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HOUSING MANAGEMENT PROBLEMS IN CANADA

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A Monograph Prepared For:
The United Nations,
Economic Commission for Europe
Committee on Housing, Building and Planning,
Working Party on Housing.

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February, 1981

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INTRODUCTION

Housing Management problems have not received much attention in the housing policy formulation process in Canada. A great deal more emphasis has been placed on policies designed to increase the volume of new housebuilding. In this process a high quality housing stock valued at $216.5 billion at the end of 1979 has been built up. The role that the additions to and the utilization of this housing stock plays in the national economy is outlined in section one of this monograph.

The composition of this housing stock by type of owner and type of dwelling is discussed in section two, where it is pointed out that the apartment component of the rental stock represents only 25% of the total housing stock. The point is also made there that the bulk of the housing stock is relatively new and of high quality. Projections show however, that this housing stock will age considerably over the next two decades, so that more attention will have to be paid in the future to ways by which this housing stock can be maintained in good condition.

In section three the problems faced by owners and landlords in the management of the housing stock, are touched upon. This topic has not been extensively studied, and very little data is available because of the firmly held view that the actual management of the housing stock is the responsibility primarily of the owners of the different housing units. It is pointed out in that section that management problems are not confined only to the rental stock. Homeowners can also be faced with an increased strain on their household budgets due to rising mortgage interest rates on mortgages on which the mortgage rate now typically has to be renegotiated every 3 to 5 years. It is also pointed out in that section that the efforts to shield low-income families occupying public housing, from the rising costs of operating the public housing rental stock, has resulted in a steady increase in the subsidies required to keep these public housing units in operation.

In the final section government interventions undertaken for social reasons in the housing management field are discussed. These interventions are; the imposition of rent controls by most of the provinces in Canada, as a transitional anti-inflationary measure; the development of incentives to facilitate the rehabilitation of the housing stock, taking the form of partly forgiveable loans designed to bring down the cost of major repairs; and the provision of grants to encourage and bring down the cost of improved insulation, designed to reduce the energy required in household operations.

HOUSING MANAGEMENT PROBLEMS

CHAPTER I

THE HOUSING SECTOR AND THE NATIONAL ECONOMY

The housing stock built up over the years forms a very important component of national wealth. This housing stock is modified throughout the years to suit the changing requirements of the owners by major alterations and improvements. The housing stock also requires expenditures on repairs and maintenance to keep it in good physical condition. The total housing stock is furthermore increased each year by investments in new residential construction. Each of the above features of the housing stock is captured in the National Accounts of Canada and will be commented on separately in the following notes.

(1) Real Capital Value of the Housing Stock

It is estimated that at the end of 1979, the value of all buildings in Canada, was $445.6 billion. The value of residential buildings (excluding mobile homes and vacation cottages) was $216.5 billion or 48.5% of the total value of all buildings. Of these residential buildings almost 2/3 in terms of value, or $143.1 billion were owner-occupied. The other third or $73.0 billion were occupied by renters.

The owner-occupied stock itself was composed of single-detached family units valued at $123.8 billion, and owner-occupied multiple units valued at $19.3 billion.

The rental stock was composed of multiple units valued at $143.1 billion, and single-detached family units, not occupied by their owners valued at $14.7 billion. These data are displayed in Table 1 below.

TABLE 1: Capital Value of Buildings, 1979

Type of Building	$ Billions	% Of All Buildings	% Of Residential Buildings	% Of Tenure Type
All Buildings	$445.6	100.0 %	-	-
Residential Buildings (Excludes Mobile Homes & Cottages)	$216.1	48.5 %	100.0 %	-
Residential Building By Type				
Single-Detached	$138.5	31.1 %	64.1 %	-
Multiples	$ 77.6	17.4 %	35.9 %	-
Residential Building By Tenure				
Owner-Occupied	$143.1	32.1 %	66.2 %	100.0 %
Rented	$ 73.0	16.4 %	33.8 %	100.0 %
Owner-Occupied By Type				
Single-Detached	$123.8	27.8 %	57.3 %	86.5 %
Multiples	$ 19.3	4.3 %	8.9 %	13.5 %
Rented By Type				
Single-Detached	$ 14.7	3.3 %	6.8 %	20.1 %
Multiples	$ 58.3	13.1 %	27.0 %	79.9 %

(2) Housing Expenditures and G.N.E.

Expenditures related to housing are captured in the G.N.E. data as either current expenditures incurred in using up the existing housing stock, or as investment expenditures incurred in either modifying or adding to the existing housing stock. The current expenditures include imputed rents of home-owners, and gross rents paid by tenants, as well as expenditures on repairs and maintenance. The investment expenditures on housing include the expenditure on conversions and major improvements as well as expenditures on new residential construction.

(a) Current Expenditures on Housing and G.N.E.

Total current expenditures incurred in using up or maintaining the housing stock amounted to $23.9 billion during 1979. They thus represented 9.2% of the $260.5 billion G.N.E., and 15.8% of the $150.8 billion personal expenditures of goods and services in 1979. The major component of these current expenditures on housing were expenditures on total rents of $21.2 billion, or 8.1% of G.N.E., and 14.1% of personal expenditures on goods and services. The major component of total rents, was the inputed rent of home-owners, which amounted to $14.5 billion, or 5.5% of G.N.E. or 9.7% of personal expenditures on goods and services. The second component of current expenditures on housing, namely expenditures on the repair and maintenance of residential buildings amounted to $2.7 billion during 1979, that is 1.1% of G.N.E. or 1.7% of personal expenditures on goods and services. The majority of these expenditures, $1.9 billion were incurred by home-owners. Expenditures by landlords were $0.7 billion. These data are displayed in Table 2 below.

