

NHA POLICIES AND PROGRAMS FOR THE SEVENTIES

VOLUME 4

Residential Rehabilitation Policy



**Policy Planning Division
Central Mortgage and Housing Corporation**

NHA POLICIES AND PROGRAMS FOR THE SEVENTIES

VOLUME 4

RESIDENTIAL REHABILITATION POLICY

Policy Planning Division

Central Mortgage and Housing Corporation

TABLE OF CONTENTS

<u>SECTION</u>		<u>Page</u>
1.0	INTRODUCTION	
	1.1 CMHC and Rehabilitation	1
	1.2 Orientation: Housing Stock or Welfare	4
	1.3 Rehabilitation and Housing Market	4
	1.4 The Programme Defined	11
	1.5 Rehabilitation in the Urban Areas	12
	1.6 Rehabilitation in Rural Areas	13
	1.7 Employment Generation	14
	1.8 Rehabilitation and Wider Social Concerns	15
2.0	THE NEED FOR REHABILITATION	18
	2.1 A Context for Need	18
	2.2 Scope of Need	19
	2.3 Tenure of Dwellings Lacking Basic Facilities	24
	2.4 Needs of Families Receiving Aid Under the Canada Assistance Plan	25
	2.5 The Elderly	28
	2.6 Rehabilitation and the Client	29
	2.7 Summary of Need	30
	2.8 Past Expense and Lessons for a Programme	30
3.0	POLICY ORIENTATION	38
	3.1 Near, Mid and Long Term Considerations	38
	3.2 Policy Related to Competence	40
4.0	POLICY OPTIONS AND SUBSTANTIVE PROGRAMMES	46
	4.1 Geographic Distribution	46
	4.2 Physical Controls and Standards	50
	4.3 Funding Mechanisms	51
	4.4 Delivery Systems	61
	4.5 Subsidy Delivery	64
	4.6 Administration	65
	4.7 Summary	66
5.0	LEGISLATIVE IMPLICATIONS	68
	5.1 The N.H.A. as It Exists and Residential Rehabilitation	68
	5.2 Rehabilitation Under the Urban Renewal Programme	69
	5.3 Legislative Proposal	71
	5.4 Modification of Urban Renewal	72
	5.5 Home Improvement Loans	74
	5.6 Rehabilitation Subventions	75
	5.7 Relation to Other Programmes	80
	5.8 Revolving Loan Fund	80
	5.9 Assistance for Non-Profit Rehabilitation Corporations	80
	5.10 Assistance in Rental Situations	81
	5.11 Summary	82
6.0	BUDGET IMPLICATIONS	82

1.0 INTRODUCTION

The National Housing Act is "an Act to promote the construction of new houses, the repair and modernization of existing houses and the improvement of housing and living conditions".

The Central Mortgage and Housing Corporation has been the chief means by which the intention of the Act has been translated into programs and mechanisms of action concerning the Canadian housing stock. CMHC has concentrated on providing new housing for lower income groups over the years. The concern of the present government to increase that impact has been indicated by the Minister of State for Urban Affairs, Mr. Andras:

"If the federal government is to devote more energies... (to this goal) it will be to assist with all the resources we can command, the poor, the aged, the handicapped in their legitimate but more difficult search for decent shelter. My particular concern then, is for the low income group. It is my intention that the capital budget of Central Mortgage and Housing Corporation, the direct federal investment in housing, will be devoted to the special programs for low income families, the elderly and the disadvantaged, to a greater extent than in any previous year. These are the basic premises on which I will work."¹

The purpose of the residential rehabilitation thrust is to upgrade the existing housing of low income persons and to extend the life and improve the quality of the housing stock in Canada.

1.1 CMHC AND REHABILITATION

Past programs to aid low income families in obtaining homes have concentrated on providing new construction for them. Subsidies, where they have been available, have almost always been tied to the supply of new additions to the housing stock. The alternatives have been public housing for the

¹ Hon. R.K. Andras, Speech to the House of Commons, May 1969.

lowest income households, limited-profit rental housing and assisted home ownership for those in an income bracket just above that. However, the supply has been insufficient to meet the demand, both in terms of quantity and in the number of alternatives offered. All told, the low income housing supported by CMHC from 1946 through 1970 comprised $2\frac{1}{2}$ percent of the total stock. It is estimated that well over one million households live in inadequate housing or do not maintain a household of their own. At least this many pay more than 20 percent of their incomes for their present housing. It will be many years before all those in need are supplied with adequate housing within their means even if the present programmes were continued at their recent high levels of activity. Seen in this light, it seems apparent that the only feasible means of upgrading the housing quality of many families is to rehabilitate the existing stock. Rehabilitation incentives exist under the present provisions of the National Housing Act, but they have proved completely inadequate.

Few apply to existing homeowners or landlords. The Sections of the Act dealing with the production of low-income rental housing (public, entrepreneurial and non-profit) have been amended at various times to allow for the acquisition and improvement of existing housing. The Assisted Home Ownership programme carried out under the 1970 and 1971 innovative programmes has made allowance for the acquisition and improvement of existing housing. As a matter of policy, the use of these sections for the acquisition and improvement of existing housing has been kept to a minimum. Less than 4 per

cent of the low income units produced in the past 25 years have comprised existing houses. Part IV is the only part of the Act which facilitates home improvements, and it does not lend itself to use by low-income households. Amendments to the urban renewal sections in 1968 allowed the Corporation to make capital grants to municipalities to acquire and improve housing. For various reasons, quite a few related to the desire on the part of municipalities to better their financial position; municipalities have scarcely made use of the sections as amended. We propose here to enable low income households to occupy quality housing by means of rehabilitation and improvement of their existing housing. We suggest that this new choice available to them should be at least as attractive as those now offered through programmes which supply new housing and that a rehabilitation thrust provide a financially efficient means of providing low-income households with housing of adequate quality in a short period of time. The choice to stay in existing housing should be meaningful at a time when the social aspects of new housing projects are being attacked more heartily than ever before, both by those who are involved in their production and by those who must live in them. The choices for low-income households will have been greatly improved in urban centres, but they will be infinitely greater in the rural areas and small towns where the new housing programmes have not reached up to now.

1.2 ORIENTATION: HOUSING STOCK OR WELFARE

The programme is specifically aimed at improving the existing housing stock of low-income households. The Welland Report in 1969 recommended that a guaranteed annual income, which would include a component specifically designated for shelter, be given all Canadian households. The recommendation was rejected after careful study. More recent, and similar recommendations of the Senate Committee on Poverty, were rejected out of hand by the Government. The implementation of any of the income supplement proposals would go a long way towards providing adequate housing for all Canadians, but none of the specific proposals made thus far would enable recipients to correct a back-log of inadequate maintenance or to finance the installation of basic amenities. Thus, the purpose of a rehabilitation thrust is to qualitatively improve the deficient housing of many low-income Canadians. It is not a substitute for any properly conceived welfare programme we have seen thus far.

1.3 REHABILITATION AND HOUSING MARKETS

Successive governments and the Corporation have historically taken the position that the adequacy of housing for Canadians can best be improved by maintaining a high level of new starts. This is most imperative in a country which has one of the most rapid growth rates in the Western world. Consequently, activity has been directed at sustaining a high level of new starts. The present Minister responsible

has indicated his commitment to this imperative as well. The logic of this imperative cannot be denied. All other efforts to improve the adequacy of housing for Canadians would be nullified if the supply of new housing were insufficient to cover new household formations. Housing costs would inflate at a rapid rate.

It is for this reason that economists and the governments which they advise have been largely unwilling to commit public resources to the existing housing stock. Such might inadvertently reduce the demand for new housing, which would eventually reduce the effectiveness of the "trickling down" process -- the process by which used housing is made available to those with low incomes. We, in North America, have been infatuated with the new. Our rapid population growth for such a long time after most of the natural frontiers were overcome, has distorted our perspective on the new. This tendency has been aided and abetted by the incentives built into our economic system: the large profits to be earned from land speculation and construction and the large segment of our economy geared to producing and servicing automotive transport.

This focus on novelty possesses elements of myth. It has led to the neglect of our rural areas and of the older parts of our urban areas.

Our lack of knowledge regarding housing markets further distorts our appreciation of the existing housing stock and its relation to the new housing stock. Housing is perceived as a bundle of social services. It is one of the services which become a right in the "welfare state", although this concept seems to be developing only slowly in Canada. But housing is also a consumer durable and a capital good, and one of the longest-lasting at that. It depreciates more slowly than any other capital good. These features mean that housing markets take longer to adjust to change than others. This makes it more difficult for economists to grasp as well. These features have also made it difficult for many to perceive housing as a social service. The question is further complicated by the fact that the housing market is not one market, but numerous inter-connected markets. The connections between housing markets in different areas are so tenuous that each market can be seen as isolated. The connections within a single area are stronger, but quite often weak enough that division of the area into several markets, distinguished by tenure, age and geographic area, is realistic.

The dynamics and interconnections of these markets are poorly understood. This lack of understanding has led to the misdirected focus cited above. This, as was stressed, is more in the nature of a distortion than a misconception. An increasing supply of housing and a sustained high level of new starts has resulted in quite significant improvement in the adequacy of Canadian housing. Indeed, perhaps this factor has

contributed more than any other to the high standards which our housing meets. Of course, as has been stressed in the report of the Low Income Housing Study Group, sustaining the high level of new starts in as rapidly growing a country as Canada by relying primarily on private capital, has resulted in housing which is the most costly in the world. According to the Curtis Report of 1944, applying more than 20 percent of a family's personal income to housing was very irregular. In fact, it was recommended that no one should have to pay more than this. Today, this portion has risen to 25 percent. Our tax policy towards housing entrepreneurs gives them the same depreciation benefits which Americans reserve as incentives to produce housing for low-income households. The operations of our builder-developers are so profitable that they have become a lucrative field for direct foreign investment. Although these policies have resulted in more adequate housing, even at a high cost, our scant knowledge of the housing market teaches us that this may not result in adequate housing for the poor. On a macro level, we know that excess new starts can simply result in a high level of non-family household formations. It increases the ability of the young and the old to form new households. This has been the experience in Europe, and this fact is now recognized in the Corporation's division of projected household formations into family and non-family components.

The "trickling down" process has been perceived in various ways, but it seems realistic to say that it occurs as the relative price of a given dwelling declines so as to be within the means of a lower income family. However, quality declines over time as well. If quality declines faster than price the dwelling which a low income household receives through the trickling down process does not meet minimum standards as set out in the minimum housing standard by-laws we now have.

The fact that "trickling down" may not occur extensively and that quality may decrease more rapidly than relative value should lead to a conclusion that more attention be given the quality of the existing housing stock in which most of the poor will continue to live. At the very least, this conclusion deserves special consideration.

More extensive use of the existing housing stock to supply dwellings for low-income households may make sense from an economic viewpoint as well. To give a subvention of \$2,000. or even as much as \$4,000., to bring an older dwelling up to an adequate standard certainly seems cheaper than investing \$15,000. in a new dwelling, and then subsidizing it to the extent of \$1,200. annually (see the report of the Low Income Housing Study Groups for the derivation of this figure). Even if the period in which the dwelling provides adequate shelter is only 10 years, it makes economic sense unless the discount rate of money is exceptionally low.

A rationale against giving subventions for the rehabilitation of existing housing can be imagined. It may result in a reduced demand for new housing. This does not seem to

be a great danger, and it can be minimized by focusing subventions on the poor who are most in need. Of course, the argument would have little application in the rural areas and small towns.

