

FEDERAL PERSPECTIVES IN THE DEVELOPMENT OF THE NEIGHBOURHOOD
IMPROVEMENT PROGRAM AND RESIDENTIAL REHABILITATION ASSISTANCE
PROGRAM: 1969 TO 1973

A Thesis Submitted to the Faculty of Graduate Studies

In Partial Fullfillment of the Requirements for the Degree of

MASTER OF CITY PLANNING

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At the time the terms of reference for the thesis were defined and formal research was initiated, N.I.P. and R.R.A.P. legislation had been in existence for less than three months, and policy relating to program implementation was still outstanding. Consequently, there was a paucity of information available concerning policy development, thereby necessitating the author to conduct on-site research at the Head Office of Central Mortgage and Housing Corporation in Ottawa..

Given the recent introduction of these programs, it was understandable that the majority of policy research material was still classified as 'internal' or 'confidential'. Therefore the author was requested to use discretion in referencing these documents. Accordingly, I wish to extend my appreciation to those senior staff members at C.M.H.C.'s Head Office for their assistance and trust.

Sincere thanks are also extended to Manitoba Housing and Renewal Corporation for their financial assistance in enabling the author to conduct research investigations in Ottawa.

Finally, a special thanks is extended to Professor Basil Rotoff for providing his constructive criticism and guidance in completing this document.

PREFACE

In 1973, the National Housing Act reflected recognition that the upgrading of neighbourhoods requires municipal and community action, as well as action by individual property owners. The Neighbourhood Improvement Program (N.I.P.) and the Residential Rehabilitation Assistance Program (R.R.A.P.) were approved by Parliament to stimulate this combined effort on infrastructure facilities and residential dwellings.

The commitment to develop and implement a viable support system required the federal government to embark on a program of investigations concerning the past and present state of the art in dealing with the deteriorating inner city areas, and in this context, to evolve and select a combination of objectives, policies and programs, which would satisfy public pressures as well as political motivations.

The main purpose of the thesis is to study the process, attitudes and perceptions taken by the Federal government in formulating neighbourhood rehabilitation strategies during the period 1969 to 1973. To set the stage for this analysis, it is necessary to first analyze the rehabilitation concept, and secondly, to measure the previous efforts of the federal government in the rehabilitation and renewal fields. These two considerations would play a leading and guiding role in formulating future rehabilitation strategies.

The investigations proved to be perplexing experience, since most of the information was of a confidential nature. Nevertheless, persistent efforts were rewarded and the author was able to gain a relatively comprehensive background of information relating to program development.

The magnitude of studies, reports and surveys undertaken by public and private agencies suggested the federal government was making a concerted effort to introduce a rehabilitation program at the earliest possible date. Public pressure also demanded it. Although the rehabilitation concept was accepted by all parties concerned, the major task was formulating policies which would ultimately determine the success of these programs. The decision-making process and political aspirations could potentially confuse or bias practical objectives and hence deter the optimum rehabilitation program.

Notwithstanding such possibilities, the federal government did observe and weigh numerous policy options over a relatively short period of time. Generally, the initial programmes were perceived by all parties concerned to be a proper starting basis, and given feedback over time, they could be improved upon. However, the nature of the initial strategies and their implementation is critical. They had to produce early successes and, thus, set the tone and direction for the future life of NIP and RRAP.

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CHAPTER I

INTRODUCTION

In June of 1973, the Federal Government introduced the Neighbourhood Improvement Program (N.I.P.) and Residential Rehabilitation Assistance Program (R.R.A.P.) under the National Housing Act (N.H.A.)¹ The programs were considered significant for they represented a new federal strategy in dealing with deteriorating neighbourhoods in the inner core areas of major urban centres and larger towns throughout Canada. N.I.P. and R.R.A.P. emphasize preservation, improvement and rehabilitation of the community and its housing component to a level of a safe, healthy and stable living environment. Moreover, the process requires that citizen involvement play a major role in the planning and implementation of their neighbourhood improvement goals. These two key themes, coupled with a new funding and assistance arrangement, were seemingly a natural response, given the results of and reaction to previous public (and private) policies dealing with blighted areas.

In the past, deteriorating districts most often faced one inevitable conclusion--renewal. Clearance and redevelopment proved to be a highly efficient process and one supported in many sectors since it

¹ See Part III.1, Section 27 (Neighbourhood Improvement Program) and Part IV.1, Section 34 (Rehabilitation and Conversion of Residential Buildings), N.H.A., 1973.

replaced the physical scars with new amenity areas and usually at a higher economic use.

In Canada, the twenty years of urban renewal activity was a highly successful technique, particularly in economic terms. However, the 1960's brought a wave of new attitudes and social awareness which advocated more sensitive strategies in dealing with the real needs of the problem neighbourhood. An increasing number of communities facing the pressures of renewal banded together and formulated objective reasons for abandoning such tactics. Urban Renewal costs and benefits in social and economic terms became well documented. Residents voiced a common plea: "What we have is essentially what we like; we want to keep it and improve it. The alternatives to us are undesirable."² Communities called for a new planning style and content which allowed them to participate (and in some cases, control or govern) in determining the future of their environment. These actions clearly served as criticism of government policies and programs failing to comprehend, much less resolve the real issues and needs of the community.

In 1969, the Federal Government suspended the Urban Renewal Program. The combination of increasing financial commitments on the part of the senior government and the mounting pressures of community interest groups were the major reasons for abandoning the program. Except for approved projects, future renewal activities would be left to private and local initiatives.

²D. Crenna, Neighbourhood Improvement Program, Living Places, Volume 9, #3, 1973, p. 20.

The Federal Government was now faced with developing new policies to replace the Urban Renewal Program. The general nature and direction of future policy was obvious. The question was when such policy would become operational. An almost immediate response was possible. The United States had already initiated the Neighbourhood Development Program (N.D.P.) which emphasized rehabilitation, community improvement and resident participation in problem areas. Given similar issues in Canadian communities, a program like N.D.P. could be implemented in a relatively short period of time.

The Federal Government's decision was to proceed with a more formal investigation in developing alternatives. A major reason for the delay was the government's desire to formulate a national urban policy. Hence, any new programs sponsored by the Ministry of State for Urban Affairs or C.M.H.C. would need to reflect these urban policies.

Over the next four years, the Federal Government, working in the midst of uncertainty, social awareness and ever faster changing times, would undertake rather broad goals concerning the future role of the city, and concurrently develop specific programs to achieve certain key objectives. Paramount in this task was developing a new strategy in dealing with inner city neighbourhoods, and which would be the first positive step in answering the voices of discontent.

CHAPTER II

Thesis Format

As a prerequisite to introducing the Federal governments strategy in developing NIP and RRAP, it is necessary to analyze the dynamics of decay in both a theoretical and practical framework. To rationalize this process - to comprehend the roots of the problem, will serve as a fundamental basis in developing practical policies and programmes to resolve not only the cause, but also the effect. Historically, tactical solutions such as urban renewal failed to comprehend the deterioration process and the market system. It succeeded to only maximize certain objectives and, concurrently, create new issues and problems of social and political significance. To resolve the dynamics of decay suggested implementation of new strategies which would optimize or satisfy rather than maximize social, economic and political cost-benefits to those most in need.

The rehabilitation concept is then evaluated in terms of its potential role not only as a partial solution to the communities deterioration process, but also in supplying (and preserving) housing for the lower income residents.

The framework of the decay process and the rehabilitation concept will provide a critical basis in evaluating the public and private sectors past performance in dealing with the deterioration process in terms of their economic, social, physical and political objectives. Particular attention is given to the salient attitudes of government in rationalizing renewal and related low income housing strategies, and to identify the successes, problems and issues associated with them.

As a summary to the historical efforts of government in the reha-

bilitation, renewal and low-income housing fields, a general review of present policy trends or the 'cross-roads' of potential trends is provided. In particular, reference is made to the 'crisis' in housing and 'programs without policy' since this apparent environment could ultimately determine the direction and potential success of NIP and RRAP. One important conclusion however, is that NIP and RRAP would need to function in a comprehensive policy and program thrust. Without supplementary and complementary strategies, NIP and RRAP could be construed as a 'token' effort functioning inefficiently and, hence, ineffectively in a system which has no overall policy direction.

Given this analysis, attention will then focus on government action in evaluating renewal performance in light of changing social values and public pressures. In this context, the justification for abandoning renewal and the subsequent framework in developing a new policy strategy is reviewed. Of significance is the analysis of pertinent factors considered by government in creating an urban guidance system which would control and shape urban change, and serve as the basis for defining the nature and thrust for specific urban assistance programs such as N.I.P. and R.R.A.P.

Both N.I.P. and R.R.A.P. are described in terms of the key policy choices and decision-making criteria perceived by the senior government in developing these programs. It must be noted that in some cases, a favoured policy expressed in the planning stages may not have been translated into legislation or policy implementation.

The conclusion of this thesis provides an objective and practical evaluation of N.I.P. and R.R.A.P. as they were initially introduced.

Based on a synthesis of the main text, a number of policy deficiencies are noted and recommendations provided.

An Epilogue presents an updated review of N.I.P. and R.R.A.P.'s performance following major amendments to the NHA in 1978 and 1979.

In this context, the new strategies introduced by the government are briefly described.

PART A

CHAPTER III

THE REHABILITATION CONCEPT

The Process of Decay:

In any number of cities large segments of the housing stock occupied by the poor and near poor do not provide minimally acceptable flows of housing services. It has proved to be a commonplace occurrence in this century and brought on by a complicated integration of economic, social and political forces.

At the outset, one may proclaim the problem is solved by adapting a strategy of providing the low income population with new public dwelling units. Unfortunately, while the forces may state the problem is resolved in physical terms, the solution is economically inefficient, and becoming politically intolerable.¹ For example, it is estimated that the annual subsidy for supplying public housing to replace existing substandard units and new low income needs and demands would amount in the hundreds of millions.² The rationale, however, is that governments have been unwilling to commit public resources to the existing housing stock; government spending in new construction would be politically questionable since the demand for new housing could be reduced. Yet the likelihood is increasingly dim that society is prepared to spend the millions of dollars to rehouse the poor in newly constructed units. As one housing authority noted, "a policy of taxing Peter to provide housing for Paul, who would otherwise live in squalor has a simple appeal

¹V. DeGrazia, "Rehabilitation Does Not Work as a Resource for Community Development", Journal of Housing Vol 24, #11 1967, p.3.

