis, *op. cit.*, notes that urbanization is a finite process.

17 Yves Dube, J. E. Howes and D. L. McQueen, *Housing and Social Capital*, a study prepared for the Royal Commission on Canada's Economic Prospects, Study No. 20, (Ottawa: Queen's Printer, 1957), p. 31. The study assumes immigration of 75,000 per year in its calculations.

the private market meets the housing requirements of these income groups. The Federal Government has recently shown greater awareness of the problems of urban growth and provision of housing for moderate- and low-income groups.

The Minister responsible for administering the National Housing Act, The Honourable J. R. Nicholson, has stated that while he regarded the average standard of housing in Canada to be "unusually high", he estimated that there were "well over 100,000 families who were unable to go to the private market to obtain accommodation or to go to the market and get houses under the existing provisions of the National Housing Act."

The Minister pointed out that the brunt of the population growth will be felt by the city, where the shortage of housing as well as the lack of amenities can, in many cases, be considered deplorable. As he puts it:

Fifteen per cent of our housing units or dwellings in Canada lack toilet facilities. The lack of amenities, as you might expect, is more pronounced in rural than in urban areas, but congestion in the cities, in the urban areas, is great, and even there the lack of amenities is shocking.

It is not conceivable that the Minister would use such strong language lightly or without very compelling justification.

The Significance of Housing for Planning

Both in the regional and local context, the course of residential development is of great significance to the planner. In Canada, national housing policies reach far down into local and regional levels of government. Furthermore, Part V of the National Housing Act shows that the Federal Government intends to play an effective role in housing and community planning. Yet how much planning, in terms of a comprehensive surveys of metropolitan

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20 Ibid.
housing needs, has been done in Canada? Until the Toronto Metropolitan Planning Board was instituted in 1953, none existed. Since then, few have come into being although this is at a level of government administration which, supposedly, no constitutional problems of jurisdiction need exist.

There are several reasons why the planner cannot but be directly involved in government housing policies:

1. It is often the planner who applies standards and regulations to residential development in the form of zoning by-laws, subdivision regulations, etc.

2. The planner is vitally concerned with the pattern of land use which develops within the urban area or region and he plays a significant part in this pattern of development.

3. Houses need to be serviced in urban areas. These services—sewer, water, fire protection, streets, sidewalks, etc.—are provided by and large, by municipalities. The planner is quite often involved in establishing policies regarding the allocation and staging of these services.

4. In his capacity as the official responsible for preparing and presenting alternative proposals to the government, the planner must be cognizant of the trends and developments in housing that fall within his purview. This is particularly true when housing policies made at the national and provincial levels affect his actions.

But, to the planner, these aspects of his day-to-day activities really fall within the larger scope of the aims and purposes of planning. They do not transcend planning goals. The planner is concerned with the growth of a wholesome, pleasant environment—an environment where "community spirit" can emerge and grow. His goal is the achievement of the optimum physical use of
space so that the greatest social and economic benefits can be derived by
the citizen. In this regard, the plea of H. S. Perloff for closer integration
of "physical planning and human resources programs", is particularly rele-
vant. Some of the major objectives which Perloff felt were related to the
kind of integrated functions which he contemplated were:

1. A "decent home and suitable environment" for every family;
2. Jobs for all and a minimum family income;
3. Adequacy and equality in public services and facilities.

Housing in general—and a well-constructed national housing program,
forged within the framework of full co-operation wherever practicable between
all levels of government, in particular—provides a most meaningful instru-
ment through which planning can achieve its purpose. And this too, for the
benefit of the individual, the community and the nation. Such a scheme
would require federal financial assistance to planning, to installation of
community services, as well as to housing.

The Advisory Committee set up by the Federal Government in 1944
established without qualification, the signal importance of planning to the
community in terms of its physical, social and economic development.

The title of the Final Report of the Committee—Housing and Community Plan-
ing—is particularly suggestive of the recognized inter-relationship of
housing and planning. The Committee's findings and its expressed philosophy
were given greater currency, if more were needed, by the official adoption
of its point of view. This is evident from the remarks made by the Honourable
Louis St. Laurent, the Minister of Justice, speaking on behalf of the Federal

21 Harvey S. Perloff, "Common Goals and the Linking of Physical and
Social Planning", Pomeroy Memorial Lecture, in Planning 1965, Selected Papers
from the Joint Planning Conference of the American Society of Planning
Officials and the Community Planning Association of Canada, (Toronto:

22 Final Report of the Sub-Committee on Housing and Community Planning,
being Vol. IV of the Report of the Advisory Committee on Reconstruction,
Government before the Plenary Session of the Dominion-Provincial Conference on Reconstruction in 1945. The Minister pointed out that not only did sound community planning result in a lower cost of providing housing, but also in "a continuing satisfactory environment". Moreover, he asserted that approval of Federal Government insured loans under NHA would be predicated on the existence of an official community plan.23

This study will focus on some of the crucial implications of the Federal Government's housing policy. In particular, the effect of these policies, in their results, in meeting the needs of various income groups, bearing in mind that these effects have connotations for planning within the context of ever-increasing urbanization.

The Hypothesis

The hypothesis which will be tested in this thesis is that: GIVEN THE STRUCTURE OF INCOME DISTRIBUTION IN CANADA, THE HOUSING POLICIES OF THE FEDERAL GOVERNMENT, WITH THEIR MAJOR RELIANCE ON HOME-OWNERSHIP FINANCING, INEVITABLY PRODUCE A HOUSING SHORTAGE WITHIN THE URBAN CENTRES OF THE COUNTRY. Pre-occupation with home-ownership coupled with a failure at the same time to pursue with equal energy and effectiveness the problem of dealing with assistance to low-rental and public housing for moderate- and low-income groups, unavoidably results in by-passing the needs of these groups. As matters stand, even the effectiveness of the home-ownership policy is limited because of the restrictions within which the municipalities are compelled to operate due to the present federal-provincial-municipal structure of government. Some of these restrictions on municipal

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23 Canada, Dominion-Provincial Conference on Reconstruction, 1945, (Ottawa: Queen's Printer, 1946).
operations have been articulated by E. A. Levin, in a paper entitled "The Cobweb Curtain". 24

Concepts and Definition of Terms

Federal Government Housing Policies: As used here, the term "policies" refers primarily to legislation passed by the Federal Government including the Dominion Housing Act 1935, and the National Housing Acts (NHA) of 1938, 1944 and 1954, with amendments and regulations under these acts. 25 Admittedly, the Government's housing policies have been expressed and interpreted in various places and at various times—for example, in party platforms. But the main focus of this study will be the Acts referred to above and their efficacy in meeting the housing problem of the country. In particular, the NHA 1954 will command the greatest attention since it is the legislation which is in operation at the present time. The Acts previous to this are of significance insofar as they show how it came about that emphasis has been concentrated on restricted areas of policies.

It should be noted that policies are not by any means static formulations—least of all, housing policies. Policies change as governments and personalities within governments change; they change with times and conditions to keep pace with new pressures, both at home and abroad, notably as inflationary or deflationary forces produce dislocations in the various

24 E. A. Levin, "The Cobweb Curtain", in The Community Planning Review, Vol. 8, No. 3, September 1958, pp. 96-101. Other observers have seen the municipalities as the chief causes of the housing shortage. Consider the views expressed by R.A.J. Phillips, Director of the special planning secretariat of the Privy Council, who blames "blockage: at the municipal level by politicians and real estate interests". (Reported in The Province, Tuesday, August 2, 1966, p. 6 under the title: "Municipalities Blamed for Housing Deficiency").

25 A more general definition of the term policies may be, for example, that of J. F. Garner in Administrative Law, (London: Butterworth and Co., 1963), p. 3, in which policy is defined as: "formation of a general line or course of action—the idea of leadership, and the taking of a major decision on a matter of discretion."
sectors of the economy. Canada's housing policies have changed over the years. The evolution of these policies will be dealt with in Chapter II. "Housing" refers generally to housing programs under various schemes and policies.

Income: A decisive element in whether a family can own a house or not, or what quality of home it can own or rent, is the income received by the family. As Professor Marsh pointed out as far back as 1949:

> The distribution of income is the basic fact from which all housing plans must proceed. Clearly, it determines the capacity to pay rent, or the ability to build or buy a house...

Technically, defining the concept of income presents a number of difficulties. In some cases, it is more pertinent to look at income in terms of money income and real income; in other cases, taxable income and disposable income become more appropriate to the matter under consideration. For the purposes of this study, income refers to the salaries and wages reported in the Census of Canada. Pensions, family allowances, and other transfer payments of these kinds are normally excluded.

A more relevant concept for our purposes is that of Family Income, which refers to the gross earnings of the family as reported in the Census. It is an important concept for assessing the ability of the family to buy or rent a house.

Income Groups: The inequality of income distribution among families and groups in society has long been noted. Economists usually express this inequality in wealth and income by means of what is called the Lorenz Curve after

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M. O. Lorenz who pioneered in this field.\(^{27}\) The universal existence of this phenomenon has led social scientists to adopt a system of classifying families into income groups. Generally speaking, three groups are recognized: the upper third who receive sufficiently large incomes to purchase housing accommodation without any assistance; the middle third, most of whom need some assistance—some much more than others—to secure housing; and the lower third who need subsidized housing through massive public assistance. But even within these groups, further classification is often essential in order to promote useful study.

In Canada there are a number of sources that provide data on the great disparities in the distribution of family incomes. The first and foremost, perhaps, is the Census of Canada, which provides basic data for establishing the extent of income inequality. Recently, Professor John Porter, in the Vertical Mosaic, thrust on public attention the relationship between social class and the power structure in Canada. One of the chief characteristics of his concept of social class is the structure and distribution of income.\(^{28}\) Professor Porter's analysis of the inequality of income distribution reveals a number of other aspects that are quite pertinent to this study.

The minimum and maximum cut-off points of an income range which may be used in classifying income recipients into high, middle or low income groups are not based on established standards or criteria. Therefore in the absence of any consensus, a fairly arbitrary classification system will be used.


The main factors considered are: the year for which data important to the discussion are available, that is, 1961, and the composition of the income structure as it relates to ability to obtain essential commodities. The following classification has been adopted:

- Low-income groups .................. $ under 4,000
- Middle-income groups ................ 4,000-7,999
- High-income groups ................. 8,000 and over

These classifications refer primarily to families. The individual householder receiving $4,000 in 1961 with no dependents, may well regard himself as being in relatively comfortable economic circumstances vis-a-vis a family of four receiving $6,000 per year.

It is realized too, that some families are larger than others and that therefore $4,000 in one family would mean much less than it would mean in another. An alternative approach to this problem could be the use of taxable income such as Professor Porter used in the study referred to above. But this is also complex and has its own inherent difficulties. And for that matter, too, the use of disposable income presents problems. The point here is that not only the absolute income of the family, but the number of persons which the family income must support is a matter for serious consideration.

Wage-earners are classified into income groups for the purpose of determining the share of income which each group can afford to spend on housing consumption. True, the consumer is faced, not with a single market for housing, but with various markets depending on the kind of housing accommodation he wants and can afford. There is, for example, the market for owner-occupied residences, as against that for renting. There are also regional variations between markets and very significant regional differences in the purchasing power of income in the market.
It is realized too, that classification here implies a certain degree of homogeneity which is not intended. As a rule, an inverse relationship exists between level of income of the family and the proportion of family income spent on housing consumption per unit time. This principle is established by the Lorenz Curve referred to previously. So far as expenditure on housing consumption is concerned, a number of studies have been done. Canozer and Vaile, for instance, showed that around 1950, housing in urban areas of the United States including household operations, furnishings and equipment, accounted for 30.0 per cent of the incomes of all families. But whereas the proportion was 27.2 per cent for the upper half of all families in terms of income, expenditure on housing represented 39.0 per cent of the income of the lower half. Marsh refers to a "well-established formula" that families below a certain level should not pay more than one-fifth of their monthly income for rent. Under the present National Housing Act, the maximum gross debt service ratio for mortgage loans is 27 per cent. Thus a borrower is not encouraged to spend more than what is considered a reasonable portion of his income on housing.

Scope of the Study

The study will review Federal housing legislation since 1938 and examine the impact of housing programs introduced under the Acts, especially the NHA, 1954.

The area of concern will be the supply of housing for various income


30Marsh, op. cit., p. 15.

31Central Mortgage and Housing Corporation, Canadian Housing Statistics, (Ottawa: Economic Research Department, March 1965), Table 37, p. 44.
groups within the Canadian urban context. Rural housing presents major problems in its own right. However, the city has problems peculiar to itself, especially within the present period of rapid urbanization and dynamic changes.

In the field of housing, provincial governments in Canada have constitutional jurisdiction under Section 91 of the British North America Act. However, this study will not enter into an exhaustive analysis of the crucial position which provincial governments occupy with respect to housing matters. This is not to say that reference will not be made to provincial government activities, where these affect federal policies and when it is deemed necessary to do so.

On the other hand, the effect of federal housing policies on the City of Vancouver will be explored. This examination of the Vancouver situation will be in the nature of a case study directed towards a survey of the socio-economic impact of federal housing policies.

Assumptions

It will be assumed:

1. that provincial governments are not averse to allowing the Federal Government to assume some of their responsibilities in the field of housing. The fact that the Federal Government already exercises a considerable amount of influence is, it would seem, a sufficient justification for this position;

2. that legislation incorporated into the Dominion Housing Act 1935 and the National Housing Acts of 1944 and 1954 reflects the considered decisions of government. That it does express the goals and philosophy of the government and as far as the restrictions of the democratic process permits, the will of the people;

3. that the Federal Government accepts housing as a national responsibility because of its importance for the national security, health
and welfare. It may not be true, however, that this awareness had reached the stage of conviction until the end of World War II approached;

4. that no drastic changes in the income structure will emerge within the predictable future;

5. that urbanization will continue to be a significant force in population settlement. And that no serious political restrictions will be placed on movement by peoples from one area to another.

Methods and Techniques

The first step will be to establish the nature and extent of government policies and programs as these have developed since World War II. This will involve a survey of some of the main sources of information on the subject matter. The Federal Acts cited previously, and the debates in the House of Commons are the prime sources. Reference will also be made to agencies concerned with housing in Canada such as Central Mortgage and Housing Corporation (CMHC).

The second step is the testing of the main hypothesis, namely, that Federal Government housing policies have been weighted in favour of middle- and upper-income home-owner groups. And that this policy inevitably leads to a shortage of housing for moderate- and low-income groups. This is based on library research, census data and books written on the main topic of the thesis. It will also involve procuring information from CMHC.

The final step is to examine limiting factors and conditions that tend to curtail construction of a sufficient quantity of housing. This final step entails research into market conditions, social values and attitudes. Questionnaires and interviews on current market conditions provide the basic information for this final portion of the analysis. The questionnaires and
interviews relate specifically to conditions in Vancouver, which becomes the locale for the study of social and economic effects of the practical application of the Act.
CHAPTER II

We need, at the federal level, some national economic planning and some coordination of provincial policies; in short, a direction to our housing effort, beginning with a national inventory of our housing stock and including a rational and stable investment framework.

Norman Pearson, "Housing is for People", in Community Planning Review, Spring, 1965, p. 23.

ORIGIN AND EVOLUTION OF FEDERAL GOVERNMENT HOUSING POLICIES

The emergence and growth of the Federal Government's approach to national housing up to the present time is the central theme of this Chapter. It is considered essential that there be a clear understanding of the development and transition of the national housing policies, beginning from their earliest formulation when national concern was at its minimum to the present stage in which Federal responsibility is an accepted fact.

Origins of Federal Government Housing Legislation

In 1919, the Federal Government enacted its first housing legislation. The purpose of this legislation was to create employment for returned ex-servicemen, who had taken part in World War I. The Federal Housing Project established under this legislation proved to be so successful that when unemployment began to create serious economic dislocations between 1919 and 1922, many advisors exhorted the Federal Government to put a housing program
into operation as part of its public works program. But the program as envisaged, was to to be designed exclusively for the purpose of constructing houses for ex-servicemen.¹

There are two points to note here. The first is that this piece of housing legislation was a measure to relieve unemployment. The second point is that it was directed towards a special group which, because of the emotional factors involved, would be the least likely to arouse arguments over federal-provincial jurisdiction.

Even so, the Federal Government did not at that time accept unemployment as part of its responsibilities. The then Prime Minister, Mr. Arthur Meighen, made this point quite clear when he stated:

The government adopted the course last winter of insisting on local responsibility as regards unemployment. We had been compelled during the war, and indeed, up to last winter, more or less to disregard that principle, but we thought the time had come to restore it; and consequently, against very great, indeed, against what one might almost call violent pressure, the government did insist upon that principle once again.²

Under these circumstances, it is fair to assume that the Federal Government saw its role as a temporary and even unpleasant one. The impression is given that unemployment measures, and housing along with it, would be abandoned as soon as the economic conditions improved. Any local problems in these fields could be dealt with by the local municipality as a municipal matter. Indeed, the Rowell-Sirois Commission, in referring to this first step in housing by the Federal Government, noted that soon after World War I, "a brief interest

¹Canada, House of Commons Debates, (Ottawa: May 28, 1921), p. 4049. See speech by Mr. Cronyn. Mr. Cronyn as Chairman of the Committee on Pensions, Insurance and Re-establishment, which was set-up in 1921, also reported that the Federal Housing Project for soldiers had been very successful in British Columbia.

²Canada, House of Commons Debates, June 2, 1921.
in municipal housing... developed."

As the 1920's progressed, a period of prosperity set in only to be rudely interrupted by the Great Depression of the 1930's.

**The Dominion Housing Act 1935**

The ravages of the Depression on the economy and its deleterious impact on employment and housing eventually forced the Federal Government to take some action. A committee was set up to study the housing situation and to make recommendations for "the inauguration of a national policy of house-building to include the construction, reconstruction and repair of urban and rural dwelling houses". That committee made a number of recommendations.

For our purposes three are very significant.

4. The formulation, institution and pursuit of a policy of adequate housing should be accepted as a social responsibility.

5. There is no apparent prospect of the low-rental housing need being met through unaided private enterprise building for profit.

13. The slum areas which have been shown to cast very heavy expenses on many branches of public administration such as health, welfare, fire prevention, administration of justice, etc., may justify public assistance which is likely to prove as sound financially as it is certainly desirable and sociable.

The significance of these conclusions is that, after thirty years, they are still at the heart of the housing problems which beset the country.

The facts outlined above should be borne in mind when we turn to the

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3The Royal Commission on Dominion-Provincial Relations, (also called the Rowell-Sirois Commission), 1938, Recommendations, Book II, p. 16. Words underlined by writer for emphasis.