Another possible reason for not intervening with a rehabilitation programme is the inflationary impact it might have on the price of the existing housing stock. Requiring a five-year lock-in, for example, for owners and an agreement with landlords to submit to rent regulation for at least a similar period of time, will reduce this likelihood, but some would argue that this measure only delays the inflationary effect. It is an argument which deserves serious consideration. It is a reality which might obtain in tight markets. We assume that it will not be a serious problem in the rural areas and small towns and for some larger urban areas where the market is exceptionally loose. Thus, the argument is more applicable in large urban centres where tight housing markets exist, and incidentally, where the ability of local governments to administer detailed regulations to control prices is greatest. The problem will be obviated to a large extent by maintaining new housing starts at a sufficiently high level that demand for the existing housing stock does not increase appreciably. This is to admit the obvious: the price of the existing housing stock is governed largely by the interplay of supply and demand within the whole market.

Aid for rehabilitation is an incremental housing activity on the part of the government, not a replacement for new housing activity. Reasonable vacancy rates, and thus balanced market conditions, can be maintained only by

increasing the overall supply.

It is admitted that the best way to assure that housing prices are not inflated by a rehabilitation thrust is to have non-profit and co-operative groups take control of large pieces of the existing stock. It is for this reason that the programme described herein provides additional incentives towards this end.

One final argument must be dealt with in relation to rehabilitation and housing markets. It is only loosely related to housing markets, but is quite intertwined with the fact that housing is a consumer durable and capital good in addition to being a social service. The argument is that the Canadian governments have been reluctant to engage in any activities which might result in the attainment of capital goods by the poor. Most provinces require a family to be literally destitute before providing aid under the Canada Assistance Plan. CMHC has historically taken this position with regard to home ownership. The assisted home-ownership programme developed in the past two years, limited as it might be, has been a break-through in this regard. But there is still reluctance to engage in activity which will possibly increase the capital assets of the poor. A better position to take might be to prevent this because of the inflationary impact it might have on housing prices generally and because societal resources must be expended wisely. Requiring 100 per cent secure safeguards before engaging in rehabilitation activity can only be looked upon as ludicrous in the face of the huge capital grants provided for industrialists

to create jobs under the Regional Development Incentives Act (up to \$30,000 per job) with no guarantee that the jobs will be permanent and without regard to the nationality of the industrialist. There must be reasonable safeguards for the reasons cited above.

1.4 THE PROGRAMME DEFINED

Rehabilitation is defined as a physical programme whereby the improvement of existing dwelling units is undertaken. The programme is divided into two components which reflect its priorities:

1. The first phase provides basic facilities for existing homes which lack them. Basic facilities fall under the following categories:

- suitable indoor plumbing
- adequate heating system
- adequate electrical system

This includes general and structural repairs, where needed, for the installation of the above and the safety of the residents. It is proposed that incentives for this proponent be considerable, as it reflects the high priority which the provision of basic facilities should have.

2. The second phase includes the qualitative improvement of existing housing beyond the provision of basic facilities, and up to predetermined local standards, where estimated future occupancy will be approximately 15 years. This definition of rehabilitation places the needs of basic health and safety before the general need to arrest deterioration although it is expected that the two phases will usually be operationalized simultaneously.

The first component will have its primary effect in the rural areas and small towns.

The second phase may have its most important application in in-city areas where the deterioration of the entire area is a problem. In such cases, it is expected that the rehabilitation thrust will see its application channelled through the Community Assistance Program. In any event, it will likely occur on an area basis. However, rehabilitation is primarily intended to be used on a unit by unit basis, a factor which makes it equally available to rural and urban cases.

1.5 REHABILITATION IN THE URBAN AREAS

In rural areas low cost housing is usually also low quality housing. In urban areas, population pressures, high land costs and the intensity of redevelopment projects have forced the poor either to relocate in lower quality housing or to enter public housing projects. The poor are unable to compete for housing which they might choose on the open market. Rehabilitation can increase the quantity of lower cost housing, (at the same time that it is improving its quality) by extending its useful life and by its conversion into additional units. Since the cost of the rehabilitation measures proposed here is less per unit than that of new housing construction, the price of increasing the overall housing stock to meet expanding needs may be reduced. This is especially so when contrasted with urban redevelopment projects where land acquisition and clearance costs are excessively high. These factors are very important for those of lower income for they indicate the potential of a wider choice of cheap housing.

Where in-city neighbourhoods are caught in a cycle of

deterioration (for which there are many causes) rehabilitation will serve as a primary element of the Community Assistance Program to revitalize those neighbourhoods and restore their confidence and stability. Realistic incentives and assistance will be offered to those who own their own homes to upgrade and maintain them. The dwellings of tenants may be improved by aids and incentives to landlords which do not affect rental costs, and more encouragement will be given to non-profit (including municipal non profit and community development corporations) and cooperative groups to undertake the rehabilitation.

1.6 REHABILITATION IN RURAL AREAS

Our assessment of the need for rehabilitation demonstrates that a large rural component could benefit from the application of the process. The 1961 census indicated over 32% of rural dwellings needed major and minor repair compared with only 20% of urban dwellings. In fact, a proposal for rural home improvement loans with a forgiveness feature was made at the federal-provincial meeting on Housing and Urban Development in April 1968 by the President of Central Mortgage and Housing Corporation. This, as well as other proposals made at this conference, were dropped when the Minister subsequently responsible decided to mount a major inquiry into housing and urban policy. The need for rural rehabilitation has not diminished significantly since 1968. Since it is also clear that a continuing rural to urban migration is occurring, rehabilitation could be utilized in conjunction with regional development initiatives since it is itself a redistributive

measure. It is shown later in this document that the highest proportion of physical need for rehabilitation exists in the poorer areas of Canada, which are presently receiving attention from the federal government for other aspects of their economic development. For example the Federal government will pay \$30,000. per job created by industries in certain areas but nothing for rehabilitation of housing. Furthermore, construction jobs can be created under a rehabilitation programme for far less than \$30,000. It will create jobs for those being retrained for non-existent construction jobs.

1.7 EMPLOYMENT GENERATION

While rehabilitation has the advantage of going directly to the poor, giving them immediate and visible benefits, and while it will undoubtedly be a key factor in the revitalization of deteriorating communities, especially in the absence of the urban renewal program, it will have a wider economic impact which should not be overlooked. Perhaps the most important aspect of this impact is the employment-generating capacity of a rehabilitation thrust. Clearly, it depends upon the size of the funding for the program, and upon the nature of the work to be undertaken. The former item is dealt with in a later section. The latter can be dealt with here. In an appendix to this report, the Housing and Urban Development Association of Canada acknowledged the need for rehabilitation. Rehabilitation in cities will for the most part be undertaken through the Community Assistance Program, the self-defined area component of which will facilitate the ability of the industry to respond to the need. In addition to this, rehabilitation

may be expected to generate more employment for the "generalist" contractors, small builders, and in firms producing material and equipment necessary for rehabilitation. New technological developments may facilitate rehabilitation as the process gets underway.

The experience of Montreal (to July 31, 1971) indicated that one dollar of rehabilitation subsidy produced 3.7 times its value in work completed (i.e. \$402,039.14 produced \$1,488,000. of work). Rehabilitation work is labour-intensive; the Montreal experience showed that where one million dollars was spent for materials and labour for one year, 170 workers were employed for that year. As a comparison with new construction work, the same amount of money would produce jobs for only 100 men for a year.

While the input of sweat equity is a likely possibility in rural areas where rehabilitation is undertaken, in urban areas the nature of the work indicates a high component of skilled labour. Both factors suggest that rehabilitation may offset seasonal unemployment, depending upon the extent of the work to be undertaken. It is not possible to determine the unemployment rate with respect to occupational categories, although it may be possible to pinpoint specific areas which have a capacity to respond to a rehabilitation program's employment requirements. Employment generating characteristics will clearly be of benefit in regional development areas where unemployment is a serious problem.

1.8 REHABILITATION AND WIDER SOCIAL CONCERNS

It is clear that the effects of a rehabilitation

program will spread across wider areas of social concern. The impact of such a program upon the future of a "grey" residential area in a city will have long run benefits both for that community and for the city as a whole. The social benefit of providing a family with adequate heating facilities for the winter at hand will far outstrip the social cost to the community of that family waiting for three more years to find a vacancy in a public housing project. Although no adequate methods are now available to compare social and economic costs among several alternatives it is already well known that the escalating expense of providing new units, whether they are public or not, is far higher than that which would be necessary to provide basic facilities in the existing homes of the poor. This is because the cost of building new units and subsidizing their rents has risen faster relative to the increase in income of those who inhabit those same units. Furthermore, the cost of borrowing and administering large loans for housing exceeds by far the cost of giving small grants to keep people in existing housing, even when the expected life of existing units is shorter than that of new units.

Finally, it should be stated that this rehabilitation program offers an excellent opportunity to bring local initiative and resources to bear upon a problem of national significance. In the past, government incentives to rehabilitation have been feeble, proof of which may be found in the limited response which has developed. Rehabilitation has been more successful where incentives have been larger and government more aggressive about the issue, as in Montreal, or where residents have

forced the issue on subsidies as in Strathcona. CMHC has on hand a number of applications for rehabilitation assistance to which it cannot adequately respond. The program outlined below overcomes such deficiencies, provides incentives for those who may benefit from it the most, and offers an excellent opportunity for CMHC to encompass a critical portion of the housing stock which it has previously neglected.

2.0 THE NEED FOR REHABILITATION

Several postures can be taken with respect to the need for a rehabilitation thrust. On the one hand one can take the posture that since little is known about the need, or about the condition and state of dwelling, we should first administer a survey to reveal the nature of the unknown. The posture is legitimate to the extent that it does lead to mounting such a survey. However, it is not a legitimate rationale for delaying all action whatsoever. On the other hand, it can be maintained that we now have sufficient evidence about housing deficiencies in Canada, which, when combined with the limited experience in the field which we now have, and that which we know from other countries (see Appendix B), can serve as a basis for mounting a rehabilitation thrust.

2.1 A CONTEXT FOR NEED

Two dimensions of need should be distinguished. The rural-urban distinction is a crucial one. For purposes of understanding, the distinction need not be drawn as rigidly as is done for census purposes. The problem in a rural milieu is qualitatively different from that in an urban milieu. Nearly all the dwellings in a rural area are owner-occupied, whereas this is likely true for only a minority of dwellings in need of rehabilitation in the major urban centres. Communications between residents and their local government are not nearly so tenuous in rural areas and small communities. Nor are the nature of local services likely to be a debilitating factor in rural areas. A high level of sophisticated services is neither necessary nor

expected. There is a rental component of rural housing, but it is quite insignificant in extent. The second dimension is that of tenure: renter and owner-occupied. As is well known, it is the tenant in large urban areas to whom it is most difficult to direct a programme.

2.2 SCOPE OF NEED

The only nation-wide statistics relating to substandard housing have been those developed by Statistics Canada in the 1961 decennial census. Two sets of standards relating to residential conditions -- evidence of structural deterioration and lack of (plumbing and heating) facilities -- have been developed. There is no available correlation between these two sets of data, but it would seem reasonable to assume that incidences of plumbing deficiencies are for all practical purposes confined to dwellings exhibiting structural deficiencies as well. This correlation is also assumed to apply to other substandard characteristics, such as deficiencies in wiring, heating, insulation and so forth, but it obviously begins to break down as the number of facilities indicating deficiencies increase. The many new rural dwellings still being constructed with lack of basic facilities also leads to a breakdown in the assumption.