²G.D. Milne, Urban Assistance Task Force, Vol #1 Urban Assistance Policy, CMHC, 1971, p.5. (confidential)

of human generosity. But a policy of taxing Peter to provide better housing than he owns for Paul requires an almost saintly degree of altruism."³

Low income housing policy in Canada has moved toward a dilemma. Our insistence upon new construction and new constructive standards in the low income housing programs, in the absence of a financial commitment commensurate with those standards, forces many households to live in substandard conditions for longer than is necessary, and, in fact, produces more low quality housing than is necessary. The economic and political realities that flow from the present policies must accept that if we wish to achieve significant improvements, then annual subsidies to improve existing stock must be accepted and justified. Hence, to deal with low income housing problems, a form of rehabilitation to less than new construction standards is unavoidable. If this is the objective, then an understanding of local policy and the housing market as they bear on the maintenance of substandard properties is necessary. The lack of knowledge regarding housing markets has distorted our appreciation of the existing housing stock and its relation to the new housing stock.

Housing has been increasingly perceived as a bundle of social services and a right for all consumers. However, housing as a long lasting consumer durable has made it difficult to perceive housing

³H. Glen Beyer, Housing and Society, MacMillan, New York, 1966 p.158.

as a social service. The matter is further complicated by the dynamics and interconnections of submarkets working in an environment of local policy. The increasing supply of housing and new starts has contributed to high standards of housing and because private capital is relied on, primarily one of the most expensive. The building operation has become so profitable it now lures direct foreign investment. However, these successes revealed more adequate housing even at a higher cost does not result in adequate housing for the poor. The fact that the 'trickling down' theory does not occur extensively, and that quality may decrease more rapidly than relative values, leads to the conclusion that more attention be given to the quality of the existing housing stock in which the most of the lower income people will continue to live.

The investment in the City centre is an expensive luxury that has been paid for by those least able to afford it. Policies have failed to comprehend the market process which has created this situation. Therefore a number of vagaries of the marketplace must be explored and, in particular, to explain the decay spiral in this sector of the inventory. Within this framework, the concept of rehabilitation as viable approach to the low income housing problem may be investigated.

Grebler has operationally defined the concept of accelerating rates of deterioration as "...an areas development that runs from prime condition, or greatest attractiveness as a residential quarter, through various stages of deterioration and use by population groups of different social and economic status, to the lowest position in the hierarchy of housing and environmental standards set by the community."⁴

⁴L. Grebler, Housing Market Behaviour In A Declining Area, Columbia University Press, N.Y., 2nd ed. 1973, p.11.

A number of theories exist which attempt to explain why neighborhoods decline and why occupied substandard housing persists as a problem. For example, in the relationship between substandard housing and declining areas, it is noted that while substandard housing may characterize decline, it is not necessarily reflective of similar social or economic forces. Many units were built to inadequate or outdated standards and need not have declined in quality over time to be considered as slums today. Why such housing is occupied can be explained by certain constraints, particularly by the shrewd nature of the income distribution. Rothenburg stated the continued occupancy of substandard housing could represent part of an overall optimal allocation of resources in our society, whereby impoverished families choose to consume low quality housing as part of their utility - maximizing patterns of expenditure. When this is not the case, and these families dislike such occupancy, and if the general public dislikes it for them as well, then the problem is not slums but poverty.⁵ Subject to certain supply determinants, one could then argue that eradication of poverty would eradicate slum occupancy. But Rothenburg also notes that "...to artificially destroy particular slums without making an attack on poverty would not eradicate slum occupancy since other slums would be created elsewhere."⁶ However, increasing income would not necessarily decrease housing decay. Decay

⁵J. Rothenburg, Economic Evaluation of Urban Renewal, The Brookings Institution, Washington, D.C. 1967, p. 20.

⁶Ibid., p. 7.

would reflect reductions in demand for the least competitive units in the inventory, that is, the units would eventually filter out of the market as general occupancy standards rose overtime.

With poverty, it is a fact the poorest quality housing will be distributed to the lowest income families. However, slum housing is not necessarily cheap housing. Many lower income inner city residents are paying rents comparable to those paid by higher income groups for decent housing. Most theories of neighbourhood decline assume decline rests upon a reduction in the demand for housing by income groups currently in residence. Although the reasons for slack demand varies, the result is increased housing deterioration. One viewpoint relates to the correlation of increasing inventory age and increasing obsolescence. Obsolescence may be caused by changing tastes and preferences of consumers, rising incomes, or development of new and different housing alternatives. The inevitable clash among lower income consumers, constraints and increasing maintenance requirements and the pursuit of profit maximization policies on the part of the investors ultimately results in conversions, overcrowding and deterioration."⁷ On the other hand, it is asserted that people make slums. "Low income people often migrating from rural, culturally different societies may have little appreciation of the necessary disciplines involved in urban living."⁸ However, if the living patterns and attitudes toward community and housing of the cul-

⁷R.F. Muth, *City and Housing*, University of Chicago Press, Chicago, Illinois, 1964, p. 116.

⁸J. Rothenburg, *Op. cit.*, p. 44.

turally different population relate to community norms, then the reasons must be beyond those implied in the rural to urban migration theory.

A differing perspective concludes lower demand results in lower prices which in turn reduces the incentives to maintain existing dwellings, and which in turn intensifies the spiral of decay.⁹ A further perspective emphasizes the urban spatial-structural elements of residential location processes. The decline in demand for centrally located residences is a function of the "fall in transportation costs brought about by the automobile. The effects will be a fall in house prices in newer residential areas, thereby reducing return on investment and, thus, expenditures for repairs are reduced."¹⁰

Why substandard housing characterizes declining areas is also viewed in terms of decline possessing its own momentum. One theory stresses problems of externalities. Isolated clusters may hasten deterioration of an entire block. As Rothenburg indicated, "it seems easier to create dwellings suitable to slum occupancy than to uncreate them."¹¹ A second view is the matter of mortgage financing. The withdrawal of institutional financial support in the inner city results in new money declining to a minute amount, making the replacement of wornout infrastructure difficult and rehabilitation virtually impossible.

There appears to be a consensus that decline is associated with a change in occupancy from one socio-economic group to another. As a result, values do not tend to be recapitalized into prices sufficiently

⁹R.F. Muth, op. cit., p. 116.

¹⁰Ibid., p. 117.

¹¹J. Rothenburg, op. cit., p. 51.

low to permit maintenance that would be adequate at lower gross incomes and reasonable densities.

While lower income families may move to areas where higher income families have emigrated from, it is not to say that location of low income families is determined primarily by other forces, and the quality of stock is adapted to their circumstances. This can be done by conversions to higher density (or smaller) units.

Essentially, insufficient maintenance may be a result if three types of situations. First, gross incomes may decline to a point where variable expenses are reduced. Second, gross incomes are constant while other expenses rise thereby forcing cutbacks in maintenance. Third, income and maintenance costs remain constant, but the shift in occupancy patterns may bring a new class of investor who demands higher returns, which results in the reduction of maintenance outlays. Of course, these situations are applicable to the individual and his residence as well as the local government and its communities.

Having now explored the dynamics of decay in the inner city residential areas, how then can the rehabilitation concept play a significant role in the overall solution to reversing the deterioration process, and maintain or potentially increase low income housing stock for existing and future residents.

The Rehabilitation Strategy

In the simplest terms, the inadequate supply of decent housing or reversing the deteriorating neighbourhood, can be remedied in any one or a combination of three approaches: (1) new construction; (2) used

housing which would otherwise be consumed through normal market processes, and; (3) the rehabilitation of existing substandard housing. It has been noted that disruptions to the private market would result if large numbers of standard units entering the private market were re-routed to low income families. Economic and political problems would prevent full or accelerated implementation of new construction to the poor. The experience in the U.S.A. and Canada show programs geared to such new construction have been exceedingly costly and in terms of numbers produced, would never solve the housing problem. Moreover, in the case of redevelopment programs, fewer housing units have been constructed than existed prior to clearance, and majority of the new housing constructed was not for the low to moderate income families.

The situation of the 1960's clearly demonstrated that housing policy had to take on a new complexion. The emergence of rehabilitation or conservation legislation was viewed by many as largely a response to severe criticisms of the disruptions of older neighbourhoods, relocation problems, and the slow pace of renewal programs. Rehabilitation (it was thought) offered the advantages "...of not requiring any significant amount of displacement of the poor and a strengthening rather than a weakening of the neighbourhood fabric."¹² Moreover, housing could be produced more quickly and substantially cheaper than new construction in terms of Federal dollars and the end cost to the recipient. In addition, private investment could also be captured through expedient

¹²M.R. Levin, The Conference In Context: A Perspective, Innovations in Housing Rehabilitation, Boston University 1969, p. 7.

planning and rehabilitation development procedures. Rehabilitation, too, would offer a number of community benefits which would make significant contributions to the overall social and economic development of communities by serving as a stimulus necessary to develop among residents "community leadership, business experience, employment and general problem solving skills."¹³

One of the difficulties in defining rehabilitation is that the concept is sufficiently broad enough to include anything from clean-up and paint-up campaigns to efforts requiring major infrastructure replacement or gutting of neighbourhoods and buildings. However, as Grebler noted, "it is sensible to translate rehabilitation standards into terms compatible with the quality achieved through new construction."¹⁴

Rehabilitation standards vary widely not only in terms of standards, but also in the institutional and organizational makeup and sponsorship of effort. In the U.S.A., for example, non-profit sponsors receive government assistance to buy, rehabilitate and rent or sell completed units to eligible consumers. Private, profit motivated developers willing to accept limited cash returns, plus additional tax benefits could also acquire, rehabilitate, and rent or sell completed units. In some cases, a number of corporations engaged in building products, have entered the field to provide a showcase for their products, test new components and to secure their inner city investments. Finally, through Federally assisted code enforcement programs, U.S. cities have received government dollars to implement a higher than minimal housing

¹³Ibid., p. 7.

¹⁴L. Grebler, op. cit. p. 51.

code in substantial sections of the inner city. Supplementary programs such as the Neighbourhood Development Program (N.D.P.) provides eligible owners with loans and grants to assist them in meeting the higher code standards. Property owners deal individually with authorities to bring the units and neighbourhoods back to life.