5See, for instance, the papers delivered by Professor Albert Rose entitled, "Common Human Needs" and "People and Public Policy" before the Conference The Question of Housing, (Vancouver, Georgia Hotel: March 9 and 10, 1967).
provisions of what is really the first extensive piece of federal housing legislation. More specifically, the Dominion Housing Act 1935 provided for loans to be made to homeowners by those institutional lenders, defined in the Act as "approved lenders" by the Governor-in-Council. The maximum loan-to-value ratio was to be 80 per cent, of which the private institution would provide 60 per cent and the Federal Government 20 per cent. The interest rate was set at five per cent, although the Federal Government's share of the loan was to bear interest at the rate of three per cent compounded over the life of the loan. The Act provided that no loans would be available where an approved institutional lender was not involved. The Economic Council of Canada was charged with the task of carrying out the relevant research and study of housing matters, and to provide the Minister responsible for the Act with all needed information.

Significance of the Dominion Housing Act 1935

The 1935 Act is significant because it was the first extensive piece of federal housing legislation. It was a decisive break with the past position taken by the Federal Government as regards its responsibility for housing, although housing was still primarily related to the objective of maintaining a high level of employment. Needless to say, this change in attitude did not happen to develop out of mere chance or in isolation from social and economic events. Rather evidence indicates that the severity of the Depres-

6 Apart from the maximum loan-to-value ratio of 80 per cent loans of 75 per cent and 70 per cent of value were available although the shares of the joint lenders varied with the loan-to-value ratio. Similarly, interest rates varied according to loan-to-value ratio. See H. Woodard, Canadian Mortgages, (Toronto: printed by The Bryant Press Ltd. for William Collins, Sons and Company, Canada Ltd., 1959), pp. 9-10.

7 Ibid. Woodard's book provides an excellent analysis of developments in the field of mortgage lending in Canada.
sion, and the widespread foreclosures of residential property, were instrumental in bringing about a market change in the values of society.

Before the Dominion Housing Act was instituted, loans made by conventional lenders, such as life insurance, loan and trust companies, were limited by statute to 60 per cent of the value of the property. The federal legislation instituted a system of joint lending involving the traditional lenders on the one hand and the Crown on the other.

To quote from Woodard's incisive estimation of the effects of the Act:

The Act was revolutionary in its effect on the traditional lending pattern. It effected the following changes: (1) a higher ratio loan; (2) subsidized interest rate by Crown participation in the loan; (3) an initial loan term of ten years; (4) a contract of renewal for a further ten years at terms to be agreed upon at the initial maturity; (5) blended equal monthly repayments of principal and interest; (6) the payment of taxes monthly in advance so as to create a tax fund for future tax payments; and (7) the establishment of minimum standards of construction, subject to on-site inspections to ensure compliance. All of these were drastic changes in the mortgage realm and opened the gates of home-ownership to many to whom it was previously denied.

On the other hand, criticism of the Act were expressed by Mr. C. G. MacNeil, M.P. in the House of Commons. Quoting from a Brief presented to the Royal Commission on Dominion-Provincial Relations, 1935. The Brief had noted:

1. A substantial proportion of the urban population lived in substandard dwellings.

2. Private enterprise and local authorities had not come up with a way of providing decent accommodation for those with low incomes. What is more, reliable spokesmen from the private market admit that it is beyond their ability to meet the needs of low-income groups.

3. The Dominion Housing Act 1935 was unsuited and inadequate to facilitate a housing program for low-income groups.

4. To provide adequate supply of houses of minimum standards to meet the needs of low-income groups

Woodard, op. cit., pp. 9-10.

Ibid., p. 10.
(a) a national policy should be adopted for rehousing of low-income groups

(b) federal and provincial assistance to municipalities should be based on comprehensive city plans

(c) financial aid should be either in the form of capital grants, or long-term low interest loans or annual rent subsidies. 10

The remarkable aspect of these arguments is the awareness, by policymakers, of the stubborness of the problems, at this early stage, when the very foundations of housing legislation were being laid.

The 1935 Act was not as effective as it had been hoped that it would be. It is said to have "produced 4,900 housing units, aggregating in cost some $19.6 millions, the average loan being about $6,300". 11 However, it was perhaps as effective as could be expected considering the effects of the Depression. An important point made above by Woodard should be noted. Through the Dominion Housing Act the interest rates were pegged at a lower rate than that obtaining on the market. This is important when subsidized housing is considered. Moreover, the term home-ownership does not really mean what it implies, namely, that the home is 'owned' by the mortgagor. For the borrower does not really own the property. He must make monthly payments or the mortgagee will foreclose the property.

The Dominion Housing Act was amended by the introduction of the Home Improvement Loans Guarantee Act in 1937. The purpose of enacting this new provision was to allow the Federal Government to make guaranteed loans for the improvement of existing homes. This provision is said to have been much

10Quoted in speech by Mr. MacNeil, M.P., speaking before the House of Commons. See House of Commons Debates, Ottawa: February 10, 1938.

11Woodard, op. cit., p. 11.
more instrumental in promoting house building and repair than was the 1935 Act.12

Some of the main reasons for introducing the Home Improvement Loans Guarantee Act 1937, can be seen in the title of the Motion introducing the Act. It was a Motion for the "Elimination of Slum Conditions and Provisions for Overcrowding due to Shortage of Dwellings". Mr. Denton Massey who moved discussion of the Resolution on behalf of the government remarked on the appalling scarcity of homes. He expressed the Government's concern over the fact that "slum conditions exist to a shocking degree in most of our urban centres". More significantly, he stated that the Government accepted moral responsibility for the fact that "due to conditions beyond their control" many working men were unable to build their own homes. He called for a housing plan to eliminate slum conditions, to overcome shortage, and to make it possible for the working man who wanted to build, and who was at present unable to build, to construct his own home.

Two other noteworthy points were made by Mr. Massey in his critical analysis of the national housing policy. These points had to do with slum clearance. Mr. Massey argued that: "financing of housing schemes and slum clearance plans is not the great bugaboo". He pointed to two greater difficulties. First, the system of realty taxing existing in the country. The second difficulty with respect to slum clearance, as he saw it, was the fact that the British North America Act left it up to the provinces and municipalities to initiate action.13

12 Final Report of the Sub-Committee on Housing and Community Planning, op. cit., p. 27.

The National Housing Act 1938

Following upon the developments portrayed in the previous section, the Federal Government passed the National Housing Act (NHA) 1938. The preamble to the Act states that the purpose was to assist in the construction of new houses (see Appendix A). In addition, the Act also contained measures for the provision of low-rental housing and assistance to municipalities.

The NHA 1938 was divided into three parts. Part I dealt with the qualifications of lending institutions, conditions under which they should operate and terms affecting the making of loans. Part II made proposals for constructing low-rental housing units by means of limited-dividend housing corporations, and through local housing authorities. Part III made provisions for giving assistance to municipalities in respect to low-cost housing.

Administration of the NHA 1938 came under the jurisdiction of the National Housing Administration, a specially created agency operating within the framework of the Finance Department. During the period when the Act was in force, Part I was used extensively. Part II however, required provincial co-operation to be successful and since it was hardly used, it would appear that the provinces on the whole were only mildly interested. Nor was Part III used to any significant degree. By the end of 1940 only Part I was in operation and even this portion of the Act was limited to single-family dwellings with a maximum loan of $4,000.¹⁴

From the fact that negligible use was made of Parts II and III, it would seem that provincial and municipal governments were indifferent to the facilities which the Act offered. Whatever the reasons, little was done in

the way of building low-rental accommodation under the 1938 Act. On the other hand, Part I was quite successful, indicative of the fact that the private market used it extensively. It may, in large measure, have been due to the success and co-operation it received from approved lenders in the operation of Part I of the Act, that the Federal Government came to rely heavily on the private market. Success with Part I is seen in the fact that the Federal Government expended some $76,000,000 for first mortgage loans between 1938 and 1940 and incurred negligible losses.¹⁵

From data available, it seems that between 1935 and 1938 only 6,241 new housing starts were made under the DHA 1935—an average of 1,560 per annum, whereas for the period 1939 to 1944 some 20,468 starts were undertaken, an average of 3,416 houses per annum.¹⁶ This perhaps reflects an improvement in the economic conditions after the ruinous onslaught of the Depression.

**Housing During the Second World War**

When Canada decided, in 1939, to enter the Second World War, this meant that men and materials had to be mobilized and re-directed towards production for the war effort. The output of houses, like the output of many other commodities, was necessarily restricted. The effect of the War on housing was to aggravate the back-log situation which had remained as a legacy of the Great Depression. More decisively perhaps than anything else, events of the war presaged what the impact of urbanization would be. Because industrial war plants were concentrated in and around the major cities, large scale

¹⁵Final Report of the Sub-Committee on Housing and Community Planning, op. cit., p. 27.

¹⁶Estimated from figures appearing in Canadian Housing Statistics, (Ottawa: published by Central Mortgage and Housing Corporation, 1965), Table 1, p. 17.
migration of workers from rural areas to work in the factories became imperative. Movement of peoples on the scale required imposed a great strain on the available urban housing stock. This, coupled with the back-log and the scarcity of manpower and materials, produced an intolerable shortage of housing in urban centres.

(a) The Wartime Housing Ltd.

As a result of the deficiency in housing noted above, an inventory of existing housing accommodation was made and all available living space was rationed among those who were employed in the war industries. The Wartime Housing Ltd. was created by the Federal Government in 1941 to determine needs and also to assign the new houses it constructed according to these needs. It also controlled and fixed rentals for housing units. The housing units constructed were to be of a temporary character, but remained in use long after the purposes for which they had originally been built had been served.

(b) Planning for Housing in the Period of Reconstruction

By 1943, optimism about the outcome of the war increased. It became apparent that planning for the re-organization of the economy to meet post-war conditions was essential. An Advisory Committee was set up in 1943. One of the main purposes of the Committee was to study the housing emergency throughout the country and make recommendations to the Government. To carry out this portion of its duties, the Advisory Committee established the Sub-Committee on Housing and Town Planning under the following terms of reference:

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18 Ibid.
To review the existing legislation and administrative organization relating to housing and community planning, both urban and rural, throughout Canada and to report such changes in legislation or organization and procedure as may be necessary to ensure the most effective implementation of what the Sub-Committee considers to be an adequate housing program for Canada during the years immediately following the war.\textsuperscript{19}

The revampment of the 1938 legislation had become a necessary step to the new objectives and purposes evidenced in the terms of reference cited above. And the fact that steps to review existing legislation as well as create a new administrative organization bespeaks the Government's intention to institute radical changes in its housing program.

The findings and recommendations which the Sub-Committee prepared in its Final Report became the foundation for federal policies. This fact has been clearly reflected in the National Housing Act 1944. Among the recommendations which the Sub-Committee made, four basic proposals are pertinent:

1. A three-pronged program of action involving legislation to induce a greater supply of housing to meet requirements of:
   
   (a) the large metropolitan areas;
   (b) the smaller cities and towns; and
   (c) the farm areas.

2. A housing policy geared to meet the needs of the three established income groups; lower third, middle third, and upper third. (The appropriate measures to achieve this aim were carefully outlined in the Report.)

3. Legislation to make effective use of town planning, efficient administration by bringing diffused housing programs under one act; and, what the Sub-Committee considered a critical element, the participation of the provincial governments.

4. Recommendations as regard methods that could be used to reduce building costs.\textsuperscript{20}

\textsuperscript{19}See Final Report of the Sub-Committee on Housing and Community Planning, \textit{op. cit.}, p. 4.

\textsuperscript{20}ibid., pp. 9-22 for summary of findings and recommendations.
The National Housing Act 1944

The National Housing Act 1944 was devised "to promote construction of new houses, repair and modernization of existing houses, the improvement of housing and living conditions and the expansion of employment in the post-war period". Important changes were made in the earlier methods of homeownership financing. Instead of a ten-year loan term, with permissible renewal rights, loans were amortizable over twenty years, and terms for as much as thirty years were possible. Loan-to-value ratios were also changed. The mortgagor could have 95 per cent of the first $2,000, 85 per cent of the next $2,000 and 70 per cent of the remainder. The interest rate was established by the government and was tied to the interest rate on long-term Government Bonds.

Various measures respecting low-rental housing were re-enacted and extended in some cases. Authority was given to the Minister in charge of the administration of the Act, to enter into contractual arrangements with lending institutions in order to make loans for assisting in the construction of commercial rental-housing projects. The Minister responsible for administering the Act was further authorized to make loans to limited-dividend housing corporations for the purpose of assisting in the construction of a low-rental housing project. Loans could also be made for the purchase of an existing building together with the land thereon if the building was to be converted into a low-rental housing project.

Earlier programs having to do with low-rental housing were continued but with revisions as to the terms of loans, and the opportunities for

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21 Preamble to the National Housing Act 1944.

federal-provincial arrangements. Assistance was offered to provinces and municipalities to aid them in slum clearance projects (Section 12). This marked the first time that legislation was passed by the Federal Government with respect to slum clearance, although deep concern over urban slums had been expressed in previous discussions.23 Also retained in the 1944 Act were clauses relating to insuring home improvement and home extension loans. Part V established community planning and housing research as part of the tools which the Federal Government intended to utilize in implementing the new legislation. The Minister responsible for the Act was given authority to retain the necessary staff to put the contents of the Act into practice.

The 1944 Act was responsible for the construction of 271,350 houses between 1945 and 1954, an annual average of over 27,000 during the period referred to.24

In contrast, low-rental housing construction for 1945 to 1954 consisted of 6,602 units produced by private companies, 933 units by municipalities and 914 units by charitable institutions.25 Thus, the total number of low-rental housing over the ten-year period reached 8,449 or approximately 845 units per year.

Central Mortgage and Housing Corporation

Central Mortgage and Housing Corporation (CMHC) was created as a Crown Corporation by Federal Government Statute: the Central Mortgage and Housing

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23 See the Preamble to the National Housing Act 1938, Appendix A.

24 Central Mortgage and Housing Corporation, Canadian Housing Statistics, (Ottawa: Queen's Printer, 1965), Table 33, p. 37.

25 Ibid., Table 32.
It replaced the National Housing Administration which had come into existence as a result of the National Housing Act 1938. Under the Central Mortgage and Housing Corporation Act 1945, a Minister of the Crown, appointed by the government, has responsibility for the administration of the National Housing Act. The actual administration of the Act is conducted by a Board of Directors comprised of the President and Vice-President of the Corporation, together with eight other members, three of whom would be selected at large from the Civil Service of Canada, and the remainder being non-Civil Service appointees. The President and Vice-President, though subject to removal, hold office for a seven-year period. They can be re-elected at the end of this term.

Within the Board itself there is an Executive Committee consisting of the President, Vice-President and two other directors selected by the Board.

The powers ascribed to the Board under the CMHC Act, 1945, are found in Section 18, which states that on behalf of Her Majesty and in Place of the Minister the Board may:

have, exercise and perform all rights, powers, duties, liabilities and functions of the Minister under the Housing Acts or under any contract entered into under the said Acts, except the authority of the Minister under the said Acts to pay moneys out of the Consolidated Revenue Fund, or under Section 22 of the National Housing Act, to make grants for slum clearance.

The main function of this special-purpose agency was to administer the National Housing Act for and on behalf of the Federal Government under the general supervision of a Minister appointed by the Government. Additional powers were given CMHC in 1947 when it was given authority to make direct mortgage loans by an amendment to the NHA in 1947. This authority was given, according to Woodard, "to ensure an adequate source of mortgage financing throughout the Dominion". 26

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26 Woodard, *op. cit.*, p. 16.
The relationship between the Corporation and the various levels of government as well as its relationship to the private market are worth studying (Diagram 2). It is noticeable that different income groups must take different approaches in seeking Federal Government assistance to obtain shelter.

Other Post-World War II Developments

In 1949 amendments were made to the National Housing Act 1944 by repealing certain sections and introducing new measures. The most significant addition was Section 35. Under this Section, the Federal Government could enter into joint agreement with the government of any province or its agency to organize projects for the acquisition and development of land for housing purposes and for the construction of houses for sale or for rent. This new proposal also involved the sharing of cost of the projects, as well as any gains or losses on such projects—the proportion being 75 per cent by the Federal Government and 25 per cent by the provinces in each instance. The provinces had responsibility for acquiring the land and making arrangements for municipal services, for receiving requests from municipalities and other bodies for public assistance in housing and for dealing directly with municipalities. The Federal Government was to see to planning, design and construction of projects.

The political philosophy guiding the Government's housing policies during the immediate post-war years is evident in the views expressed by Mr. Winters, the Minister in charge of the NHA 1944. The Minister declared in September 1949 that:

It is now four years since the War ended. Some problems which were emphasized and aggravated by wartime conditions have continued into the post-war period. Housing is one of them, and it gives promise of being a long-term peacetime problem... Although constitutionally housing is primarily a matter for the
PROVINCIAL GOVERNMENT

DEPARTMENT OF MUNICIPAL AFFAIRS

MUNICIPALITIES

HOUSING AUTHORITIES Etc.

LOW-INCOME Families Seeking Rental Accommodation

PROVINCIAL GOVERNMENT

FEDERAL GOVERNMENT

FEDERAL MINISTER Responsible for Administration of NHA

ORGANIZATION OF THE CROWN CORPORATION CMHC

BOARD OF DIRECTORS

EXECUTIVE COMMITTEE

PRESIDENT

VICE-PRESIDENT

OFFICIALS & STAFF of CMHC Headquarters

REGIONAL OFFICE

REGIONAL OFFICE

BRANCH OFFICES

APPROVED LENDERS: established as prime mortgage lenders under NHA

HOME-BUYERS Seeking NHA insured mortgages

HOME-BUYERS Seeking Direct Mortgage Loans from CMHC

provinces and municipalities the federal government believes that any effective solution must involve the fullest cooperation among all levels of government as well as industry.  

But the method through which the solution was sought and which, it must be emphasized, governed Federal Government approach to the problem is clearly expressed in what Mr. Winters went on to say. He informed the House that the Federal Government had made contact with the provinces about housing, and continued:

I believe all provinces agreed with us that it is the desire of the average Canadian to own his own home and that the primary and most economical source of new housing had been and would lie from private endeavour. Therefore, any arrangements between the two senior governments should be directed toward the encouragement of more home ownership and also of rental housing by individual effort.  

It seems that it was for this reason that in 1949 the major amendment Section 35, made to the NHA 1944, that is, assembly of land through acquisition and eventual development of services was "to enable an increased volume of housing by private builders".  

In any case, it is quite evident that the emphasis of federal housing policy was now firmly resting on the private market.

It is well to round out the philosophical basis of federal housing policies by considering its views with regard to low-rent housing. As early as 1944, Mr. Ilsley, the Minister of Reconstruction and Supply rejected the idea that municipalities should engage either directly or through local housing authorities "in a vast programme of state housing financed largely by dominion government funds".  

The Minister gave several reasons for the


28House of Commons Debates, op. cit., p. 119. Words underlined by writer for emphasis.

29The words quoted are those used by the Minister.

30House of Commons Debates, op. cit., August 5, 1944.
Government's position. He felt that under Canadian conditions such a program would either be sound or necessary. He argued that several provinces would object and, in any case, the Federal Government was not prepared to pour vast sums of money into municipal housing projects which would entail a great deal of administration. Finally, he suggested that subsidizing "municipal housing" through low interest rates or rent subsidies would mean that municipalities would have to keep an account of incomes of tenants and fix rental rates. These approaches, he felt, would be unpallatable to both the government and the Canadian people.

