

TASK FORCE ON LOW INCOME HOUSING

WORKING PAPER Nº 1

rehabilitation:  
a program proposal.

central mortgage and housing corporation

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REHABILITATION: A PROGRAM PROPOSAL

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## THE NEED FOR A REHABILITATION PROGRAMME

Consideration of the physical condition of the housing stock gives rise to two issues. First, how many dwellings are inadequate but could be made liveable at reasonable cost? Secondly, how many dwellings are deteriorating rapidly but could have their useful life extended at reasonable cost? The first issue concerns the scope for policies of rehabilitation. The second issue concerns the scope for policies of maintenance.

Data on housing in need of repair are available from the Census. Data on the presence of household facilities are available from a sample survey carried out annually by DBS. These available data, however, barely begin to describe the physical condition of the housing stock.

The item "dwellings in need of major repair", is sometimes cited as the unique measure of housing quality. If these data from the Census did in fact tell us accurately what is the state of repair of the housing stock, the information would be valuable. But, the figures we have are hopelessly ambiguous. The point was documented above in Section 11 of PART IV. The absolute change in housing conditions between 1951 and 1961 can only be vaguely guessed from the Census figures. The change between 1961 and 1971 will never be known since DBS omitted the question on state of repair from the 1971 Census. Consequently, the conclusion cannot be drawn that there is no problem with the quality of housing in Canada. But, neither can a conclusion be drawn regarding exactly how large is the problem.

Our position in this study is that we do not know in any absolute sense what is the quality of the housing stock to-day. We do not even know the direction of change in the quality of the stock since 1961. There are indicators that point to either possibility -- improvement or deterioration.

But, in any case, for policy directed to the low income group, we are able to document the relative position of different segments of the population with respect to quality of housing.

The following TABLES contain the data we have on the condition of the housing stock. TABLE 1 shows that the incidence of dwellings in need of major repair is highest among rented units in rural areas. The incidence in this case is 12 per cent. About 10 per cent of all dwelling units fall into this category.

Even though the rural areas contain only 28 per cent of all dwellings, they account for 47 per cent of the dwellings in need of major repair. Single-detached rural dwellings, themselves, account for 44 per cent of all those in need of major repair.

In urban areas, which in this tabulation means communities larger than 1,000 persons, the incidence of dwellings in need of major repair is highest among single-detached and single-attached rented units. The incidence in these cases is about 9 per cent. These categories together account for 15 per cent of all dwellings in need of major repair.

TABLE 2 shows the distribution of dwellings without water and those without a central furnace. (Dwellings without a central furnace would be heated with a space heater, cook-stove, or similar device.) Almost all the dwellings without water -- 89 per cent -- are in rural areas. These dwellings constitute 35 per cent of all rural dwellings. About 48 per cent of all dwellings without central furnace are in rural areas, and these constitute 56 per cent of all rural dwellings. Owners in rural areas tend to lack these facilities more than do renters, although the difference is small. Renters in urban areas are much more likely to be without furnace than are owners. Single detached units are more likely to be without

these facilities than are multiple-type buildings, except in the case of furnaces in urban areas which tend to be lacking in apartment units. (This latter point might also be interpreted as showing that apartment dwellers do not know how their dwelling is heated, and give unreliable answers to Census enumerators.)

By way of comparison, these data on dwellings lacking facilities in 1961 can be compared to the information from the Household Facilities Survey of 1967, as reported in PART IV, above. In 1967, 4.4 per cent of dwellings lacked running water, as against 10.9 per cent in 1961. Unfortunately, in the cases of water and toilet facilities, the Census and the sample survey use different definitions. The Census counts dwellings without exclusive use of these facilities. The sample survey counts dwellings without exclusive or shared use of these facilities. Consequently, the sample survey finds fewer households lacking, although they may be sharing.

In 1961, 32.5 per cent of dwellings lacked a central furnace. By 1967, the figure was down to 22.7 per cent. By 1970, the sample survey placed the figure at 19.7 per cent.

TABLE 3 shows the dwellings in need of major repair, distributed according to their period of construction. The incidence of need for repair is greatest among rural dwellings built before 1945 and among urban dwellings built before 1920. The incidence in the first case is 11 per cent, and in the second case, 9 per cent. These groups account for 70 per cent of all dwellings in need of major repair.

TABLE 4 shows the dwellings lacking water and lacking furnace, distributed according to their period of construction. The incidence of dwellings lacking water is highest in rural areas for dwellings built between 1920 and 1945. The figure in this case is 42 per cent. However, the incidence is 30 per cent or higher for rural dwellings in all periods of construction -- including those built within two years of the time of the

## Census.

The incidence of dwellings lacking central furnaces is highest for buildings in rural areas constructed before 1945. The figure in this case is 62 per cent. However, the incidence in rural areas is higher than 46 per cent even for the more recent years. The furnace problem in urban areas is found especially in dwellings built before 1920. The incidence in this case is 33 per cent.

TABLE 5 shows the dwellings in need of repair distributed according to the income classes. The data cover single-detached owner-occupied dwellings only. Family households comprising a husband and/or a wife with or without children who have never married, are shown separately from non-family households. The quintiles are defined for family plus non-family households combined. Information on minor repair is included along with that on major repair.

Among owner-occupied family dwellings, 32 per cent of buildings in need of major repair are found in the first quintile, and 67 per cent are found in the first two quintiles. Similarly, 21 per cent of dwellings in need of minor repair are found in the first quintile, and 52 per cent in the first two quintiles.

Among owner-occupied non-family dwellings, 82 per cent of buildings in need of major repair are found in the first quintile, and 95 per cent in the first two quintiles. Similarly, 76 per cent of dwellings in need of minor repair are found in the first quintile, and 92 per cent in the first two quintiles.

TABLE 6 provides comparable information for tenants. Among tenant-occupied family dwellings, 25 per cent of buildings in need of major repair are found in the first quintile, and 66 per cent in the first two quintiles. Similarly, 15 per cent of buildings in need of minor repair are found in the first quintile, and 52 per cent in the first

two quintiles.

Among tenant-occupied non-family dwellings, 68 per cent of buildings in need of major repair are found in the first quintile, and 93 per cent in the first two quintiles. Similarly, 53 per cent of buildings in need of minor repair are found in the first quintile, and 86 per cent in the first two quintiles.

The conclusion to be drawn from TABLES 1 to 6 is that the stock with the poorest facilities is most likely to be concentrated in rural areas, among single-detached units, among dwellings built before 1945, among low income people, tenant families and owner non-families.

CMHC for many years has had a program of guaranteeing Home Improvement Loans. TABLE 7 indicates the extent of this program. Over the period 1955 to 1970, loans were made for 402,000 units, at a total cost of \$518 million. However, because the banks loaned money at NHA rates, this program probably did not reach many of the oldest dwellings. As it was administered by private lenders, the program probably did not reach the worst areas of the cities. In any case, use of the program has declined in recent years. (Breakdowns of these data by type of repair, type of unit, and income of borrower, would be useful. Such information should be available from the loan application forms.)



TABLE 1

## DISTRIBUTION OF DWELLINGS IN NEED OF MAJOR REPAIR -- 1961

	Total Number of Dwellings	Dwellings in Need of Major Repair		
		Number	Distribution %	Incidence %
Canada	4,554,493	255,414	100.0	5.6
Urban (Over 1,000)				
- All dwellings	3,280,468	135,505	53.1	4.1
- Owned	1,946,559	56,338	22.1	2.9
- Rented	1,333,909	79,167	31.0	5.9
- Single detached	1,832,468	70,894	27.8	3.9
- Owned	1,581,489	46,174	18.1	2.9
- Rented	250,979	24,720	9.7	9.8
- Single attached	331,699	18,742	7.3	5.6
- Owned	160,593	5,156	2.0	3.2
- Rented	171,106	13,586	5.3	7.9
- Apartment	1,108,654	45,728	17.9	4.1
- Owned	197,367	4,882	1.9	2.5
- Rented	911,287	40,846	16.0	4.1

Continued ....

TABLE 1 (Continued)

## DISTRIBUTION OF DWELLINGS IN NEED OF MAJOR REPAIR -- 1961

	Total Number of Dwellings	Dwellings in Need of Major Repair		
		Number	Distribution %	Incidence %
Rural Farm and Non-farm (Under 1,000)				
- All dwellings	1,274,025	119,909	46.9	9.4
- Owned	1,059,028	93,461	36.6	8.8
- Rented	214,997	26,448	10.4	12.3
- Single detached	1,146,033	112,123	43.9	9.8
- Owned	985,036	89,425	35.0	9.1
- Rented	160,997	22,698	8.9	14.1
- Single attached	73,234	5,220	2.0	7.1
- Owned	42,545	2,969	1.2	7.1
- Rented	30,689	2,251	0.9	7.2
- Apartment	42,444	2,284	0.9	5.4

Source: DBS Cat. 93-529, Dwelling Characteristics by Type and Tenure (Ottawa: DBS, 1963), Table 78.

TABLE 2

## DISTRIBUTION OF DWELLINGS WITHOUT WATER AND FURNACE -- 1961

	Dwellings without Water			Dwellings without Furnace		
	Number	Distribution %	Incidence %	Number	Distribution %	Incidence %
Canada	496,180	100.0	10.9	1,482,272	100.0	32.5
Urban (Over 1,000)						
- All dwellings	56,287	11.3	1.7	756,887	51.1	23.1
- Owned	38,214	7.7	2.0	309,207	20.9	15.9
- Rented	18,073	3.6	1.4	447,680	30.2	33.6
- Single detached	44,720	9.0	2.4	325,064	21.9	17.7
- Owned	35,981	7.2	2.3	239,646	16.2	15.2
- Rented	8,739	1.8	3.5	85,418	5.8	34.0
- Single attached	2,416	0.5	0.7	95,122	6.4	28.7
- Owned	1,100	0.2	0.7	26,041	1.8	16.2
- Rented	1,316	0.3	0.8	69,081	4.7	40.4
- Apartment	4,389	0.9	0.4	333,294	22.5	30.1
- Owned	450	0.1	0.0	40,399	2.7	20.5
- Rented	3,939	0.8	0.3	292,895	19.8	29.5

Continued ....

TABLE 2 (Continued)

## DISTRIBUTION OF DWELLINGS WITHOUT WATER AND FURNACE -- 1961

	Dwellings without Water			Dwellings without Furnace		
	Number	Distribution %	Incidence %	Number	Distribution %	Incidence %
Rural Farm and Non-farm (Under 1,000)						
- All dwellings	439,893	88.7	34.5	725,385	48.9	56.9
- Owned	372,126	75.0	35.1	597,399	40.3	56.4
- Rented	67,767	13.7	31.5	127,986	8.9	59.5
- Single detached	417,972	84.2	36.8	659,713	44.5	57.6
- Owned	353,705	71.3	35.9	558,503	37.7	56.7
- Rented	64,267	13.0	39.9	101,210	6.8	62.9
- Single attached	14,590	2.9	19.9	37,823	2.6	51.6
- Owned	10,084	2.0	23.9	23,171	1.6	54.5
- Rented	4,534	0.9	14.8	14,652	1.0	47.7
- Apartment	3,545	0.7	8.4	20,729	1.4	48.8
- Owned	2,160	0.4	10.5	9,578	0.7	46.6
- Rented	1,381	0.3	6.3	11,151	0.7	50.9

Source: DBS Cat. 93-529, Dwelling Characteristics by Type and Tenure (Ottawa: DBS, 1963), Table 80.

TABLE 3

## AGE OF DWELLINGS IN NEED OF MAJOR REPAIR -- 1961

	Total Number of Dwellings	Dwellings in Need of Major Repair		
		Number	Distribution %	Incidence %
Canada	4,544,493	255,414	100.0	5.6
Urban (Over 1,000)				
- All dwellings	3,280,468	135,505	53.1	4.1
- Before 1920	907,609	84,932	33.3	9.4
- 1920 - 1945	828,874	33,635	13.2	4.1
- 1946 - 1956	1,419,855	16,209	6.3	1.1
- 1960 - 1961	124,130	729	0.3	0.6
Rural (Under 1,000)				
- All dwellings	1,274,075	119,909	46.9	9.4
- Before 1920	484,110	58,139	22.8	12.0
- 1920 - 1945	319,515	35,244	13.8	11.0
- 1946 - 1956	426,355	23,847	9.3	5.6
- 1960 - 1961	44,045	2,679	1.0	6.1

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Source: DBS 93-529, Dwelling Characteristics by Type and Tenure (Ottawa: DBS, 1963),  
Table 82.

TABLE 4

## AGE OF DWELLINGS WITHOUT WATER AND FURNACE -- 1961

	Dwellings without Water			Dwellings without Furnace		
	Number	Distribution %	Incidence %	Number	Distribution %	Incidence %
Canada	496,180	100.0	10.9	1,482,272	100.0	32.5
Urban (Over 1,000)						
- All dwellings	56,287	11.3	1.7	756,887	51.1	23.1
- Before 1920	16,718	3.4	1.8	303,971	20.5	33.5
- 1920 - 1945	16,993	3.4	2.0	222,799	15.0	26.9
- 1946 - 1959	20,587	4.1	1.4	218,667	14.7	9.2
- 1960 - 1961	1,589	0.3	1.3	11,450	0.8	1.3
Rural (Under 1,000)						
- All dwellings	439,893	88.7	34.5	725,385	48.9	56.9
- Before 1920	161,133	32.5	33.3	295,559	19.9	61.0
- 1920 - 1945	132,928	26.8	41.6	199,963	13.5	62.6
- 1946 - 1959	130,188	26.2	30.5	209,495	14.1	49.1
- 1960 - 1961	15,644	3.1	35.5	20,368	1.4	46.2

Source: DBS 93-529, Dwelling Characteristics by Type and Tenure (Ottawa: DBS, 1963), Table 82.

TABLE 5

## DISTRIBUTION BY INCOME GROUPS OF DWELLINGS IN NEED OF REPAIR --

## SINGLE-DETACHED OWNER-OCCUPIED DWELLINGS ONLY -- 1961

Income Distribution for Family plus Non-family Owner Households	Family Households							
	Households		Needing Major Repair			Needing Minor Repair		
	Number	Distribution %	Number	Distribution %	Incidence %	Number	Distribution %	Incidence %
First Quintile (Under \$2,000)	241,811	12.7	24,460	32.5	12.3	63,989	21.2	26.5
Second Quintile (\$2,000-4,000)	420,134	22.0	25,921	34.5	6.2	93,529	31.0	22.3
Third Quintile (\$4,000-5,000)	288,816	15.1	10,075	13.4	3.5	49,131	16.3	17.0
Fourth Quintile (\$5,000-7,000)	465,343	24.4	9,767	13.0	2.1	57,452	19.1	12.3
Fifth Quintile (Over \$7,000)	494,263	25.9	4,969	6.6	1.0	37,281	12.4	7.5
Total	1,910,367	100.0	75,192	100.0	3.9	301,382	100.0	15.8

Continued...

TABLE 5 (Continued)

Income Distribution for Family plus Non-family Owner Households	Non-Family Households							
	Households		Needing Major Repair			Needing Minor Repair		
	Number	Distribution %	Number	Distribution %	Incidence %	Number	Distribution %	Incidence %
First Quintile (Under \$2,000)	152,484	66.5	17,504	82.1	11.5	44,030	75.8	28.9
Second Quintile (\$2,000-4,000)	46,453	20.2	2,846	13.4	6.1	9,454	16.3	20.3
Third Quintile (\$4,000-5,000)	12,223	5.3	516	2.4	4.2	2,177	3.7	17.8
Fourth Quintile (\$5,000-7,000)	14,697	6.4	385	1.8	2.6	2,073	3.6	14.1
Fifth Quintile (Over \$7,000)	3,621	1.6	56	0.3	1.5	355	0.6	9.8
Total	229,478	100.0	21,307	100.0	9.3	58,089	100.0	25.3

Source: DBS Cat. 98-505, Incomes of Households (Ottawa: DBS, 1965), Tables E-3 and E-4.



TABLE 6

## DISTRIBUTION BY INCOME GROUPS OF DWELLINGS IN NEED OF REPAIR --

TENANT-OCCUPIED DWELLINGS ONLY -- 1961

Income Distribution for Family plus Non-family Owner Households	Family Households							
	Households		Needing Major Repair			Needing Minor Repair		
	Number	Distribution %	Number	Distribution %	Incidence %	Number	Distribution %	Incidence %
First Quintile (Under \$2,000)	132,084	10.7	20,154	24.8	15.3	42,517	15.0	32.2
Second Quintile (\$2,000-4,000)	375,760	30.4	33,538	41.2	8.9	105,414	37.1	28.0
Third Quintile (\$4,000-5,000)	238,283	19.3	12,553	15.4	5.3	54,469	19.3	22.9
Fourth Quintile (\$5,000-7,000)	285,590	23.1	10,464	12.9	3.7	53,347	18.8	18.7
Fifth Quintile (Over \$7,000)	204,776	16.6	4,628	5.7	2.3	28,499	10.0	13.9
Total	1,236,493	100.0	81,337	100.0	6.7	284,246	100.0	23.0

Continued...

TABLE 6 (Continued)

Income Distribution for Family plus Non-family Tenant Households	Non-family Households							
	Households		Needing Major Repair			Needing Minor Repair		
	Number	Distribution %	Number	Distribution %	Incidence %	Number	Distribution %	Incidence %
First Quintile (Under \$2,000)	111,628	42.4	12,269	68.1	11.0	30,640	52.6	27.4
Second Quintile (\$2,000-4,000)	94,384	35.8	4,453	24.7	4.7	19,671	33.8	20.8
Third Quintile (\$4,000-5,000)	25,089	9.5	790	4.4	3.1	4,103	7.0	16.3
Fourth Quintile (\$5,000-7,000)	27,952	10.6	450	2.5	1.6	3,479	6.0	12.4
Fifth Quintile (Over \$7,000)	4,498	1.7	44	0.2	1.0	350	0.6	7.8
Total	263,551	100.0	18,006	100.0	6.8	58,243	100.0	22.1

Source: DBS Cat. 98-505, Incomes of Households (Ottawa: DBS, 1965), Tables E-7 and E-8.