The concept of rehabilitation does have a number of endemic features common to most programs, regardless of scale, sponsorship or quality objectives. But despite the benefits, the record suggests none of these benefits can be taken for granted. Insufficient flow of government money, processing difficulties and other institutional barriers and skewed objectives have effectively placed rehabilitation as a token goal. For example, the understandardized nature of existing substandard stock suggests this method had many labour hidden costs. Experience indicated rehabilitation projects could be time consuming, complex, and relatively costly when the value of the final product is considered. However, avoiding product gimmicks, developing more viable financial mechanisms, the training of general contractors and subcontractors could prove economic to the investor. Yet many projects have experienced the combination of inexperience and broadened objectives resulting in higher housing costs.

To an increasing number of specialists, it is no longer possible to gauge success of a housing program on the number of units built, the nature of people rehoused and the comparison between their former environment and the new one made. More frequently there may be differing criterion used by local leadership in measuring a successful rehabilitation program. The criteria may be the number of jobs provided, the

training opportunities and the generalized feeling of power occasioned by the program. Obviously, there will be a clash between these three definitions of "good programs".¹⁵

While the social emphasis of the number of rehabilitation projects cannot be entirely criticized, such emphasis can substantially increase the cost of the finished product (or rents). As a result of cost increases, the cost pressures on the target population could result in marketing the units to higher income groups than initially intended. Such re-orientation is tantamount to displacement.

Similarly, while rehabilitation can prove more economic without the training of locals and community participation, the cost may be greater where tenant and neighbourhood hostility could offset the benefits that physical improvement was expected to bring to the area. But if goals such as maximum production and economic efficiency are incompatible with those of the community, and to make them compatible must inevitably increase the unit cost of housing, then such cost increments must be clearly reflected in Federal subsidies with respect to both maximum mortgage amounts and tenant assistance. Without it, public and private sponsorship and investment would be minute. To make rehabilitation effective, the process and controls must be sheltered from the market and predelections of the public bureaucracy in order that the sponsor and investor can deal more freely with their inevitable internal pro-

¹⁵ G. Sternlieb et al., Inner City Markets: Housing Costs and Housing Restraints, Rutgers University, 1970 pp. 228-229.

blems and perform their social task."¹⁶

The main objective of rehabilitation is ensuring the means serves the end. Paramount is the extensive use of housing stock to supply source for low income households. The strategy can make sense from an economic and social viewpoint; to give a subvention of \$4000 to bring an older unit up to an adequate standard can be a less expensive affair than a new \$15,000 unit, and likely in a higher density complex, and then subsidizing it to the extent of \$1200 annually, does not make political or economic sense."¹⁷ Unless the discount rate of money is extremely low, this alternative could prove feasible even where the dwelling unit provides adequate shelter for a ten year period.

However, critics have often argued this strategy may reduce the demand for new housing as well as have an inflationary impact on the price of the existing housing stock. On the other hand, these matters may be discounted by focusing assistance on the poor who are most in need. Similarly, a 'lock in' period for owners and landlords could reduce this occurrence, although one may argue it would only delay the inflationary effect."¹⁸ The problem can be obviated to a large extent by maintaining new housing starts at a level that demand for existing stock does not increase appreciably. This admits the price of existing housing is governed largely by the supply and demand interplay within

¹⁶ C. Guen, The Socio-Economic Determinants of Urban Residential Housing Quality, University of Cincinnati Press, 1974, p. iv.

¹⁷ CMHC, Low Income Housing Analysis, (unpublished Report), June 1972, p.3.

¹⁸ This may occur in tight urban markets and where the ability of local governments to administer detailed regulation to control prices is the greatest.

the whole market.

Aid for rehabilitation is an incremental housing activity on the part of government, not a replacement for new housing activity. Balanced market conditions can be maintained by increasing the overall supply. To assure house prices are not inflated by a rehabilitation thrust is to suggest non-profit and co-operative groups take control of large segments of the existing stock to be rehabilitated. However, as alluded to earlier, such groups must be orientated to function in an efficient and effective manner. Similarly, the cost must not represent a capital asset for the poor but rather a social one; in the macro sphere such costs should not have an inflationary impact on societal resources.

Rehabilitation Needs

Having reviewed the dynamics of decay and the rehabilitation concept, how then can the causes and the strategies relate to needs. In this context, the needs are differentiated between rural and urban areas since certain safeguards and policy are applicable to each.

In rural areas low cost housing is usually also low quality housing. In urban areas, population pressures, high land costs and intensity of redevelopment projects have forced the poor to either relocate in lower quality housing or to enter public housing projects. The poor are unable to compete for housing which they might choose on the open market. Rehabilitation can increase the quantity and quality of lower cost housing by extending its useful life and by its conversion into additional units. If the costs of rehabilitation measures is somewhat less than that of new housing, (i.e., the cost of upgrading basic elements

- heat, water, structural elements) to ensure a reasonably extended life given these improvements, then the price of increasing the overall housing stock to meet expanding needs may be reduced. Factors such as land acquisition costs for redevelopment are important to the lower income, since it is these costs which indicate the potential of a wider choice of cheap housing.

As CMHC's Policy Planning Division noted:

"Where inner city neighbourhoods are caught in the cycle of deterioration, rehabilitation will serve as a primary element of a Community Assistance Program to revitalize these neighbourhoods, and restore their confidence and stability. Realistic incentives and assistance to homeowners, and landlords, and more encouragement given to non-profit and community development corporations and co-operative groups to undertake rehabilitation would be required to assure a reasonable measure of success."¹⁹

Empirical investigations have revealed that large rural components could benefit from rehabilitation. The 1961 DBS census revealed 32 percent of rural dwellings needed major and minor repairs compared to only 20 percent of urban dwellings.²⁰ With the rural to urban migration still occurring, rehabilitation could be utilized in conjunction with regional development initiatives since it is itself a redistributive measure. Notably the poorer areas have the highest proportion of need for rehabilitation. Since these areas usually receive

¹⁹ CMHC, Briefing Paper on Community Assistance Policies and Programs, (Internal Document), November 1972, p. 4.

²⁰ D.B.S. 1961, Queen's Printer p. 14. The problem was acknowledged as early as 1968. However, assistance strategies drawn in 1968 were cancelled when the Minister decided to launch a major inquiry into housing and urban policy.

government attention for other economic developments, it would not make sense to pay money to create jobs, but not for rehabilitation, which incidently, would (likely) create construction jobs costing far less than the what government may pay per job created by industries.

While rehabilitation has the advantage of going directly to the poor, giving them immediate and visible benefits, and will be a key factor in the revitalization process, especially in the absence of an urban renewal program, it will have a wider economic and social impact not to be overlooked.

As alluded to above, the employment generating capacity of rehabilitation is an important aspect of an economic impact. Of course, the size of the funding for the program and nature of the work undertaken will determine jobs generated. Both government and the industry would be key parties in this effort and in responding to need. Rehabilitation may be expected to generate more employment for the generalist contractors, small builders and in firms, producing materials and equipment necessary for rehabilitation.²¹

While sweat equity is possible in rural areas, the nature of the work in an urban area would require skilled labour.²² Both factors sug-

²¹ The experience in Montreal indicated that one dollar of rehabilitation subsidy produced 3.7 times its value in work completed. Rehabilitation work is labour intensive; the Montreal experience showed that where one million dollars was spent, 170 workers were employed for that year. New construction with the same money would produce 100 jobs for a year.

²² Sweat equity is defined as doing the work yourself either on an individual or co-operative basis. Subject to the individual skills, and available time, substantial cost saving can be achieved.

gest rehabilitation will offset seasonable unemployment, depending on the work undertaken.

Rehabilitation could also offset areas of social concern. The impact upon the future of a 'grey' residential area in a city will have long term benefits for the resident, the community and the city as a whole. As Milne noted:

"The social benefit of providing a family with adequate heating facilities for the winter at hand will far outstrip the social cost to the community of that family waiting for three more years to find a vacancy in a public housing project."²³

Although no adequate methods are now available to compare social and economic costs among several alternatives, it is already known that the escalating expense of providing new units, whether they are public or not, is far higher than that which would be necessary to provide basic facilities in the existing homes of the lower income residents. No doubt the situation is due to the cost of building new units and subsidizing their rents have risen faster relative to the increase in income of those who inhabit the same units. Furthermore, the cost of borrowing and administering large loans for housing exceeds by far the cost of giving small grants to keep people in existing housing even when the expected life of existing units are shorter than that of new units.

Finally, rehabilitation programs can offer an excellent opportunity to bring local initiative and resources to bear upon a problem from

²³ CMHC, Milne Report, Housing Conservation and Rehabilitation, Volume 5, 1971, p. 58.

local to national significance. Milne summarized the situation aptly:

"In the past, government incentives to rehabilitation have been feeble, proof of which may be found in the limited response which has been more successful where incentives have been large and government more aggressive about the issue or where residents have forced the issue concerning assistance needs."²⁴

Summary:

Having now considered the scope of the problem, the magnitude of need and the strategy of rehabilitation, it is pertinent to review past government performance and attitudes in this context. The knowledge of past efforts in rehabilitation and low income housing measures, together with the empirical findings regarding policies and programs in this field, would create a fundamental rationale in the formulation and direction of NIP and RRAP.

²⁴ Ibid., p. 22.

PART B

CHAPTER IV

URBAN RENEWAL AND REHABILITATION: PROMISE AND PERFORMANCE

An Historical Analysis

Section 92 of the British North American Act defined Federal and provincial responsibility and jurisdictional authority in the public sector, including the housing component. However, the scope and role of housing was generalized and hence, over the next forty years, it was virtually ignored in favour of higher priorities concerning the economic development of the nation. Shelter was construed as a private matter.

At the turn of the Nineteenth Century, Canada experienced the rural to urban shift, and corresponding redistribution of power and economic balance brought on by the modern industrialized society. Urban growth introduced new opportunities, wealth and social diversity. Almost immediately, urban centres experienced the complexities and pressures in planning and housing growth. By 1912, sufficient concern had been generated to call for a conference in Winnipeg to discuss urban housing problems. The discussion assisted some provinces to adopt Provincial Planning Acts, while Ontario, clearly the growth province, passed their own Housing Act. However, this legislation proved ineffective due to the lack of implementation policy or programs to control pressures, and the indecision of government participation and role playing in such matters. The advent of World War I soon placed these government initiatives in the background.