Whatever may have been the prevailing philosophy at that time (and the strong ideological currents of that period cannot be discounted), it is a fact, which is convenient to note at this point, that most of these measures, which were then repudiated, are now well entrenched within the existing NHA.

From the evidence presented so far, it can be seen that Federal Government housing policies towards the end of the 1940's form a pattern whose underlying foundations were based on these principles:

1. Every Canadian family desires home-ownership and therefore provision of this form of housing accommodation was to be a major objective.

2. The private market is the best way of supplying the housing needs of the nation.

3. The Government's responsibility would be discharged if it made it attractive for private institutional lenders to enter the housing market. But some direct government involvement would be necessary to even out the regional disparities.

4. Subsidizing low-rental housing should be rejected. If the market is considered the best way of supplying housing for the nation, one cannot very well accept subsidized housing as part of policy.
5. Federal-provincial relations should be carefully considered. Unless the provinces are prepared to co-operate with the Federal Government and indeed initiate the necessary projects, nothing should be done.

Essentially, (1), (2) and (3) form the over-riding policy. This is concisely stated in Mr. Winters' speech before the House of Commons, September 21, 1949. "Care would be exercised to see that the operations of the senior levels of governments in this field supplement rather than replace the activity of private endeavour upon which we place the greatest reliance for a large volume of house building." On the other hand, it should be noted that the Federal Government had clearly established itself as an important source of supply of funds to achieve its objective of fostering home-ownership. The Federal Government showed, too, that it intended to influence community planning and consequently local government. It seems, too, that most provincial governments were of the same mind as the Federal Government as far as its method of providing housing was concerned.

The principles deduced above are not designed to facilitate housing construction for moderate- and low-income families. Indeed they conflicted with the provisions of the Act, even though care had been taken to assign to limited-dividend companies the task of providing low-rental housing. By the very nature of the arrangements which interposed three levels of government between the low-income family and the securing of accommodation which the family sought, provision of low-rental housing becomes a bewildering, complex process. The provinces do not intrude where those who can afford to become home-owners are concerned, but they are in a position to become a difficult barrier to hurdle, where moderate- and low-income housing is concerned. The result of this arrangement is apparent in the very small number of housing

31 Words underlined by writer for emphasis.
units—933—constructed by municipal authorities during the period under consideration.\textsuperscript{32} However, it was not many years later when the Minister of Reconstruction and Supply, Mr. R. H. Winters noted the Government's readiness "to introduce legislation to enable the dominion to enter into agreements with the provinces for publicly sponsored housing projects".\textsuperscript{33}

The National Housing Act 1954

In spite of concentrated efforts to make it attractive for approved lenders to invest in single-family, owner-occupied dwellings under NHA, private funds in sufficient quantities did not gravitate towards the residential mortgage market. The early 1950's arrived to find that the back-log of housing had not been overcome and new demands were making it still more difficult to cope with housing requirements. To quote from Woodard:

While some inroads had been made in the back-log of housing resulting from the wartime hiatus in residential construction, Canada's population was growing apace owing to an increased rate of family formation and immigration. The approved lenders, the majority of which were life insurance companies, had responded well to the challenges of each successive change in the Housing Acts. Nevertheless, it was becoming increasingly apparent that it was not within their financial capacity to provide the mortgage funds required to meet Canada's growing housing needs. New sources of mortgage funds had to be found and towards this end a new National Housing Act was passed in 1954.\textsuperscript{34}

Among the many measures enacted by the 1954 Act, the following provisions; most of which had existed in the NHA 1944, stand out prominently:

1. CMHC was authorized to underwrite loans made by approved lenders

\textsuperscript{32}Note that of the 933 units, Regent Park North contained 761 units. See Dr. Albert Rose, \textit{Regent Park: A Study in Slum Clearance}, (Toronto: University of Toronto Press, 1958), p. 196, Table XIII.

\textsuperscript{33}House of Commons Debates, \textit{op. cit.}, September 21, 1949.

\textsuperscript{34}Woodard, \textit{op. cit.}, pp. 20-28.
under the NHA and make direct loans where it was found necessary, so as to achieve the purposes of the Act.

2. CMHC was empowered to enter into contracts with builders to guarantee an annual return of rentals from rental-housing projects. Loans were also made available to companies engaged in mining, logging, fishing and other resource developments.

3. The home improvement and home extension loan provisions of the 1944 Act were re-enacted with the additional feature that now they could be insured.

4. The part dealing with research, investigation and community planning was re-enacted.

5. Provisions for federal-provincial land assembly and housing developments, which were adopted into the NHA 1944, were retained.

The NHA 1954 resulted in a series of major changes. It brought chartered banks into the mortgage lending field. It terminated the system of joint lending. To replace that system, it made provisions to insure mortgage loans supplied by approved lenders to assist in financing new housing. The new Act provided that all mortgage loans were to extend over twenty-five years with a possible maximum of thirty years. Before this time the maturity term was a matter decided on by the lender and the borrower, the latter being often in the more unfavourable position. Mr. Winters had this to say in describing the purpose of the legislation:

Although our supply of new houses in 1953 is greater than ever before, our population and number of families keep growing. This growth requires expansion of housing...We feel the present sources of mortgage money are not likely to be sufficient to

Woodard, op. cit., pp. 20-27.
support a housing program equal to or greater than 1953 volume. The main object of this legislation is to broaden the supply of mortgage money by making that form of investment more attractive, increasing the number of lenders and making more funds available for mortgage lending.\(^{36}\)

The motives and philosophy underlying the new Act are distinctly manifested here. The theory behind the revised legislation is unchanged from that worked out with respect to the NHA 1944: emphasis on single-family owner-occupied housing and the provision of these through the private market.

**Amendments to the National Housing Act 1954**

Several amendments were made to the National Housing Act 1954 to accommodate the policies of the Progressive Conservatives between 1957 to 1962. The Conservatives had instituted the first federal housing legislation in 1935. But the major changes had been introduced by the Liberals between 1938 when the Liberals were returned to office, and 1957 when the Conservatives unseated the Liberal Government. Significant changes were introduced into the Act by the Progressive Conservatives during their recent tenure of office. These changes revolved around increasing the loan-to-value ratio of insured mortgage loans, making federal loans available for municipal sewage projects and provision of loans to universities wishing to undertake university housing projects.\(^{37}\)

The philosophy of the Conservative Government, like that of the Liberal Government, was also based on a system of single-family home-ownership.


\(^{37}\)The Conservatives had long been pressing for these amendments. In fact, a Conservative Member of Parliament, Mr. Donald Fleming, had argued strongly for these amendments during the 1954 discussion of the housing legislation. See House of Commons Debates, op. cit., January 21, 1954, pp. 1321-23.
There was, however, a noticeable difference in the views of the two political parties. The Liberals stressed housing supply through market forces. The position of the Conservatives can be extracted from the speech of Mr. Walker, Minister of Public Works in 1960, who had control over the operations of the National Housing Act. In the course of his address on a resolution to extend the loan repayment period and to increase the amount for urban renewal, the Minister stated:

In December of 1957 we amended the act to provide a loan of 90 per cent of the first $12,000 of lending value and 70 per cent of the remainder. This change had the effect of permitting large numbers of lower income families to enter the market. I may say that the guiding rule of this government has been to assist the little man to own his own home. This government has always considered it desirable to do its utmost to assist borrowers at the lower end of the eligible income range.

It was, however, between 1964 and 1966 that a series of new amending legislation to the NHA 1954 were passed. The most important is the urban renewal legislation which became Part IV (Sections 23 to 23F) of the NHA 1954. In addition, the scope for federal-provincial joint projects for public housing was greatly extended. The Labour Minister, Mr. Nicholson, in dealing with the urban renewal legislation, declared that the time had come for the government to tackle the problems of urban slums. In his words:

I think we can all get pleasure and satisfaction out of the very high--unusually high--average standard of housing in Canada, and we certainly can rejoice in the improvements to which I have referred...But, Mr. Chairman, while we are in a mood of self-congratulation let us not fail to accept some responsibility for the misery that persists in the slum and near-slum areas of at least some Canadian cities.

The main principle according to the Federal Government was that initiative must come from the local government. However, it is of more than

passing interest that the Minister shows the Government's readiness to accept "some responsibility" for the slums and near-slums that exist in Canada.

In searching for the reason for this apparently new perspective of federal housing policies, what Mr. Nicholson, the Minister responsible for housing, said in the House of Commons provides a clue. The Minister noted that previously, Canadian housing policy had been heavily committed to the support and aid of the private market and to the production rather than to the distribution of housing. This distribution had been left entirely to the private market forces. He argued that there was some good in this policy, adding:

But while the government may undertake to continue this policy, care must be exercised not to give it the exclusive commitment of the government, because there are many things which this type of public financing cannot do.40

Thus after many years of explicit reliance on the private market, often in the face of severe criticism, the Federal Government finally came around to the position that the private market was not very dependable after all in providing housing for certain income groups. In particular, it admitted that its housing policies had failed to produce the distribution of housing that would be most desirable in terms of need. What this means in effect is that the "filtering down process", the most reasonable means whereby the private market could supply the housing which was required for moderate- and low-wage and salary earners had not proved to be successful.

The significant aspect of this legislation is that despite past experience, it intends to get at the problem of slum clearance and low-income housing through provincial and municipal government initiative. The constitutional powers of the provinces makes this a necessary approach. But how

40House of Commons Debates, op. cit.
successful an approach it will be is still a matter of doubt. One major factor is that differences in regional approaches to the problem of slum clearance and residential deterioration are bound to create an allocation of funds which may well be in discord with the objectives of a balanced development for the federated state.  

Summary

The purpose of this chapter has been to establish what is a central argument of the thesis, namely, that the predominant concern of federal housing policies has been the production of housing for home-owners through the machinery of the private market. But it is also true that government investment in housing has been used as an instrument for creating employment opportunities as well as for producing an ameliorating effect on general economic conditions. The chapter is considered to be of critical significance and is therefore comprehensive in nature. For it is felt that the historical perspective and analysis will help to avoid confusion and preoccupation with new problems without focusing on underlying factors.

From the evidence submitted, it seems that it can be asserted without reservations that this part of the thesis has been borne out. Particularly since World War II, the Government has placed major reliance for attaining the goals of home-ownership on the private market. One observer has expressed the opinion that:

The fundamental error in the Canadian housing program, it must be apparent to all, stems from the approach which gives considerable assistance, encouragement and even subsidy to upper-income families, considerably less to middle and lower-
income levels, and relatively little or often nothing at all to those at the bottom of the heap.\textsuperscript{42} 

There are, no doubt, many underlying forces which would provide causal explanations of the philosophical, economic, cultural and psychological bases of these policies. It is, for example, a glaring fact that a minimum of public housing has been supplied over the many years that the desired legislation existed. But we note many conflicting attitudes. It is paradoxical that while the Acts seem to show some measure of support for low-rental housing, the philosophy expressed in the Commons and the actual amount of construction reflect rather the problems of federal-provincial relations and the strength of the Government's implicit confidence in the private market.

Though it would be relevant to the discussion to explore the underlying values and attitudes of the society, such a task cannot be undertaken in this study. It is sufficient, at this point, to note the great stress which North Americans place on effort and achievement as the keys to success. Robert E. Merton has pointed out the over-riding importance which the society attaches to success as a primary goal, although the means of attaining this success presents the greatest difficulty for an overwhelming number of people.\textsuperscript{43} Seen from this standpoint, the way in which public housing, which obviously, is for those who have failed in achieving, is regarded, become understandable. This aspect of the problem can be pursued only to the extent of adding that in an agrarian society, one can make a virtue out of effort and hard work on his own individual, self-sufficient plot. In an

\textsuperscript{42}A. F. Laidlaw, "What's Wrong with Housing in Canada?", Education Conference, (Ontario Federation of Labour, Niagara Falls, February 13-14, 1965), p. 3.

industrial, technological society with its attendant urbanization, the requirements in terms of skills and training are so complex, and competition so fierce, that the incidence of withdrawal and rejection seems likely to be an unavoidable cost of these processes.\footnote{See Harry C. Bredemeier and Jackson Toby, \textit{Social Problems in America}, (New York: John Wiley and Sons, Inc., 1963). Especially Part 4 which is entitled "The Costs of an Acquisitive Society".}

Indeed, industry itself, geared as it is to increasing output and profits, constantly produces obsolescence of skills and training. These are only a very small sample suggestive of the many forces which are producing the very significant changes. This, it could be suggested partly underlies the increasing responsibility shown by governments for the social and economic well-being of its citizens. The recent acceptance of some public housing,\footnote{Hon. J. R. Nicholson, House of Commons Debates, \textit{op. cit.}, May 28, 1964.} as seen in the Minister's speech, is perhaps a political expression of basic changes in societal values, which have percolated through government deliberations to find their way into policies.
CHAPTER III

IMPACT OF FEDERAL GOVERNMENT LEGISLATION

It has been shown that the scope of the National Housing Act is such that a wide range of housing types can be constructed within its framework, extending from single-family dwellings to hostel and dormitory units. In view of these extensive potentialities, the question arises: what has been the actual impact in terms of the supply of housing construction under NHA? An attempt will be made to explore this question. The main purpose will be to verify whether or not the conclusions reached in the last chapter can be supported by Federal Government activities under the present Act.

The Stock of Housing in Canada\(^{1}\)

The total stock of housing in Canada consisted of approximately 4,554,500 occupied dwelling units in 1961. Of this total, 66 per cent were owned. (See Table 4).\(^{2}\) The total number of new housing starts in Canada

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\(^{1}\) The term "housing stock" is a concept which relates to the supply and within a given time period. See for instance, Arthur Blank and Louis A. Minnick, "The Structure of the Housing Market", The Quarterly Journal of Economics, Vol. 67, 1953, pp. 181-208. The writers speak of the "standing stock period" and the "construction period". In the former case, two time periods may be noted: (i) in the very short-run there is no time to increase the existing stock of housing; (ii) in the short-run proper additions can be made but the amount is limited by existing manpower, plant capacities and level of technology. During the "construction period" the inventory can be increased greatly because plants can be expanded, the number of skilled and trained workers can be increased and innovations can take place.

\(^{2}\) Census of Canada, 1961.
TABLE 4

OCCUPIED DWELLING UNITS BY TENURE
IN CANADA AND IN URBAN AREAS

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
<th>Total (Canada)</th>
<th>Total (Urban)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Number</td>
<td>Per Cent Owned</td>
</tr>
<tr>
<td>1931</td>
<td>10,363,240</td>
<td>1,587,791</td>
<td>84.5</td>
</tr>
<tr>
<td>1941</td>
<td>11,489,713</td>
<td>2,575,744</td>
<td>56.7</td>
</tr>
<tr>
<td>1951</td>
<td>13,984,329</td>
<td>3,409,295</td>
<td>65.6</td>
</tr>
<tr>
<td>1961</td>
<td>18,238,247</td>
<td>4,554,493</td>
<td>66.0</td>
</tr>
</tbody>
</table>

*aExcludes Newfoundland, The Northwest Territories and the Yukon.

*Urban refers to centres of 1,000 population or more.


was 125,577 in 1961. Thus allowing for the fact that housing starts are for the full year, whereas census data were gathered at mid-year, new housing would range roughly from between two and three per cent of housing stock in any "normal" year. Some indication of the marked annual variations in new housing construction is shown in Diagram 3. There have been significant variations in the kinds of housing being built in Canada, reflecting no doubt changes in taste on the part of consumers and the desire on the part of builders to reduce building costs. The result has been a decline in the proportion of single-family starts as compared with the increasing proportion of multiple-family dwellings. (See Diagram 4.)

Ownership of Housing Stock

Since home-ownership is an important element in government policy,
Diagram 3. TOTAL NEW DWELLING STARTS IN CANADA AND IN THOSE URBAN CENTRES WITH POPULATION OF 5,000 AND OVER (1954-1966).

Source: Based on Table 6 of CMHC publication, Canadian Housing Statistics, (Ottawa: 1965).
New Residential Dwellings (in '000)

Diagram 4. STARTS IN NEW HOUSING, BY TYPE, IN CANADA (1954-65).

Source: CMHC, Canadian Housing Statistics, 1965, see Table 6.
Table 4 has been presented to indicate the tenure of occupied dwellings in Canada between 1931 and 1961. The Table shows that prior to the Second World War, the vast majority of all housing in the country were owned. Since the War, however, ownership has been much less, although it still represents the majority of housing in the nation as a whole. When one returns to urban centres, however, the proportion of ownership is much less than for the entire country, although there have been noticeable increases since the War. This increase in the proportion of houses owned in the urban centres will also be seen in Table 13 (p. 99) below. The relationship between these changes in tenure and the emergence of federal housing policies are clearly indicated in the developments reviewed here. In short, the proportion of increase in "home-ownership" reflects the fact that a mortgage is the only way of "owning" a house.

Housing Supplied Under the NHA 1954-1964

Since March 22, 1954 when the present National Housing Act went into effect, a large number of houses have been constructed under the Act. A recent publication by CMHC, Canadian Housing Statistics, 1965, shows that for the period 1954-1965, a total of 1,752,808 new dwelling units were started. And for the same period, 1,513,472 units were completed.5

Of the total starts mentioned above 657,100 units, 37.5 per cent were the result of either direct NHA financing or of loans made by approved lenders under the provisions of NHA.6 These starts included both single-detached dwellings and multiple-dwelling structures.

During the same period approval was given for construction of a number

5CMHC, Canadian Housing Statistics, op. cit., Table 5.
6Ibid., Table 34.
of low-income new housing\textsuperscript{7} units under NHA. These consisted of: 30,148 units built by limited-dividend companies on the basis of 405 loans; 1,149 new housing units constructed by non-profit corporations; and 1,318 units arising out of twenty-three loans for public housing projects. Thus, a total of 32,615 low-income units were built on the strength of approximately 4.7 per cent of all loans made under NHA from 1954 to 1965.\textsuperscript{8}

Expenditures on new housing during the period 1954 to 1964, amounted to 19.5 billion dollars from all sources. Public funds (in the form of direct expenditures, CMHC loans and other loans) accounted for 2,777.8 million dollars. Institutional lenders provided a total of 8,819.8 million dollars, of which approximately 50 per cent was insured under NHA. Table 5 illustrates the sources of these expenditures on new housing.

The extent of Federal Government involvement can be gauged by considering its housing investment activities and how these relate to, and compare with, private market investment in housing. A study of Diagram 5 will show the fluctuations in government expenditures on housing. By and large, the timing of these expenditures lend support to the suggestion that the public funds invested in housing are used in the form of counter-cyclical measures aimed at arresting recessionary tendencies in the economy. When economic conditions show signs and symptoms of sluggishness, as for example in 1960 and 1961, an increased supply of public funds is injected into the economy by way of greater funds for housing construction. As the economy shows recovery and conventional lenders increase the supply of money for

\textsuperscript{7} Low-income housing\textsuperscript{7} is used here in the same way as the term is used in Canadian Housing Statistics. (See op. cit., Table 33.) It includes low-rental housing built by limited-dividend companies, non-profit corporations (for example, provincial and municipal governments) and public housing. (See also p. 20 intra, for concept of low-income.) The data on low-income housing are also derived from Table 33.