TABLE 7

Home Improvement Loans Approved Under the National Housing Act, Canada, 1955-1970<sup>4</sup>  
 Prêts pour l'amélioration de maisons consentis aux termes de la Loi nationale sur l'habitation, Canada, 1955-1970<sup>4</sup>

Period <i>Année</i>	Number of Loans <i>Nombre de prêts</i>	Units <i>Unités</i>	\$000	Period and Area <i>Année et région</i>	Number of Loans <i>Nombre de prêts</i>	Units <i>Unités</i>	\$000
1955-1959	154,749	167,209	164,713	1955-1970 Nfld. T.-N.	6,965	7,336	11,141
1960	23,580	25,804	30,059	P.E.I. I.-P.-É.	2,216	2,670	3,290
1961	28,097	33,430	42,629	N.S. N.-É.	24,369	28,616	30,205
1962	23,895	28,177	38,022	N.B. N.-B.	9,854	12,210	15,996
1963	22,024	26,310	36,722	Que. Qué.	44,828	60,049	93,695
1964	19,800	23,568	36,009	Ont. Ont.	118,876	133,618	155,446
1965	18,846	22,136	35,589	Man. Man.	17,171	19,001	22,924
1966	18,042	22,129	35,931	Sask. Sask.	16,266	17,186	21,130
1967	16,631	19,665	35,247	Alta. Alb.	39,189	41,977	55,777
1968	10,524	12,961	23,869	B.C. C.-B.	72,104	78,252	106,998
1969	9,142	11,572	22,131	Yukon Yukon	228	269	495
1970	7,057	8,551	16,852	N.W.T. T.N.-O.	321	328	676
1955-1970	352,387	401,512	517,773	Canada	352,387	401,512	517,773

1 Includes only those rental dwellings for low income groups on which explicit rental subsidies are paid. Table 44 includes all low rental housing approved under the NHIA.

2 As at end of year. Rental housing projects on which subsidy is not paid, such as full recovery rental housing projects under Section 35A, are excluded.

3 1970 data are estimated.

4 Provincial data for 1970 are gross. All other data are net.

1 Comprend seulement le logement à loyer pour les groupes à faible revenu, à l'égard duquel des subventions explicites de loyer sont versées. Le tableau 44 comprend tout le logement à bas loyer approuvé aux termes de la LNH.

2 Fin d'année. Ne comprend pas le logement à loyer à l'égard duquel aucune subvention n'est versée, comme le logement à loyer pleinement recouvrable aux termes de l'article 35A.

3 Les données de 1970 sont estimatives.

4 Les données provinciales pour 1970 sont brutes, toutes les autres sont nettes.

Source: CMHC, Canadian Housing Statistics, 1970 (Ottawa: CMHC, 1971), Table 60.

THE CMHC PERSPECTIVE ON REHABILITATION

Since 1944, The National Housing Act has been headed: "An Act to Promote the Construction of New Houses, The Repair and Modernization of Existing Houses, and the Improvement of Housing and Living Conditions..."<sup>1</sup> Somewhere along the way, the equal rating given to the repair of existing houses was eclipsed by the emphasis of new construction.

The federal government in general and CMHC in particular have exhibited little concern for the condition of existing housing stock. Far more interest has been shown in increments to the stock, in the name of units to be produced in any given year, and in the effect of such production on employment and the overall economy, than has been shown in steps taken to conserve and upgrade the housing which presently exists.

This reflects a "growth positive" approach, a confidence that continued growth is the solution to the nation's problems. The answer to problems of deteriorated housing stock has largely been to tear it down and build anew. As early as 1950, the suggestion was made that public housing should be tied to a concept of proportional elimination, i.e., for every slum unit demolished a certain number of public housing units could be built. In reply to that suggestion, an executive of the Corporation wrote:<sup>2</sup>

Your memorandum suggests that the *raison d'être* of public housing is primarily the elimination of sub-standard housing as it now exists in slum areas by the provision of low rental housing to accommodate those economic groups who are at present forced by economic pressures to inhabit such areas....The principle of proportional elimination becomes important only if our prime justification in the public housing field is the improvement of housing standards rather than a redistribution of housing wealth.

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1. Emphasis added.

2. Memorandum, A.D. Wilson to H. Carver, September 11, 1950.

In 1956, the Minister responsible for housing wrote the President of CMHC indicating that the Government would prefer to approve rental housing projects recommended by provinces only if the projects were directly associated with redevelopment (demolition of existing units to be replaced with new construction). The President replied, reminding the Minister that:<sup>3</sup>

In social terms the need for decent, safe and sanitary accommodation at modest rentals has no necessary relationship with demolition.

While the Corporation thus clearly understood that the provision of decent housing was not necessarily tied to slum clearance, many of the projects built from 1950 to 1964 were associated with clearance activities. The urban renewal provisions of the National Housing Act during that period assumed that urban renewal simply meant clearance. It was not until 1964 that the Act was amended to provide for housing rehabilitation.

Prior to 1964, the Act authorized the Minister to enter into an agreement with a municipality to provide a grant to help pay the cost of acquiring and clearing an area of land. The agreement had to state that the municipality would acquire and clear the area and then sell it either to a limited dividend housing company or to the Federal-Provincial Partnership for the construction of a public housing project.<sup>4</sup>

The 1964 amendment permitted the Corporation to pay one half of the cost of acquiring, and clearing or improving, lands and buildings in the urban renewal area.

This provision, however, only permitted assistance for the improvement of buildings in an urban renewal area, and the assistance could only be paid where the building was

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3. Memorandum, S. Bates to R. H. Winters.

4. The National Housing Act, 1954, section 23B(1).

acquired and improved by the province or municipality. This effectively prohibited the Corporation from making grants or loans to private individuals - even in urban renewal areas - for the improvement of their homes. The section permitted the Corporation to insure loans made to owners of housing projects in urban renewal areas if:<sup>5</sup>

- (a) the housing project meets the requirements - or when repaired or improved will meet the requirements - of an urban renewal scheme for the area acceptable to the Corporation; and
- (b) the housing project meets the Corporation's housing standards.

The purpose of the section was not clear. It was uncertain as to whether the section applied only to purchase, or purchase and repair, or whether repairs alone were permitted. Activity under the section was minimal and it was repealed in 1967.

From the time the section was passed in 1950, very few provinces were interested in assisting the improvement of existing dwellings. Most were concerned with clearance and redevelopment. Only Quebec appears to have shown an interest in substantial residential rehabilitation.<sup>6</sup>

Apart from the urban renewal provision, the Corporation could not make loans for the improvement or alteration of a house. Section 24 of the Act provides for the guaranteeing of home improvement loans made by a bank or an approved instalment credit agency. Since that section was not in Part I of the Act, however, the Corporation presumably could not make a direct loan under section 40, where a bank loan was not available.<sup>7</sup>

5. Ibid., section 23D(1) (a) & (b).

6. See: Urban Renewal Review, Task Force on Urban Assistance, CMHC.

7. Section 40, NHA 1954, provides that where, in the opinion of the Corporation, a loan is not being made available to a person pursuant to Part I, the Corporation may make such a loan.

Had the Corporation and the federal government been interested in conserving and upgrading the existing stock, it would have been a simple matter to have Section 24 transferred to Part I of the Act. That has not been done. Instead, Section 7 (the approved loans section in Part I) was amended to provide that insured loans could be made to "assist in the purchase or improvement of an existing house."

The change appears to have gone unnoticed. Banks continue to lend under Section 24. No other approved lenders appear to be making any insured home improvement loans. The CMHC desk book (a manual for employees discussing the Corporation's activities and explaining various section of the Act), general instructions (for employee use delineating the Corporation's operating regulations), and information pamphlets have not even mentioned the change, let alone emphasize it. No direct loans for home improvements have been made under Section 40. Whether or not they actually can be depends on whether all loans made under Section 40 must be secured by a first mortgage, or whether they may be secured by a second mortgage. If the latter is the case, then there is nothing to stop the Corporation from making home improvement loans under Section 40.

The lack of federal action is accentuated by a drastic reduction in activity under Section 24. From 1955 to 1959 approximately 31,000 loans per year were made, from 1960 to 1964 approximately 24,000 loans per year were made, and from 1965 to 1970 approximately 13,000 loans per year were made. In the last three years the number of loans has declined from 10,000 to 9,000 to 7,000. The Corporation has not shown any concern about the decline and no real attempt has been made to investigate its causes. The Corporation have merely reminded Approved Lenders that the loans may still be made. For various reasons, it can only be assumed that both lenders and borrowers prefer to see home improvements take place with personal loans.

REHABILITATION AND THE OTHER LOW-INCOME  
HOUSING PROGRAMMES

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There has traditionally been a similar lack of concern with existing housing in the implementation of major CMHC programs. Although as early as 1960 it was realized<sup>8</sup> that existing housing could be used to assist low- and moderate-income households to attain homeownership, it was not until 1966 that the Act was amended to permit direct loans on existing housing. Except for 1969 (when approximately one third of the loans were for existing units), lending under section 40 remains heavily weighted in favour of new construction. In 1967, loans for existing units accounted for less than 10% and in 1968 and 1970 for less than 20%.

Section 40 loans for existing housing may include the cost of improving or rehabilitating the unit being acquired. How much of the loans for existing housing goes to rehabilitation is not clear at present since the Corporation's interest in rehabilitation has not extended to collecting the minimum necessary data to determine this.

Under the present public housing program, as well, very little use has been made of existing housing. In 1965 and 1966, Ontario relied heavily on the acquisition of existing units in order to achieve a quick start in the provision of public housing after the establishment of the Ontario Housing Corporation. Since then, however, a similar interest has not been demonstrated in any of the provinces despite the fact that it is clear that the cost of existing housing (and, therefore, subsidy levels) would be lower than the cost of constructing new houses.

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8. See supra....discussion on assisted homeownership.



The reason for not using existing units appears to be the same as for the section 40 phenomenon discussed above: an emphasis on starts and their effect on employment and growth. It was only at the specific insistence of the Minister that the technique of leasing existing housing was introduced. The Corporation's general instructions point out:<sup>9</sup>

Until the present, it has not been the policy to consider contributions to operating losses for accommodations secured by a lease. .... this technique does not add to the housing stock. Nevertheless, where there are a reasonable number of vacancies on the market it can provide some immediate relief as well as an opportunity for low income families to achieve a greater feeling of greater individuality and anonymity.

#### GROWING PRESSURE TO USE REHABILITATION

In the past several years, the Corporation has become increasingly concerned with rehabilitation. This concern is a response to pressures that have resulted from both the programs and initiatives of other departments, and pressures from citizen groups that have become increasingly disaffected with the continued emphasis on redevelopment, whether public or private.

The first government initiatives to which CMHC responded were the ARDA and FRED programs, which aimed at comprehensive rural development planning. These programs antedated the present DREE approach of abandoning the rural areas and preparing "growth" centres to receive rural migrants.

At the 1968 federal-provincial meeting on housing and urban development, CMHC announced that it would seek legislative authority to permit the Corporation to make home improvement loans in designated FRED centres. These would be aimed at encouraging low-income families to provide themselves with

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9. General Instruction 330. June 27, 1969.

adequate insulation, space, heating and sanitary arrangements, etc., within the framework of minimum property standards. The loans would include a forgiveness feature of the lesser of 25% of the loan amount or \$1,000.00. Losses would be shared between CMHC and the province. Although the dwellings would have to be brought up to a minimum standard, this need not be done in one operation, and successive stages of repair would be acceptable. Consideration would be given to loans of this type to the owners of rental property (as well as homeowners), provided that the landlord was prepared to enter into a commitment controlling the rent of the premises for a minimum of three years.

None of the recommendations made at that conference resulted in legislation, and the suggestion of rural home improvement loans does not appear to have been pursued by the Corporation.

A home improvement grant program has recently been instituted in Prince Edward Island. The program arises out of a FRED agreement made with the Province in 1969. Assistance is available by means of home improvement grants of up to \$1,000.00 or 50% of the cost of labour and materials, whichever is the lesser. Grants are available to owner-occupants of dwellings that require the installation of basic services such as heating, water supply, plumbing, electrical wiring, etc., or repairs required to bring the dwelling up to a basic minimum standard. There are no income limitations for eligibility, since the nature of the eligible items will generally confine the grant to low-income families.

The grant and its effects are being watched closely in the other Maritime provinces. In the light of the recent report of the New Brunswick Task Force on Social Development,<sup>10</sup> similar programs will probably be sought by that province.

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10. Task Force on Social Development, New Brunswick, September 1971, especially pages 46 to 48.

Pressure is also mounting as a result of payments made under the Canada Assistance Plan. Under the provisions of that Plan, the federal government may enter into an agreement with any province to share 50% of the cost of providing a person in need with shelter, which is defined under CAP regulations<sup>11</sup> as any item necessary for the safety, well being, or rehabilitation of a person in need, including essential household equipment and furnishings and essential repairs, alterations and additions to property.

Under those provisions, total disbursements to date of about \$1,667,000.00 have been made.<sup>12</sup> The average housing disbursement is \$560.00 and the average furniture payment is \$670.00. Over half of these funds have gone to Newfoundland and New Brunswick, about \$690,000.00 and \$250,000.00 respectively. Considering the location of the low-income population in these two provinces, it would appear that the aid is going primarily to rural and small town areas.

The existence of the CAP program has caused some embarrassment to the federal Minister responsible for housing; letters from the Maritimes have come to him requesting assistance with housing repairs and renovations, and he has been compelled to refer them to the Department of National Health and Welfare.

National Health and Welfare does not appear to have any clear policy or control over this aspect of the Canada Assistance Plan.<sup>13</sup> It does not have a comprehensive statistical analysis of payments under the Plan. The federal government simply matches provincial payments for items covered.

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11. SOR/67:62, SOR/68:275.

12. Available data only records requests in excess of \$500.00 each. No separate record has been kept for requests of less than that amount.

13. The lack of control over the program is indicated by the fact that in order to determine the average payment made and the number of payments made in each province, it was necessary to examine every request on file to arrive at the required totals.

Utilization of this section of the Plan for housing rehabilitation depends upon the activity in this area of provincial departments.

The existence of the Plan is presenting NHW with several problems: requests have come in for the complete cost of building a new residence; financial and administrative pressures under the Plan are increasing and becoming difficult for the Department to handle.

The correspondence attached to the files revealed a precedent which apparently is the policy in this area. In September, 1967, a request for \$7,500.00 was received from the appropriate Newfoundland department. After reviewing the matter, the deputy minister, NHW, wrote the following to his Minister:<sup>14</sup>

After a careful review of the situation, including consultation with our Legal Advisor, we have informed the province (Newfoundland) that we do not consider this expenditure to be shareable under the Canada Assistance Plan, reaffirming and explaining our position of September 29, 1967. Section 5(2) of the Canada Assistance Plan embodies a general prohibition of the sharing of capital cost, which are defined in Section 3(b) of the Regulations as any cost with respect to the purchase of land, buildings, furniture and equipment with the exceptions specified therein. Among these exceptions are mortgage principal and interest payments on a home owned by a person in need and special needs as set out in section 4 of the Regulations, which specifically includes essential repairs and alterations to homes owned by persons in need is clearly within the intent of the CA Plan, but sharing the costs of constructing a new house is not. There is the further practical consideration that sharing the costs of constructing new houses could be regarded as duplicating Federal legislation administered through the Central Mortgage and Housing Corporation.

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14. Memorandum, February 1968.

While this official statement (or at least its generalization) is held up as official policy, some serious questions can be raised on a close scrutiny of individual requests.

The final consideration and approval of a Special Needs request begins with the assessment of a particular case by a provincial social worker. The request is then forwarded to a provincial committee, and from there to the Director of CAP, NHW, Ottawa. A perfunctory review of the request to make sure that it meets the technical conditions of the Plan and regulations is undertaken by a clerk and approval is then granted. Housing requests are not required to meet NHA standards. There is no budgetary control at the NHW review; the process is considered to be merely a monitoring one. "Additions" to existing property are often interpreted to include new buildings, provided the recipient is in need and owns the land concerned. This would obviously lend credence to the reservations expressed earlier concerning the actual effect of the "explicit" policy revealed in the deputy minister's memorandum of February 1968.

A major question at the time the Canada Assistance Plan was drafted was whether money would be spend for the upgrading of housing that still would not meet NHA standards. Joint discussions were held between NHW and CMHC and it was eventually decided that the dominant philosophy would be that of "keeping a roof over the heads of destitute people". It was further decided that NHA standards would not be applied; that there would be no involvement other than with people who actually owned the property in question and who were in need; and that no purchasing monies would be provided. In retrospect, it is admitted by officials of the Plan that it has proved to be only a stop gap measure. The very stop gap nature of the program may well be serving to reduce pressure on CMHC to design a comprehensive rehabilitation program.

If the NHA is amended and extended to cover the requirements inherent in this area, then CAP could withdraw completely, as it would be required to do under section 5(2) of the Plan which prevents duplication of other programs. Preliminary investigation suggests that the program is becoming too unwieldy for the CAP office, and that relief would be welcome.

Another source of increasing pressure to develop a rehabilitation program is neighborhood and ratepayer opposition to redevelopment, public or private. In the arena of urban renewal, this can be seen in the recent citizen group activity in Strathcona in Vancouver, the People's Committee in Winnipeg's urban renewal area number 2, and the various associations in Toronto's Napier Place, Trefann Court, and Don Mount. Similar strong opposition to private redevelopment can be seen in the area south of St. Jamestown in Toronto, the Fairview slopes in Vancouver, and Milton Park in Montreal.

In response to these pressures, several rehabilitation projects were funded in last year's \$200,000,000 program. These included: the Social Housing Association in Sydney, Charest Freres Ltee. in Montreal, the City of Toronto demonstration project, Kinew Housing Corporation in Winnipeg, and the Gastown-Cordova redevelopment project in Vancouver. The Montreal and Vancouver loans were made to entrepreneurs (for \$912,000.00 and \$777,000.00 respectively), the Toronto loan to the City (for 1.5 million dollars), and the Winnipeg and Sydney loans to community groups for \$360,000.00 and \$400,000.00 respectively.

