

Low-Income Housing

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programs in search of a policy
Summary and Recommendations



Low Income Housing: Programs in Search of a Policy

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PREFACE

A study of national low income housing policy and programs was commissioned by Central Mortgage and Housing Corporation in January of 1971. The study, funded under Part V of the National Housing Act, was intended to provide background material for revisions to the Act and for a possible complete rewriting of the legislation in 1973. A final report was submitted to C.M.H.C. in April of 1972. This is the Summary and Recommendations Section of that report.

The Low Income Housing Study Group was assembled to undertake the research. The final report was distilled by the Authors from the many background papers by the group and from its draft final report.

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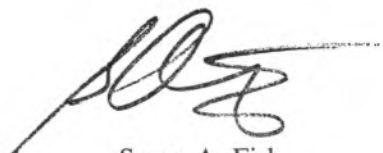
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The views and recommendations contained in this report are those of the Low Income Housing Study Group and as such are not necessarily shared in whole or part by Central Mortgage and Housing Corporation.



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Low Income Housing: Summary and Recommendations

Summary

Housing performance under the National Housing Act has been production-oriented rather than distribution-oriented, a quantitative operation qualitatively devoid of broad social objectives and economically inaccessible to many Canadians. The production of new houses should be a means to an end, not the prime policy objective.¹

Housing policy in Canada has been directed solely at starts. Its aim has been to increase the total stock of "decent, safe and sanitary accommodation" to the point where there is sufficient adequate housing for all Canadians, demolishing substandard housing and replacing it wherever necessary.

Little or no concern has been shown for: the distribution of either the newly produced or existing stock; the price of that stock and the ability of consumers, and of low income consumers in particular, to afford it; the environmental quality of new housing produced; the condition of the existing stock, except for "slum housing" which would have to be destroyed and replaced; the right to free and dignified use by the consumer of his home.

Instead reliance is placed on the market to allocate the stock, set the price, determine the level of quality, and protection of the position of the low income housing tenant is left to the provinces. The only minor shift which has occurred to date has been the recent expansion in the last three years of the public housing and low rental housing programs, and a lesser attempt at assisted homeownership. Within those programs the emphasis is very much on quantity rather than quality. Units produced under these programs constitute a minute portion of the total housing stock (some 2 per cent) and come nowhere near meeting the need. The vast majority of low income households are left to the vagaries of the market.

¹ *Good Housing for Canadians*, A Study by the Ontario Association of Housing Authorities (Toronto: 1964), p. 49.

THE PUBLIC-PRIVATE DICHOTOMY

This, despite recommendations to the contrary over the past 35 years.

For example, in 1935 a report warned:²

The formation, institution and pursuit of a policy of adequate housing should be accepted as a social responsibility . . . There is no apparent prospect of the low rental housing need being met through unaided private enterprise building for profit . . .

In 1944 the next report noted:³

The desire for better housing and better living standards generally is a post-war objective which is firmly rooted in the minds of people in all ranks of life. Construction work in the housing field can be of particular importance . . . as a productive vehicle of both public and private investment such as will be needed for full employment policy under peace time conditions. Canada has lagged behind the example of European countries, of Great Britain, and of the United States in providing greater governmental assistance for housing as a matter of welfare and public concern . . . Special attention, in the advance preparation of plans, should be given to low rental housing and farm housing, in which this country has had little or no experience to date . . .

In 1964, the theme recurs:⁴

A constant claim of the proponents of 'pure' private enterprise that it could solve the housing problem should be considered against the evidence of an historic ineffectiveness . . . Private enterprise seems to be at its most dynamic level when protected by extensive loan guarantees and substantial borrower's equity and when properties are all sited in a bustling urban market.

Last year the Castonguay Commission again pointed out:⁵

Reconnaître l'accès à l'habitation comme un droit universel implique donc une intervention directe de l'État dans toute cette industrie qui, encore aujourd'hui, dépend presque entièrement de l'entreprise privée. De même que l'universalité d'accès à l'éducation et aux soins a exigé que l'État prenne la responsabilité de ces secteurs à la place de l'entreprise privée, de même la reconnaissance de l'accès à l'habitation comme droit universel implique une intervention directe similaire dans les services d'habitation.

² *Report of the Special Parliamentary Committee on Housing* (Ottawa: 1935).

³ *Report of the Advisory Committee on Reconstruction* (Ottawa: 1944), Volume IV, p. 9.

⁴ *Good Housing for Canadians, op. cit.*, p. 50.

⁵ "The recognition of access to housing as a universal right implies a direct intervention by the State throughout that industry which, even today, depends almost entirely on free enterprise. Just as universal rights to education and welfare meant that the State had to assume responsibility in those sectors in place of free enterprise, then equally the recognition of access to housing as a universal right implies a similar direct intervention in the field of housing service." *Rapport de la Commission d'Enquête sur la Santé et le Bien-Etre Social* (Gouvernement du Québec, 1971), Volume 1, pp. 184-5.

Politicians and senior civil servants have consistently taken an opposite tack. In 1949, the Prime Minister of the country stated:⁶

While we hope that as much of our new housing as possible can be provided through private and local enterprise, we recognize that privately initiated housing may have to be supplemented and stimulated by even further government support for low rental housing.

The Minister responsible for housing wrote the President on June 8, 1956 and put the matter even more strongly:

It was the government's view, which I have stated publicly on a number of occasions, that we would be justified in using public funds for housing only where private enterprise fails to meet the need.

A senior civil servant and member of the Board of Directors of the Corporation wrote to the President elaborating on that position on February 12, 1957:

My main criticism of the statement is that it seems to assume that public housing is primarily an instrument of social policy to remedy directly the condition of those of the poor who are living in bad housing. Thus it . . . expresses the substantial preference for subsidized over full recovery housing . . . Public housing at this stage in Canada at least should be regarded primarily as an economic matter rather than as an instrument of social policy. . . We should not take tenants requiring the subsidy if we can avoid it.

The last clear statement of federal policy on the matter was that of the then Minister, in May of 1969.⁷

We must, therefore, not only improve the operation of private markets in order to accelerate the total output of housing, but we must also stimulate the provision of modest accommodation for low-income people, augmenting it, if necessary, with what may be regarded as non-market devices in order to get a higher yield of new units out of the nation's housing efforts.

The refusal to act stems from an almost religious belief in the private market as the only fair and efficient mechanism for distributing society's resources. Even the social housing programs, which have received much publicity lately, are an afterthought, an appendage to the unguided, uncontrolled market system. No effort is made to plan for them, to determine the type, extent, location and magnitude of need. That would necessitate greater efforts, increased intervention, more interference with the private production process.

The only "planning" for housing has been done by financial officials, who have used housing as a short term stabilization tool. That overriding concern has been entrenched in housing policy. Nowhere is it clearer than in

⁶ *Speech*, Prime Minister Louis St. Laurent, April 1949.