\textsuperscript{8} Canadian Housing Statistics, 1965, op. cit., estimated from Table 33.
Diagram 5. FUNDS FOR NEW HOUSING BY SOURCE AND TRENDS IN THE GROSS NATIONAL EXPENDITURE.

Source: CMHC, Canadian Housing Statistics, 1965, Table 17.

A - Funds supplied by Institutional Lenders under NHA.
B - Funds supplied by Conventional Lenders.
C - Public Funds.
D - Gross National Expenditure (GNE).
TABLE 5

EXPENDITURES ON NEW HOUSING BY SOURCE OF FUNDS
1954-65 (in millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>Public Funds</th>
<th>Institutional Funds(^a)</th>
<th>Other Funds(^b)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Amounts</td>
<td>2,777.8</td>
<td>8,819.8</td>
<td>9,353.4</td>
<td>19,951.0</td>
</tr>
<tr>
<td>(2) Per cent of Total</td>
<td>13.9</td>
<td>44.2</td>
<td>41.9</td>
<td>100.0</td>
</tr>
<tr>
<td>(3) Annual Average spent in period:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1954-57</td>
<td>84.2</td>
<td>601.0</td>
<td>756.1</td>
<td></td>
</tr>
<tr>
<td>1958-61</td>
<td>334.9</td>
<td>629.5</td>
<td>679.6</td>
<td></td>
</tr>
<tr>
<td>1962-65</td>
<td>275.4</td>
<td>974.4</td>
<td>651.6</td>
<td></td>
</tr>
</tbody>
</table>

\(^a\)Approximately 50 per cent of the institutional funds was insured under NHA.

\(^b\)Includes owners' equity and funds supplied from such sources as provincial governments, municipalities and developers. Note that provincial and municipal contributions are not included under Public Funds which are funds provided by the Federal Government (column 2).

Source: CMHC, Canadian Housing Statistics, 1965, Table 17.

housing, either under the NHA insurance scheme or through non-NHA funds, the Federal Government tends to withdraw from the field. This withdrawal is clearly evident in 1955 the year after the present Act came into existence. Having paved the way for chartered banks to enter the field of home-ownership mortgage financing, the Federal Government drastically cut back its supply of funds, but had to make a very liberal upward revision in its allocation of funds for housing construction two years later.

The issue here is not whether or not the Federal Government should exercise its judgment in using the most effective means at its disposal to remedy a deteriorating economic situation. Rather, the aim is to determine
whether federal housing policy is directed primarily towards the real source of the housing problem and only secondarily to other considerations, or whether the opposite situation obtains.

**Mortgage Financing: Effect on Supply of Housing**

The fundamental condition for securing shelter is that the cost of providing it must be met either by the individual family, or by some agency, such as the government or a charitable institution. The essential fact is that securing shelter depends on the family's ability to pay. In short, whether or not a family is housed depends on the income of the family, whether such income is obtained through the family's own efforts or through subsidization or some combination of these methods.

Even for the majority of the nation, it is not possible to purchase a house outright. As the Canadian Welfare Council put the matter in summarizing the findings of a study it made in 1947:

> There are reasons for anticipating that the supply of houses resulting from private initiative will continue to prove inadequate. This will not be due to the shortages of materials but will arise because the number of families who can afford to buy new houses is distinctly limited; in normal times they do not represent more than a third of all families, and under present high costs, probably not more than a fifth of the families in the country can afford a new house. The volume of new housing initiated by this group can not be enough to make up the large backlog that has now accumulated.⁹

These conclusions, in particular the finding that few families can obtain a house through its own unaided efforts, certainly provide the grounds for assistance through mortgage financing. But it would also tend to make an even stronger case for greater assistance to those at the lower end of the middle-income group, and still greater public support for the lowest and

neediest income groups. This is the more so as the Council's report foresaw no prospect of reducing building costs. For the Council continued:

There is no real prospect of reducing the costs of houses built by present methods. Housebuilding has not benefitted from industrial technology because the market has been too insecure and irregular to attract large-scale fabricators.¹⁰

Mortgage financing has gained wide acceptance as the typical form of financing home-ownership. It is a fact, however, that this method has only come into extensive, and even respectable, use since the Federal Government became involved in housing in 1935.¹¹

The mortgage is a contractual, legal arrangement between a mortgagee (the lender) and a mortgagor (the borrower). The mortgagor runs the risk of having his property foreclosed if he fails to meet his monthly payments—something which became prevalent during the 1930's when unemployment was widespread. To see how incomes, mortgages and the supply of housing are related, and particularly, mortgages under NHA, it is worthwhile examining the components of a mortgage instrument,¹² which are described in detail in Appendix B. There are five major components which affect the operation of every mortgage arrangement. These are:

1. The loan-to-value ratio;
2. Down payment required;

¹¹ Woodard, op. cit., p. xi. Woodard remarks that: "In Victorian days, a mortgage transaction was regarded as something sinister and not to be spoken of lightly" and he notes that it is no longer a "badge of improvidence" to obtain a mortgage.
¹² An excellent account of mortgage financing is found in Woodard's Canadian Mortgages, op. cit., Chapters 1 and 2. The history of mortgage lending in Canada is reviewed as well as the conditions and arrangements surrounding the terms of mortgage loans made by the Federal Government since its involvement in the field of housing began in 1935.
3. interest rate;
4. amortization period;
5. debt service ratio.

At this stage, it is worthwhile examining, in some detail, the mechanism of mortgage financing using an example from Vancouver. The main point of the exercise is to show what income capacity is required of the family, if it seeks to obtain a house on the market. The example should be considered especially in relation to the income groups as classified in Chapter I. Another important consideration is the residential market mechanism which the home-buyer faces and how this market affects the supply of housing.

The average cost of a new bungalow in Vancouver in 1965,\textsuperscript{13} was $18,326. This includes costs of land, construction, and other incidentals such as legal fees. Few individuals could afford to pay cash for this in a single cash payment. If the buyer decides to avail himself of mortgage financing, he must have a satisfactory, steady and reasonably secure income and must adhere closely to the terms of the mortgage agreement.

An example of how to calculate the debt service ratio is given in Chapter IV (page 106 infra) and can be reviewed at this stage. It can be seen from that example that it would be very difficult for those families with incomes less than $4,000 to afford a new house under NHA—even where the value of the house is as low as $13,000.\textsuperscript{14}

This conclusion seems to be warranted when the data for 1961 is considered. According to Canadian Housing Statistics, 1965 (see Table 67 of that publication) the average dwelling cost of NHA houses for those in

\textsuperscript{13}CMHC, Canadian Housing Statistics, op. cit., Table 87. The statistical qualifications surrounding the use of an "average" are ignored. The example may be considered as being simply hypothetical.

\textsuperscript{14}For conventional mortgages in Vancouver the loan-to-value ratio ranges between 65 and 75 per cent. Thus, the down-payment required is greater.
the $3,000-3,999 income group was about $11,950. Suppose land costs an additional $2,000. Then using 1961 mill rates in Vancouver for both school and general purposes the debt service ratio for the individual whose income is $4,000 is almost 42 per cent. Given the critical role which the gross debt service ratio plays in determining the loan-worthiness of the prospective mortgagee, it is not at all likely that an income of $4,000 would qualify him for a NHA loan.

But this is not all. If the borrower has other outstanding debts, the overall debt burden would be such that the family would find it even more difficult to own a home.\(^\text{15}\)

It should be noted that Table 67 in *Canadian Housing Statistics* referred to above, shows that in 1961 the debt service ratio for NHA loans for new housing ranged from 12.3 per cent for those with incomes of $10,000 and over, to 30.8 per cent for those whose incomes were under $2,999. However, only 0.2 per cent of all borrowers of NHA loans for new housing had incomes under $3,000—and all of these 0.2 per cent were in the $2,000 to $3,000 income range. Taking the group whose incomes were in the $3,999 and under range, they received slightly over 6 per cent of all loans in 1961. By 1964, borrowers in this group had declined to just over 2 per cent of all borrowers.\(^\text{16}\)

With respect to families, 3.0 per cent of all families borrowing from NHA for new housing received incomes of under $3,999; but families in this

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\(^{15}\) Under the NHA consideration is not given to other debts in the calculation of the debt service ratio. But according to information and evidence obtained in discussion with private companies, conventional lenders do take other debts into account.

\(^{16}\) CMHC, *Canadian Housing Statistics, op. cit.*, Table 61.
income group represented 35.6 per cent of non-farm families in 1961.\textsuperscript{17} (See Table 6.) The major portion—81.0 per cent—of NHA loans for new housing, so far as families are concerned, went to those in the $4,000 to $7,999 income range.\textsuperscript{18} Table 6 indicates some of the changes noted by CMHC in one of its recent publications. It is noticeable that family incomes had increased significantly by 1963 as indicated by the increasing proportion of families in higher income groups. However, it would be necessary to relate these income data to the consumer price index to obtain a meaningful understanding of these trends.\textsuperscript{19} CMHC has published certain relevant price indexes, which establish the rising trends in building costs and rents. (See Table 7.) The increase in the cost of home-ownership by over 47 per cent since 1964 as compared with 16 per cent for rents is another indication of the increasing difficulties families face who want to own a home. At any rate, it is clearly indicated that availability of NHA loans to families receiving $4,000 and under has become virtually non-existent and that this attrition in the flow of loans has changed drastically with changes in the income structure reflecting the pressures of inflation.

The Supply of Moderate- and Low-Income Housing under NHA:
Limited-Dividend Provisions

The Federal Government makes provision for supplying moderate- and low-income housing under Sections 16 and 16A in Part II of the National Housing

\textsuperscript{17} CMHC, Canadian Housing Statistics, \textit{op. cit.}, Table 61.

\textsuperscript{18} \textit{ibid.}

\textsuperscript{19} Furthermore as M. O. Lorenz showed in his article (\textit{op. cit.}), the changes in concentration of wealth and income cannot simply be shown by taking per cent increases in the original income class.
### TABLE 6

**PER CENT OF ALL NON-FARM FAMILIES IN DIFFERENT INCOME GROUPS AND PER CENT OF THESE BORROWING NHA LOANS FOR NEW HOUSING FOR SELECTED YEARS**

<table>
<thead>
<tr>
<th>Family Income $</th>
<th>All Families %</th>
<th>Families Borrowing %</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-1,999</td>
<td>11.2</td>
<td>8.5</td>
</tr>
<tr>
<td>2,000-2,999</td>
<td>10.7</td>
<td>9.1</td>
</tr>
<tr>
<td>3,000-3,999</td>
<td>13.7</td>
<td>12.5</td>
</tr>
<tr>
<td>4,000-4,999</td>
<td>16.7</td>
<td>15.5</td>
</tr>
<tr>
<td>5,000-5,999</td>
<td>15.1</td>
<td>14.7</td>
</tr>
<tr>
<td>6,000-6,999</td>
<td>11.2</td>
<td>11.2</td>
</tr>
<tr>
<td>7,000-7,999</td>
<td>7.0</td>
<td>8.3</td>
</tr>
<tr>
<td>8,000 &amp; over</td>
<td>14.4</td>
<td>20.1</td>
</tr>
</tbody>
</table>

Source: CMHC, Canadian Housing Statistics, 1965, Table 61.

### TABLE 7

**CONSUMER PRICE INDEXES (CANADA) FOR SELECTED YEARS (1949 = 100)**

<table>
<thead>
<tr>
<th>Period</th>
<th>Rent</th>
<th>Home Ownership</th>
<th>Shelter Cost</th>
<th>Total Consumers' Price Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1954</td>
<td>129.8</td>
<td>122.2</td>
<td>126.5</td>
<td>116.2</td>
</tr>
<tr>
<td>1957</td>
<td>138.0</td>
<td>130.8</td>
<td>134.9</td>
<td>121.9</td>
</tr>
<tr>
<td>1961</td>
<td>143.3</td>
<td>147.4</td>
<td>145.1</td>
<td>129.2</td>
</tr>
<tr>
<td>1965</td>
<td>146.0</td>
<td>169.5</td>
<td>157.8</td>
<td>138.7</td>
</tr>
</tbody>
</table>

Source: CMHC, Canadian Housing Statistics, 1965, Table 82.
Act. Under Section 16, the Act empowers Central Mortgage and Housing Corporation to make loans to limited-dividend companies to assist in the construction of low-rental housing. Whilst Section 16A permits non-profit corporations to construct hostel and dormitory type dwelling units, with NHA assistance.

An examination of the data compiled by CMHC has yielded the following information as regards activities carried out under Sections 16 and 16A. Between 1954 and 1965, loans were approved under NHA for the construction of 30,148 dwelling units by limited-dividend companies. In addition, 1,068 hostel type accommodation units were provided. Non-profit corporations also obtained loan approval to construct 1,245 dwelling units together with 1,293 hostel type accommodation units. To say that loans have been approved for a number of units, however, is not the same thing as saying that the actual number of dwelling units have been constructed. It is necessary to keep these two features of housebuilding in mind.

According to the publication Good Housing for Canadians:

By far the greatest activity in the low-income housing field has occurred under the Limited Dividend Section of the National Housing Act. This area of housing activity was broadly conceived to serve the needs of moderately low income families who are generally excluded from the conventional home ownership market, but whose income characteristics place

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20 Information from CMHC suggests that so far as Part II of NHA is concerned, only Sections 16 and 16A are being used to any extent, (the exception being Section 17 which is used sparingly).

21 In each case the loans are made for either construction of new buildings or conversion of existing buildings to low-rental housing, dormitory or hostel type as the case may be. Both new buildings and existing structures are included. Non-profit corporations include provincial and municipal government agencies.

22 For these data see Canadian Housing Statistics, op. cit., Table 33. For information as to how a hostel functions see CMHC, Submission to the Special Committee of the Senate on Aging, (Ottawa: October 1964), pp. 12-13.
them above the lowest income range for publicly assisted Section 36 housing.\textsuperscript{23}

The Ontario Study estimates that up to 1961 some 29,896 dwelling units in Canada had been financed under the limited-dividend section, of which 23,826 units were to serve low-income families and 6,070 units were to accommodate elderly persons.\textsuperscript{24}

The Ontario Study has estimated that: "rental and ownership housing built in the post-war years and directed primarily to the lower third family income band approximates 43,000 units or 2.5 per cent of the total private housing production in this period."\textsuperscript{25} It should be observed that this included co-operative housing as well as limited-dividend housing up to mid 1964.

The basic features of limited-dividend low-rental housing which are of concern to the individual family are the range of incomes within which the family qualifies for consideration, and the fact that rentals are adjusted to income levels. Thus the rental for a family with an income of $2,000 will be less than with an income of $3,000. The Ontario Study also disclosed that in 1964, the income ceiling for continued tenancy in Limited-Dividend housing was $4,850 whilst for federal-provincial public housing the ceiling was $4,900.\textsuperscript{26} The most recent data in Vancouver shows that the maximum allowable income for families applying for entry into low-rental

\textsuperscript{23}The Ontario Association of Housing Authorities, Good Housing for Canadians, (Arnprior, Ontario: 1964), p. 42. Note that public housing now comes under Part VI of the NHA which comprises Sections 35A to 35E.

\textsuperscript{24}ibid., p. 40.

\textsuperscript{25}ibid., p. 40.

\textsuperscript{26}ibid., p. 43.
housing projects was $479 per month or $5,748 per year. In both provinces, rentals are calculated by complicated formulae on a progressive scale basis and are related, as indicated before, to income. The minimum family income acceptable for entry into low-rental housing in Vancouver is normally around $75.

A number of institutional factors affect the supply of low-rental housing. The Ontario Study has pointed out that there are major restrictions on the use of limited-dividend funds for construction of low-rental housing projects. The Study cites the supervision which CMHC is required by the Act to carry out with regard to the operation of private companies. Moreover, in some areas, such as the Metropolitan Toronto Area, companies must have their proposals inspected and approved by the municipality. The Ontario Study ascribed the lack of interest which private companies have shown in limited-dividend to the nature of these limitations, which the Study refers to as "restrictive covenants". The Study goes on to describe some of the problems:

Prior to approval of a loan a Limited Dividend company must agree to the terms of the mortgage and operating agreement drawn up by Central Mortgage and Housing Corporation. The operating agreement contains clauses governing the cost and construction of the project, rentals of units in the project and the administration of its affairs. The rental structure once established must be preserved (except where conditions or circumstances justify an adjustment upwards in individual projects). The company must agree to furnish efficient management at all times, to keep the project in a satisfactory state of repair throughout the term of the loan, and to maintain books, records and accounts in a form satisfactory to the Corporation.

\[27\text{Information obtained from the Vancouver Housing Authority.}\]

\[28\text{Ibid.}\]

\[29\text{Ontario Association of Housing Authorities, op. cit., p. 43.}\]
The Ontario Association Study also noted that those limited-dividend companies which were established by charitable institutions, underwent less restrictive conditions in the operation of their projects. The basis for this difference in the treatment of the privately run and the charitable organizations appears to be the fact that charitable organizations do not conduct their operations with a view to making profit.

On the whole, the picture as regards low-rental housing produced under limited-dividend conditions is still cloudy. The Minister responsible for housing, Mr. Nicholson, speaking before a recent Housing Conference, stated that: "the accomplishments of NHA assisted low-rental housing were among the few bright spots in Canada's residential picture last year." So that, according to the Minister 1966 was a good year for low-rental housing construction.

There is also new legislation afoot to make limited-dividend more attractive to private entrepreneurs. In the speech before the Housing Conference referred to above, Mr. Nicholson remarked:

To ensure that loans of this type benefit those families which need assistance most, Central Mortgage and Housing Corporation has used the more or less formal device of establishing maximum rentals which may be charged. The Corporation is now prepared, however, to consider loan applications for projects which would provide dwellings at somewhat higher rentals than those permitted to date. Whether or not these measures, if taken, will result in the increase in low-rental housing construction is another matter.


31 Ibid.
Co-operative Housing

Co-operative housing is an area of housing construction for which provisions exist in the NHA but the use of these provisions has been negligible. What meagre activity there is in Canada in this field of low-rental endeavour, takes place almost entirely in the eastern provinces of Nova Scotia and Prince Edward Island. There are, it is true, some co-operative housing on a few university campuses. Toronto Campus Co-op and Co-op College Residences Inc., (a new federal organization), are recent developments in this direction. The latter serves both the University of Toronto and the University of Waterloo. In fact, the Waterloo University students are said to have built the first new residence, which is owned and operated by students, in North America.32

The National Secretary of the Co-operative Union of Canada, Dr. A. F. Laidlaw, while discussing the lack of success of co-operative housing in Canada, and in North America generally, makes these points:

Why has it not "caught on" in Canada, a country where there are such serious gaps in housing for low and middle income families? There is no single or easy answer. To begin, the co-operative movement in Canada is largely rural and agricultural--its orientation has been engrossed in other areas and concerns--it has given little attention to housing. Credit unions--the only form of co-operative that is highly developed in urban Canada--have had their hands full trying to satisfy the demand of members for consumer credit.33

Dr. Laidlaw further pointed out that even the highly successful caisse populaire system in Quebec has given its financial support to home-ownership financing. He argued, moreover, that the concept of group-housing

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32These developments in campus housing have been noted by The Globe and Mail, Saturday, January 22, 1966 in an article entitled "A New Way of Life in Campus Co-ops".

on a non-profit basis has not been accorded strong support from government agencies. Finally, he blamed the lack of leadership in the co-operative housing field.