The major innovation in the City loan was the abandonment of the previous position that properties had to be brought up to NHA standards. Although there is no such requirement in the legislation, CMHC policy requires that loans on existing houses be made only where the units meet the NHA standards for existing housing. Existing

housing standards are not as stringent as the standards for new units, but they often require substantial and expensive alterations to units built at a different time and to different specifications than those which prevail today. Very few homeowners repairing their houses with their own funds would convert their houses as substantially as the standards require. This requirement also appears to have contributed to the cost of rehabilitating units to be used for public housing, as, for example, in Ilots St-Martin. In one of the early renewal projects in Ontario (Hamilton north end) it was necessary to drop the NHA standards requirement to achieve rehabilitation at a reasonable cost.

Insistence on meeting NHA standards stems largely from CMHC concern with the security of the loan. If the Corporation has to foreclose or sell to realize on the security, it will be in a much better position if it has a unit which is in first class condition. This same concern has, in the past, led to the requirement that all repairs be done at one time rather than in successive stages.

As a result of the success of the experimental projects and the increasing pressure for rehabilitation assistance, the Corporation adopted a project initiative and development policy in 1971. For the first time, Corporation personnel initiated contact with local groups and invited them to submit applications for loans for rehabilitation purposes. While a number of informal submissions have been received, the initiative has had very limited success to date.

Most of the groups contacted consisted of low and moderate income people who could not afford to borrow the required funds, even at the section 16 rate. The requests have thus focused on grants and lower interest rates. The CMHC response to the requests has been that the Corporation is unable to provide assistance, except for groups located in designated urban renewal areas. For the Strathcona project, section 23B(1) of the legislation has been reinterpreted (one might even say strained) to permit the sharing of the cost of grants to residents to fix up their houses.

Even in the limited number of cases where funding is possible, the requirement under the Act that the Corporation must obtain a first mortgage on the property limits the amount of repairs possible with a given capital outlay. To effect \$3,000 worth of repairs on a house carrying \$15,000 in mortgages, the Corporation must lend \$18,000. Of every \$6 lent, only \$1 would go for rehabilitation. The fact that CMHC is not allowed to lend on second mortgages demonstrates once again the federal concern for maintaining a minimal risk position.

Clearly, a comprehensive rehabilitation program - an important element of housing policy in general and low-income housing policy in particular - should be developed and administered in tandem with the government's other housing programs. At some point, the CMHC concern for additions and replacements must be balanced with a concern for what is added to or replaced.

#### SUMMARY OF FINDINGS

CMHC emphasis to date has been almost exclusively on new construction. The Corporation has traditionally measured the success of its housing program in terms of the number of new units started in any given year. Housing need is defined as the number of new units required each year. Existing stock is viewed as the base amount to be added to with new units. Provision is made to replace the existing stock that is deteriorating. Little thought has been given to rehabilitating rather than replacing existing stock.

The Corporation has long been aware of the potential role of rehabilitation in providing low income housing. To date, the programs for low-income housing have largely overlooked the potential for utilizing existing stock. Ontario, in its first rush at public housing, did make considerable use of existing units, but has since stopped doing so. In-



creasing concerns for the cost of new construction as well as the impact of new construction on existing neighborhoods, have highlighted the need for integrating rehabilitation into low income housing programs.

Reliance on Canada Assistance Plan to undertake a rehabilitation function is the result of misplaced responsibility. The CAP program for rehabilitation can only be viewed as a stop gap measure. The primary responsibility for the development and implementation of a comprehensive rehabilitation program must be placed with and accepted by the agency responsible for the development and implementation of housing policy - CMHC.

CMHC does not have the necessary legislative tools to assist rehabilitation processes and does not use those which it has. Its major impact has been under provisions for insured home improvement loans which have fallen off drastically and have served the middle-income group. No direct lending program exists for repairs and improvements, despite legislative authorization in 1969. No subsidies or grants are available for rehabilitation by low-income households outside urban renewal areas.

CASE STUDIES

Case Study 1: Cape Breton Rehabilitation, Sydney, Nova Scotia,

The Social Housing Association of Cape Breton, an incorporation of St. Francis-Xavier University Extension Department, Family Service of Eastern Nova Scotia and the Welfare Department of the City of Sydney, submitted a proposal under CMHC's \$200 Million Innovative Program in 1970 for the rehabilitation of housing for low-income families in the Sydney-Glace Bay area of Cape Breton.

The goal of the Social Housing Association is "to provide adequate housing for families in which the family head is underemployed, unemployed or unemployable" (Family Services, letter, April 10, 1970). Their method of attaining this goal is to purchase, rehabilitate and resell to low-income families housing stock scattered throughout the Sydney-Glace Bay area.

Houses purchased are "structurally sound and in need of minor repairs." Priorities on rehabilitation expenditures on each unit are: "(a) adequate safe heating, electrical and plumbing systems; (b) interior painting and cleaning; and (c) exterior appearance" (Family Services, letter, April 10, 1970). The houses are then distributed to families eligible for Social Assistance on a rental/purchase option basis.

Before the units are purchased by the Association they are inspected by municipal, provincial and CMHC officials as well as by the Association's own advisors. The CMHC inspection, necessary for loan approval, is restricted to a technical review of structural soundness.

Each individual loan is negotiated separately under Section 16 of the NHA, at a fixed interest rate of 7-7/8 percent for a period of forty years. The houses are purchased under the name of the corporate body. The deed is transferred to the corporate body as trustees and an agreement of sale is drawn up between the prospective owners and the corporate body.

Under the 1970 Special \$200 Million Program a loan of \$400,000.00 was made to the Social Housing Association with the expectation that 50 or more housing units could be bought and rehabilitated. As of April 15, 1971, 48 loans had been approved for a total of \$298,130, and it is expected now that 65 units will eventually be acquired (Interview 20).

The houses, mostly 1½ and 2 storey detached units, were purchased and rehabilitated for an average cost of \$5.70 per sq. ft.; 27 of the 48 had a net area of 1,100 sq. ft. or greater (CMHC, File 200-LL D-1, April 15, 1971).

The houses whose purchase prices varied between \$500 and \$8,000 are available at monthly rental payments of \$40 to \$60. This "rent" includes charges on the principal and interest, municipal taxes and fire insurance plus a small reserve fund to provide certain equity payments to purchasers who have to sell their homes before they are amortized (Family Services, letter April 10, 1970).

Rehabilitation costs are kept low, thus keeping total costs low, by obtaining unions approval to use retired and unemployed craftsmen and by special cost reductions of up to 33 percent from building suppliers. The program also relies heavily on volunteer help for the spotting, assessing and

inspecting of prospective houses (B. Pond Interview, March 11, 1971).

Findings:

i) Rehabilitation Allows for Low Profile Operation:

The low profile approach used to acquire the housing not only avoided speculation on property prices, but also eliminated the possibility of attaching any "low-income stigma" to the homes of the prospective tenants.

ii) Selective Application of Standards:

Selective application of housing standards in purchasing and rehabilitating units kept the price of each unit low without reducing the quantity of space (Family Services, letter, op. cit.).

iii) Maximization of Local Capabilities:

By utilizing unskilled and unemployed labourers the Association made a double attack on the poverty problem in Cape Breton - it kept down the cost of rehabilitation while at the same time providing employment to those most in need of it.

iv) Individual Needs Met:

Because of their method of unit by unit acquisition of houses in various locations, the Association avoided the problem of stigma which is attached to public housing projects. At the same time a greater choice in size and location of housing was made possible. This flexible and unorthodox approach meant that each family was dealt with on an individual basis, thus better meeting their individual needs.

v) Ownership Option:

The ownership option available with the program allows individuals to build up equity with their monthly rental payments. This provides an educational process for low-income families without burdening them with the risks normally associated with homeownership.

vi) Rehabilitation Expertise Available:

The St. Francis-Xavier University Extension Department which until now has been associated with the highly successful cooperative program which it initiated in Nova Scotia has approached the problem of rehabilitation of homes for the lowest income sector of society with the same enthusiasm and dedication it formerly applied to co-ops. Their lack of previous experience has not been a handicap judging from the success of the program.

Case Study 2: Quartier St. Edouard, Montreal, Quebec

Le Quartier St. Edouard is located three miles north of the central business district of Montreal and was developed between 1910 and 1930. It is well served by public transportation. Major commercial facilities are accessible; the nearest park is approximately one mile away.

The particular block under study, bounded by Beaubien, Gaspé, Bellechasse and Casgrain, is typical of low-rental housing in central and eastern Montreal. Rentals vary from \$40 for three rooms to \$70 for seven rooms, excluding heat. Average family income is about \$5,000. The dwellings are narrow and deep, measuring from 12 feet to 18 feet x 45 feet. Oil space heaters now heat the premises, and the sheds which originally stored solid fuel are now used for storage or as children's summer playrooms.

While the structures of 91.2 percent of the buildings on this block are in "good or very good condition", the interiors of the dwellings have deteriorated and 48.8 percent are considered in "fair to very bad condition" (City of Montreal Inspections, 1967). Assistance programs made available by the City of Montreal consisted of By-Law No. 3292 - Up to 25% of the cost for the rehabilitation and renewal; By-Law No. 3293 - Up to 50% of the valuation or 1/6 of the value of new buildings for demolition and reconstruction; and By-Law No. 3294 - Up to \$250 for the demolition of "mail buildings" or "accessory buildings".

Similar proposals have been approved in La Petit Bourgoigne (59 rehabilitated units) and Point St. Charles (100 units). The latter is under the sponsorship of a non-profit corporation.

Findings:

i) Typical Older, Low-Income Housing Allowed to Deteriorate:

The St. Edouard block is typical of the sound older housing available to the low-income sector - considerable floor space at low rentals, centrally located, part of a viable community.

ii) Deterioration is Reversible:

Housing in the area is deteriorating; there is little maintenance, and no rehabilitation. A rehabilitation program could at this time prevent any further deterioration and preserve a valuable housing stock.

iii) Mechanisms for Improvement:

The By-Laws enacted by the City of Montreal to assist rehabilitation do not assure that the properties will remain available to low-income groups. However, with improvements, property taxes will be raised, and costs passed on to the tenants. If applied, the By-Laws could lead to demolition and removal of the sheds in poor condition, decreasing living space, rather than encouraging rehabilitation.

iv) Few Owners will Rehabilitate without Incentives:

To date, there is no record of any owner using the By-Laws for the purposes of home improvement.

Case Study 3: North End, Hamilton, Ontario

As part of the urban renewal program in Hamilton's north end, the municipality bought and rehabilitated four houses for use as public housing. This was to be a pilot project to see how rehabilitation would work in an urban renewal area. They bought the houses at prices ranging from \$9,500 to \$11,700. They bought large houses in very good condition, capable of being converted into two-family units or of housing a large family. The cost of the rehabilitation work originally considered necessary was estimated to range from \$3,500 to \$5,800. These figures were based on the work required to bring the houses up to NHA standards, and included changes in the lay-out of the house. However, very early in the game, Mr. Borland of the Toronto Region was writing Mr. MacLennan, Vice-President, that "because of the nature of the area, side yards and interior space requirements will have to be realistic and considerably below our ordinary requirements for NHA financing".

(November, 1963) The work to be done was afterwards reduced to essentials and in the end cost, for one house \$1,650, for the second house, \$2,869, for the third house, \$3,025, and for the fourth house, \$3,745. Since these figures are arrived at by subtracting the original purchase price from the final cost for each house, they include things which are not strictly rehabilitation.

The work which was needed to be done was usually (i) completely new wiring, heating, plumbing and roofing; (ii) repair of the chimney and veranda; (iii) the replacement of the basement steps; (iv) general repair, cleaning and painting.



Findings:

i) Rehabilitation is a Continuous Process

Included in the correspondence was a letter from Graham Emsley saying that only the essentials should be done and that other things should be left to the public housing maintenance crew. This seems to recognize what is obvious about rehabilitation - some things must be done this year, others can safely be done later. This is recognized by all home owners, but not by CMHC.

ii) Municipal codes geared to New Construction

Municipal by-laws presented problems concerning conversion. The by-laws laid down standards for lot size, side yard size, floor area of master bedrooms and living rooms, requirements for exterior fire escapes and fire separation between units, which simply could not be met in the houses being converted. The requirements concerning off-street car parking space were another difficulty which seems particularly ridiculous with regard to a public housing family which is not likely to have a car!

iii) Units cheaper than New Construction

The reaction of most officials when asked about rehabilitation is "It's so costly - look at Hamilton". They seem to have remembered the \$6,000 estimate, rather than the actual \$3,000 work done. Moreover, they got a public housing unit for about \$13,000, instead of the \$26,000 per unit it would have cost them if they had bought the property (\$10,000), demolished the house (\$1,000) and built another (\$15,000). I think this attitude regarding the cost of rehabilitation belies the fact that old houses are thought of as worthless and they should really be got rid of, therefore it is a waste of money to fix them up at all.

Case Study 4: Alexandra Park, Toronto, Ontario

Toronto's Alexandra Park was touted at its inception as a great new concept in urban renewal. The Redevelopment Plan for Alexandra Park (1965) says: "The Alexandra Park scheme is unusual from a number of aspects. It envisages the employment of a number of techniques combining both rehabilitation and renewal". (Page 3) They intended, in the beginning, for a public authority to buy and rehabilitate 42 houses. The houses were to serve as an inspiration for the private homeowners in the area to rehabilitate their own houses. However, the writers of the plan must have been aware of a possible problem in that regard. They say: "It must be recognized that a program of private rehabilitation depends ultimately on the good will and financial ability of the private individual for a successful implementation". (Page 54)

The authority inspected privately-owned houses and specified the work which was desirable. They asked for, but could not demand, the work be done to Code level. They told the owners how much the work should cost, directed them to local approved building and repair concerns and informed them of the sources and terms of financing. The authority in its plan and in its behaviour seems to have steadfastly ignored the fact that the owners of the houses were poor, and probably could not afford to rehabilitate their houses. The 1961 Census shows that the average salary of people who owned their homes in the Alexandra Park area was \$4,300 per year. Eleven percent of the owners were pensioners whose incomes would be considerably below \$4,300 per year.

Neither the working owners nor the pensioners were likely to have savings sufficient to extensively rehabilitate their homes. Thus, they would have to borrow. The

pensioners were unlikely to want to borrow, even if they could afford to, because they were old and were concerned only with having a place to live until they died. They knew the house would last as long as they would. Moreover, they had spent long years paying off a mortgage and were at last free of debt. They would not be keen to go into debt again.

The working population of Alexandra Park worked in occupations with a very low job security. Some 34% of the home owners (not renters) in Alexandra Park, worked in service occupations. Twelve percent of the owners were tradesmen, many of them in the building trades, which are well known for seasonal unemployment. Eleven percent were employed in industry, which is too broad a category to permit any generalization about job security. Five percent were unemployed. These people would be very loath to take a loan, and especially to give a mortgage on their house. They know that during periods of unemployment, when they would be living for a while on unemployment insurance and then on welfare, they would not be able to make the required payments and could lose their homes.

What was available in the way of loans? They could have obtained a CMHC insured loan under Section 24(B) of the National Housing Act - the type that is now included in Section 7. To get this loan they would have had to rehabilitate their houses to a standard higher than the one the urban renewal authority was asking for. They would have had to be able to afford interest rates which, at that time (1968), were 8.75%. Not at all surprisingly, not one application for such a loan was received.

The owners also had available to them loans made by the City of Toronto. These loans are available to bring a

house up to housing code standards only. There is 6½% interest on these loans and they would run for ten years. These loans have existed since 1934, but they have been almost completely unused. For example, no loans at all were made from 1960 to 1967. The procedures for application were simplified in 1968 and, as a result, two loans were made in 1968, 11 in 1969, and 18 in 1970. It is not known whether the City's loans were used by the Alexandra Park home owners. Since only 16 loans were made in the City in 1968 and the whole of 1969, it can safely be said that very few 6½% loans were made in Alexandra Park. The owners managed to repair their houses somehow, without going into debt.

The lack of success of these 6½% loans should not be surprising. Albert Rose, in his study "Rehabilitation of Housing in Central Toronto", done in 1966, canvassed the attitudes of home owners toward 6½% loans. In general he found them unwilling for a variety of reasons to commit themselves to new debts. Some of these reasons have been enumerated above, but in general they can be attributed to lack of funds.

The present simplified procedure calls for the owner to turn up at the Department offices bearing (i) proof of origin (deeds); (ii) information on existing mortgages; (iii) information on other monies owing on the property; (iv) information on fire insurance; (v) information on last year's taxes (paid bill); (vi) information on financial circumstances (ability to repay a loan); (vii) an itemized estimate of the cost of repair from a licensed building renovator or a building contractor.

It is a bit optimistic to expect a pensioner or a semi-

skilled worker to go through this procedure without a lot of assistance and encouragement, and probably prodding. Moreover, the critical requirement is (vi) - ability to repay a loan. People with low incomes or fixed incomes cannot repay the loan. It is lack of money that got their houses in bad condition in the first place. It is not entirely clear from the brochure whether an owner has to show he is not able to pay for the repairs before he can get a loan, but the municipal department certainly sees these loans as restricted to hardship cases.

Findings:

i) Home Owners Unresponsive

The home owners in Alexandra Park did not rehabilitate their homes up to the standards wanted by the urban renewal authority. They did not apply for any of the CMHC loans. They did repair their houses to code standards because the municipal department pushed them hard to do so. Even then, few, if any, borrowed money from the City. The rehabilitation project to be carried out by the public authorities was a complete flop. They originally intended to rehabilitate 42 properties. This number was successively dropped from 42 to 19, to 17, to 6, because CMHC did not consider any more than six out of the properties to be capable of being rehabilitated. The City was not interested in rehabilitating only six properties so that part of the project was dropped. It appears that many houses in good condition, capable of being rehabilitated, were demolished in order to make way for construction of the public housing project. In the end, no rehabilitation at all was done in Alexandra Park. None was done by the public authority, because of bad planning, and none was done by private home owners because of the lack of funds and perhaps lack of good will.

ii) Residents Relocated in other Parts of the City

In 1968, following redevelopment, the Social Planning Council of Metropolitan Toronto did a follow-up study (Social Planning Council of Metropolitan Toronto, Alexandra Park Relocation, Part 1 - following statistics are from this report except where otherwise noted) of the families who had relocated as a result of the Alexandra Park project. It found that 86 percent of the families had left the neighbourhood. Before redevelopment, 57 percent (457) of the 807 households had lodgers (Social Planning Council of Metropolitan Toronto, Alexandra Park Relocation, Part 1). About 200 of these lodgers, single men, did not return to the area. "Most of them were like members of the family in the homes they lives", a resident said. Unless they qualified as senior citizens, there's no way they can settle in the project, as public housing units have no space for roomers" (Trefann Court Residents' Association Newsletter, March 18, 1968).