TABLE 2: Current Expenditures on Housing and G.N.E. in 1979

Type of Expenditure	$ Billion	% of G.N.E.	% Of Personal Expenditures On Goods and Services	% Of Current Expenditures On Housing
G.N.E.	$260.5	100.0 %	-	-
Personal Expenditures On Goods and Services	$150.8	57.9 %	100.0 %	-
Current Expenditures On Housing	$ 23.9	9.2 %	15.8 %	100.0 %
Total Rents				
Of Which:				
Imputed Rents of Home-Owners	$ 14.5	5.5 %	9.7 %	60.7 %
Gross Rents Paid By Tenants	$ 6.7	2.6 %	4.4 %	28.0 %
Repairs and Maintenance Of Residential Buildings	$ 2.7	1.1 %	1.7 %	11.3 %
Of Which:				
Home-Owners	$ 1.9	0.8 %	1.2 %	7.9 %
Landlords	$ 0.7	0.3 %	0.4 %	2.9 %
Tenants	$ 0.1	-	0.1 %	0.5 %

(b) Investment Expenditures on Housing and G.N.E.

Investment expenditures on residential construction added $13.8 billion to the value of the outstanding housing stock in 1979, that is 5.3% of G.N.E., or 26.5% of Business Gross Fixed Capital Formation. This comprised investment expenditures of $11.7 billion on new residential construction, representing 4.5% of G.N.E., and 84.8% of all investments on residential construction. Major alterations and improvements to the standing housing stock, added an additional $2.1 billion to total investments in residential construction, that is 0.8% of G.N.E., or 15.2% of all investments in residential construction. Single-detached dwellings accounted for $5.4 billion of new residential construction, or 2.0% of G.N.E. and 39.1% of total residential construction. Multiple dwellings, which provide the bulk of the additions to the rental stock, accounted for $3.3 billion or 1.3% of G.N.E. or 23.9% of total investments on residential construction in 1979. Expenditures on the construction of new rental stock in Canada ($3.3 billion) are thus still substantially higher than the repair and maintenance expenditures by landlords outlined in the previous section ($0.7 billion). These investment expenditures on residential construction and their relationship to G.N.E., are outlined in Table 3.

TABLE 3: Investment Expenditures on Housing and G.N.E. in 1979

Type of Expenditures	$ Billions	% Of G.N.E.	% Of Business Gross Fixed Capital Formation	% Of Residential Construction
G.N.E.	$260.3	100.0 %	-	-
Business Gross Fixed Capital Formation	$ 52.0	20.0 %	100.0 %	-
Residential Construction	$ 13.8 bil.	5.3 %	26.5 %	100.0 %
New Residential Construction:	$ 11.7 bil.	4.5 %	22.5 %	84.8 %
Of Which:				
Single-Detached	$ 5.4 bil.	2.0 %	10.4 %	39.1 %
Multiple	$ 3.3 bil.	1.3 %	6.3 %	23.9 %
Mobile Homes, Vacation Cottages, Supplementary and Acquisition Costs	$ 3.0 bil.	1.2 %	5.8 %	21.8 %
Major Alterations/ Improvements	$ 2.1 bil.	0.8 %	4.0 %	15.2 %

CHAPTER II

THE COMPOSITION OF THE HOUSING STOCK

As a preliminary to examining housing management problems in detail, this section will describe the composition of the housing stock that has to be managed, by type of ownership and type of unit. This will be followed by a description of the condition of the housing stock, and the age distribution of the housing, as it is currently, and as it is expected to change over the rest of this century. The major trends which emerge from such an examination of the housing stock are as follows:

- Because homeownership is so widespread in Canada, the proportion of the apartment housing stock that is managed by private rental entrepreneurs is relatively small, namely 1,770,000 units or 22.1% of the total housing stock.
- The housing stock as a whole, including the rental housing stock, is in good condition and has, for the most part, a full complement of basic facilities such as exclusive use of bathrooms running hot and cold water, toilet facilities, etc.
- This good condition of the housing stock is due in part to the fact that the housing stock in Canada is relatively new, with more than half the housing stock less than 20 years of age.
- Because the rate of housebuilding is expected to level off during the rest of this century, the average age of the housing stock is expected to increase, implying a greater need for repair and maintenance and rehabilitation activities over the next twenty years. For example, the number of housing

units aged 40 years or over is expected to increase from 1,900,000 units or 23% of the housing stock in 1981, to 3,800,000 units or 35% of the housing stock by the year 2000. These trends will be elaborated upon in the following sections.

(1) Housing Stock By Tenure and Type

As can be seen from table 4 at the end of this section the degree of homeownership is relatively high in Canada. Out of a total housing stock of 8,000,000 dwelling units, 5,000,000 or 62.5% are owner-occupied. Most of these dwellings, 4,775,000 units or 59.7% of the total housing stock are occupied on a freehold basis. For this part of the housing stock, the owner effectively manages his own home, paying off his mortgage, if he has one paying his real-estate taxes, heating costs, water and gas, electricity costs, and effecting any repairs that he considers necessary or useful to enhance the enjoyment of his home. A small proportion of the owner-occupied housing stock is, however, held on a co-operative basis (20,000 units or 0.3% of total stock) or in the form of condominium ownership (200,000 units or 2.5% of the total housing stock). In this type of ownership, the owners have to make some arrangements to have common expenditures paid for, such as maintenance of corridors, roofs, elevators, garden areas, etc. Condominium tenure, in particular has grown over the last 10 years, and it is expected that co-operative ownership will also show some increase. The housing management problems of these two types of ownership tenure will therefore be touched upon again later in the text.