Dwelling structural condition is divided into three categories: good; in need of minor repair; and in need of major repair. The data for 1961 indicate that close to a million dwellings are in need of minor repair out of a total of 5.5 million at that time. These were almost equally divided between the 42 metropolitan and major urban areas and the rural areas and small

towns. Many of the indices for which more recent data are available, chief among them being the number of dwellings in need of major repair and the number of dwellings lacking a bath or shower, seem to indicate that the substandard housing problem, such as it exists, may have been halved since 1961. Can we assume that this is true in the case of dwellings in need of minor repair, probably the closest indicator we have of dwellings in need of rehabilitation? Perhaps not. In 1961 the data were collected by census enumerators. These people are housewives and other casual employees. Their evaluation was based only on an external inspection of the dwellings. One indication of the range of judgments possible on the repair question comes from a survey carried out for the City of Montreal in the slum districts in the year following the 1961 census. In six districts the Census found 7 percent of the dwellings in need of major repair and 30 percent in need of minor repair in 1961. The City survey, by contrast, found that 16 percent of the dwellings were not habitable and that 48 percent were not suitable. Surveys in recent years undertaken in connection with the City of Montreal's code enforcement programme indicate that, on the basis of external inspection, at least 10 percent of the City's dwellings, or about 57,000 do not meet the standards of the minimum housing by-law. A more systematic and complete survey might indicate a greater need, as only the poorer areas have been surveyed thus far. The 1961 census had indicated that 18.1 percent of the dwellings were in need of major or minor repair. This would suggest that though the need for rehabilitation has lessened since 1961, and for whatever reasons, the need is

still considerable.

Dwellings in need of major repair quite often will not be rehabilitable -- say, by a standard which would require a useful life of 15 years before a large number of funds would be granted or loaned by a public body -- but data on this condition are useful in that they have been cross-tabulated by Statistics Canada with other dwelling characteristics, such as dwelling type and tenure. In 1961 there were approximately 250,000 dwellings in need of major repair. It is estimated by CMHC that by 1970 the number of such dwellings had declined to 118,000. At present, we do not know anything else about the distribution of these dwellings in terms of location, type and tenure. However, in 1961 the distribution of these dwellings by urban-rural distribution was approximately equivalent: 135,000 and 120,000 respectively. In rural areas it is overwhelmingly a problem of single attached and detached units (118,000 of 120,000), and is mainly one of this same type of unit in urban areas (90,000 of 135,000). It is also important to stress that, at least in rural areas, it is also a problem of owner-occupied stock as well: 94,000 of 120,000 rural units. On the other hand, it is a problem of rental units in urban areas. 80,000 of 135,000 urban units in need of major repair were renter-occupied. Those in need of minor repair in urban areas would likely be greater.

A more reliable indicator of rehabilitation need is provided by data on the lack of basic amenities, such as furnaces, bath or shower or running water. The fact that the above data on condition will not be reported in the 1971 census is

a further reason why greater reliance must be placed on indicators of deficiencies. 1961 data indicate that nearly 900,000 dwellings lacked a bath or shower. By 1970 this had declined to just under a half million units (Canadian Housing Statistics, 1970). These deficiencies are overwhelmingly in rural areas. As of 1970 over 1,115,000 of Canada's seven million dwellings lacked furnaces. Previous data from the 1967 Household Facilities Survey indicate that these were evenly split between urban and rural (715,485 rural and 766,787 urban) although, once again, this indicates that a much higher percentage of rural dwellings are without this facility: in fact, about 60 percent of rural dwellings against about 22 percent of urban dwellings.

The available data from the 1967 Household Facilities Survey also indicate that it is overwhelmingly the poor who occupy these dwellings lacking basic facilities. In fact, over half of the dwellings without running water or a flush toilet are in the lowest quintile.

The data indicate that the housing stock in worst condition and lacking the most facilities is also the oldest stock and the most likely to be occupied by households with the lowest incomes. 20 percent of the wage earners with incomes of less than \$2,000 in 1967 lived in dwellings without water. 43 percent of the dwellings built before 1920 are without furnaces. 50 percent of the nation's low-income households -- roughly equivalent to 20 percent of all households -- occupy 60 percent of the dwellings built before 1940.

The situation with respect to the dwellings in need of rehabilitation has certainly improved over time. A great many nineteenth century dwellings have been demolished. A study done of rural households in Ontario for the Low Income Housing Task Force by H.C. Abell of McMaster University indicates that rural households are renovating and rehabilitating their dwellings. Does this mean that the problem of inferior housing stock will go away?

Probably not. A study prepared by M.B.M. Lawson for the Ontario Department of Municipal Affairs indicates that the problem will be present for a long time yet. There are still over one million dwellings built before 1920 and another million built before 1945, most of them before the Great Depression. 13 percent of these houses were without running water in 1961. The costs of replacing all of them are enormous. For example, 74 percent of the housing stock in the City of Toronto was built before 1940. Maintaining and upgrading existing stock makes the problem of replacing hundreds of thousands of dwellings easier and spreads it more evenly over time. One hundred years from now people may be sorry we built so much of our stock in such a short time.

What might be the total long-term demand for rehabilitation aids? 486,000 dwellings were still without a bath or shower in 1970. In 1961 Montreal contained 10 percent of all the dwellings in Canada in need of major or minor repair. If this relationship still holds, nearly 700,000 dwellings, by external inspection, are of deficient condition. 1,115,000 dwellings were without furnaces in 1970. Would all of these

cases constitute demand for rehabilitation aids? Probably not. We can safely assume that all of those using cooking stoves (132,000) have inadequate heating facilities. One can also assume that most of the 234,000 using electric space heaters or fireplaces are not using space heaters, but fireplaces. If we assume that two-thirds of the 750,000 using heating stoves also have inadequate heating, then close to a total of 700,000 dwellings, about 12 percent of the total, have either unsafe or unhealthy heating. In 1961 dwellings in need of minor repair were about evenly distributed between urban and rural areas. Dwellings lacking a furnace are likewise evenly distributed. However, it should be stressed that only a small minority (26 percent in 1966) of Canadian households live in rural areas. Therefore, though the distribution of need between urban and rural areas is about equivalent, any rehabilitation thrust which makes aids generally available will disproportionately benefit the long-neglected rural areas.

2.3 TENURE OF DWELLINGS LACKING BASIC FACILITIES

Quite often a rationale for failure to take action towards a rehabilitation thrust is the impact which this might have in rentals. As will be seen below in the case of Montreal this is indeed a problem. But the magnitude of this aspect of the problem is often over-estimated. As can be seen from the following array, close to three-fourths of the dwellings lacking exclusive use of a bath or shower in 1961 were owned. This was the case for nearly two-thirds of those dwellings lacking a furnace. The problem of rising rentals would admittedly

be larger in the urban centres where 55 percent of the dwellings without a bath or shower or furnace are renter occupied:

	<u>Lacking a Bath or Shower, 1961</u>	<u>Lacking a Furnace, 1961</u>
Canada	1,042,000	1,482,000
Owned	741,000	907,000
Rented	301,000	575,000
Rural	682,000	824,000
Owned	572,000	598,000
Rented	110,000	226,000
Urban	360,000	757,000
Owned	169,000	309,000
Rented	191,000	348,000

An alternative to concluding that inaction is appropriate would be to mount a thrust which would also attempt seriously to accommodate the interests of tenant households, although even one which benefitted owners primarily could easily eradicate deficiencies in well over half the houses in need of rehabilitation.

2.4 NEEDS OF FAMILIES RECEIVING AID UNDER THE CANADA ASSISTANCE PLAN

The above has surveyed the extent of need for rehabilitation. What data we now have indicates that, as was hypothesized above, this need is concentrated among the poor who have few resources to commit to rehabilitation. Statistics Canada's 1967 Household Facilities Survey was not conducted or published in such a way that the deficiencies can be precisely determined by household income. However, indicators of this are available from a survey conducted in the autumn of 1968 of recipients under the Canada Assistance Plan by the Canadian Council for Social Development under a Part V grant from CMHC. The report of the study is not yet complete, but preliminary

material is available, and it is this on which the following narrative is based. Included in the survey are the cities of Ottawa, Toronto, Winnipeg, Edmonton, Vancouver and Halifax-Dartmouth and the small towns and rural areas of Nova Scotia and Alberta. The survey purposefully excluded elderly households and households in the Province of Quebec. It was conducted by welfare workers who had been given an intensive briefing on the details and objective of the survey. The survey is one of the few comprehensive ones which includes an internal inspection.

Welfare families are overwhelmingly renters, as is shown by the following table:

<u>Distribution by Tenure</u>		
	<u>Survey</u>	<u>Population</u>
<u>Large cities</u>	<u>Percent Renters</u>	<u>Percent Renters</u>
Ottawa	96.5	50.9
Toronto	91.7	33.5
Winnipeg	98.3	36.7
Edmonton	81.3	39.2
Vancouver	88.3	37.0
Halifax-Dartmouth	67.6	34.4
Other:		
Alberta	53.0	18.1
N.S.	49.3	11.7

The following array also shows that the incidence of dwellings without a bath or shower is many times higher than that among the population in general and that from 40-55 percent of the homes cannot be classed in good condition -- that is, they have penalty points on interior condition.

Percent of Dwelling Units Without Bath or Shower, 1961			Rating of Interior			
<u>Large Cities</u>	<u>Survey</u>	<u>Pop.</u>	<u>0</u>	<u>2-4 minor</u>	<u>5-9 major</u>	<u>10 or more, extensive</u>
Ottawa	10.7	6.0	55.4	19.0	18.6	6.6
Toronto	28.7	1.2	54.9	23.2	14.6	7.3
Winnipeg	34.0	4.3	43.4	24.2	22.6	9.8
Edmonton	14.6	3.2	62.6	12.2	17.1	8.1
Vancouver	16.0	1.6	62.8	14.3	15.1	7.8
Large Urban	24.2	1.4	-	-	-	-
Other:						
Alberta	70.7	13.8	40.0	16.9	26.7	16.4
N.S.	47.2	24.4	33.8	13.5	41.4	11.3

It has been said that Canada's housing problem is not a problem of housing at all, but of poverty. One can probably not quarrel with this generalization, but one can take issue with using this diagnosis as an excuse for inaction in the housing arena. That the housing problem is really one of poverty is nowhere more clear than among recipients under the Canada Assistance Plan. At least half are likely ill-housed. Yet there is no plan to deal with this aspect of the problem under the Canada Assistance Plan. The government's White Paper on Income Security of December 1970 rejects a more adequate level of assistance as beyond our means for the present time. The Government's initial reaction to the report of the Senate Committee on Poverty indicates that they have not since changed their mind. Therefore, there may be no choice but to deal with problems of the poor as a housing problem. Considerable improvement in the housing situation of welfare recipients could result from a rehabilitation thrust, but it is also recognized that any thrust must also be able to satisfy the needs of tenant families to be effective in this regard.