The new development provided accommodation for 660 more persons than formerly but few of these were former residents. Only 14 percent of the families did not leave the area; the percentage was even lower for unattached individuals.

iii) Relocation Meant More Debts and Mortgages:

A survey indicated that homeownership increased by approximately 8 percent following relocation. However, two-thirds of the former owners "had had no mortgages while living in the Alexandra Park area before relocation, and inadequate compensation forced most of them to reassume mortgages and other debts" (Social Planning Council of Toronto, Alexandra Park Relocation, Part 1, April, 1970).

Case Study 5: Trefann Court, Toronto, Ontario.

In 1966, the Metro Planning Board report recommended the demolition of the Trefann area as it then existed to be replaced by a high-rise housing and commercial centre.

Since then the participation of citizens in the Trefann Court Urban Renewal Scheme has become highly publicized and contentious. Since 1968, the issues have centered on two groups: The Trefann Court Residents' Association, dominated by homeowners who wish to remain in the area and the Trefann Neighbours & Tenants Association, composed of tenants and property owners wishing to leave (Special Planning Council of Metropolitan Toronto, The Don District Study, March, 1970). These differing positions have led to a running quarrel between the two groups as the actual condition of housing in the area -- whether the neighbourhood was a slum area or basically sound and in need of rehabilitation. The gulf between these positions has led to a situation of attack, recrimination and general impasse, which has not been helped by the various government bodies involved in the project.

In the confusion resulting from the different demands of the residents, the Board of Control still persisted in its efforts to have the old scheme, of total clearance, renewed, which was also unsuccessful.

An attempt was made to encourage the interested groups in the Trefann area to participate in a working committee which for various reasons only got off the ground two years later. In 1969, the City allocated \$330,000 to buy below-standard houses in Trefann. Of the 28 dwellings purchased as of October 27, 1970, 26 are board up and demolition is scheduled for 10 of the properties (Globe & Mail, Toronto, October 27, 1970).

In May 1971, the Commissioner of development submitted a revised scheme which would involve the purchase of properties for the purpose of a) demolition, b) rehabilitation.

Findings:

i) Confusion in Planning:

Trefann Court is one of the more depressing examples of the confusion that exists in the field of urban planning and renewal. Mr. K. Jaffary, an alderman for the area, felt that "Mr. Andras was not always aware of the implications of any program propagated by CMHC, and that the Minister and CMHC were not always in accord" (CMHC memo, April 23, 1971). There are numerous other examples of deliberate or unfortunate misunderstandings that have resulted in a 5-year paralysis of an area already then on the point of collapse.

ii) Residents' Needs Ignored:

No effort was made to find out what the citizens as opposed to their "representatives" wanted, so that a general basis for agreement could be established. The citizens have, in effect, been fighting an externally determined governmental program which they see as inimical to their housing interests. This compares with the citizens of Strathcona, who have more effectively resisted this incursion.

iii) Continued Disintegration of the Area

Since the time that Trefann Court was scheduled for redevelopment, little or no money has gone into maintaining and refurbishing existing housing stock. Consequently, the disintegration of the community during this waiting period has continued apace, and obviously creates further pressure for a bulldozer development of the area.



Case Study 6: Ontario Housing Corporation - Rehabilitation

In 1962, the Toronto Housing Authority started a program of buying existing houses, rehabilitating them and using them as public housing. They paid on an average \$15,000 for a three-bedroom house. They now have about 215 of these houses, but the purchase of used houses was suspended in 1965 because it required too great a capital outlay. C.M.H.C. was unwilling to participate at that time. They had hoped to be able to rehabilitate the units for an average of \$1,500. However, they found it usually cost about \$3,000 to rehabilitate to N.H.A. standards for Existing Housing.

Case Study 7: Don Vale, Toronto, Ontario

The Don Vale Urban Renewal Project represents Toronto's first attempt at large scale private rehabilitation. Planning for urban renewal in the Don district began in 1963. By 1967, the planners were considering an urban renewal project for the whole Don Vale area which involved rehabilitation of most of the existing properties.

By rehabilitation, the City planners meant the repair or renewal of worn out parts of a building or neighbourhood. In some cases, it also meant the addition of new conveniences to an old house or the re-arrangement of rooms to improve the livability of a house. A house which was brought up to rehabilitation standards should have remained in a good state of repair for twenty to twenty-five years with normal annual maintenance.

They also published for discussion a set of rehabilitation standards and used these in making estimates of the cost of the work required to houses in the area. These standards were determined by the Housing Standards Division, City of Toronto. They were higher than the City's minimum housing standards but somewhat lower than C.M.H.C.'s rehabilitation standards, which were not considered appropriate for the rehabilitation of existing housing. The City's estimates of the cost of the work required ranged from \$1,800 to \$11,000 per house.

The residents of Don Vale formed several residents' associations to study the City's plans for the area. One of them, the Ward 2 Residents' Association, came to the

conclusion that, from a practical point of view, the proposed standards would require every house in the area to have either new or recently-installed major systems - plumbing, heating and wiring - along with new floors, windows, partitions, walls and roofs, except when these were recently installed or were in very good condition. They would also require repair and renewal work on foundations which showed signs of crumbling or sinking.

The Residents' Association, which was composed primarily of owners rather than of tenants, was of the opinion that this repair work was of the type they themselves usually did, the only difference being that they would do it over a twenty year period as it became necessary, rather than over a three to five year period as intended by the City. It simply did not make sense for them, economically, to replace systems before they were worn out, or to undertake more work at one time than they were able to do by themselves. They preferred to do the work themselves and estimated that it cut the cost of repairs in half - an important consideration in an area where the average yearly income was \$6,000.

The Residents' Association felt that the owners would be willing to rehabilitate their houses if the City wanted them to. There would be good reasons to do all the work within five years. It would be convenient and pleasant to live in a rehabilitated house for the whole twenty years. It would be equally pleasant to live in a rehabilitated neighbourhood. A rehabilitation program by the owners should be combined with improved public works and services

by the municipality. And finally, absentee landlords who were running down properties in the area, and thus demoralizing the residents as well as lowering their property values, would be forced to put their houses in good condition.

The residents felt that rehabilitation work which affected the basic soundness of the building's structure or affected its appearance should be made mandatory. They felt that work on the interior of the houses should be voluntary, that people had a right to keep the interior of their houses as they wanted it.

The residents felt that such a rehabilitation type of urban renewal program should be carried out without harming the residents. Therefore, it would be necessary for most of the work to be funded by means of grants. They suggested that grants for 80% of the cost of the work should be made available. Low interest loans (3%) should be made available for the remaining 20% if they were needed. Grants should be made to owner-occupiers for the remaining 20% if they would suffer any financial hardship, i.e. if they could not afford the 3% loan. In order to encourage people to do some, or all, or the labour involved (and thus cut City costs in the long run), the residents suggested a grant of 100% of the cost of the materials and supplies for the portion of the work done by the owners themselves.

Faced with this counter-proposal and without any source of financing for a project to make grants or loans available for rehabilitation to owners who earned less than 7,000 per year and to owners whose tenants earned less than 7,000 per year. The Province agreed to a limited rehabi-

litiation program. It was to make \$350,000 available to the City and to give it legislation whereby it could make loans at interest rates ranging from zero to 6½%. Mr. Darcy McKeough, who was then the Minister of Municipal Affairs, would not allow the City to make grants. However, he promised to bring in legislation which would give it the right to defer the repayment of principal until there was a transfer of title. The City would have the right to secure the amount of grants by means of a lien against the property which would be collectible as property taxes, that is, which would be prior to a first mortgage.

The Province and the City were working on this scheme when CMHC announced its \$200 million innovative program. Thus, CMHC was able to undertake this rehabilitation project.

The Province decided not to go ahead with its program, or to enter into a cost-sharing agreement with CMHC. Instead, it agreed to give the City the legislation it needed to carry out the CMHC program, with one reservation. The City wanted the power to impose rent control on those who received money for rehabilitation. The Province refused to give it that power.

Case Study 8: City of Toronto Demonstration Rehabilitation Project

C.M.H.C. and the City of Toronto have worked on the agreement for the rehabilitation project for several months. The seventh version was finally accepted, not because either side was satisfied with it, but because the City of Toronto was impatient to get started. The City wanted to get the provincial enabling legislation passed before the summer recess of the provincial legislature.

The agreement between C.M.H.C. and the City of Toronto makes provision for the following:

1. The first type of loan is that made pursuant to the provisions of section 40 of the National Housing Act. These loans will apply to single family owner-occupied dwellings and to duplexes or semi-detached dwellings where the owner resides in one housing unit and rents the other. The owner must earn under \$7,000 a year in order to qualify for a loan. Loans will be made for a maximum of \$18,000 per housing unit to cover the cost of re-financing existing encumbrances and of rehabilitation. This re-financing is necessary because a loan must be secured by a first mortgage. The loan can be made for a period of up to twenty-five years, depending upon the useful life of the property, and will bear interest from zero to 7-7/8%, depending upon the ability of the owner to pay. The ranges of interest as related to the gross income of the owner, are as follows:

<u>Owner's Income</u>	<u>Interest Rate</u>
\$0 - 2999	0%
3000 - 3999	1%
4000 - 4999	2-1/4%
5000 - 5999	3-3/4%
6000 - 6999	5-3/4%
7000 - over	7-7/8%

A requirement of the agreement is that the owner's income status will be reviewed every five years, and the interest adjusted if necessary to accord with his income at that point in time.

2. The second type of loan encompassed by the agreement is a loan made under the provisions of section 16 of the National Housing Act. This type of loan is available for a tenant-occupied premise, either self-contained or a rooming or boarding house. The tenant must earn under \$7,000 per year in order for the owner to qualify for such a loan. Where the tenant occupies a self-contained unit, the maximum loan permissible is \$18,000 per unit. If the building is a rooming or boarding house, then the maximum loan permissible is 7,000 per person accommodated. The loan is secured by a first mortgage. The agreement provides for an annual review of the tenant's income and rent paying ability, and makes provision for adjustment to the interest payment of the owner on the basis of the rental obtained for the property. Such loans may vary from zero to 7-7/8%, the schedule being the same as for the owner-occupier. To comply with the provisions of section 16, the owner must agree to charge reasonable rent set by the Corporation. The property may not be sold except with the consent of the Corporation and on the conditions set by it. The loan may become immediately repayable or the rate of interest may be increased if the owner changes the low rental character of the housing or sells the house.

3. By entering into the agreement, the City assumes the responsibility of acting as an agent on behalf of C.M.H.C. The City will process all its own applications, retire existing encumbrances, register new mortgages and assume the administration of such mortgages for the lifetime of the mortgage up to twenty-five years. This administration will include title searches, advances, sub-searches, preparation of loan and mortgage documents,

putting on insurance, payment of taxes, maintenance of the mortgage account, collection of mortgage payments, and the giving of notice when payment is overdue. Provision is made for the payment to the City of \$75.00 per mortgage issued, plus .375% per annum of the outstanding balance of the mortgages to compensate in part for the City's administrative costs.

The City and C.M.H.C. may make alterations in the agreement where such alterations are found to be necessary or expedient. Such changes may be made by an exchange of correspondence. The administrative arrangements required by the terms of this agreement are exceedingly complex and may cause substantial difficulty in the initial phases of implementation. The flexibility referred to permits changes to simplify administration where necessary.

Even though C.M.H.C. and the City of Toronto staff have spent many man-hours working out the terms of this agreement, no-one is sure that it will answer any housing needs. Both Mr. Christiansen of C.M.H.C. and Mr. Cook of the City of Toronto have indicated that they do not think the plan will work. It is, however, the best they can do with the existing legislation.

#### Findings:

i) Most of Funds will go toward Re-financing, Not Rehabilitation  
The first objection to the demonstration rehabilitation project is that most of the \$1.5 million will not be used for rehabilitation. Instead, it will be used to re-finance existing mortgages. This re-financing is necessary because, under section 16 and section 40 of the National Housing Act, a loan made by C.M.H.C. must be secured by a first mortgage. It cannot be secured by a lien against the property as it could if it were made by the City. Thus, the amount of the loan will be the cost of the mortgage plus the cost of the rehabilitation work.



ii) Upwardly Mobile, Young Families Overloaded with Debt may be Interested

Who would want this kind of loan? Will anyone earning under 7,000 per year be able to afford to repay the principal and interest? Mr. Cook, Director of the City Housing Standards Division, has tried to find out the answer to this question. When describing the program for the residents of Don Mount, he asked whether they thought anyone would use such a loan. The people at the meeting said they thought so, but they did not know. Evidently, none of those present wanted one. He explained the program to the members of an owners' organization in Don Vale. They canvassed opinions in a primarily owner-occupied street and found that out of 44 owners asked, two were interested. One of these was a young couple who had just bought a house and had given a mortgage on it. They intended to do a lot of work to the house. The other was an old lady who lived alone. She had savings which she could use to finance repairs but she had not got around to doing any. An application has been received for a loan from another young man whose mortgage for \$6,000 is coming due next year. He says he is not going to be able to pay it and he would like to have the mortgage re-financed (thus getting a lower rate of interest and increased time to pay). He also says he has about five thousand dollars worth of repairs to do in the house, but no time to do them. If these three indicate any trend, it is that the program would be a God-send to young families with large mortgages, who would like to re-finance the mortgage and who want, need, or at least are willing to fix up their house. It does not seem likely that older people, or at least those living on fixed incomes, would be able to afford a loan. Their interest rate might be zero or one percent, but they could not afford to repay the principal. Under the C.M.H.C. scheme, the City cannot defer repayment of principal. Absentee landlords would not be interested in the program, either, because for them it entails rent control.

iii) Very Little Rehabilitation may be Possible

The requirement that the mortgage be included in the loan creates quite a few problems. It is quite possible that a house in downtown Toronto will be mortgaged for about its full value. In fact, they are often mortgaged for more than their full value though bonusing provisions. If a house is mortgaged for \$16,000 (and it could easily be mortgaged for more), the City will only be able to lend the owner \$2,000 since the maximum amount of a loan is \$18,000. The owner may need more than that, even to bring the property up to House Code standards, but the City cannot give it to him.

The City would have to pay the full amount of the mortgage, including the bonusing provisions, in order to refinance the mortgage. It is unwilling to put money into the pockets of unscrupulous lenders. Therefore, any home owner with a mortgage that has bonusing provisions will not get a loan. The City has, by the terms of the agreement, the absolute right to refuse to make a loan.

iv) Tenants will Likely not Benefit

The Demonstration Project will be of little help to tenants, since absentee landlords will not be interested in getting one of the loans. To accept such a loan is to accept rent control. Since the vacancy rate is low, the landlord can rent his building without fixing it up. If he did fix it up, he would evict his old tenants because he could now attract a class of tenant who would pay his rent on time and not break up the property.

The fact that loans to absentee landlords are being made under section 16 produces some odd results. The mortgage they are asked to sign is the standard section 16 mortgage. It states that the interest rate is 7-7/8%. To counteract this, the City will send them a letter saying what the interest rate really is. Let us hope that this arrangement never goes to court.

A tenant who lives in an owner-occupied building might benefit from these loans. It appears, from the agreement, that an owner who rents part of his building to a tenant gets a section 40 loan. Yet Mr. Cook indicated that he would get a section 16 loan, that is, that the rent would be controlled. It is hard to say whether rent control would dissuade an owner-occupier from taking a loan. He is not in the rental business, nor is he holding the land for speculative value. He rents his upstairs flat to cover his mortgage payments and to get a little extra cash. If the rents are not controlled, the owner might easily raise the rents since he is providing better accommodation and can command a better price. The agreement provides for raising the interest rate if the owner's income from the rented property goes up, with the aim of making sure that "the owner does not increase his profit as a result of rehabilitation". But this will not prevent rental increases. Let us say that the owner raises the rent by \$20.00 per month, or \$240 per year. This \$20.00 might be enough to cause a low income family to move, or at least to make life difficult for them. The owner makes an extra \$240 a year. This is not likely to move him from one income category to the next. However, let us say that it does move him from the \$4,000 - \$4,999 range, (interest rate of 2-1/4%) to the \$5,000 - \$5,999 range (interest rate 3-3/4%). If he borrowed \$3,000, the yearly interest payment would go from \$65.50 to \$112.50. Thus, he would pay \$45.00 more in interest for a \$240.00 increase in income. The change in interest rate is not a particularly effective method of rent control.

v) Administrative Costs are High

The necessity of putting a new first mortgage on the property greatly increases the administration costs which, in this programme, are almost prohibitive, considering the cost that will come out of it. The cost of servicing the mortgage which will continue for

twenty-five years, will be much greater than the amount C.M.H.C. is contributing to their administration. The City of Toronto has a Legal Department which is capable of handling this work, but a small municipality which hires a solicitor to do its legal work would find the programme even more costly. The City of Toronto has housing standards inspectors, capable of doing the inspection to decide what repair work must be done and what rehabilitation work should be done.