The 1920's saw a rising trend in urbanization as well as post-war unrest in the housing field. Previous housing legislation exemplifying supply through private channels was now contending with a period of housing shortage. Yet governments could only provide a prescription of general laws covering real property, buildings, sanitary standards and taxation. The Mathers Commission report noted that post-war unrest was not only caused by the scarcity of housing but also the poor quality of existing units.³ The Dominion government subsequently authorized \$25 million in loans to municipalities for construction of six thousand houses. The program was fraught with problems. Municipal authorities mismanaged funds and lacked the administrative capacity.⁴ Moreover, the units built were principally for private ownership. The low rental housing objective failed because land values and building component costs were inflated.

Public housing, in its effort to resolve the physical ills of housing was prejudiced from the beginning. With the exception of frequent and fashionable discussions about social disparities and housing problems, the boom years of the 1920's showed little public interest in housing.

The Depression years brought a radical change in public attitudes concerning housing. Local welfare groups in major centres conducted numerous studies and surveys, their conclusions indicating a need for government action in resolving serious housing conditions. However, want

³ Mathers Commission Report, Queen's Printer, Ottawa, 1919, p. 25.

⁴ D.B.S 6-1, Housing in Canada, Monograph 8, Ottawa, 1941, p. 44.

of action fell on deaf ears due to the financial crisis of municipalities and their inability to incur further debt.

No federal action occurred until 1935 when a Committee was struck by the House of Commons to report on the inauguration of a national house building policy, including the construction, reconstruction and repair of urban and rural dwellings. A major conclusion of the report was that the social and physical expense of slums would justify public assistance, and prove financially as well as socially sound.⁵ The presentation resulted in Parliament passing the first federal measures under the Dominion Housing Act (D.H.A.) devoted exclusively to assisting housebuilding. However, no provisions were made for rehabilitation or slum areas. As Curtis noted nine years later, "the 1935 Act proved disappointing."⁶ The D.H.A. went no further to stimulate house building generally, with the federal government teaming up with private lenders and guaranteeing their loans for new house construction. As Lillie points out, "the Act was conceived as economic policy, first, to reduce the high rate of unemployment through building and additional housing; secondly, to stimulate housing construction through government assistance; and, finally, through government participation, to set housing standards as a

⁵ In the case of lower income housing, the previous prescription was building for the well-to-do on the assumption the housing would gradually 'filter down' to the remaining population needs. This concept was first noted in the Bruce Report (Lieutenant Governor's Committee on Housing, Toronto, 1934). The report also noted . . . 'our investigations of housing for low income groups show provisions for this class of housing cannot ultimately be profitable to private enterprise. The responsibility for housing these groups is, in the final analysis, the responsibility of the State.'

⁶ R. G. Lillie, Twenty Years of Housing, Part II, Living Places, Vol. 9, #4, 1968, p. 21.

condition of mortgage loans."⁷ Housing goals were interpreted as economic stimulators rather than geared to improvements for those who were in need. Housing needs and policy were confused.⁸

In 1937, the Federal Government introduced its first rehabilitation measures under the Home Improvement Guarantees Act. The Act allowed individuals to borrow up to \$2,000 from banks at discount interest rates for up to five years. The government guaranteed up to fifteen percent of the loan. The \$50 million allocated to the program proved an aid to rehabilitation of private homes and effected the conversion of old homes to small apartments. As a war measure, the Act was discontinued in 1940.

In 1938, the Dominion Housing Act was replaced by the National Housing Act. Part I of the Act was an extension of the 1935 Act and related primarily to home ownership. Part II provided first time assistance for low rental projects either by limited dividend or municipal venture. This Section proved ineffective due to loan conditions. The municipalities and Provinces, already financially pressed, were required to guarantee the debt of municipal borrowing. Only five Provinces passed enabling legislation to undertake schemes. When Part II expired in 1940, the slow progress of plan preparation and site acquisition resulted in none of the \$30 million appropriated for loans being used.

⁷ R. G. Lillie, Ibid, p. 22.

⁸ The problem was accentuated in the interpretation of the B.N.A. Act. The federal level was clearly the manager of economic growth. The Provincial power over property and civil rights was interpreted so as to make housing a Provincial responsibility.

In the early war years, Parliament generally concluded that production efforts in housing were relatively disastrous compared to the 1920's. Social, economic and physical pressures of the Depression years showed disturbing statistics. The lack of new units entering the market contributed to overcrowding and doubling-up.⁹ National statistics reflected the conclusions of local reports. As Curtis noted, "housing accommodation in major cities was extremely unsatisfactory, in the sense of overcrowding, physical standards and living amenities; slums were growing and there existed a housing shortage, particularly for families in the low income group."¹⁰ The Commission reiterated the same urgency of the 1935 House of Commons Report:

The formation, institution and pursuit of a policy of adequate housing should be accepted as a social responsibility. There is no prospect of the low rental housing need being met through unaided private enterprise building for profit. The slum areas . . . justify public assistance."¹¹

In 1941, wartime needs resulted in the establishment of a Crown corporation, Wartime Housing Limited. The Federal Government entered into the direct supply of housing for the first time. Temporary and permanent housing was built in areas where war industries had created a housing shortage. The municipalities participated by setting up local committees to assist in choosing a site, constructing units and

⁹ Of the 1,433,000 Canadian families, 250,000 were sharing 100,000 units. Old and substandard dwelling requiring replacement numbered 175,000 of which 125,000 units were located in urban areas. See D.B.S., Background Report 6-C, 1945, P. 3.

¹⁰ Advisory Committee in Reconstruction, Housing and Community Planning, Final Report of the Subcommittee, King's Printer, Ottawa, 1946, p. 55.

¹¹ Special Parliamentary Committee on Housing, Ottawa, 1935, H-8821-3, p. 35.

managing the new community. By 1943, sixty-seven communities were developed to house some ninety thousand residents.

In the long term, Wartime Housing was a tool for structural and group assembly economies, and in empowering the respective roles of all government levels in the location and administration of new communities. Although the Act was terminated in 1949, it proved successful in terms of government cooperation in the provision of low cost housing.

With the end of World War II in sight, the Federal Government proceeded to form an Advisory Committee to detail future government tactics in the housing field. The results of this Committee's review of existing legislation and administrative organization relating to housing and planning was detailed in the Curtis Report of 1944.¹² The report's terms of reference included recommending changes in legislation, organization and procedure necessary to effect implementation of adequate housing programs during and immediately following the war.¹³ Curtis provided a comprehensive critique of past federal performance, and a framework for future direction of responsible legislation. "Housing", the report stated, "is a matter of welfare and public concern as well as a productive factor in providing employment and public and private investment".¹⁴ Curtis also noted:

. . . that further legislation would necessarily include home ownership, home improvement, slum clearance and low rental . . . in an equitable and comprehensive plan, and channelled through the public, private and cooperative fields. The problem must

¹² Advisory Committee on Reconstruction, op. cit., p. 10.

¹³ Ibid., p. 4.

¹⁴ Ibid., p. 77.

also realize the burden of financial distribution in light of public housing - the taxing powers would obviously direct major responsibility to the Dominion Treasury, while local governments do not assume further social service expenditures."¹⁵

The report recommended housing production as a primary objective, but with special consideration to repair, maintenance and renovation in order to supplement construction. Notably, the report cautioned that any improvement strategy must avoid in marking property for demolition versus the extensive refurbishing and conversion potential of properties. In terms of real numbers, 'improvement' was to play a key role.¹⁶

The National Housing Act introduced in 1945 saw little similarity with the recommendations of the Curtis Report. The legislation did not give housing an important role in government. Any efforts by government were in the main production orientated to boost a depressed economy where unemployment was high. Accentuating the problem was the difficulty of government tiers to define their respective powers in order to develop policy actions. The Federal level lacked policy formulation and direction. There were no established objectives, an inability to relate housing and urban development to other priorities, and little capacity of government to adapt to urban change.

As suggested by Curtis, the Act did provide consolidated joint loans, home improvement and limited dividend loans. Moreover, federal

¹⁵ Ibid., p. 84.

¹⁶ The report estimated that some 256,000 units in major urban areas required external repairs and lacked access to sanitary facilities. About 100,000 units would constitute a minimum replacement program, and the balance a substantial part of a home improvement program.

participation in slum clearance was also initiated. The government paid fifty percent of the municipal acquisition or clearance of land sold to limited dividend or private insurance backed companies for low rental housing. But while Curtis laid the need for low rental housing under government auspices, legislation shied away from this controversial subject. "Reliance was placed on federal credit and guarantees on the assumption such assistance would encourage private enterprise to do the whole job."¹⁷

Although the social desirability of offsetting deterioration and providing low income housing was recognized, the D.H.A. (1935), Home Improvement Loans Guarantee Act (1937), N.H.A. (1944) and N.H.A. (1945) were geared to better credit conditions for residential construction. The provision for slum clearance, housing research and community planning given financing revisions for construction would continue in the Acts from 1944 to 1947.

The Dominion/Provincial Conference in 1945 resulted in no change in subsidization agreements regarding slum clearance and low rental housing. This was basically a result of two considerations, namely: the low rent housing programs would not be adequate unless they provided for elimination of substandard units; and the limited financial resources of municipalities would preclude many clearance projects being undertaken."¹⁸

¹⁷ R. E. G. Davis, "Housing in Canada", Canadian Welfare, Vol. XXVIII, #6, December 15, 1952, pp. 12-17.

¹⁸ Rt. Honourable C. D. Howe, Meeting Canada's Housing Needs, Public Affairs, Housing and Community Planning in Canada, Vol. X, #4, Oct. 1947, pp. 217-221.

The 1945 N.H.A. established Central Mortgage and Housing Corporation as the Crown agency responsible to administer federal housing legislation. In being responsible to rotating Ministers, the agency was not close to policy-makers. Consequently, there was noticeable lobbying by pressure groups, reformers and house builders to encourage certain housing objectives. Clearly, the objective pursued in the 1940's and 1950's was assisting the private market and spurring employment and economic expansion. Little attention was given to lower income needs.¹⁹

The emphasis on production soon created a scarcity of serviced land on which to build, and the inability of municipalities to make up the deficiency ahead of effective demand due to the costs involved. Moreover, the decrease in production almost brought any low income actions to a standstill. To answer these problems, Section 35 (N.H.A.) was introduced in 1949. As a somewhat radical departure from previous policies, this Section permitted a federal/provincial partnership to assemble and service land, to erect housing for sale or at an economic rent, and to embark on subsidized projects at rates scaled to the means of low income families. However, the problem was the ability to sell the program. As Davis noted:

. . . the form of state subsidized housing, is the municipalities' reluctance in view of reliance on private developers, the ability to do it themselves, the cost of programs to the city and their role as a junior partner among the three governments.²⁰

¹⁹N. L. Axworthy, The Task Force on Housing and Urban Development. A Study of Democratic Decision-Making in Canada, Princeton University, 1972, p. 15.