2.5 THE ELDERLY

The C.C.S.D. study excludes the elderly; yet we know that the elderly today are at the bottom of the income ladder. We also know that to a large extent it is the elderly who live in inadequate housing. In 1967, the average income for elderly families was \$5,211.00, 30 percent lower than the national average. The average income of the elderly individual was \$2,059.00, 25 percent below the Canadian average. The incidence of poverty is higher than for any other age groups; about 38 percent of elderly families and 70 percent of elderly individuals could be considered poor in 1967 (based on poverty levels quoted from Lithwick; derived from the 1967 D.B.S. Household Facilities Survey). Statistics Canada data indicate that the low income elderly do not have substantial asset holdings. Very few own securities, and a third of the lowest income elderly have no liquid assets at all. Property owned by the elderly tends to be lower in value and less marketable than the average.

In 1961, elderly households were more likely to lack basic housing facilities than the rest of the population.

<u>Percent of Households Lacking:</u>	<u>Households with Heads 65 year & over:*</u>	<u>1961 Census</u>
Exclusive bath or shower	28.4	11.9
Furnace	37.1	25.6

* Report of the Special Committee of the Senate on Aging (1964), p. 126.

Although home ownership was high (77 per cent for aged

family heads and 60 per cent for aged individuals) and the majority of homes were owned outright, the median value of dwellings owned by older people was relatively low. Lithwick's study of urban poverty revealed that the elderly were a major component of the hard core urban poor in Canada today and that most of the existing programmes are failing to provide for their needs.

It has become evident from previous rehabilitation endeavours -- this was quite evident in Alexandra Park, Toronto -- that the ability of the elderly to assume debt is limited. Therefore, if a rehabilitation thrust is to meet the needs of the elderly -- indeed, if it is to reach the elderly at all -- equity requirements will have to be nil, and any outstanding payments may have to be forgiven. One of the attractive features of a major governmental commitment to rehabilitation may be the fact that it would go a long way towards satisfying the needs of the elderly. But to do this, subsidies will have to be deep.

2.6 REHABILITATION AND THE CLIENT

The discussion of tenures, the different problems in rural and urban areas and the specific nature of problems faced by the poor -- both families and the elderly -- only serve to emphasize the multi-dimensional nature of the problem and of the need to design a programme in such a way that it will meet the needs of a variety of clients.

The rehabilitation programme will incorporate a

variety of mechanisms to enable it to meet these needs. Each will be oriented to the needs of a particular client, as the programme interfaces with so many situations. It will also interface with many other programmes: those facilitating non-profit, co-operative and community development organizations and assisted home ownership. For many of these clients deep subsidies will be necessary. If this fact is not kept uppermost in mind, use of the programme will be nil.

2.7 SUMMARY OF NEED

We now know a considerable amount about the scope of the problem and about the magnitude of need. That the poor are dominant among the occupants of inadequate housing is apparent. Also apparent is the fact that need is greatest in rural areas and small towns and in those regions where incomes are low. However, our knowledge is still insufficient. The rehabilitation thrust recommended herein will of necessity get off to a slow start. The 1971 census data will be available soon. Therefore, it is recommended that as soon as this data does become available, the Policy Planning Division seek to obtain the tapes and cross-tabulate such information as deficiencies, dwelling type, location, and household income.

2.8 PAST EXPERIENCE AND LESSONS FOR A PROGRAMME

Canada possesses neither the legislation nor experience of such countries, say, as Great Britain or the United States, but following the 1964 amendments to Section 24 (23) and

experience gained under the 1970 and 1971 innovative programmes, there does seem to be sufficient experience on which to base generalizations which can in turn be useful in the formulation of additional amendment(s) to the Act which must take place before really meaningful experience can be gained. The following will summarize some of the experience gained thus far. Appendix A contains further elaboration on each of the cases mentioned.

Failures at generating rehabilitation endeavours under the sponsorship of public agencies are probably best exemplified by attempts thus far in Toronto. Its Alexandra Park area was planned at its inception as a great new concept in urban renewal. It was to include both redevelopment and rehabilitation. Initially, the public authority was to buy and rehabilitate 42 houses, which were to serve as an inspiration (as if inspiration can overcome financial barriers) for private home owners in the area to rehabilitate their own houses. In view of the assistance available it is not surprising that little rehabilitation actually resulted. The residents could not readily take advantage of CMHC assistance as they would have had to rehabilitate the houses to its standard for existing houses, whereas the renewal administrators were asking them to bring the houses to the lower minimum housing standards of the City of Toronto. Not one application for a Section 6 loan was made in Alexandra Park. The owners also had available to them loans made by the City of Toronto, bearing an interest

rate of $6\frac{1}{2}$ percent with a repayment period of 10 years. Even the burdens presented by the below-market interest rate loan were too onerous for the majority of Alexandra Park residents. The City of Toronto made only 31 of these loans from 1968 to 1970 in the whole city, and they cannot precisely ascertain how many of these were made in Alexandra Park. Not many owners rehabilitated their houses, and the City did not even carry through its intention to rehabilitate the 42 houses, following CMHC's assessment of the properties as unrehabilitable.

Another impasse has confronted rehabilitation attempts in Don Vale. As in the case of Alexandra Park, the City had been trying to encourage private rehabilitation for quite some time when the federal government's 1970 innovative programme was announced. However, another impasse will likely be reached in the future. The City wanted the power to impose rent control on landlords who received grants for rehabilitation, but the provincial government refused to give it that power. The agreement now existing between CMHC and the City of Toronto was formulated under Sections 15 and 58 (home owners) of the Act. Interest rates are variable from zero percent for those whose incomes are less than \$3,000 to $7\frac{7}{8}$ percent (the market Section 58 rate) for those with incomes of \$7,000 and over. However, not many opportunities may be available for use of the programme as it is difficult to get even a minimal house in Toronto for less than the \$18,000 which is the authorization limit of Section 58 for existing housing. It should also be stressed that most of

the funds for the experiment will in effect go towards re-financing existing mortgages as the requirement to take a first mortgage still applies. The arrangement will almost certainly not reach the elderly, who will be unwilling to go into debt at all. It is also important to stress that by entering into the agreement, the City assumes the responsibility of acting as an agent on behalf of CMHC. The most important thing about the present agreement is that CMHC has been willing to forego at the outset its rehabilitation standards, thus acknowledging publicly that they are unworkable and that their being unworkable is more than just a matter of more rigid application by CMHC personnel, although this is probably also a factor.

Montreal is a case where municipal (and provincial now that a new agreement has been reached) aids for rehabilitation have been somewhat successful and a case where a good base for a larger scale rehabilitation thrust now exists. The municipal government has been cognizant from the beginning that the endeavour depends in great part on successful two-way communication between local residents and the City. The Housing Department has therefore established Ward Offices for each project area. A local bylaw in Montreal has allowed the City to grant subsidies of up to 25 percent of the value of rehabilitation work done for each dwelling. As of June, 1971, some 619 units had been rehabilitated at a cost of \$1,310,129 (slightly over \$2,000 per unit), and requiring subventions of \$327,532 from the City. An evaluation by the Urban Assistance

Task Force revealed that each dollar of subsidy produced nearly four dollars of other work, a multiplier effect which is much greater than that which results from government assistance to many industrial operations. (This effect would likely be much less if the proportion of the subsidy were increased). However successful the previous and present efforts have been in comparison to those in Toronto, it is still recognized that the 25 percent subsidy is not sufficient. There has been a problem with rising rents for tenants in rental properties. Rents in areas such as Petite Bourgoigne have increased on the average by 50 percent. Although the tenants of such properties receive a much higher level of services than they did previously, it is clear that rental increases of such magnitude -- even in a city where rents are quite low compared to other large urban centres -- cannot occur on a large scale without causing a great deal of hardship. Moreover, thus far only a beginning has been made in rehabilitating the some 40,000 units which the City estimates need to be rehabilitated (70,000 in the Zone Métropolitaine).

In recognition of the limitations attached to achievements thus far, a new tripartite agreement between CMHC, the Province of Quebec and the City of Montreal has been reached for the next twelve months. CMHC will pay 50 percent of the subsidies required, with the Province paying 25 percent and the City the remaining 25 percent. Under the new agreement a subsidy of up to 40 percent of the cost of renovation, up to one-fourth of the revised assessment of the building will be paid.

Higher subsidies will be available as well for demolition-reconstruction. The estimated cost of the subsidies for the next 12 months is \$2.5 million.

Probably the most significant rehabilitation endeavour to be conceived in Canada is that now being negotiated in the Strathcona area of Vancouver. Its significance lies in the example it provides of community cohesion, organization and action in the face of an outside threat in the form of the City of Vancouver's application to CMHC in 1968 for funding to "clear and develop" the area. Again, a tripartite agreement between the three levels of government has been reached, costs to be shared on the same basis as in the recent Montreal agreement. Subsidies are to be even deeper than in the case of Montreal, and for this reason the project deserves intense monitoring. As of June 11th, 1971, the Strathcona Committee had arrived at a formula which proposed a maximum grant of \$3,000 with no matching equity, to be available to owners with incomes up to the \$6,000 income level. Above this level it would drop by 25 percent per \$1,000 income increase. In the case of apartments, \$1,000 grant per unit was to be provided with no income limitation. A rental moratorium of five years was established. No changes in legislation are needed, as the project is to be enabled by an enlargement in the interpretation of Section 24 of the NHA to allow individuals to receive grants. A further item worth stressing in connection with Strathcona is that no administrator with a set of criteria in front

of him for area selection would probably have designated Strathcona for rehabilitation. The area is obviously in the path of higher density development. Yet, the residents were adamant, and have shown good faith, even to the extent of requesting the City to re-zone the area to a lower density.

From the above, several conclusions can be drawn. General concurrence with these conclusions is also available from Dr. M. Lipman's evaluation of his success, or lack of it, in reaching agreement with community groups across Canada who are interested in rehabilitation and community development. The first and most important conclusion is that some sort of subvention is required. The recent Montreal and Vancouver agreements are evidence that greater subsidies are likely to elicit greater response from poor households and to allow low-income families to undertake rehabilitation without incurring hardship. Dr. Lipman's efforts have generally been frustrated by his inability to offer subsidies under the present terms of the Act. We know that subsidies are a necessary component of any rehabilitation thrust, although more experimentation undoubtedly needs to occur to determine more precisely what levels will elicit different types of response and what levels and types are more appropriate for differing circumstances. Second, it is not necessary for the rehabilitation assistance to be connected to first mortgages, and in the end this can only frustrate any genuine endeavours. Further, any thrust will be more successful if it is geared to the speed with which most people undertake

renovation of their homes, whether or not assistance is available. Renovation takes place over a number of years.

Our existing knowledge based on statistics regarding the need for rehabilitation, the need for orientation of any rehabilitation to the needs and capabilities of potential beneficiaries and our limited experience, as well as the rationale expressed above, forms the basis for the programme suggestions which follow. One should also refer to Appendices A and B.