Mr. Cook estimates, however, that inspection of a house for a loan will take four times as long as a regular inspection and will cost the City four times as much. The City will have to spend a lot of time with the owner deciding what rehabilitative work will be done, approving plans and specifications for it, inspecting the property to see that the work is being done properly. They may also give people some advice and assistance in carrying out the improvements. This programme will necessarily involve an increase in staff yet C.M.H.C. is not contributing to this part of the administrative cost at all.

vi) Programme unworkable

This programme will not likely succeed. It is going to be very expensive for the City and may not answer the housing needs of the people, other than those who want to re-finance burdensome mortgages.

vii) C.M.H.C. Willing to Forego its rehabilitation standards

Perhaps the most important thing about the agreement is that C.M.H.C. has been willing to forego at the outset its rehabilitative standards, thus recognizing that they are unworkable. The loans are to be made for "such rehabilitative work which complies with the plans or specifications and the standards approved by the City". Thus, the rehabilitation work to be done is to be left

to the discretion of the City. Self help will be encouraged. The City intends to encourage the home owner to do as much of his own rehabilitation work as he can. Thus he will reduce his own costs, the amount of his loan, and the amount of his loan, and the amount of the City's subsidy. The City does not want to do the work, because its officials feel that any work done by a public authority costs twice as much as it does for a home owner. The City has to pay union wages and it has to buy the very best quality materials. A home owner can get a friend who is a tradesman to help him, and pay him less than union rates. He can buy fixtures and supplies which are not top quality, but which are still satisfactory. He can cut his costs by buying second-hand fixtures which are in good condition. These methods of cutting costs are closed to the City.

Mr. Cook says the programme could get into difficulties because there is a municipal by-law which states that when the cost of repairs to a house is one-half of its value, the work must be done to conform to the standards required for new buildings. The Commissioner of Buildings has agreed not to be too sticky on that point. If conversions were contemplated, there would be more trouble with the municipal by-laws concerning two family houses. These by-laws were made up with new suburban houses built as two-family units in mind. They are not appropriate to converting old houses in the city centre.

viii) Private institutions may impede project progress

On paper, the City may have discretion as to what rehabilitation standards are acceptable, but it is the insurance companies who decide what rehabilitation work is done. Downtown residential areas are considered high risk areas by insurance companies and they are not interested in selling fire insurance in these houses before a loan can be made. The City is now negotiating with the

companies regarding insurance. The standards these companies set will ultimately govern.

ix) Very broad area designation

The rehabilitation work to be done is not limited to an urban renewal area. The agreement between C.M.H.C. and the City says the work shall be done within the Map 3 area. This area covers the whole centre city. This provision recognized that it is worthwhile to rehabilitate older houses which are not completely run down. Thus one keeps a large stock of older houses desirable as housing.

x) Linked to Area Improvement Programs.

The City is also attempting to fit the rehabilitation project into its other projects. The City has a scheme called "An Area Improvement Programme". It is not a particularly glorious programme - Mr. Cook calls it a 'peanuts' programme because it is funded at only one million dollars per year - but it keeps the neighbourhoods happy. The City finds that whenever it talks to people about the condition of their neighbourhood, they complain about the City's own house-keeping. They want the streets fixed, or some trees planted, or their lanes pave. These things might be scheduled to be done in five to ten years. The City uses the one million to do the work then. Perhaps it does not do a complete job. It fills potholes instead of completely repaving the street, but the people are pleased that the City answers their complaints immediately. Mr. Cook wants to combine the rehabilitation project with an area improvement programme, so that the City will have the co-operation of the residents. The area should also be greatly improved if both the City and the homeowners work at improving it at the same time.

Case Study 9: Strathcona, Vancouver, British Columbia

The Strathcona Property Owner's and Tenants Association (SPOTA) was founded in 1968 comprising more than four hundred homeowners and tenants in an attempt to preserve and rehabilitate a twenty-three block residential area in Vancouver slated for "redevelopment".

The significance of this particular case study lies in the example it provides of community cohesion, organization and action in the face of an outside threat, i.e., the City of Vancouver's application, October 30, 1968 to CMHC for funding to "clear and redevelop" the area in question. It has also led to the formulation of a project of renewal based on rehabilitation, almost unprecedented in Canada: "This is the first project where deliberate arrangements have been made to allow the residents to play an equal part with the other urban renewal partners" (CMHC, Head Office, memo, May 7, 1971).

The area, one of approximately seventy-one acres, is zoned for medium-density multiple development. Of the area's 614 structures, 486 are in residential conversion category, and it is estimated about 35 percent of these are suitable for rehabilitation (Strathcona Rehabilitation Committee, April 15, 1971). Negotiations are carried out by the Strathcona Rehabilitation Committee, which is made up of three SPOTA members and one civic, one provincial, and one CMHC representative. The cost of the program is to be shared by the three levels of government, 50 percent Federal, 25 percent Provincial, and 25 percent Municipal. The latter portion is to be in the form of a "grant-loan" and has been the subject of negotiation among the three levels of government and SPOTA.

By June 11, 1971, the Strathcona Committee had arrived at a formula which proposed a maximum grant of \$3,000 with no matching equity (Interview 57). This is to be available to owners with incomes up to \$6,000 level. Above this figure it drops by 25 percent per

\$1,000 income. In case of apartments, \$1,000 grant per unit was to be provided with no income limitation. For rental accommodation, a rent increase moratorium based on five years was established in order to protect the tenants against high rent increases. SPOTA representatives were reluctant to give outright support to the new formula, and the matter remains under consideration (CMHC, memo, June 11, 1971).

Provision is to be made for the eventual acquisition and clearance of certain non-conforming uses incompatible with the residential character of the area and of residential properties unsuitable for rehabilitation if owners of these latter properties request it.

#### Findings:

##### i) Rehabilitation from the People Rather than from the Government:

The initial government "solution" for the Strathcona area would have meant the eventual destruction of a functioning and cohesive community and the displacement of its people. A survey commissioned by the inhabitants of the area showed that 90 percent of these chose to stay and rehabilitate their homes rather than to be relocated into new housing. Through a politically effective community action group the inhabitants' solution replaced the one originally envisioned by the government. Crucial to the context of the scheme is its emphasis on the fact that decisions about the area are to come from the people who live there and not from outside "specialists".

##### ii) Rehabilitation Expertise Developed Locally:

The Citizens' groups representatives have been a powerful voice in determining the nature of the project. They have not merely been a sounding board but have become involved in specific proposals on



various subjects; they were able to define clearly their own needs and developed sufficient understanding of the economics of the situation to adjust their requests to governmental capacities to act.

iii) Mechanisms of Rehabilitation

The Strathcona project was approved-in-principle through a broadening of the scope and Section 23 of the NHA. A renewal program for the area was made to work in terms of rehabilitation using existing legislation and new forms of financial assistance. The real feasibility of the program lies in the mechanisms that assist the people to define how they can improve their housing and can consequently develop their bargaining power.

iv) Government Attitudes to Rehabilitation

Federal: The Federal Government is prepared to enlarge the scope of Section 23B of the NHA to allow for the rehabilitation of the Strathcona area. It has given its approval-in-principle to his proposed project which it considers significant in relation to renewal problems in other areas of Canada.

Provincial: Influenced by the Strathcona project, the provincial government has decided to present amendments to its legislation in the Legislature to authorize rehabilitation grants in conjunction with grants made under the NHA.

Municipal: The City's position has evolved from an initial narrow position of participation in servicing and administration costs only, to one of participation as well as in a grant loan arrangement.

The Strathcona project comprises one of the most open responses on the part of government to local community initiative. It is also the result of one of the best laid strategic plans on the part of a local group. It is the intention of CMHC to monitor the results of the experiment. Hence, the conclusions arrived at above are subject to change.

Case Study 10: Project Initiative and Development (1971)

In 1971, encouraged by the success of the rehabilitation projects under the \$200 Million Program, the Corporation instructed several of its staff to contact local groups and elicit rehabilitation projects. The following is a brief summary of some of the responses.

There are difficulties in evaluating several of them because of their (at present) speculative nature. However, the problems with these proposals are representative of the larger problem: the development of a national policy and workable programs on rehabilitation.

The basic deficiencies are: detailed information on the number of dwelling units affected; costs of repairs and costs of social development attendant to a rehabilitation program; and lack of experience in handling such a program, including the accurate budgeting of the program, methods of control and supervision of contract work, organizing the obligations of all parties in the program, and making certain that all participants, especially the affected citizens, know what to expect from each other.

Most of the proposals are not at a stage where CMHC can become involved beyond discussion of resources.

In order to facilitate an understanding of rehabilitation and its ramifications three of the harder proposals are summarized here.

WINNIPEG - NORTH POINT DOUGLAS

This proposal is aimed at "revitalizing" a core neighbourhood of Winnipeg. It envisions a mix of new con-

struction (Public Housing) and rehabilitation of sound dwellings.

The existing neighbourhood has many vacant lots, some larger parcels of vacant land, some slum housing that is probably not repairable, and, some obsolete and unused light industrial structures. The City is certain that a policy of buying land and houses, demolishing the latter and building new units will be uneconomical.

Rehabilitation offers the chance to get some sound, large-family dwellings for persons of low income within reasonable cost limits -- families who would be cramped even in the largest public housing units. The City sees this also as a way to avoid the subdivision of these dwellings into small flats: a process typical of deteriorating core-city neighbourhoods.

Part of the revitalization will be the construction of in-fill housing: detached and semi-detached public housing houses on the vacant lots. The expected movement of population, particularly families, into the area will both renew and stabilize the community. The present population is aging.

Some of the very large old houses (15 to 20 rooms) may be converted into senior citizen accommodation - light housekeeping situations, perhaps with a common kitchen. With cost savings realized from rehabilitation (as opposed to new construction) such an arrangement may make it possible to afford a caretaker for each such house.

The larger parcels of land (up to three acres) would serve as sites for public housing row-housing.

### Activity to Date

The City has already initiated activity in the area. Notices have been issued to all absentee-landlords in the area where maintenance by-laws have not been complied with.

Two houses have been rehabilitated as a demonstration. Much of North Point Douglas has been rezoned from industrial back to residential -- a very necessary step before proceeding. The river bank cleanup has been approved, and certain surplus City-owned lands have been earmarked for parks and recreational purposes. Two community development workers have been involved in attempts to get residents to participate in the improvement program.

A residents association has surveyed the area in order to determine the needs of local tenants and homeowners.

### The Housing Program

An acquisition program is planned. It has been recommended that the City operate within the private market here. Acquisition of lots is likely to run at \$50 to \$60 per front foot. Expropriation powers might be necessary for assembling the larger parcels of land. Combinations of vacant land and poor structures have been examined as public housing sites. One particular combination site is targeted.

The initial program will include the purchase of only fifty (50) units so as not to excessively disturb market conditions. It is suggested that the purchase program will

actually stabilize prices which are currently dropping. Although costs of the demonstration project which rehabilitated two (2) houses were high, full cost recovery was possible.

### Subsidizing Rents

The proposal would like to see a range of subsidies extended beyond the range of public housing subsidies presently allowed under Section 35. The proposal suggests a variable subsidy which would not de facto require families to move from dwellings when their income level rises beyond the subsidy level.

### Full Recovery Housing

Some of the work program is to be done under Section 16 so that subsidies for rental would not be required for persons of modest, but not extremely low-income. These persons would be able to take advantage of a preferred interest rate. This measure is to encourage a greater income mix in the neighbourhood population.

The Manitoba Housing and Renewal Corporation does not appear ready to venture into full-recovery housing; so CMHC is the logical instrument for financing the City's endeavour (MHRS would be involved in any subsidized housing built).

The City would like to get preferred interest and be able to offer tenants ownership with low down payments in order to further stabilize the neighbourhood.

### Preservation and Improvement - Existing Stock

The first recommendation is for the City: the establishment of a strong minimum standards by-law and

and aggressive enforcement of it. A systematic inspection system rather than a response to complaints is seen as the vehicle for checking the process of deterioration and setting a level of necessary rehabilitation to work for. This is recommended for the entire metro area.

The proposal suggests the strongest effect of the by-law would be on absentee-owned properties. Owner-occupied dwellings will need special financial assistance for rehabilitation. One of the cited devices for assistance would be lending against a lien on the property so financing only is recovered after sale of the property. However, this is viewed as a last resort.

A system of licensing for rental accommodations is recommended. This would go hand-in-hand with "standards" inspection. It is specifically noted that this device could drive out profiteering landlords.

An education program on property taxation, and a moratorium on improvement taxes are suggested as incentives to homeowners in the area.

#### Assistance to Homeowners

The report notes that most homeowners cannot afford high interest improvement loans and some cannot repay the loans. Normal sources of financing the purchase and repair of dwellings are boycotting North Point Douglas.

Some of the responses foreseen are: an information centre in the community to give technical advice on repairs; the development of a work force to assist in rehabilitation

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work; the fixing of a base rate of interest on loans, around 4%, with a sliding scale of rates based on incomes; grants to homeowners in the greatest need. The recommended grant would finally be fixed above 25% of repair costs.

### The Initial Phase

The action the proposal calls for is an immediate start on fifty (50) rehabilitation units; the conversion of one or two large old dwellings for senior citizen accommodation; the acquisition of two major sites for new construction including forty (40) units of family accommodation on one site.

### Roles

The Province of Manitoba will act as the constructor of new public housing units. The City of Winnipeg is willing to act in a supportive capacity, assisting a program of full-recovery housing. CMHC and the federal government will be asked to fund parts of the program, if necessary, on an experimental basis.

The full neighbourhood improvement program will be co-ordinated and researched by the City.

### Findings

(1) Private efforts to date appear negligible. Before progress can be expected, the removal of two junkyards blighting the area is necessary. They depress values in North Point Douglas and discourage private investment there.

This is particularly serious in view of the existing "red-lining" (boycotting) of the area by private lending operations.

(2) The proposal is closely tied to overall area improvement including cleanup of river banks, provision of parks, assembly of vacant lots, code enforcement.

(3) Reliance is placed on conversions to increase housing supply.

(4) Substantial participation of three levels of government and of local groups is required. The city is attempting to stimulate resident participation.

#### HAMILTON - NORTH END

This is a straight forward rehabilitation program which envisions a considerable amount of voluntary participation.

#### The Initial Phase

The City must undertake to enforce the minimum standards by-law where necessary on residential and commercial properties. This means inspection of all properties in the area. Further the City is to acquire and remove all industrial buildings, not conforming to existing zoning, which are of an "obnoxious nature".

There is to be a small initial pilot project to illustrate the required rehabilitation, and simultaneously a vigorous push to get voluntary work started.



This phase will include an estimate of all program costs - interest subsidies, administration, grants, etc.

#### Voluntary Program

Where owner-occupiers are willing to repair their dwellings they should be eligible for subsidized interest rates from CMHC. In necessary cases they shall be able to get a grant for rehabilitation which will be recoverable on property transfer through a lien. The recommendation is that the grant be recovered with interest.

Where owner-occupiers are not rehabilitating the City may purchase the property to repair for resale or lease.

Absentee-owners could be eligible for low cost loans providing they agree not to raise rent beyond increases in taxes or interest costs. A standard, properly executed lease will be signed with tenants after the work is done.

In case of owner-occupied substandard units which cannot be repaired, the City will purchase and demolish the properties. In the same situation vis-à-vis absentee-landlords, the City will enforce the minimum standards by-laws to the fullest extent of its power. From the houses brought by the City and repaired, a housing bank will be provided for owners undertaking renovations.

Where none of the proposals can be implemented, the full enforcement of the minimum standards by-law will apply.

#### Pilot Project

A two block area has been selected for the pilot; including about thirty-five (35) dwellings. Although con-

siderable public discussion will affect the proposals, the following recommendations are made respecting the City:

- i) purchase and rehabilitation of some dwellings;
- ii) rehabilitation of infrastructure services, including roads, sewers and lighting;
- iii) landscaping the area at no cost to residents.

The City, with the Urban Renewal Rehabilitation Committee, will operate a continuous program of individual consultation including free architectural services provided by the Architectural Association.

The City's Urban Renewal Department will administer contracting for all rehabilitation under the program. It will be responsible for awarding contracts and performance up to contract specification.

### Findings

(1) Substantial improvements have occurred in this area in the last five years resulting from private investment. It would seem logical then that the remaining work to do in Hamilton North End will require some new, more effective financing arrangements in order to complete the larger process of community revitalisation.

(2) This proposal does not specify what level of subsidy is required, nor how it would be borne. If the preferred rate of 7½% is used, it is again unclear what will happen to residents who cannot afford this financing.

(3) The project evolved out of earlier urban renewal plans for the area.

(4) The City is proceeding cautiously, relying on a pilot project first, together with Code enforcement.

#### TORONTO - CENTRAL NEIGHBOURHOOD HOUSE

This is a private proposal designed as a demonstration project. As such its main purpose is to show that rehabilitation is a workable process leading to the production of good dwelling units for persons of relatively low income at reasonable cost.

A specific target area is suggested and the effects of the project will be helpful to residents in offering stability of neighbourhood and security in tenure within the neighbourhood.

The population aimed at earns less than \$7,500 per year and costs resulting from the scheme will be no greater than 25 to 30 percent of income.

#### Initial Phase

As the community is not considered capable of doing the initial planning, an interim board of professionals and a few local citizens will administer the first phase. One staff person will be hired and as the operation progresses, it is expected that many more local citizens will become involved in the planning.

The first stage is to buy at least ten (10) houses, as they become available on the market. These will be repaired and converted into about 15 or 20 dwelling units.

Standard of work will be up to at least the Toronto Minimum Housing Standards By-law.

Cost-saving techniques including bulk purchasing, multi-unit contracting and resident participation are included in the estimated cost of \$15,000 per unit completed.

It is suggested that units will be owned by a non-profit corporation and rented at a maximum of \$135 per month for 2 or 3 bedroom units. It is observed that at present interest rates the amortization period will necessarily be fifty years.

The process of taking options, and buying, and rehabilitating will be accompanied by community organization and the involvement of citizens on the board of the corporation.

Options to purchase and other equity growth schemes for tenants could possibly come out of the proposal.

### Findings

(1) With existing restrictions on subsidy, only persons with minimum incomes of \$7,500 per year will benefit.

(2) Participation will be phased in. Increased activity from local citizens is expected as operations progress.

(3) Reliance is placed on conversion to reduce per unit costs and increase housing supply.

The crucial points occurring from these case studies are:

(1) The great interest in rehabilitation results from citizen opposition to clearance and redevelopment. Community group interest in the preservation and conservation of their areas is juxtaposed against the firth of governmental planners and politicians in growth and change as the remedies for inadequate housing conditions.