²⁰R. E. G. Davis, Housing Legislation in Canada, op. cit., p. 7.

In the main, the lack of municipal/provincial initiative and indifference to public housing and its related expense caused this Section to perform poorly.²¹

However, 1949 also marked a time for more comprehensive programs in controlling blight and decline, particularly in the urban core areas. While the U.S.A. had been involved in this effort for a number of years, it was the first time the N.H.A. introduced and contemplated the renewal approach for clearing slum areas.

Slums were still visualized as areas of poor housing and social problems. The issue was becoming critical as a direct result of the Depression, World War II and the positive growth approach postponing investment in housing and infrastructure in deteriorating areas. However, a new philosophy was emerging where public housing should be tied to the concept of proportional elimination. As A. D. Carver observed:

The raison d'être of public housing is primarily the elimination of substandard housing as it now exists in slum areas by provision of low rental housing to accommodate those presently forced by economic pressures to inhabit such areas. This concept becomes important only if our prime justification in public housing is improvement of housing standards rather than the redistribution of housing wealth."²²

²¹ Statistics measured its limited success. From 1949 to 1964 production efforts accounted for less than 11,000 public units, 24,000 limited dividend units, 6,000 senior citizen units and 1,000 cooperative units; a total of 42,000 units or 2.5 percent of the total private housing (source: Dept. of Municipal Affairs, Good Housing for Canadians, Toronto, Ontario, 1961.)

²² H. D. Carver, Memorandum to A. D. Carver, President, C.M.H.C. 50-11-3, September 11, 1950, p. 1.

However, the prime concern continued to be production. By 1953, it was realized that if private lending was to sustain building levels, more lenders would be required under the N.H.A. The 1954 Act subsequently dropped joint loans in favour of mortgage assistance and the provision for chartered banks to make insured mortgage loans. Because of fluctuating economic conditions, the government still intervened with direct loans to stabilize supply. The amendment also contained some guarantee provisions for Home Extension and Home Improvement Loans as did the 1944 Act. While the Extension loans failed dismally, the Improvement loan provisions were broad enough to finance a variety of repairs, and therefore saw better success.²³

In 1956, the N.H.A. was amended to enable the federal government to share in one-half the actual costs to a municipality in acquiring and clearing blighted areas. Of significance was the removal of the provision that the re-use of land must be for public purposes. For the first time it was possible to clear slum residential areas and use the land for the most appropriate purpose as ascertained by the municipality. The land could be sold or leased to the highest bidder and used in accordance with an approved redevelopment plan. One proviso was that the use must be primarily residential. Pickett noted this amendment did much to eliminate urban renewal from "the negative idea of eliminating intolerable conditions to the positive concept of building fine cities in our time."²⁴ But . . . "the money poured into urban development by

²³By 1955, 25,000 loans totalling \$28 million were made by banks. Over the five years ending 1959, guarantees for over \$160 million in loans were made. (Source: R. G. Lillie, *op. cit.* Part III, pp. 8-9.)

²⁴Pickett, A Milestone in Urban Renewal, *Habitat*, Vol. VII, #4, July 1964, pp. 2-9.

all levels of government, while having project value, had far less total community value than had been hoped."²⁵ The cost of redevelopment was high and the social expectations of redevelopment were not realized. Lillie aptly points out that the process was new to Canada and extremely complex. "Even under the cost sharing arrangement, it proved an expensive task for cities."²⁶ Most projects were true slum clearance actions; municipal officials saw the advantages of renewal despite the cost.

The relationship of public housing and slum clearance was certainly unclear under this amendment. The Minister responsible for housing indicated the government would prefer to approve rental housing projects only if the projects were directly associated with redevelopment.²⁷

C.M.H.C.'s response was somewhat altered.

"In social terms, the need for safe, sanitary accommodation at modest rentals has no necessary relationship with demolitions."²⁸

While the Corporation realized the provision of housing was not necessarily tied to slum clearance, many projects built from 1950 to 1964 were in fact associated with clearance. This situation was generated in part by Section 23 (B)(1) of the Act, authorizing the Minister to enter into an agreement with the municipality to provide

²⁵ Ibid, p. 3.

²⁶ R. G. Lillie, op. cit. Part IV, p. 12.

²⁷ C.M.H.C., Memorandum, 517, Ottawa, September 1956.

²⁸ Letter to Minister of Housing from C.M.H.C. President, August 1956.

grants to assist in the cost of acquisition and clearance, and that the Municipality sell the lands to either a limited dividend company or federal/provincial partnership for construction of public housing projects.

The 1964 Act broadened redevelopment activities. Many restrictions concerning urban renewal were lifted. Notably, the re-use of land for housing was no longer a prerequisite for Urban Renewal funding. The exclusion of housing coupled with the system of grants and loans provided by the federal government proved to be major factors in determining the nature and role of future renewal activities.²⁹

The Act also provided for housing rehabilitation, that is, the repair, renovation and alteration of structures in order to bring them up to reasonable standards of construction, safety and occupancy. Rehabilitation also included parallel improvements to local environments in keeping with a growing philosophy that no resident would invest money in improving property when public facilities are uncared for.

While the Act allowed the Corporation to cover one-half the cost of acquiring, clearing or improving lands and buildings, the provision only

²⁹ Fifty percent grants were available to municipalities for cost sharing in the preparation of renewal schemes; the acquisition and clearance of substandard sites and their preparation for disposal, regardless of existing or proposed housing content, staff resources, relocation and information assistance for those affected by renewal and the costs of municipal works and services. Federal loans were available to provinces, municipalities or owners of housing in renewal areas as follows:

- (1) two-third federal loans for provinces or municipalities for sharing in the cost of implementation of the scheme for up to fifteen years.
- (2) uninsured shared loans to owners of housing scheduled for rehabilitation in renewal areas of up to eighty-five percent of the lending value after rehabilitation (C.M.H.C., Urban Renewal Handbook, 1969, Part V, p. 2iii).

permitted assistance for improvement of buildings in designated Urban Renewal Areas, and the assistance could only be paid where the building was acquired and improved by the Province or municipality. This effectively prohibited the Corporation from making grants or loans to private individuals in Renewal areas. An additional restriction was that insured loans to owners of houses in renewal areas were permitted only if "the housing project meets the requirements or when repairs or improvements will meet the requirements of a Renewal Scheme for the area acceptable to the Corporation, and if the housing project meets the Corporation's housing standards."³⁰

Since this Section was unclear in application to purchase, or purchase and repairs, or repairs only, its activity proved minimal. In 1967, Section 24 was repealed.³¹

Apart from the Urban Renewal provision, the Corporation could not make loans for residential improvements. Section 24, N.H.A., although guaranteeing such loans made by banks, was outside Part I of the Act, thereby restricting the Corporation in making direct loans under Section 40 where bank loans were not available.³²

It was argued that had the Corporation shown interest in upgrading stock, Section 24 could have been transferred to Part I of the Act.

³⁰ See Sections 23.1.d, A and B, N.H.A., (1964).

³¹ Since the inception of this Section in 1950, few Provinces showed interest in the rehabilitation provisions, the only exception being Quebec.

³² Section 40 provided that in the opinion of C.M.H.C., if a loan is not being made available to a person pursuant to Part I, the Corporation can make such a loan.

Instead, Section 7, N.H.A. (Approved Loan Section, Part I) was amended to provide insured loans to assist in the purchase or improvement of existing units. However, banks successfully ignored this provision and continued to lend under Section 24. The C.M.H.C. Desk Book, General Instructions and public pamphlets did not indicate this change. Of consequence, no direct loans for improvements were made under Section 40.

These and other pertinent loan programs for low income and improvement purposes reflected a norm of decreasing emphasis since 1955.³³ The little concern expressed by the Corporation was (likely) due to the belief that lenders and borrowers preferred to undertake improvements with personal loans.

By the mid 1960's, the regression of federal funds had contributed greatly to the increasing pressures on urban housing for the most needed markets. Of consequence, a number of Provinces were forced to provide assistance. In 1965, Ontario established the Ontario Housing Corporation, and for the next two years relied heavily on the acquisition of existing units in order to achieve a quick start in the provision of public housing. Thereafter, interest lagged despite the knowledge that existing housing and subsidy levels would be lower than the cost of new housing. Undoubtedly, an emphasis on housing starts, employment and growth generated this change in action. Although leasing occurred in exceptional circumstances, it did not effectively answer the problem of

³³From 1955 to 1959, an average of 31,000 loans were made under Section 24; 1960 to 1964 (24,000 loans/year); 1965 to 1970 (13,000 loans/year); 1971 to 1974 saw a decrease from 10,000 to 7,000 loans per year. Other programs also faltered. From 1958 to 1967, the amount of low income and limited dividend loans under Section 16, 16A and 35D decreased from \$49 M to \$8 M. (Source: C.M.H.C., Annual Statistics, 1968, pp. 31-33.)

adding to the housing stock. As one public official noted:

Where there are a reasonable number of vacancies in the market, it can provide some relief as well as an opportunity for low income families to achieve a greater feeling of individuality and anonymity."³⁴

The actions resulting from the 1964 amendments failed to reduce the growing criticism of renewal and low income housing policy. Attitudes from many sectors challenged the system to rid cities of their slums but without the adverse consequences to its residents. The R.A.I.C. stated that Federal provisions for slums require suitable alternative accommodation be available for those dispossessed by renewal activities. Improvement in housing must involve creation of good public housing."³⁵

A more stern attack on Federal policy came from Provincial levels.

Housing performance under the N.H.A. is production orientated rather than distribution orientated . . . qualitatively devoid of broad social objectives and economically inaccessible to many Canadians.³⁶

Specifically, given disproportionate personal incomes and inflexible housing markets being closely related to over-crowding and blight, slum clearance and renewal activities were totally ineffective as a workable solution. Moreover, "such tactics eliminate slums, but by doing so part of the existing stock is removed. Rehabilitated areas may contain fewer units than before, and many although subsidized, may carry higher rentals."³⁷

³⁴ D. Grenna, Interview, February 14, 1974, Ottawa, Ontario.