In another recent review of activities in co-operative housing under NHA 1954, the Co-operative Union of Canada had this to say:

Co-operatives are playing a very small role in housing in Canada and this role seems to be decreasing rather than increasing.34

Co-operative housing project loans approved between 1954 and 1965 are supposed to have produced 1,115 units. In addition, 234 units have been built by approved lenders under NHA scheme.35 Thus, NHA has been instrumental in providing a total of 1,349 units.

However, recent developments in Winnipeg, where Willow Co-op consisting of 200 units has been built, as well as a proposed federal-provincial scheme in Northern Saskatchewan, have given some cause for slight optimism, as regards the future of co-operative housing.

Public Housing

For those who are so destitute that they cannot afford to pay any rents at all, fully subsidized public housing has been established as the only alternative. In general, the public housing provisions are to be used to aid families with children, although the elderly are also included.36 Yet from all accounts, however, the supply has been exceptionally small. This has been admitted by the Minister responsible for housing, who has affirmed

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35 CMHC, Canadian Housing Statistics, op. cit., Table 29.

36 CMHC, Brief Submitted to the Special Committee of the Senate on Aging, op. cit., p. 18.
that:

Our best accomplishments in public housing are not impressive. In the view of the government it represents the greatest single area of failure in our federal housing policy.\(^{37}\)

The public housing provisions under NHA exist in Part IV of the Act—Sections 35A through 35E. Loans made under these sections are based on federal-provincial agreement on cost-sharing arrangements.

The data available for the 1954 to 1965 period show that 1,318 public housing units were approved for construction.

The Federal Government has taken the attitude that so far as public housing is concerned, it is from the provincial and municipal levels that initiative must be forthcoming.\(^{38}\) The question may be asked: why have provinces and municipalities failed to show any but the most grudging enthusiasm?

Public housing has also been tied to the problems of urban renewal. This comes about because the families displaced from slum clearance areas have to be re-located. This re-location often means that families removed from the areas involved have to find accommodation in public housing units. For this reason, the three levels of government have used public housing facilities to re-house families uprooted from slum areas. To date, huge sums of money have been disbursed from the federal treasury for urban renewal. Beginning with Regent Park in 1948, urban renewal schemes implemented in August 1965 required Federal Government expenditures of over 50 million dollars.\(^{39}\)

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\(^{38}\)Mr. Nicholson, *op. cit.*

\(^{39}\)See CMHC publication, *Implementation of Urban Renewal Schemes*, (Ottawa: August 1965; NHA 128-1).
A not insignificant portion of urban renewal areas is re-used for purposes other than residential use. This fact has led many observers to conclude that urban renewal helps least of all those who have been ejected from the slum clearance areas.

Other Factors Affecting Housing Supply

(1) A number of factors of a regulatory nature affect housing supply. Among these are the regulations established under the National Housing Act. A primary requirement for NHA mortgage loans is that houses must be in areas where sewerage facilities are available. Other requirements include the size of lots demanded and compliance with the specifications outlined in the National Building Code. Apart from the question of the advantages or disadvantages of these regulations, the point here is that they inevitably restrict the flow of housing.

(2) A key factor affecting the supply of housing is the costs of construction of houses and of the land on which houses are to be situated. For private entrepreneurs cannot supply housing at less than it costs to produce them. Thus, cost is at the very heart of the problem of housing supply, as is true of any other good produced for sale.

Consumer price indexes are used to show the increases in housing costs. Table 7 on page 65 above gives price changes in certain crucial areas for selected years. The significance of these changes has been remarked upon already. But they should be referred to again.

Among the components of housing costs that have been rising at an

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40 Information obtained from Central Mortgage and Housing Corporation, Vancouver.

inflationary rate is the cost of land. In the Memorandum on Co-operative Housing cited above, it is remarked that:

Land in and around large urban centres has become so expensive that individual home ownership is more burdensome...42

In a speech delivered at an Education Conference arranged by the Ontario Federation of Labour, Dr. Laidlaw stated:

It must be obvious to all that one of the major stumbling-blocks to better housing programs in Canada is the problem of land, our Canadian system of land tenure and profiteering in land. But this is something that is very dear to the Canadian way of life—the right to speculate in land, the privilege to make profit out of land, not by adding anything of value to it but simply by virtue of the presence of people who need it for space to live.43

Urban renewal has also felt the slowing down effects of costs. This was a serious factor even in the earliest stage of slum clearance as the following statement tends to confirm:

There are other, perhaps more important, reasons why slum clearance has not proceeded apace in the city of Toronto. Regent Park North proved to be far more costly than anticipated. Although the number of units was increased from 1,056 to 1,289, the estimated overall cost has risen from six or seven millions to perhaps sixteen millions.44

Thus, the cost of land, construction, labour and materials have exerted a tremendous force on housing supply, both in the area of home-ownership as well as in public housing projects.45

42 The Co-operative Union of Canada, Memorandum on Co-operative Housing, op. cit., p. 6.


45 See the speech of Hon. J. R. Nicholson, House of Commons Debates on May 28 and June 1, 1964 where he stated that the average cost per acre of clearing municipal land is $100,000. But in the two major cities, Montreal and Toronto, the average cost is $300,000 per acre.
The ability and capacity of municipalities to bear the increasing costs of providing urban services for residential areas is another important consideration. This factor was recognized at the time when the present National Housing Act came into being in 1954. For example, Mr. Donald Fleming, who at the time was a Member of Parliament, in discussing the Housing Bill on January 21, 1954 argued that one of the main reasons for the large housing shortage was the shortage of serviced land. He quoted Mr. Winters, Minister responsible for housing, who in April 1953 had himself stated that the principal cause of the bottleneck in housing supply had been the lack of serviced land and the heavy municipal expenditures required to provide the services. Quite often municipalities were unwilling and unable to undertake these expenditures.  

In this review of some of the main causes affecting the supply of housing for all income groups, it must be kept in mind that there are a number of other factors involved. The ultimate limitations would be the available labour and materials. Another limitation is the fact that at least in the case of public housing, competition with other federal programs for the supply of capital investment resources is an inescapable problem.

The factors noted above tend to reduce the effectiveness of what, at the best of times, is also an inadequate method of ensuring adequate supplies of housing for low-income groups. This method is the filtering down process. Numerous authorities in the field of housing have expressed the growing disappointment with this process. The Minister, Mr. Nicholson, has himself said, in the House of Commons, that: "the filtering down pro-

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cess is too indirect. It is too uncertain; it is too slow; and it is too expensive in the long run."

Catherine Bauer has noted that:

The central issue in most American debates about housing policy can be stated quite simply. Should we build practically all new housing for the upper income groups, on the assumption that it will gradually filter down to satisfy the needs of the rest? Or must we provide new dwellings directly within reach of low and moderate income families?

The basic data required to clarify these questions are primarily of an economic nature: ...The "filtering down" process cuts across the whole field of civic history, and relates to population movements, social mores, and the differing needs and habits of particular groups of people.48

In view of these factors, housing supply through the market forces are unlikely to solve the housing problem of low-income families. But even if it were more effective the cost factors which have been reviewed, would still be a major problem for low-income families.

Summary

An attempt was made in this chapter to examine the actual effects of the NHA through the results of its operation. A fundamental assumption which this approach involves is that the National Housing Act is aimed at supplying adequate housing for all Canadians.

This intention seems to be implicit in the existing housing legislation, which offers a sufficiently wide range of provisions to accommodate the needs of all income groups. However, implementation of the legislation has been marked by heavy government commitment—both economically and politically—to the production of owner-occupied, single-family dwellings as the primary avenue of approach to the housing problem. At the same time, there has been

a noticeable difference in the approach to low-rental housing. This is apparent even when considered on no other basis than the actual output of low-rental housing. It seems to betray a collective desire on the part of the three levels of government, as well as the market on which they have decided to rely, to avoid the low-rental provisions of the Act.

In the meantime, it remains very difficult for a substantial section of the population to own or rent satisfactory accommodation. There are two main reasons for this: firstly, the mortgage financing which CMHC and the private market offer is beyond the financial ability of low-income families to afford, and secondly, conventional lenders are unwilling to undertake the task of providing the various types of low-rental housing because the returns are not sufficiently attractive in terms of profit even if rentals are guaranteed.

Reliance on the private market as the primary means of supplying housing can not be an effective method of supplying housing to those who are severely restricted by the level of income which they receive. This restriction, it has been shown, operates to the disadvantage of those with incomes below $4,000, and often this is true for many families receiving incomes above this level. According to the Hon. J. R. Nicholson:

While it is true that they cannot get new houses, there are many people with incomes of upwards of $5,000 who would like to buy new houses. People with incomes of less than $5,000 can be accommodated today in public housing where you have rent related to income.49

The Minister went on to say that it was those groups earning $5,000 and over who would benefit from the new amendment which allows borrowers to make

NHA insured loans upwards of $10,000 to buy and improve a house.\textsuperscript{50}

More and more, use of the mortgage financing provisions of the Act has shifted towards the upper-middle and higher-income groups, and away from those families in the moderate- and lower-income brackets as evidenced in Table 6. One reason no doubt is the fact that absolute incomes have increased during recent years. Meanwhile, the systematic downward flow of used housing from one income group to the next, which takes place through the "filtering down process", has been most ineffective.

But in order to reach the point where a more salutary discussion can be entertained, it is necessary to assess the other side of the housing question, that is, the needs and demands. This will be the subject of the following chapter.

\textsuperscript{50}Hon. J. R. Nicholson, House of Commons Debates, op. cit., October 26, 1966.
CHAPTER IV

HOUSING DEMANDS AND NEEDS: BASIS FOR POLICIES

The point was made at the end of the last chapter that an understanding of the forces underlying the demand for housing is an essential consideration in formulating housing policies. However, it is important at the outset to distinguish conceptually between the characteristics of the demand for housing and the need for housing.

Basic Concepts: Needs and Demands

Needs: The Ontario Association of Housing Authorities recently evolved what it called a "Theory of Housing Needs". According to this theory, housing needs are the number of dwellings which a population requires in order to achieve a satisfactory level of living accommodation. This definition refers simply to the physical needs of the population over a given period of time.

Housing needs must also be seen from the perspective of the urban-rural distribution of the population. Urban population housing needs are different in kind and quality from agricultural housing needs, in spite of the increasing demands rural dwellers for what, traditionally, have been urban services and facilities. This dimension of the concept of housing needs has been expressed by Dr. O. J. Firestone. In his words:

1The Ontario Association of Housing Authorities, op. cit., pp. 57-81.
The housing needs of today have to be seen in the light of historic trends in population growth. It is significant in this connection that, whereas in 1871 the rural population comprised about 80 per cent of the total, this proportion had by 1941 dropped to 45 per cent. Since the turn of the century, the urban population of Canada has increased more than 300 per cent. This rapid growth of the urban population is one of the primary causes of the prevalence of substandard and slum dwellings in the major Canadian cities.2

We see emphasized here the qualitative, as well as the quantitative aspects of housing needs.

Demand: In order that it may be meaningful in the drafting of policy, housing demands must be related to a given period of time. The Ontario Study defines the concept of demand in terms of what it calls "potential demand" and "effective demand".3 The distinction between these two, the study points out, arises because potential demand relates only to the preferences and desires of potential consumers who indicate a willingness to buy. But if demand is to be effective, there must be, in addition to willingness and desire, the ability to pay.4

The ability to pay depends primarily on the wealth and income of individuals and families and the cost of the goods they wish to purchase.


3The Ontario Association of Housing Authorities, op. cit., pp. 57-81.

4The Ontario Association of Housing Authorities, op. cit., p. 57. In addition see Clark Lee Allen, James M. Buchanan, Marshall R. Colberg, Prices, Income and Public Policy, (New York: McGraw Hill Book Co., Inc., 1954), pp. 18-19, where it states: "Demand implies, in the first place, a desire for a good or service...But demand implies in addition to this an ability and a willingness to pay for the good or service. If one of these elements--desire, ability to pay, willingness to pay--is lacking it may be said that 'potential' demand exists. Such institutions as advertising, salesmanship and installment credit attempt to convert potential into 'effective' demand."
This fact emphasizes the importance and the necessity of taking the income structure of the population into account when drawing up a national housing policy.

Of particular relevance is a point made in the Ontario Study with respect to the difference between need and demand. It stressed the fact that "need...persists independent of demand", the underlying cause of this difference is clearly denoted in the definitions and concepts outlined above.

Needs embrace much more than demand, since it comprehends both the effective demand as expressed in the market for housing and unexpressed requirements of those lacking the financial ability to pay.

The Elements of Housing Demand

Traditional approaches to the question of housing requirements consider the matter in relation to certain components of demand. The Royal Commission on Canada's Economic Prospects outlines the following demand factors which influence residential construction:

1. Population growth (formation of new family and non-family households);
2. The reduction of crowding;
3. Replacements;
4. Shifts in population, notably from rural to urban areas; and
5. Changes in the vacancy rate.

Population Growth: Population growth affects the demand for housing because it influences the rate at which new families and non-family house-
holds are formed. Population growth affects the demand for housing through increase in net family formation and non-family households formation. As the Study of the Royal Commission referred to above points out:

Net family formation, in a given year, is defined as the number of families existing at the end of the year minus the number of families existing at the beginning of the year. It represents the most important source of new demand for housing.

Non-family households refer to those households formed by persons who inhabit separate housing units but who are not, according to the census definition, referred to as families.

Crowding: Overcrowding which results because too many persons occupy existing housing facilities is another indication of unmet needs. The idea of crowding necessarily implies that some standard is assumed as to the number of persons per room which a dwelling should accommodate. Furthermore, any reduction in overcrowding would require an increase in the supply of housing in order to meet the increase in effective demand.

Replacements: As dwelling units decay and become dilapidated, they must be replaced by new residential units to meet the demands of the population. The necessity to replace worn-out physical plant results in demands over and above the amount needed for the increased number of family and non-family formation.

Increasing urbanization, especially where rural to urban drift is strong, means that demands for housing in urban areas are created although there may well be sound but unoccupied dwellings in rural areas. In short, it is a form of replacement induced by the urbanizing process.

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7Yves Dube, et. al., op. cit., p. 46. Underlining by writer for emphasis.

8Ibid., p. 47.
Vacancy Rate: The requirement that a proportion of the housing stock remain vacant arises first because of the increasing mobility of the population. But as the Study made by Dube, et. al has noted: "even in periods of acute housing shortage, some part of the useful housing stock will at any given time be vacant, awaiting tenants or purchasers".9 Secondly, a reasonable vacancy rate ranging say between 3 per cent and 4 per cent,10 would ensure a measure of competition in rentals and sale prices asked for housing.

It can readily be understood that these market demand factors exert tremendous pressures on the housing market. The market here refers to institutional arrangements affording opportunity for the sale and purchase of goods and services by individuals, families or groups acting primarily in their private capacities. There is also no single housing market, but a number of different sub-markets such as the rental housing market, single family residential market and the multiple dwelling market to mention some fairly broad categories.11

It should be pointed out that not only economic but also social and cultural processes influence the demands for housing. Changes in taste, in the standard of living and in societal values, influence demand for housing. Moreover, such changes affect the kind of housing demanded. Thus, the Royal Commission Study points out that in the movement from a rural to an urban environment:

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9Dube, et. al, op. cit., p. 53.

10Ibid. The Study by Dube, et. al. used a 3.3 per cent vacancy rate. An earlier Report recommended a 4 per cent vacancy rate. See Final Report of the Sub-Committee on Housing and Community Planning, op. cit., p. 141.

11Ratcliff, op. cit., Chapter 11.
Housing, too, should be considered in relation to urban growth. But urban growth has a most significant bearing on the kind of housing that is likely to be needed.12

In short, the physical aspects of housing demand, namely the number of dwelling units has been emphasized, but the qualitative aspects, notably in the terms of space requirements, tenure, and other factors, can be just as decisive in determining housing demand.13

Measurement of Housing Needs in Canada

At various times, studies have been carried out to assess the housing needs of the Canadian population. Some of the causal factors which were antecedent to the undertaking of these studies are reflected in the assertion that:

When the depression came in 1931, an estimated 163,000 families were not separately housed but were doubled up with other families. The poor quality of housing and the crowding of existing dwellings indicated that prosperity had not solved the housing problem. Conditions worsened as a result of the depression. Slum areas grew in number and became more congested as construction all but ceased. The general lowering of housing standards gave rise to widespread dissatisfaction. After studies made at the local level, a special Parliamentary Committee was appointed to inquire into the subject. The Committee concluded that public assistance to new housing and rehabilitation projects was greatly needed. Then, in 1935, Parliament passed the Dominion Housing Act, which was superseded in 1938 by the National Housing Act.14

The pressures on housing created by urbanization and the back-log of construction of residential units during the depression and World War II created a serious shortage in housing. As a result, the Advisory Committee on Reconstruction which was set up in 1943 to study post-war reconstruction policies was commissioned to study and report on housing needs in Canada.

12Dube, et. al., op. cit., p. 17.
13Ratcliff, op. cit., Chapter 4.
14Dube, et. al., op. cit.
The Report of the Sub-Committee which was created within the framework of the Advisory Committee has been referred to previously. That Report, which conducted perhaps the most exhaustive survey of housing ever carried out in Canada, subsequently became the major point and source of reference with regard to housing needs in Canada.

The Report of the Advisory Committee on Reconstruction

The Sub-Committee established two methods for measuring housing needs. The first method consisted of estimating the back-log of residential construction. This involved comparing past performance in terms of the average during what was considered a period of high construction and the average during a period of low construction. The difference between these averages represented the back-log. The second measure used was the accumulated building need. This measure involved estimating the housing shortage created by population growth and movement, the amount of dwelling units required to reduce overcrowding, and the requirements with respect to replacement of sub-standard houses and slum dwellings. The accumulated building need provided an estimate of the housing needs built up in Canada over the years up to 1946. On the basis of these data, the Sub-Committee established what it referred to as the desirable and minimum annual building need which, if accepted as an integral part of a national housing program, would dispose of the housing shortage within a decade after the war.

Two other recent studies have also attempted to determine the housing

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15Final Report of the Sub-Committee on Housing and Community Planning, op. cit.
16ibid. See pages 137-149 for a detailed account of the analysis of housing requirements.
17ibid., p. 143.
needs of Canada through the use of what are substantially the same measurements used earlier by the Sub-Committee on Housing. The first of these studies was conducted by the Ontario Association of Housing Authorities. The second was a study made by the Economic Council of Canada. The former, in addition to evolving a theory of demand for housing noted already, emphasized the needs of the elderly and low-income groups, at the same time showing methods utilized in arriving at an estimate of these needs. The study used by the Economic Council was concerned primarily with making projections of the general housing needs of the population to 1970.