3.0 POLICY ORIENTATION

3.1 NEAR, MID & LONG TERM CONSIDERATIONS

The lack of investment in the maintenance of older housing has contributed to the current housing problem. Inadequate maintenance is caused primarily by the lack of ability to pay for such on the part of residents. The situation, in part, also results because of the initial building deficiencies, as modern building codes did not exist when much of the housing was built. As the problem of inadequate housing in the existing stock is primarily one of a long period of insufficient maintenance or of low initial quality, the programme envisaged will be oriented towards the housing stock. It is a supply-oriented programme. But it is oriented towards upgrading the quality of the existing stock without necessarily dislocating the present occupants. Financial incentives, then, must be designed to reach the needs of low-income occupants. The programme will not necessarily improve the demand position of these households, but it will upgrade the quality of stock they are able to command, to the extent that quality improvements take place without rent increases or without requiring increased debt. Higher (relative) incomes and/or shelter or rental supplements will be ultimately necessary to place households in a better demand position. A residential rehabilitation programme, then, will result in a certain amount of improvement in the quality of the existing stock. As an interim measure, it will improve the quality of housing available to

low-income households without requiring subsidies as deep as, say, that required by public housing. It will reach to many locales unable to take advantage of the subsidies which the public housing programme offers. If, say, the average subsidy required under the programme is \$2,000, or if capitalized for a period of 8 years, \$20 per month, that is one-fifth the \$100 per month which public housing is now costing in subsidies.

To be effective the rehabilitation thrust will be initiated now so that within a decade considerable progress in rehabilitating the older housing stock will have been completed. A sustained programme of residential rehabilitation is seen as a near- and mid-term activity. It will begin slowly in the near term, as there will be a need to provide lead time for the development and placement of the necessary resources of manpower and materials in local governments and in industry. Considerable present capability does exist, as does demand. Major metropolitan areas such as Montreal and Toronto already have many of the local administrative resources necessary for the task. Vancouver is now acquiring these as well. It would seem, therefore, that a major nation-wide residential rehabilitation programme is likely to begin slowly, possibly reaching a program implementation peak in two to three years time and phasing out towards beginning of the 1980's.

Long term policy will have to look to increasing the demand capability of low-income households, say, along the

lines envisaged in the report of the Low Income Housing Study Group (Dennis Task Force).

In the near term, the Corporation will likely enable those many urban community groups interested in rehabilitation, but heretofore unable to take action because of the unavailability of subventions, to undertake projects. It will also take initial steps towards a rehabilitation thrust in rural areas, in small towns, and for native peoples beginning most likely in the Atlantic region where need is greatest and in Quebec, where the provincial government is most anxious to make initiatives. This may occupy the next two years or so. In the mid-term, say, over 10 years, a more comprehensive programme will be launched. New legislative amendments will be necessary to enable any rehabilitation programme at all. Whether further amendments are advisable for the mid-term endeavour can be more precisely determined at that time.

3.2 POLICY RELATED TO COMPETENCE

Having established that residential rehabilitation aids should be universally available and having recognized the urgency of the need to prepare and implement programmes facilitating rehabilitation, further consideration must be given to the known lack of knowledge about the physical, socio-economic and, especially, administrative dimensions of the problem.

There are three principal "actors" to be considered: governments; public; and industry and business.

At the federal (CMHC) level, a body of experience is

starting to build in relation to innovative administrative, organizational and funding techniques through the vehicle of the 1970 and 1971 Special Programs. In the field of technology, consideration is now being given to research into surface mounted replacements for electrical wiring. In the main, however, applied research into rehabilitation technology has been handicapped by the limited volume of work in this field.

There is a need to undertake substantial analysis of structural and socio-economic data to provide indices of the nature and extent of the problem. At the other levels of government, there is a need to establish or augment administrative and technical skills to undertake the necessary surveys and inspections, develop standards, operate programs and provide residents guidance and 'self-help' training. The main responsibility is likely to rest with municipal governments.

The public affected by rehabilitation is comprised of owner-occupiers, tenants and landlords. Albert Rose, in his Toronto rehabilitation area case studies, gives evidence of an expression of initiative on the part of home owners despite financial handicaps. He indicates that many home owners carry out improvements on an incremental basis. They establish their own priorities and pay for the improvements out of income. For many, this is preferable to incurring loan debts for complete, one-time home improvement. In the case of landlords, even the most well-meaning are deterred from making improvements by the knowledge that the tenant probably cannot absorb a higher rent.

A further major constraint on the public is the fear (correctly or wrongly assumed) that property improvements will result in increased property taxes. Some more enlightened municipalities as a matter of policy do not increase property taxes following genuine "maintenance" measures - as compared to "improvements" and additions. The Province of Ontario has now suspended any such increases for a period of three years. Furthermore, in a few municipalities, such as Hamilton, pamphlets are available to the public which outline the measures which may be undertaken without tax increase. Evening extension courses in basic construction skills are a response to the "do it yourself ethic". Local governments and community organizations should provide extension courses, information and instructive publications.

In respect to the building industry, H.U.D.A.C. has recently initiated studies into the question of residential rehabilitation. H.U.D.A.C. admits to both little experience and little interest in the field. They attribute a number of factors to their lack of interest which in summary include:-

1. absence of sustained programme;
2. counter attractions of new development;
3. unpredictabilities in the nature of rehabilitation;
4. present organization of trade makes "rehab team" difficult;
5. no opportunities for economies of scale;

6. difficulties with residents in relation to entry and timing of work;
7. limited costing experience.

Although skilled labour - e.g. electricians and plumbers - is usually available for improvement work, the time/cost factor is disproportionately high. A major rehabilitation thrust may require the training of more generalist tradesmen and may generate employment for the traditional "small buider" who has found it difficult to compete with the large builder. (The H.U.D.A.C. report on rehabilitation is attached as Appendic "C").

Manufacturing industries which produce replacement components need to promote research and development initiative. Utility companies, such as hydro, gas and telephone companies, should be engaged to service rehabilitation projects at a reduced charge, commensurate with the cheaper cost of high density installation.

More trained personnel are needed to develop and apply local standards and to generate and respond to citizen initiatives by providing technical assistance and guidance. Industry, as well, must be educated to the need of the client group.

There are several options available with respect to the government's position on the relationship between the rehabilitation thrust which is recommended and the development of competence in the administration of the program and the

rehabilitation industry. First, we may postpone any substantive aid programmes pending the implementation of universal programmes to close the several competence gaps which exist with or without federal financial aid. Second, we might ignore the competence gaps and introduce full scale substantive aid programmes and allow competence gaps to be filled as the programme develops. Third, we might introduce on a universal basis both competence aids and substantive programme aids with the latter subject to evidence of competence. Adoption of this option would mean integration of the rehabilitation thrust with community assistance. In that the government have already integrated 1972 appropriations for rehabilitation and community assistance, a preference for an option resembling the third seems already to have been taken, although this would be preferable in any event. The first option, while it would allow lead time and would be sympathetic to present budget constraints, would not respond to expectations which already exist and the need which is being demonstrated above. In addition, experience in both the U.K. and U.S.A. suggests that the necessary skills and organisation will materialise as the programme progresses, provided these are monitored. It was just this approach which led to the building-up of the construction industry generally following the adoption of the N.H.A. in 1944. The second option seems undesirable as well. Neglecting the competence gaps which exist would endanger the success of the thrust and the credibility of the government

as well. On the other hand, option 3 would constitute a positive response to those other governments, such as the Province of Quebec, the City of Montreal and the City of Vancouver, who have already taken considerable initiative. A staged closing of competence gaps will establish a controlled momentum to the costly substantive aid programme and thus fit in with our desire to limit the programme expense initially. Such a staging would complement the government's policy with respect to urban assistance and could, indeed, even constitute a lever for implementing the government's urban assistance policy.

To aid the development of this competence, it may be necessary to intervene in a more direct way. It may be necessary to aid the organization of a "rehabilitation industry" using CMHC's power to engage in direct building on a demonstration basis.

4.0 POLICY OPTIONS AND SUBSTANTIVE PROGRAMMES

Consideration of policy related to the substantive rehabilitation aid programmes has been divided into component parts:

- a) Geographic distribution
- b) Physical controls
- c) Subsidies
- d) Delivery Systems

These are treated sequentially below.

4.1 GEOGRAPHIC DISTRIBUTION

The issues with respect to the geographic distribution of the proposed rehabilitation thrust are whether the programme should be available in both rural and urban location and whether it should overtly favour one region over another? The answer to the second sort of query, as with all N.H.A. programmes is negative, although there is no doubt that the thrust, if it is directed towards need, will benefit disproportionately the poorer provinces, and thus serve as a counter-disparity measure. As seen above, this should make the programme a more desirable one in which to engage.

Whether the programme should cover both rural and urban locations on a universal basis, is more difficult to determine. This raises the question of decision criteria for the disposition of limited resources. The government have by now rejected the notion that it can ignore the existing housing stock, concentrating its efforts on new additions and/or

redevelopment. But it probably cannot afford to adopt the notion that every inadequate dwelling in the country deserves rehabilitation assistance, and it certainly must set priorities from year to year for its limited resources. Then, if the options available for the geographic distribution of a rehabilitation thrust consist of: 1) pilot/demonstration; 2) universal distribution; or 3) universal/priority, it would seem that the third is preferable. Choice of the first has been rejected as it poses an image which resembles the inaction of the past. The second option implies that there will be no decision criteria at all. The third option is the only one which could be mounted while still limiting the initial cost and scope of the programme. At the same time, progress and acceptance of the programme should be monitored. It is assumed that delayed assistance to many residents in extreme need and in cases where local confidence to do rehabilitation work is not available would be temporary. CMHC and the government would mount an intensive programme to overcome problems of local lack of confidence to undertake a rehabilitation programme wherever such lack existed in the country. Needless to say, this option could more easily be integrated into the actions and programmes of other government departments, such as the Department of Manpower and Immigration.

What decision criteria will be used? This query is of a different order than one which concentrates on what individuals get what level of assistance. The latter is a relatively easy question to address, it being largely a matter

of cost control and attempting to deliver the level of subsidy which will be just adequate for the job at hand. Part of the difficulty of addressing the question of decision criteria lies in the further dilemma of who is to apply the criteria. As was said above, Strathcona in Vancouver would likely not have been selected on the basis of any rational criteria. In 1969 when the government suggested that rural housing rehabilitation assistance be available only in areas included in FRED agreements, there was objection from even the Atlantic region premiers in whose provinces most of the FRED areas were located. Objection from other premiers was greater. No precise criteria can be suggested here, for these must ultimately be negotiated with other federal government departments and with the municipalities and the provinces, as well as the individuals concerned.

For rural areas the criteria are simpler as rehabilitation will not necessarily take place in an area context, although the need for collaboration with the Department of Regional and Economic Expansion is paramount. The criteria need not be universal, but will relate to the extent of rehabilitation ultimately intended. That the criteria should not be rigid can be seen in the justification for programmes such as that of Winter Warmth for native peoples. Here, there is no criteria except need. Likewise, the criteria for justifying assistance to install a bathroom where none exists or to install at least as adequate (in terms of ventilation, efficiency and capability) space heating system can be seen as being quite lenient. They would likely relate to expected future occupancy,

the term "occupancy" being carefully chosen to apply to the many rural situations where future abandonment can be expected. Five years of future occupancy might be sufficient justification. For more extended improvements, and certainly where a loan may be involved, a greater occupancy period -- say, 15 years -- may be required as sufficient justification. In addition, negotiation with D.R.E.E. and with the provinces involved may establish further priority or a greater level of assistance in special zones designated for the receipt of these.

The problem of criteria in urban areas is more complicated, although tying assistance, at least initially, to urban assistance simplifies the problem. By definition, community assistance areas will be designated only as a result of local resident initiation with municipal concurrence. Sufficient criteria might here be present if the municipality is willing to undertake infrastructure improvements, re-zoning and so forth, to ensure that the life of an area and of the dwellings in it will be prolonged. Eventually, and in the mid-range, the programme is perceived as being available outside of community assistance areas. It is suggested that expected future life again be the ultimate criteria, and that more detailed criteria and regulations be oriented towards this. The problem is not insurmountable in the near-term as a large backlog of community applications already sits on Dr. Lipman's desk.