³⁵ The Royal Architectural Institute of Canada, The Report of the Committee of Inquiry into the Design of Residential Environments, Ottawa, 1960, Sections 179 and 180.

³⁶ Ontario Association of Housing Authorities, Good Housing for Canadians, Toronto, Ontario, 1964, p. 27.

³⁷ Ibid., p.45.

The mid 1960's also revealed a surge of public opinion concerning social and economic issues on both a national and local level. Housing and communities were feeling the pressures of the post-war baby boom entering the market. Concurrently, there occurred a shortage of capital, an increase in interest rates and, subsequently, a decrease in housing starts and vacancy rates. A housing shortage in all sectors was obvious by 1966. Moreover, the shortage of serviced land, an increase in construction costs, including front end costs, and budget constraints at the local government level accentuated the problem. The monetary restraint aimed at moderating growth (demand) weighed heavily on housing and, indirectly, affected income groups whose income devoted to housing was proportionately high.

But as the Economic Council of Canada noted:

The demand for housing will be increasing in the magnitude and form of the urban centre. Of importance in this effort (is) the pressure (role) of urban renewal and public housing in the rate of replacement demand. In estimating one-quarter of the substandard dwellings in urban areas, the Council noted that rehabilitation needs to be widened and improved to control economic and social costs of urban blight. In this context, comprehensive plans, a range of choice to displaced residents and participation (financially) by all governments is required."³⁸

Federal response was slow. The Speech from the Throne in 1967 suggested that investigations would be initiated but none did occur. Nicholson, then the current Minister responsible for housing, held a number of meetings with Provincial and local officials in an attempt to encourage them to initiate federal funds. The response was negative.

³⁸ Economic Council of Canada, Fourth Annual Review. The Canadian Economics from the 1960's to 1970's, Queen's Printer, Ottawa, 1967, p. 38.

Subsequent Federal/Provincial Conferences revealed a growing criticism of federal policy and an obvious need to re-evaluate inter-governmental relations, financing and organization in the housing field.

In 1967, P. E. Trudeau entered the scene as Prime Minister of Canada. With new aspirations and a strong Federalist viewpoint, he believed the Federal Government should play a more active role in housing and urban development. By July, the Federal Government had appointed a Task Force under the direction of Paul T. Hellyer to review these matters. For the next six months, Hellyer and his Committee launched a comprehensive tour of Canadian cities in order to listen to and understand the issues and problems of the urban area, its residents and government(s).

The final Report revealed urban problems and policy deficiencies which were well known. Critical issues included the Federal Government's strong centralist role in an environment where Provinces were advocating a decentralized position, the inability of the public to consult with governments, the advocating of new strategies to replace the Renewal Program and a more equitable participation by governments in subsidizing public housing. The Report noted that with rapid growth, existing policies and programs were outdated, reactive or ad hoc, and the system for decision making functioned poorly in setting goals and implementing change. The Report expressed the need for rethinking government policy, but not in a definitive manner since citizen participation in Canada was just beginning, and there was as yet no clear understanding of how the American community action programs were performing.

The Task Force's view of Renewal activities was comparable to previous criticisms: "The economic, social and aesthetic considerations demand that greater care and efforts be taken to preserve and rehabilitate existing stock".³⁹

Urban renewal was viewed as an adverse and unimaginative approach in dealing with human needs, although no doubt, a favourable route in increasing the tax base of inner city areas. However, a more selective and/or smaller scale demolition strategy was recommended, coupled with an increasing emphasis on rehabilitation, enforcement of minimum property standards, and more equitable changes in property assessments to encourage improvements.⁴⁰

The challenge forwarded by the Report did not receive immediate Federal response. The objectives--or Hellyer's philosophy--ran counter to the Parliamentary system which did not provide channels for expression of public opinion, or their active role in decision making. Complicating matters was the ominous system of inter-governmental policy making and research distant from the real housing problems and issues.

In 1969, Robert Andras, the new Minister of Housing, announced cancellation of the Federal Government's participation in the Urban Renewal Program, the only exception being some eighty-two projects representing some \$60 million committed under Part VII, N.H.A. (1964). The Federal cost projections for Renewal, coupled with public pressures and criticisms of the program were the prime reasons for its abandonment.

³⁹ Paul T. Hellyer, Report of the Federal Task Force on Housing and Urban Development, Ottawa, Canada, 1969, p. 78.

⁴⁰ Ibid., p. 79.

No Federal alternatives to replace Renewal were available, although the government soon after introduced the \$200 million Innovative Housing Program and \$100 million Assisted Home Ownership Program to specifically assist lower to moderate income residents.

The findings of the Hellyer Task Force, coupled with the wind-down of the Urban Renewal Program, represented key events in generating the Federal Government to seek new policies to deal with the urban area. As a consequence, the period from 1969 to 1973 saw the Federal Government initiate a rather in-depth investigation of the urban system in order to develop a broad urban policy framework, and ancillary policies and programs directed to inner city, urban-regional and institutional assistance. Of prime concern was the development of inner-city programs to replace Renewal. The priority of course was based, not only on serving resident needs, but the fact that such a strategy would have an immediate and greater political impact.

The Policy Environment in the 1970's

The Dennis and Fish Report published in 1971 clearly revealed that housing policy in Canada has been production orientated rather than distributionorientated. The Report notes the following:

"Policy has been lacking clear policy objectives in both social and economic terms, particularly for the lower income resident. The attitude of replacement as the prime renewal objective did not take into account the price of the new stock or the ability of the consumer to afford it. It is apparent public housing and low rental housing programs have not successfully met

low income needs due to the vagaries of the market."⁴¹

The policy environment in Canada in the last 10 years has indicated there are numerous issues which constitutes what has been termed the 'housing crisis'. In economic terms, the problem is not so much housing, but rather an income problem for low income families. The problem was accentuated where an increasing number of policies restricted the supply of new land to satisfy demand, the result being land and purchase price becoming inflated. Such policies successfully resulted in a greater proportion of the income devoted to shelter and hence, a greater inability for those to invest in improving their property. Such financial implications soon led to social problems - crowding doubling up and deteriorated units and communities. The combination of income, inflation, production, municipal policies for development of lands and land availability had both a direct and indirect affect on the status of the low income resident to improve his environmental condition.

The prescription of renewal emphasized the Federal governments' failure to prepare proper legislation for implementing a viable alternative such as rehabilitation. Undoubtedly, private enterprise and biased government policy skewed to objectives other than conservation successfully added to the crisis of low income groups. The crisis was not simply supplying new units to such residents, no matter how high the subsidy, but preserving their environment. Rehabilitation, as one observer noted,

⁴¹ S. Fish and M. Dennis, Programs in Search of A Policy, Hakkert, Toronto, Ontario, 1972, p. 17.

must be viewed as a provider and preserver of units and communities which serve or supplement low income needs.⁴²

The problem with Canadian policy was not only the biased nature of programs but also the lack of a comprehensive thrust - the mechanisms for producing, maintaining and distribution, in achieving a goal of decent housing at a price low income residents could afford. Rehabilitation was only an unsuccessful component of the total policy framework which had no clear direction regarding income, house prices, housing quality and community services and facilities.

Essentially housing achievements since 1945 have been impressive in both qualitative and quantitative terms.⁴³ Housing needs were expected to be met through private markets, and with government providing the necessary regulatory framework to encourage the private sector. However, Canadian housing policy in the 1970's underwent a major shift in orientation involving the substantial growth of government participation in the housing sector, the concomitant decline of the private rental sector, and the widespread use of housing policy as a vehicle for income redistribution. The shift in policy coincided with the increasing acceptance of the view that housing was no longer a good or service but rather "a fundamental right for all."⁴⁴ The transition in policies as well as the policies themselves were extremely complicated to follow due to

⁴² C.D. Crenna, Personal Interview, Ottawa, Ontario February, 1974.

⁴³ This evaluation was also noted in the 1969 Report of the Task Force on Housing and Urban Development.

⁴⁴ Hon. Ron Basford, Hansard, January 11, 1973 p. 186.



the tripartite nature of government involvement. Essentially, pre-1970 policies were aimed at stimulating construction by stimulating demand and by increasing the availability of mortgage credit. The early 1970's saw a transition where decisions concerning production and distribution would be politically determined rather than be left to the whims of the marketplace. Direct interventions from the Federal and Provincial governments took the form of construction or subsidization of new low income dwelling units, direct 'cash' grants to the homebuyer, the provision of rental assistance, and rent control. Indirect policy intervention included alterations to tax regulations, controls on foreign investment and, most recently, Anti-Inflation Act regulations. Municipal policy reinforced Federal and Provincial trends by introducing down-zoning and building freezes. The programmes - Limited Dividend and Non-Profit Housing, Assisted Rental Housing, Rental Supplement Housing, Home Ownership Made Easy (HOME), AHOP and cash grants, were designed to increase construction of low income rental housing or stimulate housing demand by subsidizing middle to low income purchasers. In addition to these programmes, NIP and RRAP were to be presented as a form of subsidization to lower and medium income residents to upgrade communities and units.

On the surface, critics of these programmes concluded housing policies are redistributing income toward lower income Canadians. The overall thrust, however, showed an even more profound effect in terms of their impact on the low income residents and indirect effect on the performance of programs such as NIP and RRAP. The programmes and policies could potentially work at cross-purposes. On the one hand the private rental market or the construction for private ownership of non-low

income rental housing was discouraged and, concurrently, the demand for homeownership and non-profit rental housing was encouraged. The discouragement of private participation via direct government ownership of rental dwellings and encouragement of non-market forms of ownership of rental dwellings resulted in two problems. First, the low income resident was forced into rental types of accommodation and, concurrently, the restricted supply of low income housing ownership placed increasing pressure on existing low income areas, including those which were in various stages of decay. Subsequent reductions in Federal subsidies in either rental or ownership programs would place added pressure on the low income resident.

Indirect government policies also disrupted this sub-market. The Federal tax reform through the elimination of real estate as a tax shelter encouraged disinvestment or deterioration in the existing housing stock. Municipal opposition, rent controls, revisions to the Landlord and Tenants Act, and controls on foreign investment reinforced this situation. But while incentives for homeownership such as a capital gains tax exemption or the principal residence, and subsidization of homeowners via low interest loans and cash grants increased the affordability of homes, they also increased house prices since the demand was increased without corresponding incentives to increase supply. Government policy including zoning regulations and servicing policy, tax changes and Anti-Inflation Board regulations accentuated the supply restrictions, and, hence, resulted in rising prices of existing housing, including those in the inner city.