In summarizing this section therefore, we observe that there is a fairly standard approach employed in measuring the needs and requirements for housing. The components include net family and non-family household formation as key determinants of housing demand. In addition, the effect of overcrowding, provision for a vacancy rate, the necessity to restore worn out buildings or those destroyed through accidental and natural causes, are crucial factors that have to be taken into account. Measurement of needs must also consider the economic factors influencing change, for instance changes in tastes and standard of living. And changes brought into being by socio-cultural forces, such as rural to urban movements, must be considered.

A final factor in considering demand for housing in Canada is the effect of government policies themselves in influencing demand. In this regard, the Economic Council's study has noted that:

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18Ontario Association of Housing Authorities, *op. cit.*, Chapter 4.


20Iling, *op. cit.*
An impetus towards a relatively more rapid rate of construction than during the 1950's within cities may result from the observed narrowing of the differentials in terms between conventional and National Housing Act mortgages.\footnote{11}{11}\footnote{21}{21}

The point here is that the effect of government policies may be to influence the demand for housing by liberalizing either the flow of investment funds or relaxing other restrictions normally imposed by institutional market conditions. It may be noted parenthetically, that this is yet another of the many effective changes which governmental activities has induced through experimentation in the traditional market. Similarly, effective results may well be forthcoming with more experimentation in low-rental housing.

**Housing Needs in Canada**

The arguments presented above, indicate that a number of competent studies have been completed in Canada for the purpose of determining the country's housing needs. The data quoted on page 82 from the study of Dube, et. al., for example, shows that Canada entered the depression with an estimated 163,000 doubled-up families and that sub-standard housing was a cause for great concern. By 1944, the Sub-Committee investigating housing and community planning estimated that in urban areas alone some 175,000 sub-standard dwelling units needed replacing, 125,000 of these in major cities.\footnote{22}{22} The Sub-Committee further recommended adoption of a building program to accomplish the construction of 535,000 over the following ten-year period at the annual rate of 57,000 dwelling units.\footnote{23}{23} Nevertheless, one authority was still able to assert in 1956 that:

\footnote{21}{Ililting, op. cit., p. 20.}

\footnote{22}{\textit{Final Report of the Sub-Committee on Housing and Community Planning, op. cit.}, p. 143.}

\footnote{23}{\textit{Ibid.}, p. 148.}
The major cities of Canada now contain about 100,000 dwellings in serious state of disrepair many of them concentrated in blighted areas.\(^{24}\)

A recent statement made by the Minister responsible for housing, has indicated that "the number of doubled-up families has gone down by 150,000" during the ten-year period 1954-64. However, he later added that "Close to a half a million families are still sharing accommodation with others."\(^{25}\)

The study by Dube, et. al. made quinquennial estimates of housing demands to 1980. It also provides an illustration of the components of housing demand and the relationship between the components. (See Table 8.) These same figures were revised in the Ontario Study and were also used to indicate expected housing needs to 1980. For instance, the Ontario Study anticipates that by 1980 there will be a population of some 27,360,000 persons composed of 6,060,000 family and 1,285,000 non-family formations. For a population of this magnitude 3,147,000 new dwellings must be constructed between 1964 and 1980, and an additional 787,000 units must be forthcoming through alterations and conversions of existing buildings.

**Future Urban Needs**

To estimate future urban housing needs, the Ontario Study used the percentages of the population which the study on "Housing and Social Capital" projected would be distributed in urban and non-urban areas. (Table 9.) Dube, et. al. had made projections of the expected spatial distribution of population to 1980. According to these estimates, 56 per cent of all house-

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\(^{24}\)Testimony by Mr. Stewart Bates while presenting the Brief of CMHC to the Royal Commission on Canada's Economic Prospects Hearings before the Commission, (Ottawa: Queen's Printer, March 6, 1956, Vol. 43), p. 8483. Underlining by writer.

TABLE 8
ESTIMATED HOUSING CONSTRUCTION REQUIREMENTS, 1956-80
(thousands of units)

<table>
<thead>
<tr>
<th>Period</th>
<th>Allowances for:</th>
<th>Population Growth</th>
<th>Other Factors</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
</tr>
<tr>
<td>1956-60</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Net family form-</td>
<td>Non-</td>
<td>Reduction</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ation</td>
<td>family</td>
<td>of</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>household</td>
<td>crowding</td>
<td></td>
</tr>
<tr>
<td>1956-60</td>
<td>348</td>
<td>66</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>1961-65</td>
<td>414</td>
<td>67</td>
<td>50</td>
<td>58</td>
</tr>
<tr>
<td>1966-70</td>
<td>500</td>
<td>70</td>
<td>50</td>
<td>66</td>
</tr>
<tr>
<td>1971-75</td>
<td>605</td>
<td>78</td>
<td>50</td>
<td>74</td>
</tr>
<tr>
<td>1976-80</td>
<td>683</td>
<td>89</td>
<td>50</td>
<td>82</td>
</tr>
<tr>
<td>Total</td>
<td>2,550</td>
<td>370</td>
<td>250</td>
<td>330</td>
</tr>
</tbody>
</table>

TABLE 9

DISTRIBUTION OF NET CHANGES IN DWELLINGS 1961-80 BETWEEN METROPOLITAN, URBAN AND OTHER AREAS

<table>
<thead>
<tr>
<th>Situation</th>
<th>Distribution of Households 1980 (per cent)</th>
<th>1961 Housing Stocka</th>
<th>1980 Housing Stocka</th>
<th>Distribution of Net Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metropolitan Areas</td>
<td>45</td>
<td>2,240,000</td>
<td>3,450,000</td>
<td>1,210,000 41%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>47.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Major Urban Centres.</td>
<td>11</td>
<td>306,000</td>
<td>846,000</td>
<td>540,000 18%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Areas</td>
<td>44</td>
<td>2,160,000</td>
<td>3,360,000</td>
<td>1,200,000 41%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>46.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>100</td>
<td>4,706,000</td>
<td>7,656,000</td>
<td>2,950,000</td>
</tr>
</tbody>
</table>

a Included vacancies—1961—4,547,000 occupied units and vacancies = 4,706,000 units.
1980—7,345,000 occupied units and vacancies = 7,656,000 units.

Source: Reprinted from the Ontario Association of Housing Authorities, op. cit., p. 86.

holds will be in metropolitan and major urban areas alone. This also foreshadows the extent of urbanization which can be expected by 1980.

Moderate- and Low-Income Housing Demands

Low-income and elderly families because of physical, social and economic circumstances will require substantial aid. This has been clearly emphasized by a number of authorities and is implicit in many of the provisions of the NHA. In 1964, the National Housing Act was amended to allow the federal-provincial partnership to purchase or lease existing properties or
construct new housing for the use of low-income families. The amendment also allowed for the establishment of "land banks" financed up to 90 per cent by federal loans, to be used to construct low-rental projects. Limited-dividend companies can also borrow up to 90 per cent of the cost of building or acquiring low-rental projects, hostels or dormitory type dwellings for older people. If strenuous efforts were made to use these provisions, this too would have an effect on the demand for new housing because of undoubling and elimination of sub-standard units. Illing, for example, states in discussing public assistance to housing:

If it were assumed that the additional expenditures due to increased government participation would amount to $200 million per year by 1970, this would provide an additional 15,000 units annually in the form of new developments, purchase of existing units, and rehabilitation of worthwhile residential properties.

This level of expenditures between 1965 and 1970 would mean the production of 90,000 public assistance housing units to meet the section of the population in need of low-income housing. But authoritative estimates still place this far below the supply required to meet existing needs. Thus, the Ontario Study has estimated the total housing requirement for moderate (that is, full rental recovery) and subsidized housing between 1966 and 1980. (See Table 10.) The Table shows the amounts required by the population in each successive year period. But in view of the public housing and low-rental experience in construction in the past, an accelerated program reinforced by Herculean efforts and continued enthusiasm are required if supply is to overtake the existing demand and needs.

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26 See Illing, op. cit., p. 31, for these references to the 1964 amendment to the National Housing Act.

27 Ibid.

28 Ibid., pp. 31-32.

29 It should be observed that the extent of low-rental housing need is seen not only in the income structure but in the occupational composition of the population. Occupational status is also a fair indication of education, training and likely income of the respondents.
The changes in demand envisaged in these data take into account population growth and composition. They provide a useful measure of the demands of moderate- and low-income family housing. Not all the available data can be assembled in a study of this kind. But enough has been incorporated here to establish that the existing data are available and should be utilized when formulating housing policies for low-income families.

**TABLE 10**

**LOW-INCOME HOUSING REQUIREMENT**

<table>
<thead>
<tr>
<th>Period</th>
<th>Full Recovery Segment</th>
<th>Subsidized Housing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Moderate-Income Housing (25% of population)</td>
<td>Non-Elderly Families</td>
</tr>
<tr>
<td>1966 - 1970</td>
<td>228,000</td>
<td>194,000</td>
</tr>
<tr>
<td>1971 - 1975</td>
<td>250,000</td>
<td>210,000</td>
</tr>
<tr>
<td>1976 - 1980</td>
<td>289,000</td>
<td>252,000</td>
</tr>
</tbody>
</table>

Source: Adapted from the Study made by the Ontario Association of Housing Authorities, *op. cit.*, p. 99.

**Summary**

The housing needs and requirements which underlie demand are important considerations for guiding government decisions as regards housing expenditures. Above all, demand and need must be seen in correct relationship to each other. In particular, market demand will not ordinarily reflect total housing needs because lack of income often makes it impossible to translate basic needs into effective demand. Therefore, those groups which are often unrepresented in the market are moderate- and low-income families. Besides, housing is but one of several necessities, and must compete in the family budget with food, clothing, transportation and other items.
It would seem, then, that in order to determine the extent of needs, particularly of moderate- and low-income families, certain measurements must be emphasized. A number of studies have already established the tools which should be utilized in gauging the housing needs of various income groups. What is more, these tools have on occasion been used to study housing needs in Canada. Federal policies should therefore have full regard for these studies in the actual operation of housing legislation. This, of course, assumes that policies are aimed at deriving maximum welfare from social policies and through the optimum allocation of public expenditures.

In considering needs and demands from the standpoint of community planning, two further aspects of the housing problem emerge. The problem can be seen as an individual matter, in which case, market forces, based on the interplay of effective demand and the supply called forth in response to that demand, play the determinative roles. The problem can be seen, on the other hand, in terms of planning to meet existing and future needs, especially where the pace of urbanization is increasing. In a mixed economy, such as that existing in Canada, the proper development of the urban structure requires the satisfactory balancing of these factors.
CHAPTER V
SOCIO-ECONOMIC FACTORS IN HOUSING: VANCOUVER AS A CASE STUDY

The City of Vancouver is used here as a case study to examine the effectiveness of the National Housing Act provisions in meeting the housing requirements of the different family income groups.

The most recent source of extensive data on family income in Vancouver is the 1961 Census of Canada. Therefore, application of 1961 census data to housing output between 1961 and 1966—the method which will be employed—assumes that conditions existing in 1961 have remained stable to the present time.

For the purposes of this analysis, recently gathered data on conventional mortgage financing and on housing activities under NHA will be used. Emphasis will be placed on statistical data relating to housing output for the period 1964 to 1966, partly because of the ease of securing data for this period, and partly because of the topicality of such data. It is recognized, however, that the construction industry in general, and housing construction in particular, often show violent fluctuations due to the sensitivity of the industry to prevailing economic conditions.

Growth of the City and Metropolitan Areas

The growth of the City of Vancouver and its suburbs has been impressive during the last thirty years. In describing how and when this urban...
expansion occurred, E. D. Bartlett, et. al. express the view that:

Changes in suburbia date from the early and late Forties, when population at first increased in B.C. attracted by war-time industry, house-building was severely curtailed. For some years, choice of neighbourhood and choice of housing were both limited. The city core and the old suburbs accommodated the old and the young, the married and single, middle and working class, the stable and the transient. Later, when building materials and labour were freed from war demands the new suburbs began to take shape and real estate projects started further and further afield.2

Thus, rapid decentralization from the core of the Metropolitan areas has been of quite recent origin, and has been closely related to the opportunity to construct houses in outlying suburban areas and to the mobility arising from improved transportation, especially the automobile.3 It will be shown later that the provisions of the National Housing Act have been instrumental in facilitating this outward movement as well.

Socio-Economic Characteristics

Population characteristics: In 1961, the census population of the City of Vancouver stood at 384,522. This represented an 11.5 per cent growth over 1951—an average annual rate of growth of approximately 1.2 per cent during the decennial period. In contrast, Vancouver Metropolitan area grew from approximately 562,000 in 1951 to over 790,000 in 1961 which means an increase of 40.6 per cent during the ten-year period. It is therefore evident that the areas of major growth were in the suburban areas. These aspects of the growth trends of the area are apparent in Table 11.


3John R. Wolforth, Residential Location and Place of Work, B.C. Geographical Series, No. 4, (Vancouver: Tantalus Research Ltd., 1965) Chapter III.
TABLE II
COMPARISON OF POPULATION GROWTH IN THE CITY OF VANCOUVER AND GROWTH IN VANCOUVER METROPOLITAN AREA 1951-61

<table>
<thead>
<tr>
<th></th>
<th>1951</th>
<th>1956</th>
<th>1961</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metro. Vanc.</td>
<td>561,960</td>
<td>665,017</td>
<td>790,165</td>
</tr>
<tr>
<td>% Increase</td>
<td>18.3</td>
<td>18.3</td>
<td>18.8</td>
</tr>
<tr>
<td>Vancouver City</td>
<td>344,833</td>
<td>365,844</td>
<td>384,522</td>
</tr>
<tr>
<td>% Increase</td>
<td>6.1</td>
<td>6.1</td>
<td>11.5</td>
</tr>
<tr>
<td>City as % of</td>
<td>61.4</td>
<td>55.0</td>
<td>48.7</td>
</tr>
<tr>
<td>Metro. Vanc.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


The City's population in 1961 was composed of 23.4 per cent in the under 15 age group and 13.8 per cent was in the 65 and over bracket. If we compare this with the Metropolitan area as a whole, it will be found that 28.7 per cent of the Metropolitan population are under 15 with 11.1 per cent 65 and over. It is true that in the total Metropolitan area there are localities with much higher concentrations of older people such as White Rock with over a third of its people 65 years and over. However, it is evident that the City of Vancouver has a much higher proportion of the elderly than the Metropolitan area as a whole. The reasons for the concentration of elderly in the Metropolitan area are many. Vancouver has a mild winter climate and the province of British Columbia as a whole has a prosperous economy. Thus it attracts people from the Prairie Provinces and other Eastern Provinces, many of these come to retire in the Metropolitan area.

**Income Characteristics**

The average wage and salary income per family in Vancouver in 1961 was $5,366 as compared with $5,489 in the Metropolitan area. Although total family income from all sources was an average of $6,084 for the city, reflecting the fact that the non-wage earning groups, for example the self-employed, have a much higher average family income. On the other hand, if the distribution of income is considered we find that in 1961, 29.2 per cent of families received less than $4,000 and 46.3 per cent of families received between $4,000 and $8,000. (See Table 12).

### TABLE 12

**DISTRIBUTION OF FAMILY INCOMES: VANCOUVER (1961)**

<table>
<thead>
<tr>
<th>Incomes</th>
<th>Families in Each Income Group</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Per Cent</td>
<td>Cumulative Per Cent</td>
</tr>
<tr>
<td>Less than 1,000</td>
<td>2,638</td>
<td>2.8</td>
<td>9.7</td>
</tr>
<tr>
<td>1,000 - 1,999</td>
<td>6,602</td>
<td>6.9</td>
<td>17.6</td>
</tr>
<tr>
<td>2,000 - 2,999</td>
<td>7,629</td>
<td>7.9</td>
<td>29.2</td>
</tr>
<tr>
<td>3,000 - 3,999</td>
<td>11,172</td>
<td>11.6</td>
<td></td>
</tr>
<tr>
<td>4,000 - 4,999</td>
<td>14,102</td>
<td>14.7</td>
<td>43.9</td>
</tr>
<tr>
<td>5,000 - 5,999</td>
<td>12,744</td>
<td>13.3</td>
<td>57.2</td>
</tr>
<tr>
<td>6,000 - 6,999</td>
<td>10,184</td>
<td>10.6</td>
<td>67.8</td>
</tr>
<tr>
<td>7,000 - 7,999</td>
<td>7,407</td>
<td>7.7</td>
<td>75.5</td>
</tr>
<tr>
<td>8,000 - 8,999</td>
<td>8,183</td>
<td>8.5</td>
<td>84.0</td>
</tr>
<tr>
<td>9,000 - 9,999</td>
<td>5,999</td>
<td>6.3</td>
<td>90.3</td>
</tr>
<tr>
<td>10,000 - 14,999</td>
<td>3,182</td>
<td>3.3</td>
<td>93.6</td>
</tr>
<tr>
<td>15,000 and over</td>
<td>6,084</td>
<td>6.4</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>95,926</strong></td>
<td><strong>100.0</strong></td>
<td></td>
</tr>
</tbody>
</table>


---

5*Census of Canada, 1961, op. cit., Table 2.*

6*Ibid., Vol. IV, Part 1, Table F-8.*
Housing Characteristics: City of Vancouver

There were some 118,400 dwellings in Vancouver in 1961, housing on the average 3.1 persons per dwelling, and having a median value of $13,783. Of the total number of occupied dwellings, approximately 3.6 per cent were in need of major repairs. Crowded dwellings, according to census count, accounted for almost 7.2 per cent of all dwellings in the city.

Rentals in the form of contract or cash rent averaged $77 per month. Owner-occupied dwellings were in the neighbourhood of 60.8 per cent, compared with 69.7 per cent in the Metropolitan area, as can be seen from Table 13. There has consistently been a relatively high proportion of ownership in the Vancouver area as compared with other Metropolitan areas. The changes in patterns of home-ownership in Table 13 also show the significant trends which occurred during the twenty-year period 1941-1961. And we should note that it was during most of this period that NHA has been in operation.

With these socio-economic characteristics in mind, the provision of housing in the City will now be considered.