The tenant-occupied rental stock represents about 3,000,000 units or 37.5% of the total housing stock.

In this part of the housing stock management problems also differ amongst different types of ownership. Thus about 150,000 of these rental units that is 1.9% of the total housing stock, or 5% of the rental stock, consists of rental units owned and operated by non-profit corporations, whose primary aim is not to make a profit on their operations, but to provide housing at below market rents to tenants with modest incomes. An additional 180,000 units, that is 2.3% of the total housing stock, or 6.0% of the rental stock is public housing, that is housing owned by different levels of government (Federal, Provincial, Municipal), to house low-income tenants. Rents in these units are generally not sufficient to pay for total operating costs, (which includes the cost of Mortgage Financing) and government subsidies are therefore required to keep these units in operation.

Private rental entrepreneurs, whose main aim is to manage the housing units that they own to produce an investment income represent 2,670,000 units, that is 33.3% of the total housing stock, or 89.0% of the rental stock. There are variations within this stock also, depending on the type of units owned. For instance, 400,000 units of the privately managed rental stock, that is 5% of the total stock or 13.3% of the rental stock, consist of single-family dwellings. A large proportion of these represent a house, where the owner has moved temporarily to a different location, and has retained ownership of the house, rather than sell it, until he returns to his former location.

Another 500,000 units, that is 6.2% of the total stock or 16.7% of the rental stock, consist of semi-detached houses, doubles, or row houses. In this case the pattern is very often for the owner to live in one of the semi-detached, double, or row house dwellings, and rent out the other half to help offset part of the shelter costs on his own home. About 1,770,000 units, that is 22.1% of the total housing stock, or 59.0 percent of the rental stock consists of apartment buildings, where the units managed by one person or one company are likely to be fairly substantial.

Each of the segments of the housing stock, by the different types of ownership will be discussed in greater detail in a subsequent part of this paper. Table 4 below details the housing stock by tenure and type for 1979.

TABLE 4: Housing Stock By Tenure and Type, 1979

Type of Ownership	No. of Units	% of All Units	% of Owned Units
	OWNED		
Freehold:			
Single-Detached	4,095,000	51.2 %	81.9 %
Semi, Double, Row	680,000	8.5 %	13.7 %
Apartments	-	-	-
Sub-Total Freehold	4,775,000	59.7 %	95.6 %
Co-op:			
Single-Detached	5,000	0.1 %	0.1 %
Semi, Double, Row	15,000	0.2 %	0.3 %
Apartments	-	-	-
Sub-Total Co-op	20,000	0.3 %	0.4 %
Condominium:			
Single-Detached	-	-	-
Semi, Double, Row	100,000	1.3 %	2.0 %
Apartments	100,000	1.2 %	2.0 %
Sub-Total Condominiu	200,000	2.5 %	4.0 %
All Owners:			
Single-Detached	4,100,000	51.3 %	82.0 %
Semi, Double, Row	800,000	10.0 %	16.0 %
Apartments	100,000	1.2 %	2.0 %
Sub-Total All Owners	5,000,000	62.5 %	100.0 %

TABLE 4: (cont'd)

Type of Ownership	No. of Units	% of All Units	% of Rented United
	RENTED		
Private Rental Entrepreneur			
Single-Detached	400,000	5.0 %	13.3 %
Semi, Double, Row	500,000	6.2 %	16.7 %
Apartments	1,770,000	22.1 %	59.0 %
Sub-Total Private Rental Entrepreneur	2,670,000	33.3 %	89.0 %
Non-Profit Rental			
Single-Detached	-	-	-
Semi, Double, Row	50,000	0.6 %	1.7 %
Apartments	100,000	1.3 %	3.3 %
Sub-Total Non-Profit Rental	150,000	1.9 %	5.0 %
Public Housing Rental			
Single-Detached	-	-	-
Semi, Double, Row	50,000	0.7 %	1.7 %
Apartments	130,000	1.6 %	4.3 %
Sub-Total Public Housing Rental	180,000	2.3 %	6.0 %
All Renters			
Single-Detached	400,000	5.0 %	13.3 %
Semi, Double, Row	600,000	7.5 %	20.0 %
Apartments	2,000,000	25.0 %	66.7 %
Sub-Total All Renters	3,000,000	37.5 %	100.0 %

ALL DWELLINGS: OWNED AND RENTED

Type of Unit	No. of Units	% of All Units	-
Single-Detached	4,500,000	56.3 %	-
Semi, Double, Row	1,400,000	17.5 %	-
Apartments	2,100,000	26.2 %	-
Total All Dwellings	8,000,000	100.0 %	-

(2) Condition of the Housing Stock

The condition of the housing stock in Canada has traditionally been measured by the availability or lack of the following basic facilities: exclusive use of flush toilet, hot and cold water supply, and exclusive use of installed bath or shower. On the basis of these criteria the housing stock in Canada, at the end of 1979 had a full complement of basic facilities. Only 3.1% or 245,000 dwellings out of 8,000,000 dwellings lacked basic facilities. The rental housing stock was in slightly worse shape in this regard than the stock of owned dwellings. But even in the rental stock only 105,000 dwellings or 3.5% of the total rental stock of 3,000,000 dwellings were inadequate. Of the rented apartment stock, which is the major focus of concern where housing management problems are concerned, only 70,000 units or 3.5% of the 2,000,000 rented apartment units lacked basic facilities at the end of 1979. The largest proportion of inadequate rented stock was in the rented single-family category, where 23,000 units or 5.8% of the 400,000 rented single-family units were lacked basic facilities.