⁷ *Notes for Statement on Bill C-192*, R. K. Andras, House of Commons, May 1969.

the constant reference to housing starts. Housing starts are an indicator of economic activity. Housing completions are the additions to the housing stock available to serve consumers. They are seldom referred to. Emphasis on aggregate goals, economic activity and private market decisions also explain the sacrifice of quality for quantity. Housing is an artifact, a product, a manufactured good. It is not viewed as a package of services, nor as a place where people live. Once the start has commenced, concern ends. Ongoing management and maintenance are irrelevant. Locational factors such as neighbourhood context, community services and facilities, and even interrelationships between units produced are ignored. Design is a secondary consideration, as are the rights of the user with respect to the good produced and its producer.

With the growth in social housing activity there are faint signs of change, but inroads against the dominant production mentality are slow.

THE HOUSING PROBLEM

For the last two or three years, federal policy makers have been concerned with whether there is a housing crisis or a housing problem or no problem at all. The most recent verdict is that there is no immediate housing problem, that there is an income problem for low income families likely to be displaced by redevelopment and unable to find satisfactory alternative accommodations and that policies restricting the development of raw land for housing may lead to a housing crisis in the future.⁸ That position should be compared with the one taken by the Murray study in 1964:⁹

Aside from its physical qualities, a sizeable segment of Canadian housing is economically troubled... The new housing production, whether for ownership or for rental, is completely out of reach of something better than one-third and something less than one-half of the population. The existing housing stock is almost equally inaccessible because of the combined effect of high prices and inadequate financing terms.

The situation has not improved. In 1967 approximately 400,000 low income households spent on average in excess of 40 per cent of their incomes for shelter alone. When household operation, telephone, furnishings and equipment are added, the percentage is more than 50. 800,000 low income households spent on average in excess of 25 per cent of income for shelter alone, and 1,200,000 spent on average in excess of 20 per cent of their incomes for shelter.

Somewhere between half a million and one million buildings (with the data at hand, no better guess can be made) probably require rehabilitation simply to bring them up to the standard of decent, safe and sanitary accommodation. They either lack heating, plumbing and electrical systems or have faulty ones or are in need of structural repairs. Perhaps $\frac{1}{3}$ to $\frac{1}{2}$ of these units

⁸ *Urban Problems & Prospects*, Research Monograph 2, "Housing in Canada" (Ottawa: CMHC, 1971), p. 19.

⁹ *Good Housing for Canadians*, *op. cit.*, p. 58.

are in rural areas and small towns where the annual cost of shelter may not be a problem, but incomes are too low to permit the necessary investment to upgrade the housing.

About 1,000,000 low income households are tenants. That number is likely to increase by more than 50 per cent over the next decade. These tenants are not only plagued by high shelter-to-income ratios and poor physical conditions, but also do not have the security of tenure and the freedom to use their homes in a reasonable fashion that low income owners possess. Most of them are on month to month leases and are subject to arbitrary control by their landlords. Although there have been improvements recently in provincial landlord and tenant legislation, landlords' attitudes have not changed and a precarious economic position and sense of powerlessness prevent the poor from asserting the rights which they do have.

The majority of low income households are located in city centres or in rural areas where community services and facilities are lacking. In cities, they are frequently located in industrial or commercial areas where noise and air pollution are high. Newer government low income programs have located them on the fringes of developing areas which are devoid of community facilities.

EQUAL ACCESS TO DECENT HOUSING

That is the rough picture, in absolute numbers. The relative position is even worse. If one compares the shelter-to-income ratio for the bottom 20 per cent of the income distribution with that of the average family, the bottom group spend twice as great a proportion of their income for shelter. When the comparison is made with the top quintile, the bottom group spend $2\frac{1}{2}$ times as much. If one looks at renting households only, the situation is even worse, with the bottom 20 per cent spending three times the proportion which the top group spends.

Similarly the poor are much more likely to live in older housing which is in need of structural repairs or lacks essential plumbing or heating facilities. In 1961, those in the bottom quintile were three times as likely as the average household to be living in a unit in need of major repair and eight times as likely as the top quintile. They were almost twice as likely as the average, and almost four times as likely as the top quintile to lack adequate heating systems.

HOUSING AND POVERTY

Housing poverty is partly a function of low incomes. It is also a result (as are the low incomes themselves) of having the status of a poor person. Societal attitudes ensure that the rewards go to the producers, to those who make the economy grow. Those who cannot produce, or can no longer produce, the elderly, handicapped, single parent families, rural families get the residue after the producers have been rewarded.

To a considerable extent this results from the shared attitudes of public decision-makers and producers. Equally important is the unequal access of the poor to the decision-making process. Public agencies — particularly

housing agencies — provide limited information about policies and practices, except to producers who are actively sought out for participation and voluntarily supplied with information.

Middle and upper income consumers are only beginning to organize themselves to participate in housing decisions. Better education, superior financial and technical resources, available time, and social-psychological characteristics are far more likely to result in quickly organized, independent initiative activity by them. The poor are not accustomed to exercising control over their own lives and are far more likely to feel a sense of powerlessness in the face of public decisions.

HOUSING AND INFLATION

The country and its government are very concerned about inflation. In an effort to combat that malady a substantial level of unemployment has been created.

Construction generally and residential construction in particular play a substantial role in inflationary processes. Housing has a weight of one-third in the Consumer Price Index, the bellwether in the fight against inflation. The shelter component in the Consumer Price Index has increased by over 50 per cent in the last decade. The gross debt service on new NHA bungalows has increased by 136 per cent during that period. Construction wages have increased by 74 per cent. Land prices in the period increased by two-thirds. Since 1950 they have quadrupled. Interest rates on NHA loans increased by 50 per cent from 1961 to 1970. And property taxes on new NHA houses more than doubled over the last decade.

It is clear that housing price inflation hurts those on fixed incomes, like the elderly. Their incomes have not risen as fast as housing costs, nor have the incomes of those receiving welfare. The middle income group appear to be relatively better off in that housing costs and incomes have increased at the same rate. But with costs rising at an equal rate, the middle group seeks more income. The inflationary spiral follows.

Government response has been to turn off the money tap when inflation gets too hot. That simply leads in the housing field, to another round of inflation; initiated by demand pull and carried on by cost-push. The classic example was the response to monetary policy in 1965-66. The effect of the cutback in funds was to reduce the supply of rental dwellings, increase the price and worsen the housing situation for those at the bottom of the economic ladder. When the money supply was expanded, a resurgence of demand occurred, prices were bid up and another round of inflation in the housing sector began.

In 1970 the government attempted to avoid the creation of housing shortages as a by product of stabilization policy. More than \$400 million of additional funds were poured into social housing programs. Shortages have been avoided and in most cities vacancy rates are at acceptable levels. But two years later housing price inflation is back with a vengeance. The additional funding was sufficient to protect the residential development industry from the price corrections which would otherwise have occurred.

The existing tools for dealing with housing price inflation are too blunt. They create shortages and simply postpone inevitable increases. There has been no national attempt to devise new techniques for dealing with housing price inflation since the rent controls of the Second World War. Present day policy discussions have not advanced beyond the possibility of instituting similar wage and price controls, another set of blunt, temporary measures which attempt to confine market forces rather than restructure them.