The Structure of the Mortgage Market in Vancouver

A word needs to be said regarding the organizations and agencies that constitute the mortgage market in Vancouver. The institutional facilities available to the family seeking to buy or rent accommodation in Vancouver parallel those which exist in other parts of Canada and which were reviewed in Chapter III. At the governmental level, Central Mortgage and Housing Corporation through its regional branch located in Vancouver, represents the

---

7Census of Canada, 1961, op. cit., Table 22.
8Ibid.
9Ibid.
TABLE 13
CHANGES IN THE PATTERN OF HOME-OWNERSHIP IN
THE CENSUS METROPOLITAN AREAS OF CANADA
(1941, 1951 and 1961)

<table>
<thead>
<tr>
<th>Metropolitan Area</th>
<th>Per cent of Houses Owned</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1941</td>
</tr>
<tr>
<td>Calgary</td>
<td>39</td>
</tr>
<tr>
<td>Edmonton</td>
<td>44</td>
</tr>
<tr>
<td>Halifax</td>
<td>33</td>
</tr>
<tr>
<td>Hamilton</td>
<td>41</td>
</tr>
<tr>
<td>London</td>
<td>44</td>
</tr>
<tr>
<td>Montreal</td>
<td>11</td>
</tr>
<tr>
<td>Ottawa</td>
<td>27</td>
</tr>
<tr>
<td>Quebec</td>
<td>19</td>
</tr>
<tr>
<td>Saint John</td>
<td>22</td>
</tr>
<tr>
<td>St. John's</td>
<td>n.a.</td>
</tr>
<tr>
<td>Sudbury</td>
<td>37</td>
</tr>
<tr>
<td>Toronto</td>
<td>36</td>
</tr>
<tr>
<td>Vancouver</td>
<td>44</td>
</tr>
<tr>
<td>Victoria</td>
<td>40</td>
</tr>
<tr>
<td>Windsor</td>
<td>36</td>
</tr>
<tr>
<td>Winnipeg</td>
<td>38</td>
</tr>
</tbody>
</table>

n.a. = not available since Newfoundland did not enter confederation until 1949 and therefore census data are not available.


Federal Government in administering the National Housing Act. Its importance stems not just from the physical act of making loans or insuring loans, but even more significantly from the role which the Federal Government plays in establishing the rates of mortgage financing and other terms and conditions of acquiring house mortgages.

In addition to CMHC, there are a number of conventional lenders consisting of such "institutional lenders" as life, loan and trust companies, Quebec Savings banks, fraternal and mutual benefit societies.  

10 For definitions of approved, institutional and conventional lenders, see Footnote (1) of Table 22 and also p. 84 in CMHC publication, Canadian Housing Statistics, 1965.
Chartered banks have been involved in mortgage lending at various times. It will be recalled that the NHA 1954 was revised to allow chartered banks to make mortgage loans. However, when the mortgage rate rose above 6 per cent, which was then the maximum rate that chartered banks were allowed to charge on loans under statutory regulations, the banks withdrew from the mortgage lending field. Steps have lately been taken to amend The Bank Act in order to attract banks to the mortgage field.

In addition to these, there are credit unions, such as the British Columbia Teacher's Federation and certain finance companies which are engaged in the field of second mortgage financing.  

Use of National Housing Act in Vancouver by Institutional Mortgage Lenders

Recent evidence indicates that institutional lenders in Vancouver have been turning their backs on the National Housing Act as a source of mortgage financing. As late as 1961, institutional lenders obtained NHA assistance in making loans for 25 per cent of the new dwellings started in the city. By 1965, the proportion had declined to 8.8 per cent. Even more dramatic is the fact that the number of dwelling units which were started under the provisions of NHA mortgage financing were as follows: 25 dwelling units in 1964, 34 in 1965 and 12 in 1966.

1†According to information from CMHC, second mortgages have now been brought within the scope of NHA. For a record of the kinds of residential mortgage financing organizations in Vancouver, see Realty Sales Review, published in Vancouver by Teela Market Surveys.


13Data from Central Housing and Mortgage Corporation, Vancouver.
During the same period, new dwelling units started average more than 4,000 in each year and was in excess of 7,000 in 1964. (See Table 14.)

**TABLE 14**

**DWELLING STARTS CITY OF VANCOUVER, 1961-66**

<table>
<thead>
<tr>
<th>Year</th>
<th>Single Family</th>
<th>Apartments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961</td>
<td>596</td>
<td>1,772</td>
<td>2,368</td>
</tr>
<tr>
<td>1962</td>
<td>888</td>
<td>2,221</td>
<td>3,109</td>
</tr>
<tr>
<td>1963</td>
<td>795</td>
<td>3,176</td>
<td>3,971</td>
</tr>
<tr>
<td>1964</td>
<td>902</td>
<td>6,229</td>
<td>7,131</td>
</tr>
<tr>
<td>1965</td>
<td>903</td>
<td>5,149</td>
<td>6,052</td>
</tr>
<tr>
<td>1966</td>
<td>587</td>
<td>2,359</td>
<td>2,946</td>
</tr>
</tbody>
</table>

Sources:  
\(^a\) P. H. White, *op. cit.*, A-27;  
\(^b\) J. P. Roberts, "Condominium Ownership in British Columbia" in *Real Estate Trends in Metropolitan Vancouver*, (Vancouver: published by Vancouver Real Estate Board, 1966), B-17;  

One of the noticeable features of residential construction in Vancouver has been the increase in construction of apartment dwellings. The factors contributing to the large investment in apartments are quite varied. However, the structure of the population in the area provides some clue to the underlying causes which have resulted in this phenomenon. In the West End, which has the largest concentration of high-rise apartments, 28.3 per cent of the families are elderly,\(^d\) 38.4 per cent are one-person households whereas 53.2 per cent are non-family households.\(^e\) One study of the Vancouver Metropolitan area has noted that:

\(^d\) E. D. Bartlett, et. al., *op. cit.*, Chapter 4, Table 8.  
\(^e\) Ibid., p. 73.
In all of Metropolitan Vancouver, the West End has the highest proportion of single people living alone as well as households that do not represent families. There are transients and elderly retired people in this section; but there are also many working people who want to be near their jobs in the downtown section of the city...will clarify the mixed and rapidly changing pattern in the "West End" of today.\textsuperscript{16}

Thus, the increase in apartment dwelling construction in the City has accompanied the rise in the number of young single-householders seeking decent accommodation close to the downtown area. There are of course many other motivating factors which underlie this change in living habits. For example, the availability of office jobs for young people in the downtown area provides an opportunity for younger people to leave their parental home earlier than was previously the case. The geographical location of the West End, in particular its proximity to English Bay and Stanley Park are important factors contributing to the continued growth of this trend.

William B. Watts of Watts Marketing Research Ltd. writing in the \textit{Real Estate Trends in Metropolitan Vancouver 1964}, has observed that:

\begin{quote}
Apartment construction in Metropolitan Vancouver has been going ahead at an ever increasing rate in the past few years as apartment living grows in popularity. Investors are taking advantage of this situation, attracted by the sound and moderately high rate of return offered by apartments. Both life insurance companies and other investors are interested in the long-term mortgages with their high degree of security.\textsuperscript{17}
\end{quote}

Here are expressed some of the basic economic factors in the changing living conditions of the City. The prime mortgage lenders have been attracted to apartment construction by the profits and the security to be derived from investment in apartment buildings. Watts attributed a significant part of this trend in apartment building to the high cost of land.

\textsuperscript{16}Bartlett, et. al., \textit{op. cit.}, p. 73.

J. P. Roberts has presented some information data on apartment dwelling location in the City of Vancouver for 1965. Of all the apartments in the Greater Vancouver Area 76.8 per cent (or 34,151 suites) are in the City of Vancouver. Thirty-three per cent are in the West End and a little over 10 per cent in the South Granville-Oak Street region. Twenty-five per cent of West End suites are bachelor apartments; 65 per cent are one-bedroom; 12 per cent are two bedroom. Similarly, South Granville-Oak Street area (which presumably caters to the nursing staff at the Vancouver General Hospital as well as downtown workers) had 21 per cent bachelor suites; 68 per cent one-bedroom and 10.4 per cent two-bedroom. In short, the areas of highest concentration of apartments do not cater to families except on a very minimal scale.

It was estimated that apartment starts during the period 1961 to 1966 would provide 20,906 suites. (See Table 14.) During the same period 4,671 single family structures were started. Hence approximately 82 per cent of new dwelling starts during the six-year period were in the form of apartment dwellings. Dean White has shown that between 1961 and 1965 the percentages of dwelling starts financed under the National Housing Act, for each consecutive year, were 25, 16.3, 11.8, 9.2 and 8.8 for the entire Metropolitan Area.19

There is, however, a great deal of construction activity in the Metropolitan area as well as in Vancouver as seen in Map 1.

The National Housing Act has never been the predominant source of funds for house construction in the City of Vancouver, but its virtual demise in

---

New Dwelling Units Started in the City of Vancouver:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Starts</th>
<th>NHA Assisted</th>
</tr>
</thead>
<tbody>
<tr>
<td>1965</td>
<td>6,117</td>
<td>34</td>
</tr>
<tr>
<td>1966</td>
<td>2,946</td>
<td>12</td>
</tr>
</tbody>
</table>

UEL - University Endowment Lands

METROPOLITAN VANCOUVER*

Number of New Dwelling Units Started in:

(1965) and (1966)

*for selected areas.
recent years is a manifestation of certain conflicts between the market forces and the policies expressed in the Act. White has stated:

The decline in importance of the National Housing Act in Vancouver market is associated with an almost complete withdrawal of approved lenders. From making more than half of the loans in 1962, approved lenders made less than one in ten of the loans in 1965.20

To probe into the causes of this decline would require further studies of an intensive sort. Some conventional lenders have suggested a number of factors in conversation with this writer. In the words of one interviewer:

"It is easier to invest two and a half million dollars in ten apartment suites than in two hundred single family mortgages. The management problems are less and the profits are greater." Perhaps the key to this dramatic shift is to be found in the last phrase; for, the profits under NHA are limited.21 It was also pointed out that in Vancouver, there are a number of 33-foot wide lots. These are precluded from receiving mortgage financing assistance under NHA regulations. Finally, in a market in which land prices have soared to extraordinary levels, the valuation placed on land by CMHC may not be in accord with the dollar assessment which developers have placed on that land.

Developers and mortgage companies have resolved many of the difficulties of financing by introducing various methods. In one case, the method used was a form of vertical integration in which the operations of the developers, Block Brothers Realty Co. Ltd. have become integrated with a mortgage

---


21 This is of interest because prime mortgage lenders, especially life insurance companies, have traditionally been highly influenced by greater security of capital investment.
finance company. (See Diagram 6.) The relationships between the various parts of the whole corporate establishment reveals the interesting interconnections of the parts of the private market structure.

Clearly, use of NHA as a means of creating greater home-ownership in the City of Vancouver has declined. This marked decrease in use has not only occurred in the City, but in the whole Metropolitan area also. The evidence should be viewed in light of the argument of this thesis, namely, that the housing policy has been weighted in favour of the home-owner. Yet the events of recent years indicate that the Act is not fulfilling this purpose as effectively as the emphasis would merit at least in Vancouver.

An Example of Mortgage Calculation

It is illuminating to examine an hypothetical case, in order to see how the operation of the mortgage market affects the three income groups which have been distinguished in Chapter I. Assume that a family consisting of two or three children, with an income of $4,000, wanted to purchase the hypothetical bungalow mentioned on page 62 (supra). The family makes application for a NHA loan to meet the cost of this bungalow which has been valued at $18,326. With an interest rate of 7 1/4 per cent on the loan, which is to be amortized over a twenty-five year period, the calculation will be as follows:

1. 95% of the first $13,000 = $12,350.00
2. 70% of the remaining $5,326 = 3,728.00
   16,078.00
3. Insurance fee (2% of the loan) = 321.56
4. Total NHA loan available = 16,399.56
5. Down Payment (18,326 - 16,078) = 2,248.00
6. Total amount paid for property $18,647.56

A mortgage loan of $16,399.56 at 7 1/4 per cent interest requires monthly payments of $117 over twenty-five years to retire the debt.22

---

Diagram 6. An example of the structure of mortgage market operations.


Real Estate Sales
- What:
  - Residential: New Homes, Used Homes
  - Revenue: Apartments, Farms, Companies
- How:
  - Policies: 1 in 10 Day Program - Guarantee Action
  - Trading: (Southern Slope 1953 Ltd.)
  - Promotion Material - Training Program
  - Management
- Expansion:
  - Personnel - Market Penetration
- Property Management
  - Number of Properties
  - Staff - Income Potential
  - Insurance
  - Staff - Potential

Mortgage Portfolio
- Development
- Portfolio Analysis
- Income
- Arrears
- Financing

Block Bros. Realty Co. Ltd.

Development
- Beach Towers
- Musqueam
- Future

Construction
- Block Bros. Construction L. Kahn
- British Construction J. Jantzen
- Heather Construction A. Kroeker
- Bidwell Construction P. Regehr
- Osler Construction 100% Owned

Ownership
- Reason
- Number and Type of Buildings
- Income
- Financing
- Future

(Source: Block Bros. Realty Co. Ltd., Vancouver.)

Corporate Structure and Function
Thus, the annual payments of $1,404—or 35 per cent of income—is to be devoted to mortgage payments alone.

Since the taxes for school and general purposes on this property is approximately $700.00, the debt service ratio would then be calculated as follows:

$$DSR = \frac{1,404 + 700}{4,000}$$

$$= 0.53$$

Expressed in percentage terms the debt service ratio is approximately 53 per cent which is far in excess of the 27 per cent maximum which the regulations under NHA specifies. The fact is, that even if a house were valued at $13,783, which was the median value of houses in the City in 1961, (see above page 98), the debt service ratio would be in the neighbourhood of 40 per cent using 1961 mill rates. Thus, for almost 30 per cent of the families in the City, namely, those with incomes under $4,000 (see Table 12), the price of a new house is, conceivably, burdensome. Only when income approaches $8,000 does it appear to be reasonably convenient to afford to own a home valued at $18,000 and yet be under the 27 per cent debt service ratio.

---

23 It is assumed that the market value and the assessed value are identical. The provincial home-owner's grant of $110 has been deducted. The tax rates used are those applied to the assessed values of property in the City of Vancouver in 1966, namely, general purpose taxes on 100 per cent of the value of the land and 50 per cent of values of improvements; school purpose taxes on 100 per cent of land values and 75 per cent of improvement. General purpose taxes were at the rate of 41 mills, school at the rate of 24.564 mills. In 1967 these rates are 41.5 and 27.553 respectively.

24 This is calculated on the assumption that in addition to the value of the house, the lot is valued at $1,000. Vancouver mill rates for 1961 of 40 mills for general purposes and 18.961 for school purposes have been employed. The interest rate of 6 3/4 per cent on a twenty-five year mortgage loan, based on 95 per cent of the first $13,000 and 70 per cent of the remainder was used.
Demand Factors

The demand for housing springs primarily from the new family formation, from immigration and other demographic characteristics of the population. The growth in the population of the City has been shown in Table II.

Immigration is also important in Vancouver. Between 1956 and 1961, approximately 11.6 per cent of the 635,942 immigrants entering Canada settled in British Columbia. We can assume that many of the migrants gravitate towards the Vancouver area, and that a large proportion settled in the City itself. Also note in this connection the seasonal demands of university students who move into, and out of, the City at various times during the academic year.

Vacancy Rate

The vacancy rate is yet another factor which is indicative of the demand pressures created in the market. It was estimated in the survey carried out by J. P. Roberts that the average vacancy rate for apartments in Metropolitan Vancouver was 1.5 per cent in 1961. In the City itself, the rate was estimated at 1.6 per cent. It will be recalled that Roberts has also estimated that 76.8 per cent of all apartments in the Metropolitan area are to be found in Vancouver City. When it is realized that only one year previously the vacancy rate stood at 4 per cent, the recent accumulation of pressures on housing can better be grasped.

The pressure exerted on living space as a result of the shortage of housing, which is evident from the vacancy rate, is reflected in rental values.

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27Ibid.
of apartment suites and houses. For families with sufficient incomes to rent apartment suites, the rentals range from $115 per month in the East Hastings area to $175 per month in the West End for two-bedroom suites. In Kerrisdale the rentals range from $120 per month for one-bedroom suites to $155 for the two-bedroom units.\(^{28}\) For the large family with only modest income, having to pay these rentals would tend to create a heavy financial burden. Regardless of this eventuality, these families later have to seek other accommodation elsewhere because owners of modern apartments do not appear to welcome the low-income family, especially those with children.

Moderate- and Low-Rental Housing in Vancouver

Moderate- and low-rental housing consists of limited-dividend housing co-operative and public housing. At the present time, all public housing projects in the Greater Vancouver Area are to be found in the City of Vancouver. These projects are financed through federal-provincial cost-sharing agreement.

The provision of housing under the federal-provincial agreement scheme, Section 35A, has resulted in the construction of six housing projects in the City.

<table>
<thead>
<tr>
<th>Public Housing Projects(^{29})</th>
<th>No. of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Little Mountain</td>
<td>224</td>
</tr>
<tr>
<td>2. Orchard Park</td>
<td>169</td>
</tr>
<tr>
<td>3. MacLean Park</td>
<td>159</td>
</tr>
<tr>
<td>4. Skeena Terrace</td>
<td>234</td>
</tr>
<tr>
<td>5. Killarney Gardens</td>
<td>188</td>
</tr>
<tr>
<td>6. Raymur Place (not quite completed)</td>
<td>376</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,350</strong></td>
</tr>
</tbody>
</table>

\(^{28}\)Roberts, op. cit., B-9.

\(^{29}\)Source: City of Vancouver Planning Department, File Reference H95.95.
Costs of Schemes

The estimated cost of land and construction for these six projects amounted to $15,351,000.30

In addition to the public housing projects mentioned above, there are three more sites under study by CMHC. Sketch plans have been prepared for these proposed schemes and it is expected that they will provide 590 additional dwelling units.

Provision of public housing in the City is associated with the urban renewal program which the City has undertaken. The Director of Planning, W. E. Graham, referred to this practice when he stated:

The policy of providing banks of housing in advance of clearance is being continued with respect to Redevelopment Project No. 2 and two further public housing schemes are under construction which will provide for the re-accommodation of persons displaced by the project.31

There are four major projects and schemes under federal-provincial cost-sharing agreements. The estimated costs of two of these projects illustrate federal-provincial cost-sharing arrangements.32

Project No. 1 (now nearing completion)

<table>
<thead>
<tr>
<th>Expenditures to February 1966</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimates of Costs:</td>
</tr>
<tr>
<td>- costs of acquisition and clearance $2,932,000</td>
</tr>
<tr>
<td>- recoveries 1,014,000</td>
</tr>
<tr>
<td>- net costs 1,918,000</td>
</tr>
<tr>
<td>Sharing of Net Costs:</td>
</tr>
<tr>
<td>- Federal Government (50%) 959,000</td>
</tr>
<tr>
<td>- Provincial Government (25%) 479,500</td>
</tr>
<tr>
<td>- City of Vancouver (25%) .479,500</td>
</tr>
</tbody>
</table>

31Ibid., C-9. 32Ibid., C-14.
Project No. 2 (in progress)

Estimates of Cost:

- cost of acquisition and clearance  $5,955,000
- recoveries  2,098,000
- net cost  3,857,000

Sharing of Net Costs:

- Federal Government (50%)  1,928,500
- Provincial Government (25%)  964,250
- City of Vancouver (25%)  964,250

Limited-Dividend Housing

In addition to the public housing schemes above there is a limited-dividend housing project (at Sixth Avenue and Carolina) which contains 45 units.\(^{33}\)

The Role of the Provincial Government

The Province occupies a crucial position because of its constitutional responsibilities, and because it has the power to approve or reject applications made by municipalities for assistance under the National Housing Act with regard to public housing projects. There are two kinds of proposals that can be made in making application for public housing assistance. Firstly, there are long-term loans available to the province for construction or acquisition and conversion of housing projects and grants for operating losses. Secondly, there is the federal-provincial partnership scheme for constructing, and managing a housing project.