(2) Even when government is prepared to support rehabilitation, legislative limitations prohibiting grants and holding loans to slightly below market interest rates severely restrict response by low income householders who are unwilling and unable to go into debt or to increase their debt load.

(3) For those willing to accept loans, lending terms and conditions completely weaken the effectiveness of a lending program.

(a) The requirement that CMHC obtain a first mortgage means that most of the loan funds go for refinancing existing debt and as little as 20% may go into repairs and improvements.

(b) Bringing an old, deteriorating house up to existing Residential Standards is like fitting a square peg into a round hole. No owner using his own funds and common sense would convert his house so substantially. The effect is to double rehabilitation costs in many cases.

(c) Insistence that all "defects" must be brought up to standards simultaneously, so that the

unit against which the loan is made is standard, does not recognize the normal pattern of household repairs in which the owner does what he can each year, to the extent that he can afford it, according to his own sense of priorities. The requirement that all repairs be done at once substantially increases the cost and therefore the debt load.

(4) While low income is the major explanation for failure to make repairs, another important factor is lack of confidence in the future of the area. Poor municipal housekeeping i.e., failure to keep up its own services is a prime cause. Equally important is municipal reliance on redevelopment - its espousal of public urban renewal and support for private redevelopment. The latter may be explicit, e.g., in changes to official plans and zoning by-laws or tacit, in the pattern of approvals on which developers come to depend is undertaking land assemblies. Failure to enforce housing codes and to control wanton building demolitions permit the blockbusting tactics which have flourished in the last several years.

(5) Reacting to this deterioration, and in keeping with their own conservative lending practices; institutional lenders refuse to make loans in even slightly deteriorating areas and insurers refuse to place fire insurance on them.

(6) Despite experience with some 35,000 N.H.A. home improvement loans from 1955 to date (for which considerable raw data is available) governments continue to talk in terms of pilot and demonstration projects.

...

(7) Most of the projects have focused on rehabilitation problems of homeowners. No one has come to grips with the problem of tenanted properties. Code enforcement has failed because of administrative, political and judicial unwillingness to compel landlords to increase investment without an increase in profit. No mechanism exists to deal with the increased rentals which would ensue.

#### Case Study 11: Rehabilitation in Rural Areas

The Task Force had available to it a study entitled Rural Families and Their Homes<sup>(1)</sup> which examined some 218 farm families in 1959 and 1968 with regard to their family and household expenditures during that period. The results were, in some ways, strikingly similar to those which we reported in our urban case studies.

The conclusion was that "the use of credit for family living purposes was still not an accepted pattern of behaviour for the majority of the Ontario rural families interviewed in 1959 and 1968. This behaviour seems to be clearly related to the underlying beliefs inhibiting the borrowing of money."<sup>(2)</sup> The most often mentioned reason for not using credit was on moral grounds, "I was taught to pay cash."; "We don't believe in borrowing money, etc.".

We should note that Ontario farm families are probably the wealthiest and most urbanized in the country. Those atti-

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(1) Prof. Helen C. Abell, University of Waterloo, August 1971.

(2) Ibid, p. 22.

tudes probably flourish even more strongly in other provinces.

In 1968 the average age of the houses was 74 years old. About three-fifths were frame and two-fifths stone or brick.

Despite the age of the units, the average family spent \$1,314 on improving the house over the nine year period. Most of this sum went for major structural improvements, and heating and plumbing improvements (about 27% for each).

Average cost over the period for improvements was as follows:

Heating - \$753  
Plumbing - \$856  
Structure- \$996

These were the three items with which they were most concerned. The level of concern with each had increased over the decade. Responses to the survey were as follows:

<u>Type of Change</u>	<u>% Concerned</u>	<u>% Changes Completed</u> <u>(55-59) (59-68)</u>
Structural 1959	63	25
1968	65	28
Heating 1959	20	11
1968	57	44
Plumbing 1959	40	21
1968	52	36

...



Thus substantial numbers had upgraded their homes over the decade. The majority of those concerned had managed to improve heating and plumbing systems. A substantial number were unable to remodel the structure and wished to do so.

"This continued concern for housing change and improvement is based on unquestioned need for repair and maintenance of the structure but also on evidence of the changing lifestyles of rural families who have largely ceased to regard central heating or plumbing as luxuries."<sup>(3)</sup> In response to the survey, far more families in 1968 explained these changes as matters of convenience, rather than of need as was the case in 1959.

The major factor inhibiting the completion of desired improvements was, not surprisingly, lack of money. Of lesser importance, but still cited in a number of cases were the lack of family labour or inability to hire labour and uncertainty about the advisability of making repairs.<sup>(4)</sup> A rural rehabilitation policy will have to take these factors into account.

The major forms of governmental financial assistance open to farm families for housing purposes are the grants under the CAP and the provisions of the Farm Credit Act. That legislation seeks to promote agricultural rationalization and increased productivity. Under the legislation, loans have been given for the erection of 5,456 units since 1954. While loans are also available for the modernization of farm buildings,

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<sup>(3)</sup> Ibid, p. 55.

<sup>(4)</sup> Ibid, p. 69-70.

including housing, the basic lending criteria are the value of the farm and the ability to repay the loan. As a result farm loans are made for the repair of deteriorating buildings.

Under the Farm Improvement Loans Act, guarantees are available to approved lenders for loans involving farm improvements. The maximum term is ten years. Loans for 13,958 units were made between 1954 and 1969. Again, these serve only the prosperous farmer.

## Rehabilitation Legislation in Foreign Countries

Both Great Britain and the United States have legislation which makes financing available for rehabilitation. Their solutions to the problems we have faced will be helpful to us in setting up our own schemes.

### Great Britain

Great Britain uses an inter-related system of grants and loans. A system of grants to instal the "five standard amenities" was instituted in 1949. The five standard amenities are: a hot and cold water supply; a fixed bath or shower; a washhand basin or sink; a water closet. (The 1968 White Paper, "Old Houses into New Homes" intended to add structural repairs to those improvements aided by grant. This provision did not seem to find its way into the Act.)

These grants are known as "standard grants". The owner pays one-half of the cost of having the amenity installed and the local council gives him a grant for the other half. The maximum amount of grant for each amenity is specified; that is, the grant for installing a water closet is fifty pounds; the grant for installing a bath is thirty pounds. The maximum amount of grant for the installation of all five amenities is two hundred pounds. The local council recovers three-quarters of its share from the Exchequer and thus pays one-eighth of the cost of the amenity.

The original collateral requirements - that the house have a life of thirty years, that all the amenities be installed, that the house be in a good state of repair when the improvements were completed (this latter was not covered by grant) - have been relaxed. The life has been dropped to fifteen years; the necessary

amenities have been dropped to three, and the local councils have been urged not to raise their expectations on quality of repairs too high.

Another type of grant, called a discretionary grant, similarly funded, can be given by a local council in order to bring the dwelling up to a defined standard comparable with that of a modern house - given due allowance for age and limitations in design, lay-out and construction. The maximum discretionary grant is \$1,000 and the discretion of the local council, in approving or rejecting the application extends only to the suitability of the property for the type of improvement proposed. The financial position of the owner is not relevant, as it is assumed that he needs the grant, if the property is substandard. In any event, the primary target of British legislation related to rehabilitation is the dwelling, not the inhabitant.

For houses to be improved by a discretionary grant, a number of requirements must be met. This is known as the Twelve-Point Standard, which is based on the Parker Morris Report on desirable housing standards. <sup>(1)</sup> This standard requires that after improvement a dwelling must:

1. be in a good state of repair and substantially free from dampness;
2. have each room properly lighted and ventilated;
3. have an adequate supply of wholesome water laid on inside the dwelling;
4. be provided with efficient and adequate means of supplying hot water for domestic purposes;

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(1) U.K. Report of the Commission on Housing Standards  
(London: H.M.S.O., 1965).

5. have an internal water closet as practicable, otherwise a readily accessible outside water closet;
6. have a fixed bath or shower in a bathroom;
7. be provided with a sink or sinks, and with suitable arrangements for the disposal of waste water;
8. have a proper drainage system;
9. be provided in each room with adequate points for gas or electric lighting;
10. be provided with adequate facilities for heating;
11. have satisfactory facilities for storing, preparing and cooking food;
12. have proper provision for the storage of fuel.

Since the standards are worded in terms of "proper", "adequate", "suitable", "satisfactory", it is obvious that the local council has a great deal of discretion concerning the level of the rehabilitation work done.

Discretionary grants are also available for conversion of a house into flats. The maximum grant per flat is twelve hundred pounds and covers the cost of structural alterations, the addition of the "amenities" (i.e., a bathroom), as well as sound thermal insulation. Grants for conversions are available to all owners, irrespective of their means. The only test is the suitability of the dwelling of the changes proposed.

Where made, it is quite simple for a grant to be fit into the routine of a householder, as a grant as low as \$100 can be given.

In Great Britain, a system of loans complements the grants system. If the owner cannot pay his half of the

improvements, or if he wants to improve more extensively, he can get a loan from the local council. This loan is payable over a twenty-year period. This period may be extended by the local authority.

The loan can also be made payable whenever title passes, either by sale or on death. The White Paper "Old Houses into New Homes" provided that "Where an owner needs a loan as well as a grant, but could not afford to repay the principal for a period or during his occupancy, the local authority should be able to charge interest only, the principal being secured on the property and being recovered later on." This, in fact, allowed deferred repayment, although interest will still have to be paid.

The English authorities do not have to rely entirely upon the desire of the owner to improve his home. Although they stress the "carrot" approach, they do have police powers which are very useful in helping an owner decide he wants to rehabilitate. They can issue repair orders as in Canada.<sup>(2)</sup> They have the power to demolish housing which is unfit or in a serious state of disrepair. They have the power to make repairs and put a lien on a multiple occupancy dwelling, as well as a power akin to receivership.

The English legislation is good in terms of financing and in providing the necessary police powers, but it does not deal well with the problem of getting the local authority to initiate a rehabilitation programme.

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<sup>(2)</sup> Although they are much easier to enforce in Great Britain where paternalism and elitism are more accepted than in Canada.

The local authority will not embark on such a programme if it is too costly. Not only does it have to pay one-eighth of the cost of the rehabilitation work, but it has to pay its own staff. A rehabilitation programme, especially one relying on persuasion, requires a large staff. A local authority has to inform owners of the financial arrangements available, and encourage them to use them. It has to advise them of what work is necessary or desirable, and estimate the cost of such work. It has to put them in touch with reliable contractors and then oversee the work being done. All this takes a lot of time and effort. Inadequate provision for staff may well cause the English programme to founder or even dissuade a local authority from initiating such a programme.

In Great Britain, grants and loans have been available everywhere in the country since 1954. Since their use depended on individual initiative, it was found that the results had been "patchy" (White Paper). Therefore, the government introduced legislation in 1968 as a result of the White Paper which made it possible for a local council to encourage rehabilitation work financed by grants and loans, and to concentrate its efforts in a particular area.

A local authority was given the power to declare an area to be a General Improvement Area. The aim in such an area is for the local council to persuade and assist the owners to improve their houses and to help them by improving the environment. The local council is to undertake a programme of explaining to the homeowner what work should be done and what financing is available. It is to assist the homeowner as much as possible and it has the power to act as his agent in carrying out home improvement work. In Deeplish, this assistance went as far as preparing architects'

plans, showing how the standard house types in the area could be redesigned to put in baths, add garages, or be converted into two-family houses. They also provided an estimate of the cost of each type of change.

At the same time, the local council is to undertake a programme of improved public works and services in the area - new streets, new footpaths, parks. The Exchequer contributes 50% to the cost of the local council improvements.

The White Paper stresses the necessity of the local councils having the homeowners' co-operation. The guiding principle is to be voluntary co-operation rather than force, and to get this co-operation the local council plans must be flexible. The local authority is not required to submit a plan to the Minister for approval. The local authority does have the right to acquire property for improvement or conversion through voluntary sale or, if necessary, by compulsory purchase. If compulsory purchase (expropriation) is necessary, the local authority must get the Minister's approval. This provision seems to me to strike a very good balance. As long as a local council explains and consults and gets the homeowner's agreement and co-operation, that is, as long as it is flexible, it can continue without Ministerial intervention. As soon as an individual's rights are being affected, which he does not agree to, an inquiry may be necessary.

Discretionary grants fit very nicely into the provisions for a General Improvement Area. Within such an area a local council can always exercise its discretion in favour of the homeowner, thus making it easier for him to carry out improvements they think are desirable. Since the twelve-point standard is so generally worded and relies so



heavily on the local council's discretion as to what is "adequate", "suitable", "proper" or "satisfactory", the local council can use these grants to achieve the type and level of improvement they want. Since grants for conversions are also discretionary, the local council can dangle this like a carrot in front of the homeowner in an area where they would like to have an increase in the number of housing units.

One must not forget that standards grants, discretionary grants, and loans continue to be available throughout the country. Thus, a homeowner who needs a two-family dwelling, is not prevented from doing so by his not being in a general improvement area. The general improvement area was not instituted as a restriction on the availability of grants and loans. Instead, its purpose was to permit a local council to concentrate its efforts in a run-down area that needed comprehensive improvement.

By Canadian standards the grants have been well received. Through December 1967, nearly a million (954,635) standard or discretionary grants had been given, although the estimate need is for 4½ million. About 60 percent were standard grants. Since the White Paper and since local councils have been able to designate General Improvement Areas, about half a million grants have been made, and number of householders being aided in the current year is over one-third above the number in 1970.<sup>(3)</sup>

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(3) The Economist, June 26, 1971

However, the present Government is dissatisfied with the level of improvement which the system of grants and loans has enabled. They realize that improving old houses is cheaper than building new ones. Therefore, in June of this year they announced that for the next two years improvement grants in General Improvement Areas will increase to 75 percent of total cost, instead of the current 50 percent, with an upper limit of £1,500 instead of £1,000.<sup>(4)</sup> The Department of the Environment, which administers the grants and loans, does not keep figures on individual costs, but they estimate that this will increase the influx of government rehabilitation funds into the economy by 25 percent, or £46 million over the two years. The new regulations for the first time make allowance for slum dwellers. The Government were apparently bothered by the fact that the bulk of improvement grants were going to relatively affluent local councils. Applicants outside the improvement areas will still continue to receive grants of 50 percent. The grants inside improvement areas correspond pretty much with what has been demanded by residents in Don Vale in Toronto and Strathcona in Vancouver, and are considerably above the grant proportion which a homeowner might receive under the Montreal Bylaws. As of the time of the White Paper, 49 percent of the grants had been made to owner occupiers, 29 percent to local authorities and 22 percent to other owners, many of which were undoubtedly absentee landlords.<sup>(5)</sup>

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(4) Ibid.

(5) A large proportion would also have been public and private trusts.

The above distribution indicates that tenants are not receiving the same benefits as owner-occupiers. The British have experienced the same problem that the Americans have and which can be anticipated in Canada. How does one elicit the desired response from an absentee landlord? The local authorities are loathe to make a grant without simultaneously making the property in question subject to the Rent Act, and landlords are reluctant to look themselves into the Act. Added to this is the difficulty imposed on a tenant by any increase in rent, and under the Act some increase would be permissible. The White Paper's response was to recommend that local authorities be allowed to freeze rents in designated areas and to declare houses unsuitable and incapable of being made suitable. The latter power has been utilized since 1969, and is partially the cause of forced opening of closed houses by local citizens' groups protesting a shortage of suitable quarters.

In this regard the attitudes of British citizens' groups in General Improvement Areas may be approaching that of the United States and that now evident in Don Vale and Toronto. John Fowlie reports development along such lines in a recent experiment in neighborhood improvement in the City of Liverpool.<sup>(6)</sup> A private organization known as "Shelter" has set out to demonstrate that through organized citizen participation residents of the poorer areas of cities can exercise their right to determine their future. But, instead of polarizing their opposition to the municipal authority in new political structures, they are endeavoring to bring about a working co-operation between residents, professionals and municipal government. Of course, this

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(6) Op. cit.

latter twist on citizen participation in England may merely result from a difference in the distribution of power at the local level and the objective need to polarize.

#### United States

As is the case in Canada, the United States has concentrated the thrust of its housing programmes on new construction, and not until the mid 1960's were aids available outside urban renewal or code enforcement areas. To the extent that rehabilitation does take place outside these areas, the programmes are such that practically all of it involves financing of entire mortgages and rehabilitation to virtually Federal Housing Administration (F.H.A.) standards, which are probably very similar to CMHC's minimum property standards for existing buildings. The estimated total of completed rehabilitations under the Department of Housing and Urban Development's at the end of fiscal 1969 (30 June 1969) was less than 40,000 units. <sup>(7)</sup> But in 1968 some 24,300 rehabilitations were begun, which amounted to almost one-fifth of new construction starts. In 1969 rehabilitations expanded to 34,600 units or almost one-fourth of new construction starts.

The primary instruments of U.S.A. rehabilitation endeavours have traditionally been the 115 grant programme and the 312 loan programme, which were meant to run in tandem, but which, as will be seen below, seldom do.

The system of direct grants applies to owner-occupiers of buildings with not more than two dwellings. Historically,

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(7) Robert Taggart, III, Low Income Housing: A Critique of Federal Aid (Baltimore: The Johns Hopkins University Press, 1971.

the income limit for receiving a grant was a combined income of \$3,000 for both a husband and wife. The maximum grant was \$1,500. In 1968 the maximum grant was raised to \$3,500, and a provision was made whereby a grant could be made to an owner-occupier if it did not exceed the difference between rehabilitation costs and the maximum loan which could be amortized with housing costs remaining less than one-fourth of monthly income. It is clear that rehabilitation grants are intended for hardship cases to avoid displacement of homeowners who have no other means of financing repairs and improvements which must be made to their houses. These grants probably serve a purpose similar to that intended by the section of the Canada Assistance Plan which permits grants to homeowners for improvements necessary to their health and safety and so forth. As of April 29th, 1969, 7,000 grants had been made across the United States, most of them in the large eastern seaboard cities. Slightly more than half were in urban renewal areas, the remainder being in concentrated code enforcement areas.