4.2 PHYSICAL CONTROLS AND STANDARDS

The problem imposed by the necessity to exercise control over the standards to which houses will be rehabilitated is simple. The solution is to reach a compromise between the need to determine absolute housing standards for residential rehabilitation which will assure the health and safety of all Canadians and a need to reflect municipally-based responses to urban change, as well as resident initiatives, choices and aspirations. It is incumbent upon CMHC to ascertain that housing which is dangerous to the health and safety of its residents is removed from the market. On the other hand, it is nearly an axiom of the Canadian governmental milieu that municipal governments respond to local citizen initiatives. Moreover, such standards fall within the provincial jurisdiction. At the same time, and as was cited above, local residents in various studies conducted across the country seem to prefer to undertake rehabilitation on a piece-meal basis.

We must out of hand reject federal government control over the standards which housing will meet throughout the country. Such would not offer choice to local residents or respond to initiatives of residents and/or owners, would contradict participatory objectives of the community assistance and rural assistance programmes, would require high subsidy and, moreover, could not be made applicable to the varying environments of Canada. It is felt that for both political and technical reasons CMHC must maintain a low profile with respect to housing standards.

However, we cannot allow conditions which threaten the immediate health and safety of inhabitants to be maintained. Therefore, it is suggested that CMHC adopt some sort of minimum standards in connection with a rehabilitation programme which would apply only to immediate health and safety. Standards relating to fire hazards would be paramount among these. Such a profile will go further in ensuring the economic viability of residential rehabilitation throughout the country, will facilitate economies of scale in relation to the mandatory nature of standards, will appeal to the construction industry and most importantly, will appeal to the variety of local government initiatives that have already been taken and which these local governments think they have the competence to administer.

Maintenance and occupancy standards developed by local governments will facilitate the opportunity to respond to local life styles, leave the initiative and responsibility with the level of government best suited to apply the standards and would relate to the competence preferred option for assistance under community assistance and rural assistance programmes for the building up of local staff resources.

4.3 FUNDING MECHANISMS

The necessity of some form of subsidy has already been established. It was demonstrated above that response to any programme or thrust in the area of rehabilitation which did not also include a subsidy component would likely be very

minimal. Several different mechanisms have already been experimented within the country. In Toronto, loans with less than market interest rates ranging from 0% for those families whose incomes are less than \$3,000 to 7 7/8% for those families whose incomes are \$7,000 will be used in the future on a demonstration basis. In Montreal the new agreement reached between the three levels of government establishes a grant equivalent to 40% of the necessary work. In Vancouver, residents will receive a flat cash grant, although this cannot exceed the amount of work done. We have indicated that considerable additional experience is required but the variety of experience is sufficient to give some direction to initial priorities with regard to funding mechanisms.

Application of the Toronto experiment across the country would seem to be undesirable. It assumes that local residents can in all cases afford to repay at least the capital necessary to undertake rehabilitation work. Such an assumption seems presumptuous for people both in Toronto and elsewhere in the country, quite obviously do not have this kind of resources available to them. C.A.P. recipients cannot afford higher rents, for instance, and the elderly do not have the assets, generally, to assume greater debt, even to repay capital at no interest. It would also seem undesirable to apply the principles of either the Montreal or Vancouver experiments on a national basis. The Montreal principle is inadequate in that it assumes a transfer of ownership of the

properties involved. In this case properties are to be acquired by private individuals and/or non-profit corporations and rehabilitated to standards which satisfy the terms of the Montreal Minimum Housing Occupancy By-Law in one season. To require such would again limit the usability of the programme, and in cases of extreme need 40 percent is an inadequate subsidy. The Vancouver principle would seem unwise in that it would be prohibitively costly and uncontrollable. The grants would not be related to any federal priorities regarding the standards which should be reached by all housing in the country. Indeed, it can be seen that the opportunity is available in connection with the funding mechanism to have a national standard of housing quality without actually dictating a standard to local and provincial governments. Indeed this is the rationale for any federal involvement in housing. For all the above reasons we think that the government has available to it the following options:

- 1) Full Grants to all Home Owners, Non-Profit Organizations and Community Development Groups and Organizations to cover costs relating to all rehabilitation measures which fulfill local minimum standards.
- 2) Universal Loans at market rates of interest for a fixed term related to the future life of the property. Such loans would have an annually adjusted forgiveness feature subject to a means test for all or part of the capital repayment and/or for all or part of the annual interest pay-

ments, related to local minimum standards.

- 3) Selective Income-Geared Grants to all home owners, non-profit organizations and community development groups and organizations to cover the cost up to local critical minimum standards. There would be an income-geared preferred loan for the balance of rehabilitation work done.
- 4) Limited Grants to all Home Owners and non-Profit Organizations for repairs and/or deficiencies related to critical minimum standards, established by the Central Mortgage and Housing Corporation. The remainder of work done would be financed by income-geared grants and/or subsidized loans for the balance in meeting local minimum standards in categories pre-specified by CMHC.
- 5) Selective income-geared grants to all home-owners, non-profit organizations and community development corporations and organizations on the basis of a fixed sum or cost of improvements according to local minimum standards.

All of these options could be adapted to any given subsidy level. Therefore, the considerations which will govern the final option choice are those which relate to such items as ease of administration, preferences of individuals (client groups), especially individuals of limited means, for the ways in which individuals choose to interact with their governments and the paramount consideration, at least for the near-term, control over costs.

It is because there would be no cost control that

the first option - full grants - is rejected. The second option - universal market rates for a fixed term related to the future life of the property and annually-adjusted forgiveness features subject to a means test - is rejected because of its administrative complexity and the need for ongoing involvement with respect to each case undertaken, although this option does have the advantage of not having in it any hidden subsidies related to the cost of money. Options 3, 4 or 5 would meet most of the requirements for a subsidy mechanism. The advantages of any of these related options are several, although option 3 has the disadvantage of placing the cost largely outside the control of the federal government. It would be more amenable to the needs and desires of rural households. Administration would be simplified, as the need for a means test would in most cases be obviated, and certainly the need for continued involvement with each case over several years would be avoided. Less interference in personal affairs would also be welcomed by most clients, and, indeed, this feature may likely increase the receptivity of the programme. Further, a programme which makes funds available on a more liberal basis for some items than it does for others will add the element of federal control in a way which will be more amenable to provincial and local autonomy with respect to desirable standards.

This mechanism would work very simply. To ensure that rehabilitation grants are utilized only for rehabilitation which

is the result of many years of neglect and which is towards projects which have a high federal priority, it is proposed that rehabilitation works be divided into two classes, class A being the kind of work required to provide certain basic minimum standards to fulfill the twenty year standing federal promise of decent, safe and sanitary housing for every Canadian, and class B being work aimed at making a house more convenient or livable and at meeting standards of local housing occupancy by-laws. Work in each of the two classes would be financed differently. The two classes could be designated as follows:

Class A

1. Repair and preservation of the house -
 - roof
 - foundations
 - exterior walls
 - weather doors and windows (not storm windows
except in special cases)
 - chimney
 - safe staircases
 - properly drained lots
 - plastering and repairing serious defects in the
interior walls
2. Installation of Plumbing - hot and cold water, bath or shower, toilet, wash basin sink.
3. Installation of heating system sufficient to heat the habitable rooms, 70 degrees, excluding the bedrooms which would be heated to 65 degrees - installation of insulation.
4. Installation of electric wiring sufficiently heavy to provide safely for the usual appliances. It is recognized with respect to this last item that assurances

would have to be built in to the standards in such a way that middle income people who are quite able to pay for re-wiring their own homes would not receive the grants and/or loans merely to improve the wiring in their homes.

Class B

1. Improvement, extension and maintenance of the plumbing system.
2. Improvement, extension and maintenance of the heating system.
3. Improvement, extension and maintenance of the electrical system.
4. Improving the exterior -
 - painting the house
 - painting the trim
 - re-pointing the brick work
 - repairing verandahs, steps and so forth
5. Improving the interior -
 - painting, plastering, repair, changing the layout of the house - adding or taking out walls and so forth, adding cupboards, counters, closets, storage space.

For work in class A, a recipient would receive a grant which would constitute his designated proportion at a predetermined cost of installation. This cost would be determined at the outset of the programme, would include both labour and the cost of materials and supplies and would be revised upward or downward as experience with the programme indicated. Predetermination of cost for some items in class A would be diffi-

cult, but to the extent that all items can be predetermined, the administration of the programme will be simplified. Indeed, this is what makes such a system attractive. It is suggested, and this is arbitrary, that the grant constitute, say, 95 percent of the estimated cost.

As has already been suggested, an additional requirement of receipt of a grant would be that the dwelling be expected to be inhabited for say, at least an additional 5 years. The maximum grant for all items might be set at, say, \$2,000. To ensure against windfall profits the grant would be recoverable after sale up to 5 years, and it would be earned progressively over this time span. To ensure that these basic grants went only to those in need, a maximum income qualification could easily be set near the poverty level: say, \$4,000 for a family of 4 and \$1,500 for individuals.

The work included in class B is intended to cover changes in a house which fulfill a family's housing needs or increase their comfort and convenience and make the house more livable. It is also intended to cover proper maintenance work. It is not intended to cover matters of redecoration and personal taste; in other words, the work should improve the house. A loan with a 100% forgiveness feature or a grant, and as was indicated above, is largely a matter of preference, but should be based on administrative convenience for the recipient, and should be made available throughout Canada. The requirement regarding future occupancy of the dwelling would have to be more strict. It is suggested that grants be available for work in class B up to \$2,000; that such grants be based on need, ranging from, say, 100 percent at \$4,000 down to zero percent at \$8,000. Non-forgiveable loans up to an additional \$3,000 would be available as well. As the most basic needs will have been met by the mandatory grants in class A and by these grants, the loans could then be lent at, say, just above the Corporation borrowing rate. They would be recoverable in total. The alternative is to have the option of a loan whose interest is subsidized for work in class B, but this would not meet the needs of the elderly, for instance, who cannot afford to even repay the capital.

The foregoing will serve the interests of owner occupants, (including owner-occupants of buildings with up to 6 units) non-profit organizations, co-operatives and community development organizations and corporations. Anywhere from 50 to 60 percent of the needed rehabilitation in urban areas is in rental properties. To a great extent, a programme such as that proposed will enable non-profit, co-operative and community developments, i.e. the public, to replace the entrepreneurial landlord, but he will remain. It is necessary for the programme to reach the tenants of these properties, but here a dilemma is posed by Peter Barnards' report to the Urban Ministry. The dilemma is simply that if a landlord puts money into his property, he expects a return. This, of course, leads to rising rents, certainly not in the interests, or within the means, of most low income tenants. Therefore, the above programme will have to be modified in order that tenant-occupied properties benefit. It is at this point that the programme will have to be closely tied to other government activities. In cases where the entrepreneurial landlord-tenant relationship continues to obtain, it is suggested that landlords be eligible to receive grants on the same basis as homeowners above, where the landlord agrees to some form of rental regulation for, say, a period of ten years. Such might not be an absolute rental freeze. Limited rental increase may be necessary to enable better maintenance. To further entice landlords into the agreement, repayment of capital on any additional rehabilitation loan might be deferred until the end

of the rental agreement period. Whether this last step is ultimately taken will depend on the climate at the time this section is implemented and on the alternative desire to terminate the ownership of an entrepreneurial landlord in favour of a non-entrepreneurial arrangement. Another variable with which additional experimentation might take place is the way different categories of landlords react. In fact, it is suggested that, at least initially, the programme be limited to landlords who live in the building or community in question. In many cases, and this is to be endorsed, rental properties will be acquired by non-profit organizations, co-operatives and so forth. It will be asked what will impel a landlord to sell his property? Existing tax legislation now before Parliament constitutes part of the answer to this question. This legislation will make it less desirable to hold on to rental properties for tax purposes. Another part of the answer revolves about enforcement of minimum housing occupancy by-laws. Some landlords, rather than endure the problem of having to improve their property up to standard, (and this is so especially in urban areas), will sell. When a property is turned over to a tenant under the Assisted Home Ownership programme or after it is turned over to a non-profit organization, the community development corporation or co-operative will receive the same treatment as proposed above for owner occupancy. In this way it is proposed to deal effectively with the problems encountered in rehabilitating renter-occupied properties. An additional feature adding to the attractiveness

of the rehabilitation thrust, especially that part of it which deals with rental properties, is the damper which it may place on rents.