The Province of British Columbia passed the Housing Act in 1950\(^{34}\) to

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\(^{33}\)See "Summary of Low Rental Housing in Vancouver". Prepared by the Planning Department, File Ref. H.95.95, November 25, 1966.

\(^{34}\)B.C., Housing Act, R.S.B.C., 1960, C. 183, S. 1.
take advantage of the NHA legislation with respect to federal-provincial cost-sharing housing programs. The preamble to the Act acknowledges that "it is deemed necessary and expedient that assistance be given towards the provision of adequate low-cost housing and urban redevelopment", that the Government of Canada was prepared to undertake jointly with provinces projects aimed at acquiring and developing land for housing purposes, and that the Government of Canada had made proposals "to assist municipalities subject to the approval of the Province in the clearance, planning, rehabilitation and modernization of blighted or substandard areas".35

The British Columbia Housing Act established the basis for federal-provincial agreements (Section 3). It seemingly gives the municipalities extensive latitude under Section 12. Again, the provincial government can create "bodies corporate and politic", under Section 11, with power to plan, construct and manage any housing project under the Act. It is under this Section that the Vancouver Housing Authority was established in 1953. The Provincial Government also contributes, to the extent of one third of the cost, to construction of rental housing or conversion of existing buildings to rental housing. The Provincial Government makes financial contributions to non-profit organizations which construct housing for the elderly. This Senior Citizens' Housing, as it is called, are built by private agencies with assistance from the senior levels of government. It is estimated that about 1,000 units of these private senior citizen's dwellings are to be found in the City.36 But it is worthwhile noting that public housing projects such as Little Mountain and Orchard Park house some elderly families even though

35Loc. cit.

36See "Summary of Low Rental Housing in Vancouver", loc. cit.
they are meant primarily for rehousing of displaced families from renewal areas. The Planning Department's "Summary of Low Rental Housing in Vancouver" estimates that at present 535 senior citizens are lodged in existing public housing, that Raymur Place will provide accommodation for another 150, and that it is expected that other projects elsewhere in the City will provide for over 1,000 senior citizens.

The provisions of the Housing Act reflect the absence of a comprehensive housing policy on the part of the Provincial Government.37 The Act allows the provincial government to benefit under the National Housing Act public housing sections. But it is well to note that the provincial government has to approve a project. It would therefore be pertinent to have some established policies as to the criteria used in deciding on this important issue.

Indications of Needs

The needs of moderate- and low-income families, it has been stated, must be translated into income terms. This is not to say that income is the only criterion: there are such other factors as the age of the family, size of the family and its health. But given a family of adequate income then it can provide the housing it requires.

In Vancouver, 29 per cent of the population received less than $4,000 in wages and salaries in 1961 (see Table 12). For most of the families in this group, especially those with large families, some form of low-rental

37The Vancouver Housing Association has stated: "Unlike the Ontario Government, our Provincial Government has not encouraged the municipalities to take advantage of the generous assistance available from the Federal Government for public housing purposes. See "Provincial Housing Policy" in Bulletin #65, published by the said Association, April 1967."
and subsidized public housing is required. Even many who are in the lower segments of the middle-income group require some measure of low-rental housing.

The Vancouver Housing Authority has indicated that a waiting list of over 500 exists. A survey on housing needs conducted by the United Community Services and submitted in questionnaire form to low-income families in the Greater Vancouver area, reveals some startling information. In a number of cases, rents were as much as half the income received.

M. J. Audain of the United Community Services of the Greater Vancouver Area has listed five components of housing needs in Greater Vancouver:

1. There is chronic shortage of rental housing for families with children regardless of income.
2. Low income families are living under the most wretched conditions of squalor imaginable.
3. Elderly persons with low income commonly pay 50 per cent of their income for rent of substandard accommodation.
4. Virtually no suitable facilities exist for the physically handicapped.
5. Students and immigrants are other groups suffering for lack of housing.

A study of expenditures in the Strathcona Area and MacLean Park was made in 1966 by Regional Marketing Surveys Ltd. The investigators surveyed 199 families and the result of their study shows the distribution of income structure presented in Table 15.

Note also the pattern of expenditures on food, which was found to exist in the Strathcona Area, in Table 16 below.

38 Data from Vancouver Housing Authority.

### TABLE 15

**INCOME DISTRIBUTION OF FAMILIES LIVING IN PUBLIC HOUSING AREA**

*(in per cent)*

<table>
<thead>
<tr>
<th>Yearly Income (in dollars)</th>
<th>McLean Park</th>
<th>Other Strathcona Area</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Single Indiv.</td>
<td>Family Group</td>
<td>Total</td>
</tr>
<tr>
<td>Under $1,500</td>
<td>(21)</td>
<td>(27)</td>
<td>(48)</td>
</tr>
<tr>
<td>1,500-2,000</td>
<td>5</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>2,000-3,000</td>
<td>5</td>
<td>24</td>
<td>16</td>
</tr>
<tr>
<td>3,000-4,500</td>
<td>-</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>4,500-7,500</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>7,500-10,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Over 10,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>No Answer</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

TABLE 16

AVERAGE FOOD EXPENDITURES

<table>
<thead>
<tr>
<th></th>
<th>National (DBS 1959) $</th>
<th>Strathcona Area $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individuals</td>
<td>531</td>
<td>669</td>
</tr>
<tr>
<td>Families</td>
<td>1,323</td>
<td>1,552</td>
</tr>
<tr>
<td>Per Person (in families)</td>
<td>352</td>
<td>368</td>
</tr>
</tbody>
</table>

Source: Regional Marketing Surveys Ltd., op. cit., R-1.

The characteristic most noticeable is the proportion of individual householders whose incomes are under $1,500 per year. The families in the MacLean Park public housing project all have incomes of $4,500 and less. In 1965, the consumer price index was 9.5 per cent higher than in 1961 (see Table 7). The families receiving $4,500 would, under 1961 conditions, have an income equivalent to about $4,070—just above the $4,000 cut-off point for the lower third of the family income groups.

Summary and Conclusions

Vancouver has never used the National Housing Act as extensively as other large urban areas in Canada. But even what use has been made of the Act in the past is falling off to the point where the proportion of dwellings built under NHA is negligible.

Major activities have been in apartment construction but recently the scale of apartment building has dropped to lower levels indicating a slowdown in this area. Apartments are built in areas where the locational advantages bring in high returns. Apartment accommodation is also directed towards special groups—the young non-family group and the elderly able to
pay the rentals. Large families with children are being excluded due to sociological and economic reasons.

Vancouver has been experiencing a record-breaking increase in land and building costs. This development is not peculiar to Vancouver. Undoubtedly, the effect has been to curtail the supply of housing and the ability of prospective home-owners to purchase homes. This comes about because increases in costs result in a higher initial down-payment and higher monthly payments over the amortization period. One effect of the high land cost is likely to be an increase in apartment construction within the City and in the suburban areas.

It seems then that not only is the NHA not used extensively for construction of single-family housing and large apartment suites, but also that the housing that is being built and the rentals are quite outside the scope of the income of moderate- and low-income families. Nor does it appear that this kind of dwelling greatly assists the moderate- and low-income groups at the present time.

Public housing is carried out on a small scale. But in nothing like the proportion demanded in terms of needs.

The upsurge in apartment living calls into question, and raises doubts about the matter of home-ownership being the ideal form of tenure. But it does show that part of the urban population either favours multiple dwelling living, or is constrained to live in multiple dwellings. Note that multiple dwelling residences do not remove the opportunities for home-ownership, which is perhaps still the most desirable form of housing accommodation to the majority of families, especially large families. Condominium is a tool that can be used to provide both home-ownership and multiple family living.
CHAPTER VI

We rely mainly on a system of private enterprise to provide needed facilities, goods and services, but with the growing complexity of an urban and industrial society, we have had to turn more and more to government as an adjusting factor.

National Resources Planning Board, "Development of Resources and Stabilization of Employment in the United States".

SUMMARY AND CONCLUSIONS

1. The central question which this survey of federal housing policies has sought to explore boils down to this: What are the consequences of a housing program based on a policy which stresses individual home-ownership while neglecting to stress, with equal force, the relationship between housing need and family income? It was hypothesized that the national housing policy was such a policy and it would unavoidably result in a housing shortage that would be most detrimental to moderate- and low-income families.

2. Examination of the emergence of federal housing policies established beyond question that, particularly after World War II, two major concerns of housing policy developed. Firstly, emphasis on home-ownership as the most desirable form of housing was seen to be an important ingredient of government philosophy. Secondly, the private market has been considered the most effective means of attaining the objectives of the Government's hous-

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ing policies. These findings emerge from the analysis in Chapters II and III.

3. It should be clearly emphasized that the purpose has not been to pre-judge the federal policies in terms of rightness or wrongness. Rather the position taken is that of examining the sociological and economic consequences that flow from certain policies, recognizing that these effects have serious and important ramifications on urban, community and regional planning. For, after all, it is ultimately the responsibility of citizens in a pluralistic society such as exists in Canada, to decide whether or not the policies of their elected representatives are either good or bad. Their choice should, theoretically, reflect the prevailing desires of the people based on values, customs, motives and social conditions. Even so, the existence of a large, non-vocal disadvantaged group cannot be ignored, even if it is a "faceless" minority. And it is here perhaps that government leadership and responsibility are essential.

4. Tremendous forces created by technological and industrial developments are producing conditions beyond the means of the individual citizen to control. Urbanization on an unprecedented scale has been one of the most pronounced results of these technological-industrial changes. In Canada urbanization is not simply a process of rural-urban movement. It involves massive in-flows of immigrants that swell the volume of those converging on Canadian cities. For this reason, housing policies become critical issues in the development of the structure of cities. To the planner—concerned as he must be with the uses of land and the socio-economic effects of these uses—urbanization is of paramount importance. In the case of housing, some of the socio-economic effects of policy are seen in the good or bad housing that results from the types of housing that are constructed, in the amount of doubling up, and in the increased rents and rising costs of land, construction
and building materials which influence property values. An understanding of these processes is therefore vital, since they affect the development of the urban structure.

In this regard, a housing program involves vast public expenditures in capital investments. The proper allocation of these resources in order to achieve optimum use, is also an area in which community planning is deeply involved. Thus, a major underlying concern of this thesis is the use and allocation of federal resources.

**Mortgage Financing**

On the assumption that families will purchase or rent suitable accommodation if their incomes allow them, the task was to determine the level below which incomes of families would not permit them to benefit under the National Housing Act mortgage financing arrangements. The present mortgage market conditions in the City of Vancouver were examined. It was found that those families having incomes of $4,000 or less at the present time, or in 1961, could hardly be expected to afford to buy a home under existing conditions, especially the large families. For Canada as a whole, there has been a constant drop over the years in the proportion of families with incomes below $4,000 who are obtaining mortgage loans under the National Housing Act. It can be concluded therefore that an income level above the lower level of the middle-income range would be a pre-requisite to securing a loan under the National Housing Act.

**Moderate- and Low-Income Housing**

For those unable to get accommodation in one of the public housing projects, or a private citizen's housing project, the alternative is to pay

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2 Canadian Housing Statistics, 1965, *op. cit.*, Table 62.
exhorbitant rents and often they are crowded into unhealthy and inadequate housing. Studies conducted by the United Community Services show that rents are often higher than 50 per cent of income. Yet it has been established that where rents paid by moderate- and low-income families exceed 20 to 25 per cent of income, the family must perforce suffer extreme privation. It is well to note that in Canada, housing is doubly important because of the harsh climatic conditions which prevail during many months of the year.

Federal-Provincial Relations

It is well known that the National Housing Act contains a large array of provisions for meeting the housing needs of moderate- and low-income families. But it is not enough to be able to point to provisions and argue that these provisions are there, ready for use, if only those who have the constitutional responsibility to use them would do so. Concern for national health, security and welfare has been accepted as a national responsibility. This in itself would imply that the national government would have to find means to assert itself vigorously, but effectively, to achieve this goal.

Perhaps the state of federal-provincial relations in Canada is not quite such that one can without reservation, say with Arthur S. Miller (who, parenthetically was speaking on "Formal Federalism Today" that more and more important decisions are becoming centralized. To quote Miller at some length,

The result is that today the federal grant-in-aid is the principal means of financing the new activities of state governments. State taxation systems still take care of the traditional functions of state and local governments, but anything new— is, by and large, involved with a federal grant or a federal subsidy...States today operate, in general, less as practically autonomous units than as administrative districts for centrally established policies. They are not quite hollow political shells, but their once great power has been vitiated by the movement of history. They have "housekeeping" duties, but little real concern with important decisions. When new
problems arise, eyes turn to Washington, not to the state
capital. It is undoubtedly accurate to say that states
exercise a great deal of control over individuals—in fact,
much more today than they did during the nineteenth century—
but mostly in relatively minor or purely local matters.

In areas of major public concern the decision-making
process has been nationalized. We are apparently unwilling
to tolerate fragmentation of policy in those areas. We also
apparently believe that the broad problems of government—
social service domestically, national security externally—
are beyond the effective powers of the individual states.
Our demands can be satisfied only through the promulgation
of uniform national policies. The national government thus
must be the chief policy-making organ of formal government. ³

A careful study of recent legislation in Canada may well bear out Miller's
contention.

Related to "the movement of history" of which Miller speaks, is, no
doubt, the scale of problems created by urbanization in the form of housing,
transportation and industrial concentration.

With regard to housing, and especially public housing, the federal
policy reflects reluctance to antagonize provincial governments. Yet, at
least in the case of British Columbia, no serious attempt has been made,
to date, by the Provincial Government to establish a co-ordinated policy
framework to take full advantage of NHA provisions. Specifically, there is
no expressed, long-range policy to guide municipal government programs.
It can hardly be a matter of pure coincidence that, among the municipal
governments in the Vancouver Metropolitan area, only in the City of Vancouver
itself has public housing been constructed.

Some provinces, it is true, appear to be taking a more positive ap-
proach. The example on Ontario has often been cited. It would seem however,

³Arthur S. Miller, "Private Governments and Constitution" in The
Corporation Take-Over, edited by Andrew Hacker, (Garden City, New York:
that an effective housing policy in Canada, while it must depend on greater
coopération between all levels of government, would profit greatly from
federal leadership and active involvement in all aspects of a housing pro-
gram. This in turn would mean a clear enunciation of goals and policies in
keeping with federal responsibility in the field of housing.
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APPENDIX A

Preamble to the National Housing Act 1938
An Act to assist in the Construction of Houses.

[Assented to 1st July, 1938.]

WHEREAS The Dominion Housing Act, 1935, has encouraged the building of houses by persons with moderate incomes but the facilities of the Act have not been largely used by persons with small incomes or by persons living in small or remote communities; and Whereas, it is desirable to stimulate the construction of houses to be owned by persons with small incomes and by persons living in remote or small communities; and Whereas, as a result of the low level of building activity during the recent depression, the employability and efficiency of the urban population may be adversely affected by reason of congestion in potential slum areas and of overcrowding in housing accommodation which falls short of minimum standards of health and amenity; and Whereas, such decline of employability and efficiency may retard the full employment of the working population living under such conditions; and Whereas, the task of providing adequate housing accommodation at rentals within the capacity of low income groups to pay is, in its aspects of public health, morals and minimum living conditions, primarily a responsibility of the provinces and municipalities; and Whereas, nevertheless, it is in the national interest that a limited experiment in low-rental housing should be undertaken now, creating needed employment and directing public attention to the importance of housing problems generally, and providing a basis of experience on which the provinces and municipalities may follow sound and proven policies in the future; and Whereas, high real estate taxes have been a factor retarding the construction of new houses and it is therefore desirable to encourage prospective home owners to construct houses for their own occupation by paying a proportion of the municipal taxes on such houses for a limited period: Therefore His Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:—
APPENDIX B

The Loan-to-Value Ratio

The mortgage is based on some relationship between the value of the property mortgaged and the loan which will be granted by the mortgagee. For it is very unlikely that a mortgagee will grant a loan to cover 100 per cent of the value of the property of the kind that are being discussed here.

Under NHA 1954, the loan-to-value ratio falls into two parts, that is, (a) 95 per cent of the first $13,000; and (b) 70 per cent of the value of the loan in excess of $13,000. There are additional stipulations. Under the NHA 1954, the maximum loan is $18,000 and an insurance fee amounting 1 3/4 per cent of the loan is required to insure the loan which is actually guaranteed by the Federal Government.¹

The down-payment consists of that part of the loan which the home-builder provides. It represents his equity. Thus if the value of the house is $13,000, then under the NHA 1954, the mortgagor qualifies for 95 per cent of the value of the house. He must provide 5 per cent of the total value. Note that his equity increases as he pays off the monthly instalments.

The Interest Rate

Since the money which the mortgagee loans the mortgagor could earn revenue in some other use, and moreover, because the loan will be converted into a very illiquid form of investment, that is housing, the mortgagee will

¹This maximum of $18,000 was established by NHA Regulations, June 1965, when it was raised from $15,600.
charge the mortgagor for the use of the funds at a rate which he feels will recover the revenue he theoretically gives up by making the loan to the mortgagor. From the standpoint of the mortgagee therefore, the interest rate represents the opportunity cost of not investing his money elsewhere.

Under the NHA 1954, the interest rate is set by the Governor-in-Council. It must not exceed the interest rate on long-term government bonds by more than 2 1/4 per cent in respect of insured, home-owner, mortgage loans.

The Amortization Period

This is the period over which the mortgagor makes monthly payments to retire the mortgage loan. The amortization period extends over several years as a rule. The longer the amortization period the lower will be the monthly payments and vice-versa.

Under the present regulations of the NHA 1954, the amortization period for a home-owner mortgage cannot be less than twenty-five nor more than thirty-five years.

The Debt Service Ratio (DSR)

The debt service ratio is the initial basis on which the mortgagee determines the loan-worthiness of his client. If the DSR is not satisfactory, it is unlikely that the mortgagee will advance the loan.

In what then does the DSR consist? It is the ratio of the sum of the total monthly payments and the property taxes which the mortgagor must make, 

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2 It should be noted here that chartered banks withdrew from the mortgage financing field because market rates of interest on mortgages were higher than the statutory limit of 6 per cent as provided under Section 91 of the Bank Act 1954. The Minister recently indicated that steps will be taken to attract them back in the new bank act. This recalls the circumstances surrounding the revamping of the NHA 1944.
to his gross income. The DSR drives home to the borrower the full effect of the importance of his income. Under NHA Regulations, the DSR was set at 27 per cent in December 1957. Prior to this it was 23 per cent.\footnote{H. Woodard, \textit{Canadian Mortgages}, (Toronto: printed by the Regent Press Ltd. for William Collins, Sons and Co., Can. Ltd.), 1957, pp.62-63.}