HOUSING AND EMPLOYMENT

In 1944 it was expected that housing would be a key tool in the kit of a full employment policy. No attempt has been made to give effect to that expectation. Instead housing has been used as a tool for overall economic stabilization, providing increased employment when the economy is slack and reduced employment when a decision is taken to take the steam out of the economy. It is only recently that a quantitative goal for housing starts has been established, but it is aimed solely at housing requirements, without consideration of the employment effects.

THE PRODUCTION OF ADEQUATE HOUSING

Housing built during the last 15 years tends toward higher densities, a limited range of standardized accommodation, reduced variety, limited common facilities and a segregation of unit types. What is being built at present is largely the same kind of housing as that produced at the beginning of the period. New low income housing resembles the form of housing for any other sector of the population made cheap by tight costs, reduction in size, and poor sites.

In all housing, the form of the dwelling units is determined by the economics of building, rather than by user needs. The user is fitted into what can be built. Federal policy has promoted the construction of low density suburban homes, neglecting the development of alternate forms of higher density urban housing. Little attempt is made by the builders and no attempt is made by CMHC to determine user response to the existing models. CMHC's Residential Standards have had limited effect on housing form. Their function has been to regulate and prevent blatant defects, rather than promote improvement and innovation. The review procedures are essentially policing actions.

The building industry will not substantially improve its product or innovate without government intervention. Building firms are becoming larger and more bureaucratic. Their primary concern is the development and marketing of land. The profits made on the construction side are minimal, land profits are high. The developer attempts to contain costs by standardizing the product and producing housing which simply meets the administrative requirements of the lenders and the rigid planning requirements of municipalities, and thereby allows him to make his land profits as quickly and on as large a scale as possible.

The real capacity to innovate is found in the sub-contractors who do the actual construction. The majority of large builders now subcontract out

more than three-quarters of the work done. Subcontractors are becoming increasingly more productive, but are not growing in size. Contractual arrangements leave them completely dependent on the builder-developer and prevent the harnessing of their innovative capacities.

MUNICIPAL PLANNING AND LAND AVAILABILITY

Municipalities also view their role as that of policemen, i.e. approving authorities. Within the context of zoning and subdivision control bylaws they respond to developer applications. Those bylaws are frequently aimed at keeping out even moderate cost housing to protect the municipal tax base.

Similarly, problems of rapidly increasing expenditures and a weak tax base have led municipalities to abandon their traditional function of servicing raw land to be made available for residential construction. By default that function has passed to builder-developers, who initially undertook it to assure themselves of a supply of serviced land on which to build and now continue it because it is far more lucrative than their construction operations.

Increased land acquisition and servicing costs, together with lengthened holding periods pending planning approval, have multiplied the holding costs of the land to the point where substantial sums of capital are required. As a result, in most metropolitan centres some half-dozen builders control the majority of the land in the path of immediate development. A large number of multinational corporations, many of which are British and American, have recently entered the land development business. In other cases financial institutions have invested in land development companies or joint ventured with builder-developers.

Municipal inability to service enough land, combined with rapid population growth and oligopolistic development patterns have caused land prices to rise rapidly. From 1950 to 1970, the price of single family lots quadrupled. In the 1960's they increased by two-thirds, in 1971 by 15 per cent. Builders are predicting similar increases in the next several years.

In the next decade, an increased proportion of all housing will be built in metropolitan centres. Almost twice as many units will be built there as in the 1960's (almost 2 million as compared with 1 million). At least three quarters of them will be built in suburban municipalities with weak tax bases. In the absence of fiscal transfers from the senior levels of government to help pay for servicing and community facilities, municipal dependence on private developers to pay those costs will increase and with that increased dependence there will be a continuing rapid growth in land prices.

Programs

The present method of dealing with low income housing problems consists of three programs: a public housing program, with deep operating subsidies, run on a shared cost basis; an entrepreneurial and non-profit low rental housing program, with preferred lending rates and virtually break even, controlled rentals; and a variety of assisted homeownership programs, provincial and federal.

I. PUBLIC HOUSING

This is the only program serving the lowest income group. Study findings reveal that the physical aspects of the program have improved considerably since the report of the Hellyer Task Force. Nevertheless, we recommend the abandonment of the program, at least in its present form, for the following reasons:

- (1) New housing produced solely for the poor bears an inevitable stigma, given existing social values. This is seen in the attitudes of tenants, surrounding neighbours, program administrators and politicians.
- (2) The program involves very deep subsidies. 1970 subsidy levels were approximately \$1,000 per unit and by the end of the decade, if they grew at *half* the present rate, would be \$2,500 per unit.
- (3) Cost considerations limit the number of units produced. At present production levels there would be 250,000 units available by the end of the decade. There are presently about 1.2 million low income households paying in excess of 20 per cent of their incomes for shelter. By the end of the decade, the number will be closer to 2 million. If production were increased by 250 per cent to 50,000 units per year, only one-quarter of the need would be met with subsidies of approximately 1.25 billion dollars per year.
- (4) Cost factors also limit decisions on location and design. Public housing sites are frequently marginal and corners are often cut on construction to hold down costs. The result is the production of less than satisfactory living environments which will be with us for a considerable period of time.
- (5) Decisions regarding need are taken by public intermediaries, not by the housing consumer. The intervention of public middlemen means that the most serious need is frequently excluded. For example:
 The bulk of the units have gone to the Province of Ontario, which is best able to afford the cost-shared subsidies;
 Only 14 per cent of units have gone into urban centres from one to thirty thousand in size, which have one-third of the urban population. Virtually none have gone into rural areas.
 Some municipalities refuse to accept public housing or request only token amounts.
 Most provinces have limits, explicit or implicit, on the number of welfare families which can be admitted to any project. Other examples of "creaming" (i.e. selecting more desirable, less problematic families) can be found.
- (6) Despite federal initiatives aimed at improving public housing management, there has been little progress in this field over the last several years. The societal and administrative attitudes noted above impede the development of skilled, sensitive management.

II. ENTREPRENEURIAL FULL RECOVERY HOUSING

In 1964, dissatisfied with the results of the program, CMHC in effect shut it down. In 1968 the program was restored, but the same problems have returned to haunt it. They include:

- (1) Poor, marginal locations;
- (2) Inadequate site planning and facilities;
- (3) A propensity for one and two bedroom, high-rise units in what is nominally a family housing program;
- (4) Underutilization of approximately one-third of all units, and "cream-ing" out of undesirable tenants;
- (5) Increased income limits. In its early years, the program was competitive with public housing. Today the program starts where public housing leaves off. The result is a substantial gap in the groups which can be served by the two programs.
- (6) Heavy-handed management over which the federal government exercises no control;
- (7) Funding at a level which does not begin to meet the need;
- (8) A big-city bias, similar to that found in the public housing program. Only 9 per cent of all units have gone into centres of less than 25,000 people.

III. NON-PROFIT HOUSING

The non-profit housing program has funded, for the most part, municipalities and service clubs providing housing for senior citizens. The expectation of the federal government was that the provincial governments would make capital cost contributions and the municipalities might provide land more cheaply and/or tax abatements. Without that further assistance the program cannot serve the really low income elderly. As the federal government makes no contribution towards subsidies for non-profit housing, the provinces are now moving towards use of cost-shared public housing for elderly persons. Non-profit operators of senior citizens housing are subject to criticism from the elderly for charging more for the units than public housing does. Similar problems of location, design, etc. exist in this program, but are easier of solution in some cases, because municipalities, churches, etc. supply better sites, and because high-rise, high-density projects can be employed. Little research has been done on the suitability of very high-density projects for the elderly.