The nature of the Canadian housing market has changed dramatically

in the last few years in response to government policies. Most of the policy changes (and trends) have been debated on the basis of a substantial philosophical shift with respect to housing or as a result of market failures, or both. The consequences of these viewpoints in terms of existing policies has proved quite harmful to the standards of housing and, in particular, housing for those most in need. For example, Urban Renewal had an ulterior motive. No doubt the introduction of alternatives such as rehabilitation could also serve as a weak facade covering these same motives. However, in the final analysis, the question is not housing policy working on an ad hoc piecemeal basis, but rather evolving a comprehensive policy which complements, supplements and works in harmony with a spectrum of programs which benefit the needs of the entire marketplace.

In light of this objective a cursory view of the overall evolution of a comprehensive urban policy framework is described in the context of specific program developments geared to neighbourhood improvement and residential rehabilitation.

PART C

CHAPTER V

THE DEVELOPMENT OF POLICIES AND PROGRAMMES

The Action Framework - 1970 to 1973

In June of 1970, Robert Andras, then the Minister for the Ministry of State for Urban Affairs, commissioned a mini-Task Force to develop community assistance strategies as an alternative to renewal. Under the direction of G.D. Milne, the Urban Assistance Task Force first produced an interim report in February of 1971 which recommended a community assistance pilot program. However, the offering of a pilot program in a situation of pressure from an increasing number of communities was considered politically questionable. Moreover, the strategy model proposed revealed certain operational, administrative and technical weaknesses. The government realized that they would need to produce a viable strategy which would be operational by the fall of 1972.

In July of 1971, C.M.H.C. established the Planning and Priorities Division(P.P.D.) to assist the Task Force and in particular, to supplement and direct possible rehabilitation action and priorities in older residential areas. In the fall of 1971, the first workable recommendations of the Task Force and P.P.D. were presented under the name of the Community Assistance Program (C.A.P.)¹ The report was favourably

¹ G.D. Milne, Urban Assistance Task Force, Vol. III, Urban Assistance Policy, N.H.A. Policies and Programs for the 1970's, Unpublished (Confidential).

received by Andras and he directed P.P.D. to finalize C.A.P. and R.R.A.P. policy and draft the necessary legislation.

In late 1971, Andras presented the proposal to Cabinet and requested their approval to consult with the Provincial governments. Over the next six months, the Federal Government received a generally favourable reaction to the Programs from the Provinces.

In June 1972, Bill C-213 containing N.I.P. and R.R.A.P. received first reading. A second round of consultation with the Provinces followed in July. In August, the Bill died prior to a third reading when the government called a federal election.

Following the Liberals' return to power, the government announced a new Bill in January 1973. Despite a disastrous Federal/Provincial conference on housing earlier that year, the government nevertheless proceeded to introduce Bill C-133 (formally C-213) to Cabinet. In June 1973, Bill C-133, an Act to amend the N.H.A., received Royal Assent. By the fall of 1973, N.I.P. and R.R.A.P. policy and program Instructions were finalized and the first N.I.P. agreements between the Federal and Provincial governments were signed.

Methodology

For the actors involved in the development of new policies and programs, the first task was to comprehend the factors involved in the identification and selection of alternative strategies for urban areas. This included:

- (1) to identify the problems and cycles associated

with the decline of inner areas, and the incapacity of government to arrest or cope with decline and change;

- (2) to analyze the limitations of renewal as a basis for action; and
- (3) to draw a specific picture of a policy environment for urban assistance, and identify priority needs addressed by it.

Dynamics of Decline

The response to renewal problems in Canada was greatly influenced by the U.S. experience. Although the scale and impact of decline and renewal activities played a relatively minor role compared to the U.S., Canada nevertheless experienced common and unique factors generating decline. Some of the more critical ones expressed by the sector teams' investigations included:

- (1) Overdominate centres contributing to the economic decline of adjacent urban and rural centres;
- (2) Housing cost pressures causing a reduction or concentration of lower cost (rental) stock;
- (3) The pressures on resident confidence in redeveloping areas via the use of blockbusting, resource and money influences, and the government activities in casting the future for these areas;
- (4) Slum landlords attempting to maximize their incomes via the maximum density minimum improvement approach;
- (5) Redlining or lenders refusing loans for improvements in deteriorating areas;
- (6) The public image of an area, with a concentration

of low income peoples, physical deterioration and, hence, THEIR social problems;

- (7) Low tax revenue in slum areas, thereby creating low capital input for improvements;
- (8) The proximity of areas to inherently deteriorating or prone locations (e.g. rail lines, industrial areas);
- (9) Profitability of construction versus upgrading of units in both the public and private context.³

These factors contributed to the cycle and pressure for urban decline and change, and inherently, government actions worked to either accelerate or decelerate this process.

The Urban Renewal Program was the classic example of government action to affect the change of communities. In essence, renewal was a statement of what was wrong with cities. Its objectives on the surface were obvious: to transfer funds to municipalities in order to accelerate urban change and the physical fabric; to improve municipal planning practices and data collection; to reduce the social costs of blighted areas and substandard residential units; to improve and upgrade public facilities and services; and to efficiently reassemble land for re-use, particularly for commercial purposes. However, the results were not necessarily consistent with objectives and certainly some objectives were more favourable than others.

³ C.M.H.C., Policy and Planning Division, N.H.A. Policies and Programs for the Seventies, Volume 3, 1971 (Confidential), pp 9-23.

Renewal was geared primarily to physical and aesthetic objectives and, secondly, to serve social needs. However, underlying the legislation was the economic objective, and the municipal tax structure brought this out clearly. The results and lessons learned in economic, physical and social terms could be summarized as follows:⁴

The Economics

- (1) Property and business tax based on assessed value of property was the prime revenue producer for municipalities. Any upgrading or replacement raised assessments and, hence, revenues. Consequently, maximum Federal assistance was in demand, particularly after the 1964 N.H.A. amendments to the Urban Renewal Program. Projects without the housing component and aids for services were easier to carry forward, as well turn over a higher tax yield to inner city areas.
- (2) The economic interests of government in renewal lay in the relationship of dollars spent and physical and social improvements. The confusion occurred between the communities' social value and economic markets. The municipalities' interest was improving their fiscal position by subsidies generating new taxes and improved infrastructure. This suggested renewal effectiveness related to the municipality rather than residents directly affected. Of course, private development generated further economic bias.
- (3) Relocation practices indicated forced movement due to an inadequate compensation/expropriation formula or lack of funds. There was little relationship between market value plus 10% relocation assistance provided and replacement value.

⁴ See Peter Bennard & Associates, Residential Rehabilitation in Canada, As Survey of Projects, January 1974; C.M.H.C., Rehabilitation and Conservation in the United States, Unpublished Document, June 1963; C.M.H.C., P.P.D., Residential Rehabilitation Policy, Working Papers (Internal Report), 1972, pp. 35-59 and; Milne Task Force Report, Urban Renewal Review, Volume 2A (Confidential) 1971.

Expropriation was also a contentious issue, and without Federal involvement due to legislative restrictions, proved a methodical process.

- (4) The Renewal Program encouraged the undertaking of redevelopment without consideration of the municipalities' ability to afford Section 23B (N.H.A.) implementation. In many cases, implementation was never achieved. Part V, Section 33.1 (H) was poorly used and failed to give municipalities a level of comprehension required to realize detailed implementation of plans and related costs. The problem was accentuated by legislative provisions dealing nebulously with public facilities under Section 23B (2).
- (5) Urban renewal permitted land assembly for more efficient economic gain, particularly in marginal areas via the catalytic effect generated in adjacent areas.
- (6) Private industry saw the Renewal Program lacking incentive as well as being slow in terms of opportunity costs of capital, process and administration. The size of Urban Renewal areas was related to the desire to remove as much blight as possible or maximize service improvements. However, the capacity of the private market was overestimated, and resulted in areas acquired and cleared, remaining undeveloped. Undoubtedly, the write-down provision on assembled land was a poor incentive to the private sector.
- (7) While the proposed objectives of many Renewal Schemes was rehabilitation and conservation, this role, with the exception of Quebec, was not apparent in practice. A major deficiency of Renewal was the lack of a guarantee that rehabilitation would not result in reassessments and increased property taxes for owners or increased rents to tenants. Loans were poor incentives in view of higher taxes. Moreover, there was economic misjudgement concerning residents' ability to undertake rehabilitation by their own means, or an unwillingness if loans and interest were to be repaid and taxes increased.

Physical Analysis

- (1) Renewal was historically caught up in defining the nature of slums, blight and functional obsolescence. The terms were subjective and their definition was left to the municipalities' discretion. No matter the criteria used, the terms connotated physical and social problems, rectified by eradication. Support for such measures came from those with power and leverage--the slum landlord, financial and administrative interests in public and private sectors, real estate brokers, builders and contractors, redevelopment officials and those

interested in the urban aesthetic. Those opposing clearance--the political action groups, the underprivileged or low income residents and local merchants of the area--were less powerful.

- (2) Renewal failed to recognize the nature and role of the community in the context of human needs. It was a physical response to a social condition. Securing funds for municipal needs was unrelated to the social issues of blight; the resident received few benefits and many costs.
- (3) Since redevelopment was emphasized, many units were replaced with public housing complexes, two thirds of which were rental, thereby resulting in a net loss of ownership. The objective of improving or even replacing stock was weakened with the 1964 N.H.A. amendment allowing residential areas to be redeveloped without replacing the units lost. Moreover, redevelopment was relatively easier to implement for those orientated to it and thus offering large scale redevelopment was an incentive to the private and public sector since it provided greater returns as well as civic pride.
- (4) Most critical was the impact of renewal on local residents and merchants. Relocation dispersed the community, often to areas of more expensive accommodation. For those who remained, the rigid standards caused financial hardship. In essence, the economics outweighed the concern for people. Renewal did not comprehend needs. There was little or no consultation with residents affected by government actions.⁵ Often the only participation or liaison with citizens was to convince them of the need for renewal.

⁵ The Trefann Court experience showed that social planning must be carried out at the initial stages and involve all persons affected. People had misconceptions or were misled by renewal actions. The objectives of Renewal failed to achieve resident needs. Citizen participation was often crisis orientated, and reaction resulted in delays, financial costs and, if successful, a re-evaluation of redevelopment objectives.