In the United States a loan is seen as an alternative to a grant. Section 313 loans are available to an owner-occupier of a building of no more than four units. The loans are for a maximum of \$10,000 (45 percent higher in designated high cost areas) and carry a below market interest rate of 3 percent. The repayment period is 20 years or three-fourths of the remaining life of the building, whichever is less. Before 1968, loans, as well as grants, were limited to owners whose income did not exceed \$3,000. In 1968 this was modified so that owner was eligible whose income did not exceed the maximum eligible for occupancy of 221(d)(3) - BMIR projects, generally about 35 percent higher than for public housing. There was still pressure to raise the limit, as it was argued that it was middle-income owners who were

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more likely to improve their properties. 1969 legislation changed the limit to a guideline, and the programme may now serve the owners of property occupied by low-income families rather than owner-occupiers with a low-income. As of April 1969, 11,500 loans had been made. Again, most were in large cities on the eastern seaboard, and slightly over half were located in urban renewal areas, the remainder being in concentrated code enforcement areas. Taggart reports that there are no plans on the part of the Government to broaden the loan and grant programmes into comprehensive rehabilitation tools.

It is obvious that the grant programme is serving hardship cases. Loan recipients are better off, with 60 per cent having incomes of more than \$6,000 annually. The small proportion of section 312 loan recipients in the lowest income classes suggests that grants and loans are not usually combined. The data show that fewer than one-fifth are combined. The following table depicts the income of owners and value of property receiving 312 loans and 115 grants through January 1969:

	<u>Monthly income of recipients</u> (8)	
	<u>115 grants</u>	<u>312 loans</u>
Less than \$250	75 per cent	17 per cent
\$250 to \$349	11	9
\$350 to \$500	8	14
More than \$500	6	60

Under section 115 grants averaged \$1,871, while section 312 loans have averaged \$5,350. Taggart estimates that more than the average \$1,900 grant is necessary to bring dwellings up

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(8) Source: RAA Statistics, Department of Housing and Urban Development.

to code standards, although no one seems to know the precise amount. (9)

The above two programmes are the only ones available for general rehabilitation, and also the only ones which allow improvements to meet lesser standards than specified by the F.H.A. for existing properties.

Other rehabilitation programmes exist in the United States which are quite similar to those supported under Sections 16 and 35 of Canada's National Housing Act, although recently the Americans have seemed more willing to divert funds from new construction to rehabilitating existing structures than has C.M.H.C. In part, of course, this is a function of a much older housing stock and the fact that virtually whole inner cities are rapidly turning into slum areas. The American Income Tax Act was amended in 1969 to prod private entrepreneurs into rehabilitation. Under the amended Act, an individual or Corporation may depreciate entirely its capital investment over a five year period using the 20 percent declining balance method, as opposed to 20 years for newly constructed social housing under the limited-dividend programme and 40 years for housing provided the private market. One critic estimates, however, that if both expenditure and revenues lost are included in the cost of a programme, the tax incentives (or subsidies) for rehabilitated dwellings may comprise well over 50 percent of the cost. (10)

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(9) Op. cit., pp. 88-89

(10) Arthur P. Solomon, "The Cost of Federally Assisted Rental Housing" (Cambridge, Mass.: Department of Urban Studies and Planning, M.I.O., 1971); also his Ph.D. thesis, Housing the Urban Poor: A Critical Analysis of Federal Housing Policy (Cambridge, Mass.: Harvard University, unpublished, 1971). Also see Jeffrey Patterson, "Limited Dividend and Non-Profit Housing Programmes: U.S.A. and Sweden" (Ottawa: unpublished paper for Low Income Housing Task Force, C.M.H.C., 28 June 1971) for a summary of the effects of American subsidies to entrepreneurs administered through the Income Tax Act.

As this is a subsidy to the entrepreneur and not the low-income occupant, the equity of such a tax provision can be questioned.

The public housing programme uses two methods of rehabilitation. The local housing authority may acquire properties and contract the actual rehabilitation using the contractual bid method. As of April 1969, 7,774 dwellings had been completed in this manner, and another 5,900 were under contract. For those under contract in 1969, the average cost was \$11,353 per unit, including purchase and rehabilitation. This compares with the \$16,246 average for all public housing contracts executed in fiscal 1969. Rehabilitation can also be contracted using what the Americans label the "turnkey" method. Under it a developer buys and rehabilitates the property himself, and then sells it to the local authority. This resembles a cost-plus-fixed fee contract. As of April, 1969, 3,767 units had been completed under this method, and another 700 were under contract.

Under the American leased housing programme, a local housing authority may contract with a developer or owner to lease his dwellings after they have been brought up to local housing authority standards. This resembles the Toronto "rent certificate" plan. The plan is popular among landlords and entrepreneurs because of the tax subsidies received, and it is popular with municipalities because they do not have to forego the property rates as they do with public housing which is directly owned by the authority. 9,600 units were under contract in 1969, while only 2,700 had been completed up to that time.

Rehabilitation is also encouraged under the limited-dividend and non-profit programmes and under the subsidized



homeownership programmes. As of April, 1969, some 4,000 dwellings had been completed under the rental programmes, and another 5,500 were under contract. 2,100 units were under contract for subsidized homeownership. Under the latter programme two types of rehabilitation are permitted. On the one hand, included under the guidelines for newly constructed units are existing structures rehabilitated to the standards for virtually new units. In addition, 20 per cent of the annual contracts are permitted to be existing dwellings rehabilitated to a lesser standard, although it must meet local minimum housing code standards. A scandal involving over-valuation in the latter programme forced HUD to suspend it for six months in early 1971, but it is now operative again under stiffer administration and supervision.

An evaluation of the American programmes would have to include the fact that in terms of number of units it has not had an immense impact. Endeavours under the public housing and limited-dividend and non-profit programmes have probably not been proportionately greater than in Canada, where some 6,967 self-contained units and 5,219 hostel beds had been completed under similar programmes through December 1970. The Americans have, however, had some experience in a system of grants and loans to low income owner-occupiers, finding, as was seen in the Canadian case studies above, that the lowest income groups cannot take advantage of loans.

To compensate for these deficiencies the Americans have begun a major new thrust labelled "Project Reha", the objective of which is to create a rehabilitation industry, as well as to rehabilitate 22,000 units within the first two years, concentrating upon 18 cities which satisfy special

HUD criteria to maximize the chances of success.<sup>(11)</sup> These include the existence of private organizations able and willing to provide funds, management and operating skills to launch the programme, a large number of suitable rental properties at the right price and skilled local contractors able to carry out the work. All units result in complete refinancing, and most of the time change of occupancy, as they are placed under contract in either the section 235 or 236 programmes. As the units are used, rather than new, they possibly make housing available to households with slightly lower incomes than either of the two programmes do with new construction. The income groups benefiting have incomes ranging from 100 to 135 per cent of the maximum limit for initial occupancy in public housing. Again, large parts of Project Rehab's actual cost is hidden as a tax subsidy in a fast capital cost depreciation write-down (five years).

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(11) The basic description comes from John Fowlie, op. cit. and an interview with Robert Philpot, Director, Project Rehab., Department of H.U.D.

EVALUATION OF THE BRITISH AND AMERICAN REHABILITATION SCHEMES

Gt. Britain's rehabilitation scheme is based largely on a voluntary principle supplemented by encouragement in General Improvement areas, using compulsory orders only as a last resort. Its purpose is to make home improvement easy for the homeowner and to entice him into doing it.

In Gt. Britain, grants and loans are available throughout the country to both owner-occupier and absentee owners. In the United States, grants are available only to owner-occupiers, although loans are available to absentee landlords of buildings with low income tenants. To get a grant, the owner-occupier must live in a code enforcement or urban renewal area, i.e., in an area where he is being forced to undertake repairs. The American legislation relies much more on force, than it does on attractiveness of the financing to get the homeowner to improve his house. The British scheme is founded on the basic assumption that a homeowner will improve his house if he is able. If his home is in bad repair or lacks any of the basic amenities, it is because he cannot afford to improve it, not because he does not want to. The British reaction is to assist him to carry out the desired improvements. Given that basic premise, the British technique for getting a homeowner to improve his property seems quite reasonable.

The housing conditions covered by the twelve-point standard are quite minimal. Four of the twelve are the same as the five standard amenities. If a dwelling does not have a piped in water supply, is improperly lighted and ventilated, or is not properly heated, it is probably because the occupier cannot afford to provide himself with these things. An adequate number of outlets for electricity or satisfactory

facilities for the preparation and cooking of food may be on a higher level of convenience and livability than some of the other requirements in the standard, but it still seems a valid assumption that a homeowner provides these things for himself if he can.

In Great Britain, the rehabilitation assistance is not limited to special areas, but is available throughout the country. This is based on the idea that there are basic standards of decent housing which everyone everywhere should have. If a house lacks a bath, or adequate lighting, it should be provided with it. The new provisions concerning general improvement areas were not intended to cut down on the use of grants and loans by limiting them to a particular area. Instead, they were instituted to lead to the wider use of grants and loans by allowing the local council to concentrate its efforts in one area.

In the United States, grants and loans are limited to special areas. This seems to be a historical accident. Rehabilitation programs developed out of urban renewal programs. Code enforcement programs, in turn, developed out of rehabilitation programs. In urban renewal programs, areas were designated as such in order to be cleared. When rehabilitation was added to the urban renewal repertoire, it was simply added to the things which could be done in an area. There is no reason why rehabilitation by private homeowners needs to be limited to a particular area except perhaps to limit government spending commitments.

The combination of standard grants, discretionary grants, and loans produces a flexible system, capable of fitting in with an individual's financial resources. The American grant or

loan system seems rigid by comparison.

In Britain, the homeowner gets a grant for 50% of the cost of the improvements. (75% now in a general improvement area). The other 50% or 25% is his responsibility. He is left the pride and dignity of providing for himself. His having to provide 25 or 50 percent of the cost has practical advantages, as well.

The homeowner is not likely to buy luxury items, but to ensure that costs are controlled. The amount of grant for each facility is limited. If the installation of a bath costs more than twice the thirty pounds allowed for it, the amount of grant will not be increased.

If a homeowner cannot afford one half of the cost of the improvement, or if he wants to make improvements not covered by grant, he can get a loan from the local council. The terms are easy. The loan is given at a low rate of interest for a term of twenty years. The limit for a standard grant is two hundred pounds (\$480.00), and for a discretionary grant is £ 1,000 (\$2,400.00).

The loans are flexible and can be arranged to suit any situation. The usual term of twenty years can be extended by the local council without the approval of the Minister. The repayment of principal can be deferred until sale or death.

Gt. Britain makes discretionary grants available for converting a one-family house into more housing units. The United States does not. Many dwellings are under-occupied. This situation is particularly prevalent in

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the older parts of the city. The children leave home and a house which once housed five or six people now houses one or two. By making many available for conversions, Gt. Britain is hoping to entice homeowners into providing more housing units of a much sought after type. This has the added benefit to the older homeowner of providing him with extra income with the comfort of having someone else in the house.

The houses are to come up to the standard of a modern house "given due allowance for age and limitations in design, layout and construction". This provision recognizes the fact which the N.H.A. standards ignore: that some old houses cannot meet the standard of modern houses because of their layout and design.

There is one aspect in which the American legislation is preferable to the British. In the United States, the federal government contributes two-thirds of the cost of staffing a rehabilitation programme. The British under-estimated the number of staff necessary to get the residents of a general improvement area to rehabilitate their properties. In Canada, C.M.H.C. contributes 50 percent of the staff costs of implementing an urban renewal scheme. (Section 23D (i) (c) National Housing Act) CMHC should probably contribute to the staff costs of any rehabilitation programme in Canada as well.

Neither the American nor British schemes is particularly effective in improving the housing of tenants. In Britain a tenant may apply for a grant or loan if he is a long term tenant, i.e., if he has a lease for twenty years. This sort of provision does not help a low income tenant on a month-to-month or week-to-week tenancy, as are most in Canada.

The British have discovered predictably that absentee-owners are not as likely to improve their tenants' housing as owner-

occupiers are to improve their own housing. The British decided, in 1968, to lift rent control from houses which were improved in order to make improvement more appealing to absentee owners. It is not certain that this tactic would benefit the low income tenants.

Two further matters are of interest to anyone concerned with designing a workable rehabilitation programme for Canada. Standards grants are given if a house has a life of fifteen years, if it will have three of the five basic amenities when work is completed, and if it will be in a good state of repair. Local councils were being too particular at the outset about this state of repair and the Minister has urged them not to be finicky about it. Discretionary grants are given if a house has a life of thirty years.

These conditions for grant are not particularly demanding. Old houses, solidly built, have a life of a hundred years at least. Housing experts often talk about a life of fifty years. One should not be misled. They are talking about the fifty year amortization period of a loan, not the physical life of the building.

The legislation also controls the use of the loan. It guarantees occupancy and inhibits re-sale. When he receives a grant an owner must agree that for a period of three years the house will be occupied by himself or a member of his family or his heirs, and that if it not so occupied, it will be kept available for renting. If it is not rented or if he sells the property, the grant becomes immediately payable with compound interest since the date the grant was given.

The British experience with discretionary grants is also informative in considering what discretion a municipality should have

in any possible Canadian legislation. When grants for the five standard amenities were introduced in 1949, the local council had discretion as to making these grants. In 1954, they were made available on demand. Between 1949 and 1954, only 6000 grants were made in the whole country. After 1954, they shot up to about 30,000 a year. The figure in 1960 had reached 83,000 a year, and from that time it declined steadily to 66,000 a year in 1967. One should note that, on the basis of these figures, produced in the White Paper, twice as many standard grants as discretionary grants were made each year from 1960 - 1967. The local council may be trying to avoid spending its money since it contributes one-eighth of the cost of the improvement. Any system of discretionary and standard grants devised for Canada will have to take into consideration the likely response and revenue capabilities of the municipalities and provinces.



### Recommendations

From data in section 1, we know that as of 1970 163,000 units lack running water, 277,000 units lack toilets, and there are 1,115,000 units without central heating. In 1961 there were 255,000 units in need of major repairs and 726,000 units in need of minor repair.

We do not know whether that latter condition has improved substantially. We can surmise from the sharp decline in home improvement loans under Section 24, from the correlation of poor housing conditions with dwelling age and household income, and from the fact that two percent of new units constructed in 1960 were in need of major repair that the apparent rate of improvement has slowed down considerably.

Our objectives with respect to the upgrading of the existing stock are three:

- 1) Delivering on the 20-year-old pledge of decent, safe and sanitary housing for all Canadians;
- 2) Promoting the conversion of large, under-utilized single family units into multiple accommodation; and
- 3) Bringing the stock up to minimal standards facilitating its improvement beyond a bare minimum, and conserving stock which is in satisfactory condition.

1) Bringing Stock up to Minimum Standards

We are concerned that the component systems of the house should function adequately, i.e. the heating,

plumbing, electrical and basic structure, external and internal.

Funds must be made available to allow for the installation and repair of these systems. The rest of this paper deals with the question of the method of and conditions for supplying them.

### Criteria

Funds should be available for the installation or repair of any or all of these services for any house that has a reasonable useful life after the repairs are made. Any definition of useful life will be somewhat arbitrary and we adopt the English measure of fifteen years. (A comparison of the relatively small sum required for repairs against the cost of demolition and replacement leads one to choose a relatively short period.) Useful life is defined in terms of the life of the building qua structure and in terms of government plans for the community in which it is located - if an outport village is to be moved immediately, or an area slated for demolition shortly, then the building does not have a useful life.

### Costs

Maximum costs and funding should be established for each item of installation or repair. The installation of a new heating, plumbing or wiring system should not cost more than \$1,000 each, for an average house in a large urban centre. In rural areas, where high labour costs are not involved and self help could be used, costs could be considerably lower. They would clearly be less where repairs rather than new installations were required.

The cost of structural repairs and installations is more problematic. Envisaged here are roofs, exterior walls, windows and storm doors, floors, interior walls, stairs, etc. Funding should not aim at completely gutting and rebuilding the unit but bringing it up to minimum levels of safety, etc. In order to control costs maximum funding per item and for all items could be adopted. Maximum allowable cost for all structural repairs might be \$2,500 and for all structural and other systems \$2,500 plus \$1,000 for each of the other three systems.

Legislation could be enacted introducing these as initial limits, either by statute or regulation. Subsequently, schedules of cost could be established on a regional and/or metropolitan basis and limits established upward as required.

### Standards

All that is contemplated here is bringing housing up to decent working condition, not to the standard of a new, second-hand house.

While it is desirable to bring all housing up to these standards immediately, it is recognized that limits on governmental spending make this impractical. It will be necessary to phase the program over time. Government should similarly recognize that, unless it provides 100% of the funding, it is impractical for the household to make all the repairs or installations at one time and it should be permitted to make them at its own pace and according to its own set of priorities. If an adequate heating system is more important to it than a leaky roof, it should be permitted to do only the work necessary to reach that objective.

### Funding Mechanism

Market rate loans clearly will not work for low income households. There are only two real choices: grants and/or low interest or interest free loans.

We can surmise that no one (who was not an eccentric) would live in a house without heat, running water, etc. if he could afford not to. Low income households annually put whatever money they can spare into upgrading their units.

The simplest solution to the problem would be to give them the money to do the necessary work. If we recognize that housing is social capital, as much as schools or roads, and that much of the existing stock will continue to be used long after its present owners and occupants are gone, then it makes sense not to rely on the ability of the present occupant to preserve that social asset and for society to underwrite the work if necessary.

What objections are there to society paying for all housing improvements to a minimal level?

Firstly, there is the possibility that money will be given to large slum landlords who already make an unconscionable profit from substandard housing. We will deal with the rental situation below and confine our remarks for the moment to grants to homeowners. Secondly, there is the possibility that grants would go to people who can afford to do the work themselves and that it is wasteful of society's resources and inequitable to other owners who look after their property to give money to those who can afford to do so but don't. Thirdly, it is sometimes suggested that an owner could take the grant, improve his house, sell shortly thereafter

and pocket an immediate profit.

The second argument, that grants might go to those who do not need them, is not persuasive in the light of the data. Relatively few people who can afford to live in decent dwellings forego the opportunity. We do not feel that the small windfall to them warrants the imposition of a means tested loan for those who cannot afford decent shelter. The price of preventing windfalls, in the absence of strong and effective code enforcement, is further deterioration of the limited number of inadequate units occupied by the middle class.