In the last several years, attempts have been made by non-profit groups to use the program to provide housing for families and unattached individuals (both single and middle-aged). The responses of the federal government have been hesitant and uncertain.

IV. ASSISTED HOMEOWNERSHIP

The federal government steadfastly avoided involvement in programs to assist low income households to own homes until the last three years, although its lending programs have long shown a bias toward ownership for the upper half of the income band.

Federal opposition to assisted homeownership has rested on considerations of cost, protection of the activities of private lenders and an unwillingness to subsidize the acquisition of assets by low income consumers (as distinct from high income producers).

A number of provinces initiated programs which were aimed at the lower middle and middle income groups. The latter, confronted with rapid price inflation, found themselves unable to afford new housing. In most provinces, provincial efforts were a response to the resultant pressures.

To its credit, the federal government, in its \$200 Million program, aimed at a lower income group, in effect the top half of those eligible for public housing. The results parallel those in the entrepreneurial full recovery rental program:

- (1) Reduced costs resulted from substantially reduced quality. In a number of cases corners were cut, units were finished poorly, space standards were reduced drastically, project amenities were minimal;
- (2) Locations were poor, on the fringes of cities;
- (3) Purchasers were small, young, upwardly mobile families who probably could have afforded to buy in a couple of years at any rate;
- (4) Income limits were frequently revised upwards, as builders claimed to be unable to produce or find purchasers at lower levels;
- (5) Almost all units were produced in major centres, because of the emphasis on the need for a large volume of starts in a short period of time.

V. COOPERATIVE HOUSING

The Curtis Committee Report in 1944 pointed to the European experience and clearly anticipated a substantial cooperative housing effort. During the 1950's the federal housing agency supported the activities of building cooperatives, self-help groups which built single family dwellings for individual ownership. No support was given to continuing cooperatives, non-profit groups which wanted to build multiple projects to be owned collectively and rented to individuals. They were denied preferred lending rates under the full recovery section of the Act on the basis that they were really developing a form of homeownership. There was concern that loans to them would open the door to claims for preferred lending rates by individual homeowners.

Legislative provisions requiring that the Corporation be satisfied that at least 80 per cent of the units in the project will be occupied by members of the cooperative have been interpreted to mean that no advances can be made on loan commitments until 80 per cent of the members have been signed up as

shareholders and accepted as borrowers. Difficulty in meeting this requirement virtually precluded the development of cooperative housing.

Opposition to cooperative housing within the Corporation has arisen because of basic philosophic differences. This is best seen in the statement of one of the Corporation's Policy Advisors.¹⁰

“Home is a very private thing and anything to do with one's own private affairs is best kept independent and separate from the friendly contact with neighbours . . . I can't think of anything more likely to jeopardize this kind of stability of family life than becoming involved in a venture of cooperative housing.”

That attitude continues to prevail despite the recent development, supported by CMHC, of condominium housing, which mixes homeownership with an interdependent, high density life style.

The Corporation has funded a national Cooperative Housing Foundation and then left it to the cooperatives to stand or fall on the rules of the marketplace. It has refused to change its general policies adopted fifteen years earlier.

Cooperative housing associations have developed at the provincial level, with assistance from the provinces, and at the project level with help from labour unions, cooperative financial institutions and churches. With changes in program requirements and real governmental support, the prospects for production at a meaningful level are quite good.

VI. REHABILITATION

The federal government's initial policy prescription for deteriorated housing was clearance and replacement. Under pressure from the households to be cleared and displaced, this changed to an emphasis on partial clearance, together with rehabilitation and conservation of existing dwellings. Very little rehabilitation was carried out under urban renewal schemes before that program was shut down. For improvement in urban housing, reliance was placed on guaranteed home improvement loans by banks. These served the middle income group and have fallen off drastically in the last decade.

CMHC lacks the legislative tools to tackle the rehabilitation problem. It was not until 1969 that it was empowered to lend directly for home improvements under the NHA. No loans have been made specifically for home improvements (as distinct from improvements made when an existing unit is acquired) under the 1969 changes.

Even under that legislation it cannot lend at interest rates below its own borrowing rate nor make grants to low income households. Experience has shown that low income households cannot afford to and will not incur further debt to upgrade their housing.

While the Corporation put forward specific proposals in 1965 and 1968 to deal with the housing problems of rural families no action has been taken on them. The only rural rehabilitation ongoing today results from grants

¹⁰ *CHMC Memorandum*, October 11, 1963.

under the Canada Assistance Plan and the FRED program in Prince Edward Island. Yet one-third of the units needing rehabilitation are in rural areas.

LAND ASSEMBLY AND LAND BANKING

Rising land prices are a major culprit in housing price inflation. Those prices have quadrupled in the last 20 years. Increased land and servicing costs have pushed residential land development and planning into the hands of small groups of large developers.

Over the years, public assembly and development of land has constantly been recommended as a solution to the twin problems of price and planning — most recently by the Hellyer Task Force. CMHC was the earliest proponent of that policy, during the early 50's, but faced with strong builder opposition to interference with the private land market, and the spectre of substantial expenditures to get past the Department of Finance, it retreated. With the wide latitude for administrative discretion allowed it under the NHA it established a number of program guidelines which limited the effectiveness and value of the program.

In the late '60's the provinces, particularly Ontario, became interested in carrying out large scale banking operations and sought federal funding. On grounds of cost, they were refused.

Over the last twenty years funds advanced for land assembly purposes amounted to less than 2 per cent of the amount lent for housing under the NHA. With limited land acquisitions, the program has not been used to control housing prices, and frequently has had the effect of supporting them.

GOVERNMENT ORGANIZATIONS AND THEIR ROLES

Pressure for low income housing programs has come from the ground up, from interested citizens groups and municipalities. Until 1964 none of the provinces betrayed real interest in the public housing program. The federal government initially developed the federal provincial public housing partnership arrangement to force provincial participation in what was considered an area of provincial jurisdiction, to provide a buffer from direct involvement with municipalities, and to contain costs to the federal government. In 1964 the public housing loan provisions were enacted, permitting loans to provinces and municipalities. It was expected that responsibility for project development and implementation would thereby be devolved to the municipal level. In most jurisdictions this has not worked out and the provinces have assumed control of the program or are about to do so.

Under either arrangement, one of the senior levels is effectively responsible for project planning and development and the other retains a power of veto. Under the partnership arrangement the federal government, together with the municipality does the planning, with the province (in effect) reserving the right to disapprove, primarily on the basis of cost. In the case of the loan provisions, the federal government retains a similar right of individual project approval.

In neither case has the system worked smoothly. At no level of govern-

ment has there been even mid-term planning for the number, type, distribution, quality, etc. of the units produced. The familiar pattern is seen: there is a problem, starts are required, any kind will do. In the absence of policy guidelines, approval authority is exercised on the basis of ad hoc decisions, depending on the policy of the administrators and Ministers of the day. The planning problem is compounded by the failure of the federal government to commit funds for social housing for more than one year.