As housing conditions have improved, so have expectations with regard to housing. Similarly the notion as to what constitutes minimum standard housing has also increased. By today's standards there are still a large number of dwelling units in need of major repair and rehabilitation in Canada, units with a full complement of basic facilities but suffering from deficiencies in their physical structure and mechanical systems. Since the measurement of physical house condition and mechanical systems condition is much more difficult than the simple enumeration of presence or absence of basic facilities, there are no

(text continued on page 14)

Table 5 outlines the distribution of inadequate dwellings by type of dwelling and by type of tenure.

TABLE 5: Condition of the Housing Stock By, Tenure, and Type of Dwelling, 1979

Type of Dwelling and Tenure	Adequate Condition		Inadequate Condition		Total	
	Dwelling Units	% of Total	Dwelling Units	% of Total	Dwelling Units	% of Total
Single-Detached						
Owned	3,969,000	96.8%	131,000	3.2%	4,100,000	100%
Rented	377,000	94.2%	23,000	5.8%	400,000	100%
Sub-Total Single-Family	4,346,000	96.6%	154,000	3.4%	4,500,000	100%
Semi, Double, Row						
Owned	792,000	99.0%	8,000	1.0%	800,000	100%
Rented	588,000	98.0%	12,000	2.0%	600,000	100%
Sub-Total Semi, Double, Row	1,380,000	98.6%	20,000	1.4%	1,400,000	100%
Apartments						
Owned	99,000	99.0%	1,000	1.0%	100,000	100%
Rented	1,930,000	96.5%	70,000	3.5%	2,000,000	100%
Sub-Total Apartments	2,029,000	96.5%	71,000	3.4%	2,100,000	100%
All Dwellings						
Owned	4,860,000	97.2%	140,000	2.8%	5,000,000	100%
Rented	2,895,000	96.5%	105,000	3.5%	3,000,000	100%
Total All Dwellings	7,755,000	96.9%	245,000	3.1%	8,000,000	100%

NOTE: Inadequate Condition is defined as lacking one or more of the following basic facilities:
- exclusive use of flush toilet
- hot and cold water supply
- exclusive use of installed bath or shower.

Precise figures on the number of units still in need of major repairs or rehabilitation in Canada today. Current estimates range from 400,000 to 1 million units depending upon the criteria used.

Because the age of the housing stock is expected to increase significantly over the next two decades, as is described below, it is becoming more important to have reliable data on physical house condition and rehabilitation need, especially since the traditional indicators are no longer appropriate. For this reason, we are now in the process of developing special survey techniques that will enable us in the future to improve our estimates of physical house condition and rehabilitation need.

(3) Age of the Housing Stock

As was shown above, the quality of the Canadian housing stock is generally in good shape. This is due partly to the fact that a large proportion of the housing stock is relatively new. For example it is estimated that 53% of the housing stock is less than 20 years old, requiring relatively little repair. Only 23% of the housing stock or 1,900,000 dwellings are over 40 years old. It is this part of the housing stock that usually requires extensive repairs and rehabilitation. But more than half of this old part of the housing stock or 1,100,000 units consists of single-detached dwellings, which are generally owner-occupied. Only 500,000 units or 6% of the housing stock consist of apartments that are over 40 years old. These are the units that could need a substantial amount of repair and rehabilitation, to be affected by private rental entrepreneurs, managing relatively large rental projects.

Current projections show, however, that the average age of the housing stock will increase over the next 20 years. For example, by the year 2001, only about 26% of the housing stock will be less than 20 years old. The number of housing units over 40 years old will more than double from 1,100,000 to 2,300,000. The number of apartments 40 years old or more will also double from 500,000 units to 1,000,000 units by the year 2001, and will at that time represent about 9% of the total housing stock.

It is therefore anticipated that the amount of money spent on repair, maintenance and rehabilitation, will increase over the next 20 years. The emphasis in housing policy is therefore shifting from an almost exclusive concern with ways to support new house construction, to new policies that will help to finance the large increases foreseen as required to maintain the aging housing stock in good condition. The data outlining this projected aging of the housing stock are outlined in the table below.

TABLE 6: Housing Stock By Age Group and Type

Age of Housing Stock	1981		1991		2001	
	No. Of Units	% Of Housing Stock	No. Of Units	% Of Housing Stock	No. Of Units	% Of Housing Stock
0 - 19 years	4,400,000	53%	3,700,000	37%	2,800,000	26%
20 - 39 years	1,950,000	24%	3,700,000	37%	4,250,000	39%
40 years +	1,900,000	23%	2,600,000	26%	3,800,000	35%
Total Housing Stock	8,250,000	100%	10,000,000	100%	10,850,000	100%
40 years + By Type						
single-detached	(1,100,000	(13%	(1,500,000	(15%	(2,300,000	(21%
semi, double, row	(300,000	(4%	(400,000	(4%	(500,000	(5%
apartments	(500,000	(6%	(700,000	(7%	(1,000,000	(9%
Total 40 Years +	1,900,000	23%	2,600,000	26%	3,800,000	35%

CHAPTER III

HOUSING MANAGEMENT PROBLEMS BY TYPE OF OWNER

The primary thrust of policy in Canada has been to develop programs to facilitate the construction of new housing, or to facilitate the acquisition of existing housing for families or individuals, having different housing requirements, and different abilities to pay for shelter. Once built or acquired these dwellings would be managed by the owners whether they be private individuals, corporations, or public bodies, to achieve the purposes for which the specific housing units were acquired, namely, to provide homeownership, investment income from rental dwellings, or to provide shelter at below market rents in the case of non-profit Corporations and public-housing corporations.