4.4 DELIVERY SYSTEMS

The objective is to provide a delivery system for residential rehabilitation assistance which will minimize procedural complexities, permit individual government initiatives and be most receptive to the recipient. It is the last interest which should be paramount. Several elements need be considered:

Intergovernmental subsidy cost-sharing;
subsidy delivery mechanism, and responsibility for
physical controls and related administration.

There are two alternatives available for financing the subsidy. On the one hand, the federal government can enter into a cost-sharing agreement with the provinces. On the other, exclusive federal funding can be used. A partnership proposal is not favoured for the following reasons:

1. It could cause inequities resulting from the inability or, unwillingness, of other governments to agree to a uniform subsidy, or inequities resulting from the need for the federal government to make different unit amounts of subsidy available.
2. Conflict of priorities between provincial governments and the federal government.
3. Inability of some provincial, and municipal governments to share the cost. The rehabilitation programme

cannot reach its counter-disparity objectives unless different financial capabilities are at least taken into account in negotiating the formula.

Although the cost-sharing arrangement is not favoured, it is recognized that a cost-sharing agreement now governs both the Montreal and Vancouver experiments; that the grants for rehabilitation under the Canada Assistance Plan are on a cost-sharing basis since the amendments were made to the N.H.A. in 1949. Indeed, many provinces require a municipal contribution for this reason as well. On the other hand, this feature was added in 1949 to limit access to subsidies. That is not the objective at present. We wish to assure that the programme will be utilized. It is for this reason that we recommend that the basic subsidies be a 100 percent federal contribution.

An additional rationale for this position is that we expect local and provincial governments to take actions which will complement the rehabilitation thrust. In fact, the programme cannot achieve its objectives unless these complementary endeavours are undertaken -- indeed, it should not. Such include not increasing assessments for improvements under the programme (the elderly will not utilize it otherwise), upgrading the quality of community services, adopting and administering minimum housing by-laws and administering the programme.

4.5 SUBSIDY DELIVERY

Although it is proposed that the financing of the needed subsidies and, of course, any loans made, be an exclusive federal responsibility, it is not necessary, and probably not even desirable, that the delivery of the subsidy and of the programme be so exclusive. It is proposed that the federal government maintain flexibility with respect to the delivery of the programme. Some provinces, and Quebec comes to mind first, will prefer the delivery of bulk annual grants. This has the relative simplicity of administration for the federal government and would relieve the federal government of subsequent administrative costs of delivery to the ultimate recipients, a cost which in some cases would be a duplication of provincial efforts. On the other hand, the federal government could not require or expect that all provincial governments would develop the ultimate delivery mechanisms, or that the delivery mechanisms would be developed in each province uniformly, the mechanisms will be well developed in the southern portions and in the urban portions, but perhaps not quite as well in the rural portions or the northern portions of these provinces. It is for this reason that the federal government must leave itself open to a variety of delivery mechanisms.

In some cases the programme can be administered by municipal governments, such as, and notably, Toronto and Vancouver. In other cases, the most effective delivery system might be CMHC itself, which has numerous branch offices across the country. By maintaining an open position the charge that CMHC is encroaching on a provincial constitutional prerogative cannot be made.

The options regarding the mediators between the primary source of rehabilitation funds and the individual will be left open. One rationale for this -- (that elaborated above), is the technical: the relative capabilities of different governments. But another, and perhaps ultimately the most compelling, reason for maintaining a flexible position with regard to administration, is the necessity to negotiate in such a way that the federal government is assured that other activities at the provincial and municipal level do not conflict, indeed, that they support the objectives of the rehabilitation thrust. It takes no great amount of imagination to realize that without support by local governments, a rehabilitation effort might not have the desired effect. This danger is especially present in those urban areas subject to rapid change and high growth pressures. It is also in part for this reason that the programme should initially be one which exhibits caution. To assure continued success, it should initially be implemented in those areas where other governments will complement the programme with supportive endeavours. Of course, these efforts should monitored.

4.6 ADMINISTRATION

As was set out above, it is recommended that local governments have primary responsibility for developing and enforcing local minimum housing occupancy by-laws. It is recognized that CMHC will have to make available community assistance and assistance in rural areas for developing the necessary by-laws and enforcement capability. As was also set out above, the federal government has a responsibility

for enforcing a critical minimum standard of health and safety. CMHC will become effective in enforcing such a minimum through the funding mechanism.

4.7 SUMMARY

The set of preferred options elaborated herein would see a staged programme launched. At first, the programme would be limited, although it would be larger than apparently reflected in the government's current estimates for the 1972 fiscal year. Hopefully, within a couple of years the programme would move towards a thrust sufficient to contribute to furthering the life of a significant proportion of Canada's housing stock.

The programme would be an universal one, although by virtue of setting priorities on a needs basis and orienting itself towards basic differences it would have its biggest impact in rural areas and small towns and in the poorest provinces. At first the government would set strict priorities. Control of housing standards would, as a matter of principle, rest with the provinces and the municipalities, although certain minimum standards critical to health and safety would be necessary on a national basis. Federal priorities and standards would be reflected in the financing of the programme and its orientation at least initially, towards more basic deficiencies. This is seen in the preferred funding mechanisms. Grants for basic deficiencies and critical repairs would be available on a universal basis. Financing of other components of the rehabilitation effort would be geared to income and, in most situations, would require at least some individual equity

commitment. The source of funds would be the federal government, though rehabilitation would be merely one element of the federal government's entire urban and hinterland assistance packages requiring provincial co-operation. Delivery of the programme would be through a variety of mechanisms. This, then, is the preferred scenario.

5.0 LEGISLATIVE IMPLICATIONS

5.1 The NHA as It Exists and Residential Rehabilitation

The following briefly elaborates the ways in which residential rehabilitation is now possible under the NHA. As will be seen, and as has been apparent to most observers for quite some time, there is no provision in the Act which is designed to facilitate the upgrading or rehabilitation of inadequate housing inhabited by low income persons.

Part 1 of the NHA applies to insured mortgage loans. Under Section 6 a loan made by an approved lender may be insured by CMHC if the loan is to be made for the purpose of assisting in the purchase or improvement of an existing house or for the alteration of an existing residential structure to add one or more family units thereto. Such loans may apply to both owner-occupied and rental properties, but it is important to stress that they must be secured by a first mortgage. This Section of the Act is little used. Either the requirement that the loan must be secured by a first mortgage inhibits its usefulness, as so many properties are already mortgaged, or the fact that anyone who can afford the rates of interest charged commercially is automatically assumed to be a good enough risk that a mortgage guarantee does not have to be requested. "Red circling" of many older neighbourhoods with or without the collusion of CMHC is not to be completely excluded as a factor. Under Section 58, CMHC is committed as a residual lender in cases where qualified private individuals cannot obtain loans from private lenders.

Part IV, Section 28 permits CMHC to guarantee home improvement and home extension loans made by approved lenders at regular bank interest rates for a term up to 10 years. A building for which a loan is made need not conform to CMHC's standards for existing structures. Unlike loans made under Section 58, the Corporation is not committed as a residual lender. Section 28 has not been utilized extensively, especially of late. In 1961, 33,000 units were improved, at a cost of \$42 million. The numbers started to decline in 1964, and the drop became acute in 1968 when 8,000 loans were made. The sudden decline in borrowing seems to correspond with the upward climb of interest rates, perhaps discouraging small borrowers. Other borrowers can obtain loans without the need for a guarantee, or they can obtain personal loans on just as good, or better, terms.

In addition to the above, CMHC may assist in the financing of rehabilitation of existing housing for low income persons under Sections 15, 40 and 43. Again, first mortgages are required, and the projects may be only rental ones, although in the case of Section 40, homes may later be sold. One may summarize the NHA as it applies to individuals and rehabilitation by saying that there is little provision for, or encouragement of, renovation or rehabilitation; critically, no facilities are available for financing rehabilitation at less than commercial interest rates without taking a first mortgage, thus limiting considerably the ability to undertake residential rehabilitation in Canada.

5.2 The NHA and Rehabilitation under the Urban Renewal Programme

Although the Act contains little provision for it, the need for rehabilitation has long been recognized. Amend-

ments in 1964 to Section 22 and 23 of the NHA gave emphasis to the social and economic advantages of rehabilitation and conservation, as opposed to the previous exclusive strategy of clearance and redevelopment. Despite this widening of the scope of federal urban renewal aid, and as will be seen below in the project summaries, municipalities have been influenced by a prevailing myth, (servicing, at least covertly, the interests of the real estate lobby), that urban land must be utilized for its "highest" use, and with an eye to the opportunity to raise the urban tax base, and have tended to give priority to those strategic areas in or adjacent to the central urban cores. Such areas were visualized as containing little housing amenable to rehabilitation. That which was suited to rehabilitation, by the standards elaborated herein, was also demolished in the interest of higher and better land uses or improved transport routes.

In those few urban renewal areas of a relatively stable character, and where public rehabilitation of services and facilities was implemented to promote the confidence of the residents, there was still disappointingly little success in improving the housing stock by way of rehabilitation. In the great majority of cases this lack of residential rehabilitation response was not attributable to resident lack of interest. The main deterrent, was the inability of these residents to cope with the added financial burden of rehabilitation to the standards required by renewal authorities. This is because the substandard component of the housing stock tends

to be inhabited by the poor, and as was pointed out above, there are no aids available with less than commercial interest rates which do not also require the attachment of a first mortgage to the property being rehabilitated. In many cases any additional financial burden would not be bearable. Urban renewal surveys financed by the federal government for cities of 100,000 and greater, indicated that 6,500 dwellings in these areas were rehabilitable, but thus far not more than 200 have been rehabilitated as a result of public endeavours.

CMHC might have allowed greater access to aids available for rehabilitation under Section 24, in which it may contribute 50 percent of the cost of acquiring, clearing or improving land or buildings in an urban renewal area. This section has been interpreted as excluding grants to private individuals and organizations, but a looser interpretation does not necessitate this. Indeed, the interpretation of this Section is apparently being stretched to allow rehabilitation grants to private individuals in the City of Vancouver. However, it is doubtful that the Corporation would long be permitted more than token use of this Section for this purpose without having to make its intentions clearer. In any event, it would seem that unless the government wants to confine any future rehabilitation thrust entirely to urban renewal areas, or to areas proposed for special community assistance aids, however these may be defined, additional authority will be needed.