Municipalities have not played a significant role in low income housing. Their limited initial role has been cut back by increased provincial activity, programs requiring financial contributions from local governments squeezed between rapidly growing expenditures for urban services and revenue growing much more slowly, and the organizational structure of local governments. Small size of councils, election at-large of council members, two-tiered governments with housing responsibility at the upper non-elected level, and a multiplicity of special purpose housing agencies, all shelter municipal councils from the political heat of housing problems.

Recommendations

Canada has had social housing programs on its statute books for over 30 years. It is only in the last 3 or 4 years that they have had life breathed into them. Until then, complete reliance was placed on an assisted free market to produce enough adequate new housing that there would ultimately be sufficient decent dwelling units for all Canadians. When it finally became apparent that decent housing simply would not filter down to those at the bottom quickly enough (if ever), social housing programs received greater funding.

Faith in aggregate goals and private production and operation of housing remained paramount. Social housing only amounted to some 15 to 20 per cent of total annual construction and to an annual increment in the total stock of .7 per cent in the last three years. Government intervention was carefully segregated from overall market operations. The philosophy of minimal intervention at the tail end of that market has assured the failure of new production programs and has caused the defects discussed previously.

New and radical solutions need not be developed to deal with low income housing. Very few new proposals are put forward in this study. The necessary changes have been recommended time and again over the last three decades. For example, in 1944, the Curtis Committee recommended that the government plan for the necessary volume of production for the next five years, to be distributed evenly over each third of the income distribution, that public non-profit or cooperative housing production be relied upon to meet the needs of the bottom third, and that steps be taken to improve housing conditions in rural areas and centre cities.

In 1964 the Murray report recommended the production over the next 20 years of 2 million units of either public housing or full recovery housing for the bottom 40 per cent of the income band, the promotion of cooperative and

non-profit housing, the development of a federal housing department which could take the lead in comprehensive planning for housing.

In 1965 the Advisory Group of CMHC made a number of progressive recommendations. These included: assisting homeownership through long-term low-interest rate loans in rural areas; abandonment of the entrepreneurial limited dividend housing program; 100 per cent loans coupled with capital grants for housing to be provided by non-profit corporations; assumption by the federal government of an increased share of public housing subsidies; grants in aid for the establishment and organization of non-profit housing agencies; grants for rehabilitation in rural areas, economically depressed regions and fringe urban areas; the grouping, in one division of the Corporation, of responsibility for all low-income housing programs, public and private.

In 1969 the Hellyer Task Force recommended: that all urban residential land be developed and marketed by municipalities and that federal loans be made for that purpose; that social housing programs only for the poor be terminated; that subsidies be paid to people, rather than attached to buildings; that cooperative and non-profit housing programs be expanded.

Most of those recommendations are repeated, reworked, and elaborated on in this report. Real progress has not been retarded by an absence of ideas or understanding but by an unwillingness to act, to come to grips with the problem and to attack it systematically and comprehensively. Governments must be prepared to establish the goal of decent housing for all Canadians at a price which they can afford and make whatever changes are necessary in the mechanisms for producing, maintaining and distributing housing to see that that goal is met.

The simple fact that the majority of the poor will live in existing older housing must be accepted. Then the problems which that situation presents for them must be analyzed and attacked. Separate policies must be developed to cover their difficulties in respect of income, housing price, housing quality and community services and facilities. They must be developed within the context of a plan to deal with national housing requirements and the cost, quality and distribution of all housing, both new units produced and the existing stock.

INCOME REDISTRIBUTION

Unit subsidies will not have the effect of ensuring that all low income households are able to acquire decent housing for an expenditure which represents a reasonable proportion of their low incomes. It is simply too difficult, both politically and administratively, to attach the necessary subsidies to 1.2 million units today or to 1.6 to 2 million units in 10 years.

The alternative is to expect low income households to remain in the existing stock and to increase their incomes and thereby reduce expenditure burdens. We would prefer to see that done by way of a guaranteed annual income. The political decision has been taken that the country cannot afford

to finance that program at this time. As an alternative, we recommend the payment of a shelter allowance to low income households.

That allowance could take two forms. It could be an annual payment, made in advance, to all low income households, regardless of their actual expenditure burdens, amounting to the difference between the average shelter-to-income ratio of households in that income range and 20 per cent of income. Or it could be a rebate, paid after the event, of the difference between the income actually spent and 20 per cent of income.

A rebate program would cost about \$700 million per year for 1.4 million households, an average of \$500 per household. A generalized allowance program would cover about 2.4 million households and could cost up to twice as much.

The data are only now becoming available (from Statistics Canada surveys) with which to fully develop either program. The choice appears to depend upon whether it is politically necessary to connect the program directly to housing, in which case a rebate scheme would be used. It also depends on how close the country is to a guaranteed annual income, as a shelter allowance paid in advance would be more easily converted into a guaranteed annual income.

Whichever device is used, the results will be superior to building subsidies. Using existing housing, per unit subsidies will be cheaper. That will make a universal program possible. Relief will be immediate and will not be tied to the number of units produced or acquired annually and the capital available for acquisitions. Nor will it depend on the willingness or ability of government or non-profit intermediaries to construct new stock, nor of municipalities to accept social housing. Governments will not be locked into subsidies for fifty years. And low income households will not be locked into projects in which they must reside to claim their subsidy. They will be able to remain in existing neighbourhoods or move into new ones as they desire. Similarly, project segregation will no longer be necessary and a broader mix of income groups will be possible.

HOUSING REHABILITATION

Similarly, if all Canadians are to live in decent housing, we cannot simply rely on the construction of new dwellings to replace existing substandard units. For that to happen, as many as one million new units *in excess of* those required to meet new household formations would have to be built in the next decade.

Those new units would not necessarily be produced in the areas where substandard housing exists. Particularly in rural areas and small towns, faced with declining populations and therefore high security risks, substantial amounts of new construction are out of the question, when what is required for the most part is the upgrading of existing units. Even in areas of high growth, the expense of tearing down existing units and rebuilding is out of all proportion to the cost of rehabilitation.

We therefore recommend a large scale rehabilitation program, to

bring as much existing housing as possible to a state where the structural and building systems perform adequately. Because the low income group will not undertake additional debt, we suggest universal grants to homeowners and small landlords of $\frac{2}{3}$ of the cost of providing adequate heating, plumbing, wiring and structural systems, for all buildings having a useful life of fifteen years. The grants would not be restricted to specific areas as the need is widely scattered. In designated centre city assistance areas and rural development areas the grants might be increased to $\frac{4}{5}$ of cost.

For larger landlords, or for small landlords who so prefer, we recommend the provision of preferred interest rate loans, coupled with code enforcement. All loans or grants to landlords would be in consideration of agreements not to increase rents for a period of 10 years, except to cover increased taxes and operating costs. Grants should also be made available to municipalities or non-profit groups purchasing existing larger rental projects and operating them on a non-profit basis.

In order to conserve the existing stock and improve it home improvement loans should be made at preferred lending rates to low income homeowners and to landlords prepared to agree to control rents for a ten year period.