The actual management of the housing stock is the responsibility of these various owners.

No acute problems have emerged relating to the management of the housing stock by the various types of owners. There has therefore not been any great pressure to develop extensive data on the actual management of the housing stock. The description of housing management problems faced by different types of owners presented below will therefore be relatively sketchy.

(1) Homeownership: Freehold

The greatest part of the housing stock is occupied on a freehold ownership basis. Thus 4,775,000 dwellings or 59.7% of the 8,000,000 total dwelling units are freehold owner-occupied units. Each of these owner~~s~~ manages his own unit, in the sense of making sure that it is maintained in good condition, that the mortgage payments, and real estate taxes are paid as due, and that the heating and utility bills (water and electricity) are paid. The management of this part of the housing stock, is just part of each of the occupant household's routine household budget management, with the members of the household relying on their monthly earnings or savings to pay for the expenses of homeownership. On the average, median incomes in the 1971-1979 period, have increased more quickly than all components of homeownership costs, except the cost of fuel and utilities and homeowners insurance premiums. Thus the index of the costs of owned accomodation increased from 100.0 in 1971 to 208.3 in 1979, and the cost of water, fuel and electricity for an index of 100.0 in 1971 to 244.6 in 1979. Median incomes over the same period increased from an index of 100.0 to 238.0 over the same period. These data are displayed in the table below:

TABLE 7: CHANGE IN INDEXES OF SELECTED COMPONENTS OF OWNERSHIP COSTS AND INCOMES 1971-1979

	1971	1979
Property Taxes	100.0	161.8
Mortgage Interest	100.0	228.0
Owner Repairs	100.0	214.8
Homeowners Insurance Premiums	100.0	344.6
Sub-Total: Owned Accommodation	100.0	208.3
Water, Fuel and Electricity	100.0	244.6
Median Income	100.0	238.0

Although the index of mortgage interest rates has increased less than median incomes, some borrowers have nevertheless experienced some difficulty in adjusting to higher mortgage interest payments. This has occurred because mortgage financing practices have changed over the last decade from fixed 25-year term mortgages to 5-year, 3-year, and even 1-year term, rollover mortgages. Borrowers, renewing their mortgage during a high interest period can thus be faced with a large sudden increase in monthly payments.

(2) Homeownership: Cooperatives

About 500 cooperatives were in operation in Canada at the end of 1979. Each of these cooperatives had an average of 40 members. Cooperative homeownership thus provided a total of 20,000 dwelling units or 0.4 per cent of the 5,000,000 owner-occupied housing stock.

Up to the end of 1979, the majority of these cooperatives were financed by long-term fixed interest loans from the Canada Mortgage and Housing Corporation, a Federal government agency. The cooperatives funded in this way are thus not running into the problem of refinancing their mortgage at 5-year intervals at higher interest rates. A small proportion of these co-op loans were, however, also financed on 5 years, roll-over terms. Co-ops financed in this way can also be affected by the increase in mortgage interest rate commented on above.

Cooperative ownership offers the co-op members security of tenure at lower cost than is available on a freehold basis. These lower costs are achieved by virtue of the more favourable mortgage finance terms available to them. The

The savings achieved in this way are passed through to the members in the form of lower break-even rents than would be required on a freehold home. Thus it is estimated that the average break- even rent for cooperative housing projects at the end of 1979 was around $220 per month. The average imputed rent for all homeownership dwellings for the same year, as calculated in the national accounts, was $250 per month.

Many of the co-ops belong to a National or Regional Federations of co-operatives. These Federations have developed educational material to help the co-ops manage the housing units which they own, and inhabit. A large proportion of these co-op nevertheless hire professional property management firms to ensure that their housing is properly maintained and well managed.

(3) <u>Homeownership: Condominiums</u>

There were about 3,500 condominium projects in Canada at the end of 1979, containing 200,000 units in total. Of these about 1,000 projects were high rise projects, containing on the average 100 units each, and 2,500 were row house projects, containing on the average 40 units each. Condominium ownership is relatively new in Canada, having been introduced as late as 1967.

Under this form of ownership the purchaser owns his own dwelling outright but common areas, such as the site, corridors, elevators, recreational areas, are owned jointly by all the owners in a particular project. These owners select the management for the project to provide for required janitorial service, repairs, etc. Each condominium owner pays a condominium fee to defray the expenses involved.

At the end of 1979, these condominium fees averaged about $95 per month for a high rise unit, of about 75 M^2, and about $54 per month for a row house condominium unit of around 100 M^2. This translates into $15.20 per M^2 per annum for a high rise unit and $6.50 per M^2 for a row house unit. Typically the condominium owners sharing a project would not have known each other before they moved into the project. This can make managing the project difficult in the early years. Also, the developers of the condominium project often underestimate the monthly condominium charges that will be necessary to carry out the necessary repairs and maintenance work, which means that the new owners might be faced with higher monthly condominium fees than they expected, at the time they moved in.