5.3 Legislative Proposals

There are three major objectives to be met by the

legislation for rehabilitation assistance under the National Housing Act:

- (1) to provide scope for increased rehabilitation activity on a continuing but cost-controlled basis;
- (2) to permit differing subsidy levels and incentive mechanisms to be tested for use in further legislative development;
- (3) to offer a reasonably balanced range of approaches so that subsidy levels available to the low-income user are comparable among programs, and so that different programs take complementary avenues.

The method used in developing the legislation is one which works from the existing provisions of the Act toward new provisions. The potential for the amendment of each existing section is thus explored first. Then proposals for a new part or new sections are broached.

5.4 Modification of Urban Renewal

If the type of community assistance program being proposed by the Urban Assistance Team is written into legislation, some modification of the existing urban renewal legislation will be an essential complement to this. The following factors need to be considered:

* the Corporation and the Minister would be in an essentially contradictory situation if in one part of a city, massive clearance under an urban renewal scheme were proceeding simultaneously with rehabilitation-oriented community assistance in an adjoining but very similar area;

* if rehabilitation assistance were provided, without checking the possibilities for using urban renewal funds for

this purpose, the municipalities which had formulated rehabilitation-oriented schemes would be placed at a disadvantage compared with those emphasizing clearance and hard services. That is, the latter would be able to get additional funds while the former would either get no funds or less funds;

* for at least the first two years of operation of the new community assistance program, urban renewal will continue to be a comparable programme in budgetary terms. In any case, more urban renewal is being done annually following the "shut down" of the programme than was ever done prior to this point.

The Urban Assistance report asks that Sections 22 to 27 be repealed, urban renewal must continue to be regarded as a part of "urban assistance" until its final commitments have been made. In order to build a rehabilitation component into this programme, some renegotiation of schemes will be necessary. Therefore, it is recommended that the Minister ask Cabinet to permit a general interpretation of Section 24 which would allow homeowner grants to be made within existing fund allocations and in approved projects. Rehabilitation assistance from other sources under the NHA would thus only be available after the potential of existing scheme funds had been explored with the provinces and municipalities.

5.5 Home Improvement Loans

The present Home Improvement Loans are basically an insured personal loan proposition conducted through the banks. In order to cover the moderate income homeowner, it would be

feasible to add a section to Part IV to make the following changes:

- (1) to make the Corporation itself an "approved installment credit agency" for purposes of Home Improvement Loan sections, to allow it to become a direct lender;
- (2) to allow it to set interest rates on the funds down to an amount just above the borrowing rate, depending on the unity and the income of the occupant;
- (3) to expand the size of rental properties covered from four to six units;
- (4) to state the purposes for which direct home improvement loans may be made;
- (5) to permit the Minister to advance funds to the Corporation for lending purposes and to provide for recovery of losses.

The attempt at this point would be to avoid competition with the banks - to permit them to continue with the limited amount of middle and upper middle income activity which they presently conduct. The programme via CMHC would be directed to the \$5,000 - \$10,000 income range and as a priority to areas where regular Home Improvement Loans were not being made. Part IV would be renamed "Home Improvement and Rehabilitation Assistance".

5.6 Rehabilitation Subventions

The essential building block for an over-all rehabilitation thrust is a change in orientation of the Home Improvement Loan part of the Act as discussed above. Implementation of the above recommendation would make funds available for rehabilitation and for home improvements on a loan basis, with realistic

interest rates and repayment periods. However, as has been stressed throughout this report, subventions will be required to make rehabilitation a realistic possibility for most of those who live in Canada's inadequate housing. These subventions are seen as falling into two categories: those providing for the initial installation of basic facilities, such as plumbing, heating systems, hydro and basic repairs to a dwelling which make it safe for habitation and suitable for the above systems; and more general rehabilitation assistance. The former is seen as applying primarily in the rural areas and small towns, and hence must be simple to administer, both because the capability of public authorities to administer a complicated programme is limited and because the population would probably not utilize a programme that was very complicated. The latter is seen as forming the backbone of the urban component of the rehabilitation thrust where basic facilities have been installed, but where they are unhealthy and/or in need of repair or upgrading and where numerous minor repairs are necessary to bring a dwelling up to a basic minimum standard. The legislative provisions to permit such a programme to be mounted include:

- (1) a new section to permit CMHC to make grants for the installation of basic facilities in a dwelling subject to the following conditions:
 - (a) that the amount of the grant for basic facilities not exceed \$2,000;
 - (b) that the grant be used to cover the cost of a specified number of items including toilets, showers or bathtubs,

additions to house same, heating systems where even a ventilated fuel-fired space system does not now exist, basic structural repairs and similar items;

(c) that the amounts spent on any one item be limited as specified in a schedule set by the Governor-in-Council;

(d) that the grants be made only in the context of:

(i) in urban areas, an approved area improvement programme being undertaken by residents and municipality, or

(ii) in rural areas

(iii) where household income falls below \$4,000 for a family of 4, below \$1,500 for an individual and according to limits, in other cases set by the Governor-in-Council in accord with the above;

(iv) an indication that the unit will be occupied for at least 5 additional years.

(v) to owner-occupied structures of up to 6 units where the landlord is willing to agree to a form of rent regulation for a period of 5 years and to continuing to serve low-income tenants;

(vi) to owners of owner-occupied rooming houses to allow them to install the basic facilities in compliance with local by-laws, especially with a requirement for a given relationship between the number of roomers and number of both installations.

In all cases the grant would be secured in such a way that it would be recoverable if sale of the unit occurred up to

five years. The owner would earn it at the rate of 20 percent per annum if sale occurs before 5 years.

A new section to allow the Corporation to make grants of up to \$500. for urgent repairs subject to the following conditions:

- (1) that such common basic structural repairs (roofs, walls, openings) or the installation of heating systems to make the dwellings safe for winter habitation;
- (ii) That the maximum eligible incomes be the same as in (1) above.
- (iii) that the recipient not be covered by the Canada Assistance Plan.

There would be no limitations regarding sale as it is assumed that the dwellings receiving assistance under this section have minimal resale value.

- (3) a new section which would permit CMHC to make loans, forgiveable on a geared-to-income basis for more extensive rehabilitation beyond installation of the basic facilities. This would be subject to the following conditions:
 - (a) that assistance be available only in the rural and urban contexts described above;
 - (b) that assistance be limited to the following:
 - (i) any items described in (a) above;
 - (ii) improvement, extension and maintenance of the plumbing system;
 - (iii) improvement, extension and maintenance of the heating system;

- (iv) improvement, extension and maintenance of the electrical system.
- (v) improvement of the exterior
 - painting the house
 - re-pointing masonry
 - repairing verandahs, steps and so forth.
- (vi) improvement of the interior - painting, plastering, repair, addition of cupboards, counters, closets, storage space.
- (c) that the maximum amount be \$5,000; that the maximum amount forgivable is \$2,000;
- (d) that the amount forgivable be based on a schedule set by the Governor-in-Council along the following lines:
 - (i) up to \$2,000 be forgiven for households with an income of less than \$4,000 for a family of 4 and \$1,500 for an individual;
 - (ii) that the amount forgivable slide to nil for families of 4 with incomes of \$8,000 and individuals with incomes of \$3,000;
- (e) that the same amounts be made available to landlords of low-income in owner-occupied dwellings up to 6 units if the landlords are willing to enter into a form of rent regulation for a period of 5 years and to continue to serve low-income tenants;
- (f) that the same terms be made available to owners of owner-occupied rooming houses serving individuals of low-income and who are willing to submit to a form of rent regulation.

- (g) that in the event of sale within five years, the completion of work, the loan funds will be recoverable by the Corporation at just above its borrowing rate. The recipient will earn the forgiveness at the rate of one-fifth per year.

The above amendments would also give the Corporation the right to designate any other government or non-profit corporation as its agent with the approval of the province in which the dwelling or area is located.

5.7 Relationship to Other Programmes

The above provisions of the Act would be available to supplement the following other Sections of the Act:

- (1) Section 5P. Assisted Home Ownership;
- (2) Section 15, Non-Profit to reduce the amount of the loan down to acquisition cost for existing dwellings, subject to all the above conditions.

5.8 Revolving Loan Fund

On an experimental basis, it is also proposed that the Corporation would be able to make "bulk loans" to municipalities or to selected non-profit corporations for redistribution on local rehabilitation projects. Collateral in the case of the municipality would be a debenture and in the case of non-profit corporations would be the promissory notes from individual units. Repayment of the loan would be deferred for three years. Interest would be at the preferred rate and a maximum loan amount of \$500,000 would be set.

5.9 Assistance for Non-Profit Rehab Corporations

In order to assist in development of cooperative local efforts to conduct rehab, it is proposed that both organizational development and sustaining project development assistance be provided to local organizations formed for the purpose of carrying out work in a given neighbourhood.

This assistance would be in the form of grants, for a maximum of three years to cover:

- (1) training programmes;
- (2) consultant advice;
- (3) incorporation fees;
- (4) office staff.

It would be provided from Part V under new paragraphs covering project development costs and rehabilitation start-up costs.

5.10 Assistance in Rental Situations

For the period 1972-73 it is proposed that emphasis in rehabilitation of tenant-occupied units be on cases where a change of ownership occurs or with respect to owner-occupied structures.

In developing options for providing subsidies for tenant-occupied unit rehabilitation we need to consider the following factors:

- (1) control of rents
- (2) rewards for maintenance
- (3) enforcement of code provisions
- (4) sale recovery of subsidies
- (5) land-lord income and revenues

Further work is being conducted to firm up detailed provisions for owner-occupied rental units up to 6 units.

5.11 Summary

The above set of recommended legislative changes can be summarized as follows:

<u>Situation</u>	<u>Assistance</u>
Dwellings lacking basic facilities	\$500 grant for basic repairs with no conditions to households of low-income as defined herein.
	\$2000 grant for installation of basic facilities to households of low-income as defined herein.
Dwellings not meeting minimum standards	Up to \$5,000 loan, \$2,000 of which would be forgiven on the basis of income.
For all households with incomes of less than \$10,000.	Direct home-improvement loans at just above the Corporation borrowing rate.

6.0 Budget Implications

As the rehabilitation thrust described is meant to be a universal one, the budget should ultimately depend on the conditions attached to the programme and the cost controls built into it. This paper has to this point attempted to describe some of the controls which could be applied to the programme to assure that it both reaches the households most in need and is controllable. It is readily admitted that we know little of the likely response to a rehabilitation thrust of the type outlined. However, it is also admitted that the more liberal the terms, the greater will be the response, especially by those most in need.

What will be suggested here is that a minimum number of units to be rehabilitated be set by the government. The programme, then, will be monitored to assure that the level of response meets expectations and that it is distributed in proportion to need. Inadequate response can be increased by adjusting controls.

It is suggested that, in the near term (2 to 3 years), at least 8,000 - 10,000 dwellings be rehabilitated annually. This will require \$20 to \$25 million in subventions. A supplementary appropriation for the 1972 fiscal year may be necessary if this suggestion is adopted. For the mid term the minimum programme which would both be creditable and meet the expectations of a universal programme is 20,000 - 25,000 units annually, meaning subventions totalling \$50 to \$60 million. It is assumed that capital budget requirements for loans will be equivalent to the requirements for subventions.