To encourage the use of the programs and the unassisted improvement of residential areas, steps must be taken to stabilize centre city neighbourhoods. The importance of centre city locations as sites for new housing, particularly in the three largest centres, has declined constantly during the last ten years, to the point where in 1971 only 10 per cent of all starts in Metropolitan Toronto, 16 per cent of those in metro Montreal, and 21 per cent of those in the Vancouver region were in the centre cities. The bitterness and dislocation created by centre city redevelopment are not worth the minimal increment to the housing stock.

The federal government should (as it did with urban renewal) freeze all further funding under the NHA of private centre city redevelopment in excess of 50 units, while it reviews the costs and benefits of that process.

NEIGHBOURHOOD SERVICES AND FACILITIES

Low income neighbourhoods should be improved by the provision of community services and facilities as recommended in the reports of the Task Force on Urban Assistance and the Urban Assistance Sector Team of the CMHC Policy Planning Division.

When new social housing projects are built, the social, recreational security and other service requirements of low income households become obvious. While they remain in their existing neighbourhoods, they are invisible. Just as programs are needed to bring the physical housing standards of the low income up to a reasonable average, so substantial expenditures are necessary to bring the level of neglected municipal services up to the standard enjoyed by the average household in the municipality.

PRICE AND DISTRIBUTION OF NEW PRODUCTION

Stabilization policy, intended to cool off inflation, has in fact simply postponed

it. Higher interest rates are built into long term housing debt. Consumers are driven out of the market temporarily, but quickly return to bid up prices. (Frequently, they are cajoled and implored by governments to do so, to buy the country's way out of a recession.) That, in turn, results in increased prices for the factors of production.

To eliminate that cycle, it is necessary to ensure a sufficient, steady production of housing, to meet annual increases in housing requirements. If continuing efforts are to be made at stabilizing the economy, they should not be at the expense of the housing sector.

While steady growth of the housing stock will alleviate some of the demand-pull aspects of housing inflation, steps should also be taken to deal with cost-push. We recommend a major land assembly and banking program, coupled with changes in tax policy, to deal with rising land prices. We recommend that municipalities be given access to other revenues to reduce dependence on the property tax, a tax on consumption with a rate of 20 to 25 per cent. We recommend the intervention of the appropriate Departments of Labour to police increases in wage rates which have far outpaced those in other manufacturing activities. We recommend a sizeable expansion in direct government lending, to make cheaper money available for housing purposes.

At present, some 15 to 20 per cent of new production goes into low and moderate income housing. The remainder is directed at the upper two-fifths of the income distribution. We recommend that in the coming decade, some 45 per cent of new construction be federally funded and directed to the low and moderate income groups. That end can be achieved in one of two ways — by lending to municipal and non-profit groups at preferred lending rates (1) for the construction of full recovery housing, to be rented at controlled rentals, to serve the lower and middle income levels, some of the low income groups obtaining access by means of the proposed shelter allowance; or (2) if the shelter allowance is rejected, for the construction of units for the same groups, with subsidies provided for units occupied by the low income group. Projects would have to serve this broad income range to avoid the stigma of low income housing. Subsidies could be by way of interest rate write-down, capital contribution or present operating loss subsidies. The first two put the risk of increased operating expenses on the owner-manager of the project, and would probably lead to creaming and perhaps a failure to maintain the project adequately.

We have already stated our clear preference for demand subsidies. On the supply side, we propose the construction of one million urban non-profit full recovery units over the next decade and two hundred thousand rural and small town assisted homeownership units. The program would rise from 85,000 to 90,000 units in 1972 to 1,400,000 units in 1981.

A floor would be placed under social housing production ensuring that that was the minimum number produced in a given year. Social housing production would be protected, both to meet quantitative housing goals and as part of an anticipated full employment policy.

The program should greatly increase access to decent housing for the lower income group. In the short run, shelter allowances will allow access to new construction for some of them. Moreover, as incomes rise and rents on units produced remain steady, those at the very bottom of the income distribution will be able to afford 10 year old non-profit units. This influx, in the middle of the market, of from $\frac{1}{3}$ to $\frac{1}{2}$ of the total urban low and middle income rental stock should have the effect of creating a true filtering process. Units aimed at the top of the income pyramid do not trickle down to the bottom quickly enough. Aiming at the middle of the income band should result in a greater turnover of units for the low income group.

It would also slow down the rate of housing price inflation. Firstly because the price of that one million units will be controlled. Secondly because that new production will permit "price leadership" for older existing units. Thirdly, because it would be combined with a program of land banking and taxation to control the increase in land prices.

Cost reductions can also be achieved by moving from the production of suburban detached houses to medium density multiple projects to house families. The reaction of the building industry to an increased need for family units will be to produce suburban bungalows — profits are higher on the more expensive units and more expensive buildings are felt to be necessary to justify high land prices. Public lending combined with non-profit construction will greatly increase government leverage to affect the kind of unit produced. That will result not only in reduced construction cost per unit, but in substantial reductions in the cost of community infrastructure.

The long term benefits are also important. In 30 or 40 years the housing can be paid for in full. Rather than paying for the acquisition of an asset by a landlord or individual homeowner, the amortization component of the rental payment is directed towards the acquisition of social capital, which when paid for can be pooled with newer housing stock to reduce the rents on it.

ASSISTED HOMEOWNERSHIP

It is these combined effects of controlled housing costs and long term acquisition of social capital which lead us to propose a substantial non-profit rental program rather than an assisted homeownership program. Homeownership is inherently inflationary (in the absence of meaningful capital gains taxes). Each owner treats his purchase as an investment and looks forward to a substantial capital gain over time. That gain results from the process of urbanization and increased production costs. It is a gain on the capital cost of the unit rather than the owner's investment, which may be minimal. It is a gain which does not accrue to those who can afford only to rent, although they frequently pay an equivalent amount for their shelter.

At a time when the growing trend is toward the production of multiple rental accommodation, the federal government is about to sponsor, after years of opposition, a program of assisted homeownership for low income households. Such sponsorship flies in the face of changing life styles, increased

mobility, opposition to expressways and urban sprawl, and the efforts to lessen the gap between the status and tenurial rights of owners and tenants.

We therefore recommend that assisted homeownership programs involving new production be limited to rural areas and small towns, where rental forms of tenure may be unacceptable and housing price inflation is less of a problem.

MUNICIPAL PLANNING

Some changes in municipal planning will be required to ensure the success of such a strategy. Most suburban municipalities have, at present, almost completely zoned out medium density family development. They are concerned, as noted above, with the municipal expenditures required for a family household as compared with the revenues generated by the property tax. This leads to zoning provisions requiring single family dwellings, larger lots and larger units to increase the property tax base and therefore revenues.

Municipalities must be persuaded to assume more direct responsibility for the type, quality and cost of housing produced. A prerequisite for such a role is the release of municipalities from the financial squeeze in which they find themselves, so that they can move from tax planning to community planning. That requires either (1) assumption of responsibility for part of present municipal expenditures by the senior levels; or (2) provision of increased revenue sources to municipalities, probably by giving them a share of income taxes; or (3) conditional grants which would cover the taxes forgone by the reduction of minimum requirements that lead to inflated costs.