Condominium owners also share the problems described for freehold homeowners above, of having to refinance their units at higher interest rates than prevailed at the time that they bought the unit, as these mortgages were typically, five-year renewable mortgages. Each owner pays his own mortgage payments, and real estate taxes, and pays for the maintenance and repairs of the interior parts of his unit. The condominium fee referred to above thus covers only the costs incurred in maintaining and managing the common areas. The distribution of these common expenses by type of expenditure is shown in table 8 below.

TABLE 8: DISTRIBUTION OF EXPENDITURES ON COMMON AREAS IN CONDOMINIUMS: 1979

Type of Expenditure	High Rise Condominiums (Average Size 75 M^2)		Row House Condominiums (Average Size 100 M^2)	
	\$ Per M^2 Per Annum	% of Total	\$ Per M^2 Per Annum	% of Total
Maintenance and Repair	\$ 4.40	29%	\$2.40	37%
Administration	\$ 3.20	21%	\$1.30	20%
Operating Expenses	\$ 6.40	42%	\$2.00	31%
Replacement Reserve	\$ 1.20	8%	\$0.80	12%
Total Expenses	\$15.20	100%	\$6.50	100%

(4) Rented Dwellings, Owned by Private Entrepreneurs

The rented apartment stock in Canada comprised about 2,000,000 dwelling units at the end of 1979, of which about 1,770,000 were owned by private rental entrepreneurs. No precise data are available on the number of units owned by different sized firms. The available data suggest than there are probably less than 100 firms that own 1000 units or more, and that the biggest rental firm owns about 20,000 units.

Data are, however, available on the distribution of apartment buildings by size of structure. These show that the 2,000,000 apartments at the end of 1979, consisted of 100,000 buildings, each containing 20 apartments on the average. But about 60% of all apartments were in buildings that contained more than 20 apartments each. Table 9 below gives the distribution of apartment buildings by size.

TABLE 9: APARTMENT BUILDINGS BY SIZE, 1979

Size Group	No. of Buildings		No. of Dwelling Units		Average No. of Units
	Number	% of Total	Number	% of Total	In Size Group
6 - 19	80,000	80%	770,000	38%	10
20 - 49	13,000	13%	390,000	20%	30
50 - 199	6,000	6%	600,000	30%	100
200 +	1,000	1%	240,000	12%	240
Total	100,000	100%	2,000,000	100%	20

Rents have traditionally been determined by prevailing market forces. However, since 1975, most Provinces, which under Canada's constitution have jurisdiction over the laws governing landlords and tenants, have introduced rent controls as their contribution to the anti-inflation policies introduced by the Federal government, at that time. Some provinces, have by now removed these rent controls. But the majority of provinces have retained them. This topic will be touched upon again in the next chapter, where social issues affecting the management of housing are discussed.

Because the management of the private rental stock is seen to be of importance primarily to the owners of that property, no comprehensive data are available on changes in the costs involved in managing the rental stock. The Institute of Real Estate Management, whose members consist mainly of large rental entrepreneurs, collects data relating to expenditures incurred in managing fairly large sized rental projects. While these cannot be considered as fully representative of the whole rental market, they can be used as an indicator of changes in trends of the various categories of expenses. No data are collected on mortgage and interest payments, as these differ widely from owner to owner, and depend a great deal on the time period when the mortgage was assumed,and the amount of equity capital available to the owner. These data furthermore refer mainly to apartments in high rise buildings, containing around 150 apartments with an average liveable floor area of 75 M^2 to 80 M^2. Rents in these high rise apartments at the end of 1979, at \$41.50 per M^2, were substantially higher than the average rent of \$30.20 per M^2 for the entire rental stock. The data collected by the Institute of Real Estate Management show that the costs of operating expenses, utilities and administration, have all gone up faster than rents, so that the amount of net operating income, out of which mortgage and interest payments have to be made, declined a little as a percentage of total rent received. The data also show that the amount spent on maintenance and repairs has increased less than rents received, and less than all other categories of expenses. This decline in the proportion of total expenditures devoted to maintenance and repair, has not, however, as far as can be ascertained, resulted in any decline in the overall quality of the rental housing stock. The data relating to rents and expenditures are displayed in table 10 below.

TABLE 10: CHANGES IN RENTS AND EXPENDITURES OF APARTMENTS

1972 - 1979

	1972		1979		% Change 1972 to 1979
	$ Per M^2 Per Annum	% of Total Expenditure	$ Per M^2 Per Annum	% of Total Expenditure	
Rents	$26.60	100%	$41.50	100%	+ 56%
Net Operating Income	$13.30	50%	$19.90	48%	+ 50%
All Expenses	$13.30	50%	$21.60	52%	+ 62%
Type of Expense					
Maintenance and Repair	$ 1.60	12%	$ 2.00	9%	+ 25%
Operating Expenses	$ 2.40	18%	$ 4.30	21%	+ 79%
Utilities	$ 2.50	19%	$ 5.50	25%	+120%
Administration	$ 1.30	10%	$ 2.10	10%	+ 62%
Insurance	$ 0.20	2%	$ 0.30	1%	+ 50%
Real Estate Taxes	$ 5.30	39%	$ 7.40	34%	+ 40%
Total All Expenses	$13.30	100%	$21.60	100%	+ 62%

NOTE: Average Size of Apartment is 75 M^2.

(5) Rented Dwelling: Owned By Non-Profit Corporations

There were about 6,000 non-profit rental projects in Canada at the end of 1979, ranging in size from around 5 units per project to around 125 units per project, with an average of 25 units per project, for a total of 150,000 non-profit rental units.