Nor is the argument that the low income householder can immediately sell his home and reap a windfall profit particularly impressive. The elderly and rural households are clearly unlikely to do so. Nor in the light of the shortage of cheap substitute accommodation is it likely that many other low income households will do so. If, however, this issue is felt to be important it could be a condition of the grant that it (or a proportion of it) be repaid if the owner sells within a five year period.

Alternatively, either means-tested grants or low interest or no interest loans could be provided. Either could be on a sliding scale, with the amount of grant or loan (and the interest rate) sliding with income. This would have the advantage of reducing program costs and excluding persons who were not of low income. They would have the disadvantage of the stigma of a means test.

Loans would have the added advantage of leaving the capital recoverable, probably on sale or death. There

are a number of drawbacks, however. Foremost is the demonstrated unwillingness (perhaps aversion) of a number of groups to undertake debt. The elderly and rural household come to mind immediately. Even if repayment of capital were postponed and interest rates low, they might still be unwilling to borrow. Administration of loan applications and repayments would be more costly. The question of standards would once more arise. Higher standards are a concomitant of a loan program as they ensure the repayment of the loan. Finally, the Corporation would have to be prepared to take a subsequent encumbrance whether by way of mortgage or lien, rather than a first mortgage position, or the prior encumbrancers would have to be prepared to waive their priorities in its favour. A waiver might not be too difficult to obtain in the case of an ordinary first mortgage, as the work would frequently improve the mortgagee's security position over and above the cost of the work done. But where a property is heavily mortgaged, perhaps carrying even third mortgages or encumbrances, with the possibility that those are inflated by way of bonuses, then it may be impossible to obtain a waiver and the Corporation might be unwilling to accept a subsequent position.

Between the three options of unconditional grant, means tested grant and means-tested loan we recommend the unconditional grant on the basis of administrative simplicity, acceptability, and absence of stigma.

For rental properties, the choices appear to be between regulation and enforcement of code standards, grants, loans, or a combination of code enforcement and one of the other two financing mechanisms.

A substantial number of these rental units are single detached or attached. Of all rental units in

Canada in 1961, some 40% were single family detached or attached. Of rented units in need of major repair they totaled almost 60%. Of rented units without running water they were 93%. Of those without central heating they were 48%. It is therefore fair to say that over half the rented units needing rehabilitation are single family ones.

We have no hard data on the ownership pattern of these houses. Some are undoubtedly held by owners who operate considerable numbers as an investment. Others are owned by professional developers and speculators in anticipation of redevelopment. (A substantial number of rooming houses probably fall in this category.) Maintenance and repair expenditures on these are kept to a minimum. We suspect that the majority are held by small holders. The American experience has been that many absentee owners "are relatively small holders, owning perhaps two to a half dozen parcels. Their early dreams of substantial profits have disappeared, some of them indeed are owners by inheritance rather than by design. They have little confidence and decreasing interest in the maintenance and upkeep of their parcels. What is required is a takeout mechanism, i.e. a purchase or resale methodology which will permit such structures to move into more interested and/or perhaps stronger ownership patterns".

Apartments needing repair also range from flats over a store, to duplexes, triplexes and fourplexes, to tenements and high rise buildings.

Code enforcement has not been particularly successful in dealing with the problem, either here or in the U.S. Administrators, politicians and courts have been unwilling to compel owners to increase their investment in

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1. G. Sternlib, "Abandonment and Rehabilitation, What is to be Done?", in papers submitted to Subcommittee on Housing Panels, Committee on Banking and Housing, House of Representatives, 1971, pp 315 and 317.

a building without the expectation of an increased return. Municipalities, even where they have the power, have been leary of undertaking the repairs themselves. And if improvements are made, and the traffic will bear it, rents will rise and living conditions will improve at the expense of an even greater portion of the low incomes' budget.

Some additional funding, together with protection against increased rents appears to be required. Should it be by way of grant or loan? The advantage of a grant scheme is that the only additional cost of operating the building will be any increase in property taxes (unless legislation exists, as announced in Ontario, providing for tax abatements). In exchange for a grant, an agreement could be obtained not to raise the rents, except to cover proven increased maintenance costs and property taxes. If loans were made at market rates or even the S.16 rate, it might be necessary to allow rental increases to cover increased debt charges as well. To obviate that possibility, further subsidization of the rate might be permitted. The interest rate subsidy would vary with the rent level set, rather than with the owner's income.

There appears to be little to choose between the two methods. The immediate capital requirements for the grant must be balanced against the annual subsidy payments. It is possible that owners would prefer not to incur further liability by way of loan, particularly if returns for the investment would be tied and that under a loan arrangement rents might have to be controlled for a shorter period of time. We therefore recommend that for owners of smaller units (i.e. single family up to fourplexes) that grants be made available. Admittedly, some of those owners would have fair-sized portfolios but to assist the small owner



and retain a simple administrative mechanism, we recommend that grants be made available to all owners of small projects (including single units) containing up to six units.

Grants would be particularly helpful to non-profit groups, i.e. co-operatives, non-profit corporations and municipalities intending to purchase existing stock for non-profit housing purposes. As noted above, many small landlords may be looking for a purchaser to take them out. Proposed tax changes will render rental buildings a less attractive investment to persons with other income looking for a tax shelter, as they will no longer be able to deduct losses produced by deductions for capital cost allowance from other professional or business income. This will reduce profitability and perhaps willingness to keep up the units. Municipalities and non-profit groups should be encouraged to acquire these properties by generous financing and rehabilitation grants (either for small or larger rental projects).

#### Ratio of Grant or Loan to Cost

Should the grant or loan be for 100% of the cost of the work, or for some lesser percentage? We know from D.B.S. Expenditure Surveys that low income homeowners expend a relatively greater amount of their income for repairs and maintenance than the upper income groups and that they are still unable to upgrade their homes sufficiently. Those households will still be prepared to spend those sums if a grant is available, particularly if the work can be phased over time.

While some households will be unable to make any expenditures, we feel that grants to homeowners should be set at the level of 2/3 of cost. This should represent

roughly the cost of materials. (See the input-output analysis in part VIII of the Economics Report.) In rural areas, where about half the units to be rehabilitated are located, most households could provide that labour and would be willing to do so. For those who could not, below market interest rates could be made available, on a scale sliding with income, to cover the balance of the cost.

In urban areas, it will also be possible for the homeowner to do some of the work himself, although some will not have the necessary skills. In some cases municipal by-laws will require that the work be done by a licensed plumber or electrician. Here as well, it may therefore be necessary to provide loans with an interest rate on a sliding scale. The requirement that either labour or some capital (albeit borrowed) be provided will ensure that the program does not appear to the recipient to be a giveaway. The improvements will be the result of his efforts. It will also exercise some control on the cost of the improvements to be done.

In areas where a strong rehabilitation effort is desired as a companion to one of the suggested urban assistance programs, grants could be increased to four-fifths of the cost of the work. Similar increases could be applicable in rural improvement areas, should the government in its wisdom decide to return to that approach.

For larger multiple projects, where there is little probability that the owner will do the work himself, we recommend that the loans be for 90% of cost. Owners of small multiple projects should have the option of taking the two-thirds grant or 90% loan.

## Administration

Ideally, these programs should be administered at the municipal level in urban areas. There are at present a limited number of municipalities with the capability to do so. Examples of these are Montreal, Toronto and Ottawa. They should be given responsibility for program implementation immediately. In other centres, until such time as municipal capability is developed, the CMHC branches should disburse the funds. They presently exist throughout the country and have the necessary expertise and it makes little sense to await the development of that capability at the provincial level. A major rehabilitation thrust is long overdue and should not be delayed until the provinces, which have shown little interest (except for Quebec) are ready to move. Experience in the public housing field shows that the provinces will be less willing than the federal government to transfer authority to (or promote the competence) of municipal governments in this area.

In rural areas, both the federal and provincial governments now have a limited presence, although the branches of CMHC are probably the best starting point. It is in these areas that the administrative costs of the program are likely to be greatest. As a result, the provinces might not be too eager to administer the program. Even if they do insist on authority for program implementation there is the problem of start-up time and the possibility that they will not actively push the program. The ideal solution might be a joint effort in rural areas. In both the Maritime and Prairie regions it might be possible to organize joint efforts by the federal government and a number of provinces to pool staff resources and expertise.

Responsibility for Program Cost

We recommend that the entire costs of grants, subsidies and loans be borne by the federal government. It has the most progressive tax base and there are substantial redistributive elements in the program.

Federal responsibility will prevent the channeling of most of the funds to the residents of the wealthier provinces which can afford to match grants. At least for rural areas, there is a strong regional equalization aspect to rehabilitation.

The administrative costs of the program will be greater than in the case of ordinary loans. Houses will have to be checked initially for eligibility and amount of grant or loan. They will have to be checked on completion before a final payment is made. Much effort will have to be given to publicizing and explaining the program to low income households. Counselling would be advisable to steer them to reputable contractors and ensure that only work actually required is done, i.e. no new roofs where reasonable repairs would suffice.

If the federal government is to administer the program in some areas and encourage provinces and municipalities to undertake administration in others, some arrangements will have to be made for the sharing of administrative costs, where one of the other two levels of government are prepared to undertake program implementation. Otherwise, they may be prepared to leave administration with the federal government. Relying on the precedent of urban renewal, we suggest that where urban municipalities or provinces assume that responsibility, or where it is

shared, the federal government should pay 50% of the administrative costs as well.

Cost of the Program

In 1961 there were 225,414 buildings requiring major repair and 926,456 requiring minor repair according to census data. Assuming that one-half of those requiring major repair have a useful life today of fifteen years, and that half of those requiring minor repair involve structural improvements, and assuming no improvement in the absolute number of units requiring repair (i.e. improvement equal to or less than deterioration over the decade), all of which assumptions are pessimistic, then we have a maximum number of 600,000 units to be brought up to minimum structural standards. As well, there are 1,115,000 units without central heating and about 277,000 units requiring additional plumbing facilities.

Of those requiring heating work 76%, and of those requiring plumbing 87%, are single family units (1961 data). Of those requiring structural work, 80% are single family units (1961 data).

Assuming that we wished to bring all salvageable stock up to minimum standards within the decade, this would entail 60,000 structural repairs, 27,000 plumbing and 50,000 heating improvements annually over the decade.

Funding for probably half of this work appears realistic, as the estimates of work needed are high and because (as was clearly the British experience) even with a grant system, less than fifty percent response can be anticipated.

Funding for 30,000 structural improvements annually, assuming a maximum grant of \$1,500 per unit, for the 80% of single family units requiring these repairs will mean an annual outlay (in constant dollars) of about \$36,000,000. Loans for multiples will require about \$8,000,000.

Funding annually of 13,000 plumbing installations, (93% in single family units) requiring plumbing improvements involves maximum grants of \$600 totalling about \$7,000,000 annually. Apartments (7%) require loans for about \$700,000 annually. Annual grants for 19,000 heating systems (at \$600 each) would total \$11,400,000. Loans for 6,000 systems would amount to about 3,240,000 each year.

If 80% area improvement grants are used, the total for grants will rise commensurately.

To these totals must be added 25% for administrative costs, that leave maximum totals of approximately:

Grants	-	\$46,000,000.
loans	-	\$12,000,000
administration	-	\$14,500,000.

## II Conversions

There are many single family units owned by elderly families and individuals, and by individuals 45-64 in urban areas, which have an average of almost five rooms each. Many of these units are located in centre cities rather than suburban areas. From the data, it is impossible to estimate the number of such units.<sup>1</sup> Our rough guess is about 200,000. Whatever the total, they represent a grossly underutilized social asset. At the same time many of the owners carry very high shelter cost to income ratios.<sup>2</sup>

Lithwick, in volume five of his draft monograph, suggested that the answer was to convince these families to move to smaller units and leave the larger ones available for family use. The English have tried that tactic with little success. Older people have deep roots in their community and strong identification with the homes in which they raised their families. It seems to us to be more sensible to find a device which allows them to remain in their homes, provides additional well located housing units and improves their income position.

In order to do that we suggest that the government embark on a program to promote the conversion of existing large single family units into flats.

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1. There were about 500,000 urban houses owned by elderly households, with an average of 4.9 rooms each in 1967. If about 1/3 had 6 or more rooms, then about 170,000 such units would be available for conversion, although upper income elderly might not be interested. About 100,000 single individuals aged 45-64 are homeowners and perhaps 1/3 of their houses are large urban units. Therefore we may be dealing with a total of 200,000 units.
  2. See Section IV of the Economics Report.

That process has proceeded in part under insured Section 24 loans by banks. Since 1969 other approved lenders have had the power to make these loans under Section 7 of the National Housing Act, and the Corporation has been able to make direct loans for this purpose. None have been made.

The individual application files would reveal the number of conversions under the NHA since 1954, average cost, income levels of borrowers, etc. We have not had the time to peruse them. We suggest that a detailed examination of them be made, to provide the necessary background information for such a program. We do, however, know that the loans were made at market interest rates and that it is therefore unlikely that many went to low income households.

We are here recommending loans and/or grants aimed at promoting conversions by all small households occupying large units. Again we are faced with the question of grants or loan and with or without a means test. Unlike the minimum standards situation where poor housing condition almost ensures low income, ownership of large underutilized houses exists across all income levels. But it is unlikely that upper income households will convert units in which they intend to live at the expense of their privacy. At any rate, small grants and loans seem to be a small price to pay for the resulting addition to the housing stock, when compared to the cost of constructing new units.

Because of the resulting increase in income available to repay a loan, it might be contended that only loans should be made and those only at/or above the Section 16 lending rate. There remains the risk that even with the possibility of an increase in income, older owners would be unwilling to incur further debt. It may therefore be necessary to provide for a combined grant and loan scheme to



stimulate such activity. We therefore recommend grants of forty percent of the cost of conversion, up to \$1,000 (assuming maximum conversion costs to be \$2,500 per unit) be made to low income homeowners together with loans of up to \$1,200 to cover eighty percent of the balance of the cost, at the preferred lending rate. Grantees would agree not to raise rents initially fixed at market for ten years, except to cover tax increases and increased operating costs. Grants would only be available to owners who intended to continue residing in the unit for five years and would be repayable if the owners moved out and rented his former residence during that period.

It is difficult to predict the response to such a program. The conversion of 4,000 or 5,000 units per year is probably optimistic. Assuming 5,000 units per year, maximum cost of grants would be \$5,000,000 per year and maximum total of loans would be \$6,000,000 per year. To these totals there should be added administrative costs, probably in the order of 10% of loans plus grants.

An intensive publicity, education and counselling component can also be foreseen for this program. It, too, would be administered by the municipality where possible, otherwise, by the CMHC branch office.

### 3 Improvements and Conservation

The grants and loans proposed above would only bring houses up to minimum standards of shelter. Decent housing is more than shelter. Loans should be available to low income homeowners and to landlords providing low income housing, covering the same type of improvements as those possible under Section 24 insured bank loans. The CMHC pamphlet describing

those loans points out that they are available for: the improvement of heating, light and power and plumbing systems (as well as intallation and repair); repair or improvement of built-in cooking, domestic refrigeration and garbage disposal equipment; painting, paper-hanging and general decorating, including an over-all floor covering or carpet made, cut or prepared to fit a particular room, but excluding such items as curtains, draper and rugs; the purchase, construction, installation, repair or improvement of fences, the construction or repair of private driveways, roadways, sidewalks or curbs and landscaping of a permanent character; the sinking, making, installation, repair or improvement of well and all types of water supply systems for the home.

CMHC presently has the power to make loans for this purpose under Section 40. No direct loans have been made for home improvements except where they are undertaken in conjunction with the purchase of an existing house. They should be made to low income households at preferred interest rates and their availability made known to the public.

The objectives of such a lending program would be: to improve access to decent living conditions (and not merely minimal shelter) for all Canadians; to reduce the burden on low income households who must now pay excessive interest on loans made by finance companies, material suppliers and assorted loan sharks; to provide some measure of consumer protection to low income households by information services regarding the need for improvements, extent of work required and reputation of the contractor; to promote neighbourhood housing conservation by upgrading the appearance and exterior condition of housing in the area and thereby maintaining or restoring confidence in its vitality.

A very strong response to such a program is foreseen. 20 to 25,000 loans per year might be made. We suggest a loan ceiling of \$1,500 per unit and a lending ratio of ninety-five percent. If average loans amounted to \$1,000 per unit, this might mean an annual lending level of \$25,000,000 per year. Loans should be made for the life of the building, or 20 years whichever is the shorter period.

Preferred loans would be available to landlords as well as homeowners, in exchange for a ten-year lock in on rents. As well, immediate inquiries should be made to determine the reason for the sharp decline in middle home improvement loans under Section 24 and steps taken to correct that situation. CMHC field offices and approved lenders should be reminded of the provisions of Section 7 permitting all approved lenders to make insured loans for home improvements and efforts made to stimulate such lending by them.

A number of other steps should be taken to stabilize and improve living conditions in centre city neighbourhoods, in order to increase resident and small landlord confidence and therefore willingness to invest in home improvements. Many of these are covered in recommendations made elsewhere of Urban Assistance and we will not dwell on them here. A number require action at the local and provincial level. They include:

- (1) Moratoria on property tax increases following improvements;
- (2) Raising the level of municipal infrastructure and "housekeeping" services;
- (3) Funding of training of municipal administrators;

- (4) Pressing insurance companies to provide insurance in red-lined areas or a residual government insurance program in those areas;
- (5) Prohibiting demolitions of existing dwelling units until such time as they are required for redevelopment (a familiar blockbusting technique).

The federal government has little leverage in these matters. There is one other area where it could help to stabilize neighbourhoods. The one function over which it exercises some control is the financing of private redevelopment, by direct funding (admittedly a rarity) and by its insurance powers. Public urban renewal, funded in part by the federal government, was frozen because of the social costs it imposed on the residents of the area and the effect of redevelopment on the fabric of the city. We recommend a similar freeze on NHA financing for private redevelopment in excess of fifty units while the federal government undertakes a study of the costs and benefits entailed in it.