If more than lip service is to be paid to the development of local capabilities, it seems clear that increasing municipal revenue sources unconditionally is the preferred choice.

LAND POLICY

A key problem will be assuring an adequate supply of suitable land for a social housing program. We noted above that most of the land in the immediate path of development is held by speculative builder developers and that the land provided under the existing programs has been marginal.

To deal with that situation and with rapidly increasing land prices, a large scale land banking program is recommended. It would entail the acquisition of a sufficient supply of land to meet all urban residential requirements for a ten year period, although the land would be marketed over a longer period of time (at least twenty years). The public land banks would market from one quarter to one half of the land required in any given year and thereby set the pricing pattern. They would be in a position in any given year to flood the market and depress prices.

Land acquisition would occur both in the centre city and in developing suburbs, although most of the land would be suburban. Use could be made of existing governmental holdings.

The program would be combined with changes in the tax system, removing hidden subsidies for land development and imposing heavier taxes

on land development profits and thereby reducing speculative pressures and returning to the public domain profits resulting solely from the process of urbanization.

The land banks would also provide the sites needed for social housing projects. Large scale public planning of new neighbourhoods, integrating housing for various income levels and other mixed uses would be facilitated. Municipalities would have to plan for future housing needs, rather than merely react to developer proposals.

SOCIAL HOUSING DEVELOPERS

The housing would be developed and operated by cooperatives, non-profit institutions, service clubs, community groups, municipalities (and provinces where the municipalities were unwilling or unable to act). The entrepreneurial program, which has demonstrated little concern with user needs and does not permit the long term acquisition of social capital, would be phased out.

COOPERATIVE AND NON-PROFIT HOUSING

Recommendations for the development of a substantial cooperative housing program, both middle income and low rental, were first made by the Curtis Committee in 1944. It noted:¹¹

Because of the nature of the undertaking, the period of previous education and preparation, and the environment of the project once it is established, there is a strengthening of the ideals of neighbourliness, self help and mutual aid. In individualistic house-building, the social value of community effort is neglected if not actually discouraged.

It went on to recommend the enactment of special sections dealing with middle and low income cooperatives, financial assistance in the development of cooperative organizations, and public funding where funds are not available from credit unions and societies.

In 1965 the Advisory Group of CMHC made similar recommendations¹² with respect to non-profit housing companies and housing agencies for low income housing. It proposed 100 per cent loans to non-profit corporations, grants in aid of public and private housing agencies concerned with initiating, coordinating and supporting programs of housing for low income people, to alleviate the considerable difficulties involved in organization and financing and embarking on the responsibilities of management. It suggested that the Corporation both help develop effective agencies in each community to offer expertise to low income groups and itself directly provide services of consultation and technical aid. We repeat those recommendations. CMHC should:

- (1) Make 100 per cent loans to cooperative and other non-profit institutions and groups;
- (2) Provide seed money for organization and development;

¹¹ *Advisory Committee on Reconstruction, Volume IV, op. cit., p. 269.*

¹² *Report to the President, November 12, 1965.*

- (3) Provide technical expertise directly, through the establishment of independent advisory bodies, and by funding groups to directly hire the necessary expertise.
(The Corporation does presently provide funds for activities falling under items (2) and (3). The scope must be expanded greatly.)
- (4) Adopt internal procedures which make it far more accessible and receptive to those groups. It must cultivate them in the same way as producers. A full flow of information on policies and programs must be established.
- (5) If the shelter allowance proposal is not adopted, make subsidies available for non-governmental non-profit housing and require a broad income mix.

To the extent that these non-profit groups can not supply a sufficient number of units, we recommend that the function be undertaken, whenever possible, at the municipal level. It has been national policy since 1938 to allocate responsibility to that level of government which is closest to the people affected, is in the best position to understand the needs and to plan for and observe the implications of the decisions which are taken. We recommend that the housing function be undertaken directly by the municipalities, rather than by the creation of municipally-sponsored non-profit corporations, in recognition of the essentially political nature of the decisions involved.

If municipalities assume responsibility for the housing of the lower three-fifths of the income band, they may change their perspective on disputes between area residents and private redevelopers seeking to clear existing lower cost areas and redevelop them for luxury use.

HOUSING QUALITY

Hopefully, if social housing is no longer aimed at the poor, its environmental quality can be improved. Attempts to build housing which is "just good enough for the poor" will be abandoned. Pressure from the middle income group will result in better locations, improved design and more responsive management.

Housing policy must, however, move beyond reacting to such pressures. A National Housing Inventory must be developed, covering the cost, condition, form, etc. of existing low and moderate cost housing. Comprehensive reviews and evaluations of existing low income housing projects, both those built under the NHA and others must be undertaken, so that those planning new projects can consider the successes and failures of existing ones, and not have to reinvent the wheel.

We recommend the development and adoption of a National Environmental Code on Good Housing to which projects directly financed by CMHC must conform and which provinces might be persuaded to adopt. The Code would be developed from a functional analysis of user requirements and be correlated to performance criteria for dwellings and residential environments.

It would deal with subjects not covered or poorly covered by the National Building Code: standards for dwelling amenities in housing; standards for the grouping of dwellings in residential areas; guidelines for the homebuilding industry relating the above standards to homebuilding processes.

HOUSING INNOVATION

As well as developing new criteria for project approvals, the federal government must take the lead in developing new housing forms and ways of improving the built environment. We suggest that the federal government build innovation into its programs. This should not be done by way of massive, special programs like the 1970 \$200 Million program or the recently publicized \$40 Million demonstration project in Longueuil. Rather, it should aim at a large mix of small projects with modest, clearly defined aims. Advance notice and ample opportunity must be given to provinces and municipalities to enable them to prepare and adapt their own requirements. Equal stress should be placed on process as product, both governmental planning and approval processes and the organization of the building industry. Preference should be given to non-profit groups, municipalities, smaller builders, subcontractors, etc. Reliance should not be placed on large builders who have demonstrated their reflex response to calls for innovation.

The Corporation must be prepared to waive some of its own operating requirements and standards. It set aside \$100 Million for innovative projects this year and was able to disburse only \$11 Million. In part, failure to relax standard procedures accounts for the limited success. It can also be explained by the difficulty faced by the groups suggested above in attempting to innovate without the necessary resources and expertise to organize and prepare plans.

A broadly based, small scale, user-oriented program, harnessing existing know-how and expertise, entails far less risk than grandiose Operation Breakthroughs and Demonstration Projects.

GOVERNMENT ROLES

Whether programs of deep unit subsidies or of full recovery housing coupled with shelter allowances are adopted, we see the role of the federal government as primarily one of planning, program development, research, experimentation, coordination. Our review of a number of programs makes it clear that their major defects (both at the federal and provincial levels) stem from a lack of clearly stated goals and a failure to monitor implementation to determine the degree to which stated goals have been achieved.

Rather than continue the present system of project planning by one level of government and approval by another, we recommend that the federal government enter into block lending agreements, similar to those made with Quebec, allowing the provinces to lend money for social housing purposes without individual project approval by the federal agency. Little is given away under the proposal as federal leverage under the existing funding arrangements is minimal.