The non-profit projects until 1979 were financed with 50 year loans from Canada Mortgage and Housing Corporation, at the long-term government bond rate. In addition the Federal Government since 1973 also provided a 10% capital grant to bring down the overall costs of the projects. These advantageous financing terms were passed through to low and moderate income tenants in the form of belowmarket rents. These non-profit projects are, however, not intended to run at a loss. Rents therefore have to be adjusted upwards periodically to cover increases in the costs of operating the projects. The break-even rent at the end of 1978 in these projects was estimated at $150 per month per apartment, which translates to about $24 per M^2 per annum. This rent is sufficient to pay all operating expenses of these projects, and to pay off the mortgage because of the favourable financing terms madeavailable to these non-profit projects. This $24 per M^2, break-even rent, which can only be achieved through the provision of favourable financing terms is substantially below the average rent of $30.20 per M^2 per annum for all rental units.

(6) Rented Dwellings Owned by Governments

Canada had about 180,000 public housing rental units at the end of 1979. These units are owned by the Federal, Provincial and Municipal governments, which rent them out to low-income tenants at government subsidized rents. These rental units were located in about 3,600 public housing projects, scattered throughout the country, ranging in size from 10 units to 1400 units, and averaging about 50 rental units each.

These public housing units are available to low-income renters, in special need of subsidized rents. The qualifying low-income renters generally pay up to a maximum of 25% of their income as rent for these units. The operating losses on these public housing rental units are shared by the Federal and Provincial governments according to an agreed formula, either 75% Federal, 25% Provincial, or 50% Federal and 50% Provincial.

These public housing units, and the non-profit housing units described earlier, are usually managed by staff hired specifically for that purpose. In order to ensure that these units are managed in a way that will meet the special requirements of the tenants inhabiting a particular project, the Federal Government some years ago, sponsored research, and also provided funds to interested educational institutions, to help them develop courses designed to upgrade the skills of managers of public or "social" housing.

The operating deficits of these public housing projects have been increasing steadily, as rent increases, which are geared to the income level of low-income tenants, have risen less quickly than operating costs. Thus, the average rent in these public housing units increased from $11.50 per M^2 in 1971 to $15.30 per M^2 per annum in 1979, an increase of 33%. Operating expenses plus amortization increased by 80% in the same period from \$25.80 per M^2 per annum to \$46.40 per M^2 per annum. It should be noted that expenses (exclusive of amortization) incurred in running these projects are a little higher, than the operating expenses noted for the private rental stock. This is due partly to the fact that these public housing projects are probably older than the private rental housing for which detailed expenses were presented earlier. Partly it is also due to the fact that an attempt is made to keep these units in excellent condition. Thus total expenses, less amortization in the public housing stock increased from \$14.30 per M^2 per annum in 1979 to \$32.00 per M^2 per annum in 1978 an increase of 125%, while the increase in the private rental stock described earlier was from \$13.30 per M^2 per annum in 1972 to \$21.60 per M^2 per annum in 1979, an increase of 62%. Operating expenses (including utilities) were the fastest growing expense, increasing by 184% from 1971 to 1978, from \$4.40 per M^2 per annum to \$12.50 per M^2 per annum. Government is, however, confronted with the problem of increasing subsidy payments on this public rental stock as rent increases consistently remain less than increases in costs, leading to higher losses per unit.

For instance, the average rent for a 75 M^2 public housing unit has increased from \$72 per month or \$11.50 per M^2 per annum in 1971 to \$96 per month or \$15.30 per M^2 per annum in 1978. Break-even rents for these units have increased during the same period from \$161 per month or \$25.80 per M^2 per annum to \$290 per month or \$46.40 per M^2 per annum. This has increased the average subsidy required from $89 per month or $14.30 per M^2 per annum in 1971 to $155 per month or $31.10 per M^2 per annum in 1978. These changes in the different categories of expenditures and rents are shown in table 11 below.

TABLE 11: CHANGES IN RENTS AND EXPENDITURES OF PUBLIC HOUSING UNITS, 1971 - 1978

Type of Expenditure	1971		1978		% Change 1971 To 1978
	\$ Per M^2 Per Annum	%	\$ Per M^2 Per Annum	%	
Total Expenses	\$14.30	55%	\$32.20	69%	+ 125%
Amortization	\$11.50	45%	\$14.20	31%	+ 23%
Expenses plus Amortization (Equals break-even Rent)	\$25.80	100%	\$46.40	100%	+ 80%
Rent Received	\$11.50	45%	\$15.30	33%	+ 33%
Average Loss	\$14.30	55%	\$31.10	67%	+ 117%
Type of Expense					
Maintenance and Repair	\$ 4.00	28%	\$ 9.80	30%	+ 145%
Operating Expenses (& Utilities)	\$ 4.40	31%	\$12.50	33%	+ 184%
Administration	\$ 1.30	9%	\$ 2.60	8%	+ 100%
Insurance	\$ 0.10	1%	\$ 0.10	1%	-
Municipal Taxes	\$ 4.50	31%	\$ 7.10	22%	+ 58%
Total Expenses	\$14.30	100%	\$32.20	100%	+125%

Note: Average Size of Public Housing Unit is 75 M^2.

CHAPTER IV

SOCIAL ASPECTS OF HOUSING MANAGEMENT PROBLEMS

The prime responsibility for managing the housing stock in Canada lies with the owners of the housing units concerned. Government intervention in the main has taken the form of providing incentives to the owners and managers of that housing stock to undertake changes or improvements considered important for the national economy as a whole. Two government programs were developed for that purpose namely the Residential Rehabilitation Program (RRAP) designed to encourage and help homeowners and landlords to upgrade the quality of their housing stock, and the Canadian Home Insulation Program (CHIP) designed to encourage homeowners and landlords to make their housing more energy efficient. A third intervention undertaken, was the imposition of rent controls by most of the provinces of Canada, as part of an overall anti-inflationary program. Notes on each of these interventions in the management of the housing stock for social reasons will be presented below.