It would be a condition of the agreement that the province submit a plan for social housing within its jurisdiction, that the plan conform to broad national housing goals, and that before the next agreement was signed for block lending the provincial government would table in its legislature an evaluation of the housing program and its success in meeting its goals.

The federal government would commit funds for a five year period, conditional on the province meeting its own objectives. If periodic reviews showed that it was not meeting them, funding would be frozen at previous levels (although not cut off) and the federal government could run a competing lending program. Those provinces which did not want responsibility for the lending program could continue to avail themselves of CMHC's services. The provinces would, however, still be expected to develop housing goals, to which CMHC lending in the province would adhere.

They would not be afforded the luxury of the present partnership arrangement, where CMHC develops projects for them which they are free to veto. That arrangement would be abandoned.

Block lending would be conditional on the provinces being in a position to offer the same level of services to the public as CMHC offers. Provinces might choose to accept block lending for some programs and not others. All direct federal lending in the province would have to meet both the national housing goals and the stated provincial objectives.

The federal government should encourage the provinces to learn the lessons of its experience and to avoid the pitfalls of a highly centralized, passive approving authority position. Government owned social housing should be built by municipalities. Provinces should be encouraged to make similar block loans to the larger, more sophisticated municipalities which are capable of planning and implementing their own programs. We recommend, as an added incentive to such decentralization, that loans for housing to be built by the provinces cover two-thirds of the capital cost of a project and that loans for projects to be built by municipalities cover the entire cost.

The federal government will have maximum leverage in adopting national housing goals and entering into block lending agreements to achieve those goals if the program does not involve the sharing of subsidy costs. Such sharing per se entitles each party to an equal voice and leads to the veto positions mentioned above.

If a shelter allowance were adopted, then there would be no question of cost-sharing (only one of loan-value ratios). In that case we recommend that the federal government bear the entire cost of the shelter allowance program, on the basis that it has the most progressive tax base for income redistribution purposes and that the program has strong aspects of regional equalization for which the national tax base is again most suited.

If unit subsidies are continued, we would again recommend that the federal government bear the entire cost, for the same reasons.

If that is found to be unacceptable for either income supplements or unit subsidies, then we recommend that an equalization formula be built into the cost-sharing arrangements. When that was first proposed in the middle

1960's, the suggestion was rejected on the basis that the matter was best dealt with within the framework of general equalization agreements, not specific programs. However, we have seen some dissatisfaction at the recent federal-provincial meeting with the workings of general equalization formulae, and a feeling that progress resulting from such transfers cannot be measured and may not exist.

We therefore suggest that general equalization be frozen at existing levels and that any increases be built into specific programs. If both the federal and provincial governments establish clear, complementary goals, then the usefulness of the transfers can be weighed when the programs are evaluated.

PARTICIPATION

Participation by consumers, particularly low income consumers, is specifically political. Politics — political decisions — determine the distribution of resources in society, the distribution of power. To the extent that participation by low income consumers may lead to redistribution demands, it is political, but no more so than the participation of high income consumers or producers who may demand a different redistribution or support the present distribution of resources and power. Refusal to fund low income groups or seek their active participation on the grounds that the groups and their goals are “political” is patently unacceptable, particularly in the present system that simultaneously maintains and encourages the participation of other groups equally concerned with “political” ends.

Largely for analytical purposes, participation may be broken down into two major categories: policy-oriented and direct action. Although there is nothing to prevent a given group from participating in both respects, there is a tendency for groups to focus on one or the other. Although both require similar changes from the administrative structures, it is useful to distinguish the two to avoid submerging the potentially more thorny policy participation in the rush to promote direct action.

Policy participation is, as the name implies, participation in the traditionally political field. It is the area — opponents of participation will suggest — that is reserved for the public sector, the elected and appointed officials charged with securing the public good. Within this context, community groups and their members (low income or otherwise) can vote, organize election campaigns, stand for office, make briefs and deputations, lobby, appeal decisions, etc. And increased activity in this regard is something to be encouraged.

To limit the policy participation to group-initiated, external contact discriminates in favour of the policy participation of producers. The expert, commercial interests — the producers — are well-represented on a wide variety of policy making and advisory bodies; consumers are systematically excluded. The resulting elitist, closed-system pattern of policy making must be broken and the demands for policy participation by low income consumers recognized as a legitimate counter balance to the policy participation of producers.

Participation by direct action means assuming part or all of the roles played by both the public housing agencies and the commercial producers. Direct action means participating in the delivery of the service.

Direct action takes a variety of forms, depending upon the nature of the group, its housing circumstance, and the kind or extent of resources available to the group. Thus to a public housing tenants' association, direct action may mean tenant management, to a neighbourhood group it may mean planning and overseeing a major rehabilitation project, to a service club it may mean providing senior citizen housing, to a labour union it may mean a cooperative housing venture.

The particular form of participation should be left to the particular group. What must be recognized, however, is that the vast majority of housing programs have been tailored for delivery by either the public sector or the commercial sector. The different needs, priorities, and possibilities for action of the private non-profit sector may well require a full re-thinking of programs and their requirements. Not to do so would again be to place a *de facto* ceiling — and with present requirements it would be a low one — on direct action participation.

HOUSING, POLITICS, AND GOALS

In closing, we note that the source of Canada's weak low income housing policy over the last two decades has been the lack of political leadership. At both the federal and provincial levels, autonomous crown corporations were created and left to their own devices. No attempts have been made to define national or provincial housing goals. Worse yet, repeated pressure by CMHC for an expanded social housing program, over a ten year period from 1956 to 1966 was resisted by the federal cabinet and its senior policy advisers. During that period the Corporation advocated an increase in the volume of low income housing produced, increasing the share of subsidies borne by the federal government, the establishment of a substantial non-profit housing sector, devolution of authority to provinces and municipalities and a number of other recommendations repeated in this report.

Faced with continuous opposition, it appears to have abandoned its initiative position. This has occurred at a time when there has been a substantial increase in low income housing produced. Faced with both quantitative and qualitative changes in the nature of the problems confronting them, neither the federal nor provincial governments have put themselves in a position to do strong, strategic, anticipatory planning.

To reach such a position the fiction must be rejected that housing decisions centre on what are essentially technical, banking issues. The issues of who gets what, where, when and how are political. We recommend that at both the federal and provincial levels social housing should be a departmental responsibility. (That recommendation was made by the Glassco Commission in 1963, the Ontario Association of Housing Authorities in 1964, the Hellyer Task Force in 1969.) Greater political involvement than a periodic check into the affairs of a crown corporation is required.

The crucial political task is the definition of the goals of a national housing policy and the monitoring of the economic and social systems and evaluation of programs to ensure that those are met.

As an initial statement of housing goals, we propose:

- (1) Providing equal access to decent housing for all Canadians;
- (2) Controlling housing price inflation;
- (3) Improving the environmental quality of all housing;
- (4) Conserving and upgrading the existing stock;
- (5) Maximizing the dignity and freedom of choice of the individual housing user; and
- (6) Creating a decision-making process that is both open to user input and whose locus of authority is as close to the user as possible.