(1) Rent Controls

The general rule in Canada has been that rents be determined by the free interplay of demand and supply forces in the rental market. A vigorous rental construction program generally provided an increasing supply of rental accommodation and rising incomes enabled renters to pay rents sufficiently high to make rental construction attractive, without imposing too severe a strain on household budgets.

Under the Canadian Constitution the regulation of landlord and tenant relations, and therefore also the determination of rental policy falls under the jurisdiction of the Provinces. In the post World War 2 period, up to 1975, the Provinces generally confined their activity in this area to developing various Landlord and Tenants Acts, that mainly ensured for tenants the quiet enjoyment of their dwelling and imposed obligations on landlords to provide all the services promised, and generally set out standard items that had to be included in the leases drawn up between landlords and tenants. However, in 1975, as part of the general anti-inflationary program introduced by the Federal government of Canada, and in recognition of the important role that rent payments play in household budgets, and therefore also in the Consumer Price Index (CPI) all the Provinces in Canada introduced rent controls designed to prevent any unduly rapid increases in rents.

New rental units were generally exempted from rent control. Thus only the rental stock in existance up to 1975 was affected by the imposition of these controls. Generally, the various rent control acts introduced, allowed annual increases in rents of around 6% to 8% per annum. Provision was also made in these acts for rent increases higher than those general annual increases, if the landlord could demonstrate that his costs of maintaining and generally managing his rental property in any particularly year were higher than could be supported by the 6% - 8% increases that were allowed. The imposition of rent controls did indeed moderate rental increases and the rent index increased by only 25% from 1975 to 1979, compared to a 38% increase in the Consumer Price Index as a whole in the same period.

The Provinces that imposed rent controls, mostly considered them as a transitional measure to restrain rent increases during a period of intense inflationary pressures. Several of the provinces, have by now removed these rent controls. Those provinces that still maintain them are evaluating their effectiveness from time to time, so as to ensure that their rental policies remain in tune with changing economic circumstances.

(2) Residential Rehabilitation Program

Repair maintenance and rehabilitation, like the management of the housing stock generally, is the prime responsibility of the owners of that housing stock. But, a concensus is emerging that the age of the housing stock will increase fairly rapidly over the next two decades. It is therefore expected that rehabilitation expenditures designed to maintain this aging housing stock in good condition will have to increase sharply. Expenditures on repairs and rehabilitation already represent about one fifth of the expenditures on new residential construction, or about $2 billion per annum.

Because of this perceived need for more expenditures on repair and rehabilitation the Federal government has developed a program to help homeowners and landlords finance such expenditures.

The Residential Rehabilitation Program (RRAP) introduced in 1973 provided for direct Federal government loans to homeowners and landlords at below market interest rates. As a further inducement to undertake rehabilitation, part of the loan could be "forgiven". Thus on homeowners loans, out of a maximum loan of $10,000 a total $3750 could be forgiven over a period of 5 years, for low-income borrowers. For landlords, out of a maximum $10,000 loan per unit, $2,500 could be forgiven over a period of 10 years. Landlords taking advantage of this program, had to agree to maintain rents at levels acceptable to government. The legislation governing RRAP loans was amended during 1979 to allow the private lenders to provide government insured (NHA) loans for rehabilitation purpose, while the Federal government continued to provide the "forgiveness" part of the loan. Direct government loans for landlords were abandoned at the same time, in the expectation that sufficient funds would be forthcoming fromprivate sources to finance rehabilitation, as a result of the government mortgage insurance provided, plus the government subsidy funds provided in the form of forgiveable loans.

The volume of government funds provided for rehabilitation purposes has increased steadily, particularly since 1975. Thus the volume of direct government loans increased from $15 million in 1975 to $125 million in 1979, and the amount of subsidy increased from $10 million in 1975 to $95 million in 1979.

Efforts are now underway to devise appropriate methods to increase the flow of private mortgage funds available for residential rehabilitation, and to encourage an expansion of the residential rehabilitation industry.

(3) Canadian Home Insulation Program (CHIP)

The third major intervention by government related to the management of the housing stock was designed to make the utilization of the housing stock more fuel efficient. It came as a response to the sharply escalating price of oil, and energy costs generally since 1973.

The CHIP program was introduced in 1977 for that purpose. Under this program as it currently operates all dwellings in buildings of 3 stories or less, constructed before 1961, qualify for a non-repayable grant, to help them improve the insulation of their dwellings. The program is available for both homeowners, and landlords, but the majority of applications under the program have come from homeowners. In total about 300,000 dwelling units improved their insulation with the help provided by the CHIP program in the 1977-1979 period. Each of these dwellings on average received a grant of $330, to help defray the costs of upgrading their insulation. It is expected that the number of eligible dwellings will be increased over time to include also dwellings constructed after 1961. The maximum grant currently available is $500. Of this amount, a maximum of $350 is available to pay up to 100% of the cost of insulation materials. The additional $150 is available to pay for up to 1/3 of the labour costs incurred in upgrading the insulation of the dwelling. The volume of funds expended by the CHIP program has increased steadily since its introduction, from $3.1 million in 1977 to $18.4 million in 1978, and $77.9 million in 1979.