The Delivery

- (1) The delivery system created a role for each government which was parallel and duplicating rather than complementary and supportive. The delivery system was frequently over-scrutinized, thereby causing delays and indecision.
- (2) Diverse administrative, technical and professional actors involved in schemes were often non-responsive to social issues and more concerned with design criteria.
- (3) The administrative process was fraught with bureaucratic red tape. C.M.H.C. was not prepared to give responsibility to municipalities in allocating funds. Each actor (the developer, the municipality and the senior government) had different administrative and operational viewpoints (e.g. criteria for selection, economic viability, land use controls to be used, delivery and timing).

The conclusions drawn from the Urban Renewal Program were critical in developing an urban assistance theme. Most important in this evaluation were the following aspects:

- (1) The model underlying the process of Scheme preparation and implementation were dynamic in promoting physical change, but static in concept and application.
- (2) Objectives were established but not acted upon. Planners saw themselves being thwarted by politics and residents.
- (3) Physical and cost factors, orientation and planning developed changing values, and often underplayed environmental and social concerns. The difficulties were due to three assumptions about the nature of planning: (i) the approach was geared to one best plan where the planners' role is expert arbitrator; (ii) the plan was to be comprehensive, but the tendency was to conceptually fill out the plan even when implementation was unlikely; (iii) the plan was not strategic in influencing those aspects which would be critical for improvement.
- (4) Funding was open-ended and across the board rather than tied by item. Moreover, no time limit was placed on the Program as a whole. The rationale for these elements was to ease the sale of the program to governments.
- (5) The emphasis on priority or high cost items such as utilities was an attractive feature to local governments and led them to cover off other aspects in order to receive funds.

- (6) The cumulative effects of concepts and pressures often focused on expropriation powers which strengthened the position of municipalities' viz-à-viz residents in the renewal areas.

Urban Renewals' attempt to solve problems by changing the physical environment was a good example of misunderstanding the role of grey areas. The ulterior motives (economic and political) successfully removed the decision making apparatus from dealing with the other real problems, and involving citizen participation in the planning process. Government's paternalistic thinking created a fait accompli.

Abandonment of the Renewal program was a necessary response. Annual Federal expenditures were increasing geometrically. Hellyer's report revealed a rising public and local opposition to implementation of Renewal. The government's role in the process was duplicative. In total, the value of expenditures compared to meeting basic social objectives (i.e. creating environments conducive to social growth and the well-being of residents, bettering the economic viability of residential areas and giving reasonable priority to lower income groups) was not obvious.

Policy Environment

Since the wind-down of the Urban Renewal Program, a number of key trends and events occurred which would affect policy development. The Federal Government became increasingly involved in the provision of low income housing and more committed to presumably a broader role, with increased coordination in Urban centres. Moreover, urban areas became more aware of and responsive to economic and social issues lobbied by various interest groups. Urbanists, too, adopted new motives based on tactical or systems concepts. Municipalities also developed a

coalition of powers and new regulations in dealing with urban growth. In particular, central cities moved in the direction of rejuvenating their inner core, but with increasing emphasis on preserving the residential component.⁷

These factors formed the policy environment. They shaped the expectations, organization and commitment of resources and, thus, were a critical part of the logic of policy choice for urban assistance. However, the expectations would also need to realize the constraints involved, including:

- (1) the planning capabilities remained relatively undeveloped in some Provinces;
- (2) municipal zoning and development politics would likely continue despite contrary pressures appearing;
- (3) the ability to learn from renewal would still result in some repetition of the same problem;
- (4) the emergence of strong citizen groups did not suggest they were capable of planning participation or allowed to do so; and
- (5) there would persist varying perceptions of what is wanted (e.g. money, power, and/or improved conditions).⁸

In light of this policy environment, a number of general urban priority needs for the 1970's evolved from the investigations. These included:

- (1) Municipal governments requiring adequate resources to carry out more complex tasks;
- (2) To move cities away from present technologies, processes and patterns which prove costly in financial and social terms;

⁷

See Peter Bennard and Associates, op. cit. Summary Report.

⁸

C.M.H.C., Briefing Paper on Community Assistance Policies and Programs, Internal Document, November 24, 1972, pp. 20-27.

- (3) To preserve the fabric of centres that gives them human scale and character;
- (4) To minimize social costs and conflicts of urban change;
- (5) To relieve pressure on groups and individuals in inner areas who are least able to bear such pressures;
- (6) A need to convert development of older and deteriorating non-residential areas of cities, particularly industrial and transportation lands;
- (7) To shift from single function planning models to urban planning policy models.⁹

To this end, the Federal Government was faced with a number of basic choices as to the scope of Federal roles in the internal workings of urban areas over the next decade and within present constitutional and institutional arrangements. A major decision was to what extent Urban Assistance was to be conscientiously employed to advance a policy framework for urban affairs and to further define a Federal presence in this matter.¹⁰ A second choice was either developing a fairly broad range of assistance programs immediately or a specific replacement for the Urban Renewal Program which modifies or changes its direction and operation. Within these ranges, it was possible to include a low budget research and planning approach or, alternatively, to actively seek a first phase in a long term Federal policy.

⁹ Ibid., pp. 20-27.

¹⁰ This had to be viewed in the context of three priority problems which required federal attention, that is, (i) the problem of government responsiveness to changing operating conditions and to change operating conditions to citizen viewpoints and urban problems; (ii) the high cost of urban processes and subsystems; and (iii) the problem of long term guidance over macro-determinants of urban change (e.g. economic decline, population, mobility) and over basic values underlying community development and environmental quality.

In light of priorities and needs, the proposed direction forwarded included four basic elements:

- (1) The development and use of urban assistance programs from 1971 to 1972 to help promote development of a general urban policy framework for Canada;
- (2) To develop a range of assistance programs in 1971 for legislative action in 1972, including a replacement for Urban Renewal, with the objective of initiating the first phase of a long term Federal strategy toward urban change;
- (3) In particular, to develop a program to replace renewal which is based on a tactical planning process and provision of resources to develop local capabilities in promoting community improvements; and,
- (4) To develop a planning and pilot phase for broader measures relating to the total urban system.¹¹

¹¹ C. D. Crenna, Director P.P.D. Personal Interview, February 1974, Ottawa.

CHAPTER VI

FEDERAL ROLE IN URBAN ASSISTANCE - AN ACTION FRAMEWORK

Strategic Objectives for the 1970's

The Minister responsible for urban policy was faced with two concerns: what values and objectives he intended to support, and the kind of Federal role he envisioned. Moreover, he had to choose from two alternative routes of action, namely: to delay all actions of Urban Assistance until a generally acceptable framework for urban policy had been established through tri-level consultation, or to announce a discrete Urban Assistance Program which was generally consistent with an overall urban policy direction. Both options would prove difficult due to the mounting pressures for action, the dependency of a framework for action, and that any level of action or no action at all would cast doubt on the seriousness of Federal efforts to deal with the future of urban areas.

The most feasible choice was giving leadership and attempting to define what a choice does entail, no matter how tentative a Federal role.

The framework outlining evolving Federal approaches considered certain critical elements, including how to best deal with inevitable uncertainty associated with taking action and which will have its major effects at some future time, a view of how one can take into account the natural limitations of government as an instrument of will, how to avoid the widespread assumption generated by the welfare state, and the research and development approach to complex questions that government can solve most problems. Moreover, there was concern over how the Federal role

was to change as society changed, particularly with regard to urban intervention, and how problems addressed by the Federal Government over the reasonably foreseeable future were to evolve and which ones were to be the key problems. In short, the government would need to present a framework which allows action in a situation of imperfect knowledge, and systematically deals with uncertainty that recognizes the limited effects Federal Government action can have on the urban system. The task was realizing that the government's role as an integral part of the action framework would need to comprehend the most critical problems requiring attention and to effectuate a strategic action directed to the key influence or sensitive points which will cause change.¹²

The government had to make a number of assumptions on which the framework would rest. There would need to be an overall rationale for assistance objectives given different perceptions and interests involved. Government actions would be constrained by possible error in judgement and the limited talents, will and resources at all government levels. They would also have to recognize their limited effect on the direction of society, since they too were subject to the prevailing and contradictory value systems of society. Consequently, government institutions and programs would need to be reshaped in order to cater to society. In short, the policy framework would work in the inherent limits of possible government action and planning.¹³

¹² See J.W. Forrester, The Futurist, Vol 3 August 1971, p. 153.

¹³ See "Does Planning Work?", The Public Interest, No. 24, Summer 1971, p. 104.

The Wartime Initiative measures (1944 to 1949), coupled with the Dominion Town Planning Act, reflected a strong centralized Federal role in Canada. However, with the 1960's introducing new technologies and interests at the Federal level, there were several conclusions to be drawn concerning the actual and potential Federal role in urban assistance. First, the Federal Government would continue to have a viable direct involvement in urban issues via the spending power, that is, the use of funds or judicious use of extra funds. Secondly, on matters of multi-national concern, and private and corporate decision making, the Federal role could shape, if it chooses, most of the macro-determinants of urban values and problems. However, it was also evident that their role had been constrained recently by the actions of external and internal governments (e.g. establishment of Provincial Housing Authorities). Several of the major Provinces expressed a desire to remove themselves from shared cost programs, thereby indicating shared cost urban assistance and local administrative involvement being increasingly curtailed over the next decade. Nevertheless, it was critical that the Federal role in supporting community planning, housing and infrastructure needs function as a leading edge support in line with research and development. Such a role was perceived as social capital investment planning over the long term. The more important investments would therefore remain with the Provinces and municipalities.

With several priority needs and a set of pressure requirements established, the next task for the Urban Assistance group was creating a basis for strategic planning to deal effectively with key factors of future environments which should be changed to effectuate improvement.

The needs and problems, as a basis for strategic planning, were seen as follows:

- (1) The problem of governmental responsiveness and their capacity to cope with urban problems;
- (2) The problems of urban change giving rise to pressures on governmental capabilities;
- (3) The high social and economic costs of current urban technologies and processes; and,
- (4) The problem of guiding the overall dynamics of urban growth and decline which, in turn, fed back on local change, pressures and the capacity and responsiveness of government. Moreover, there was the issue of urban values, since daily realities and pressures of urban living strongly affected the expectations and personalities of the inhabitants.¹⁴

The problems stated as strategic objectives and pursued with pressures on selected multiple influence points, became:

- (1) the promotion by governments to increase the effectiveness of urban democracy and develop the capacity of urban institutions;
- (2) to promote a shift away from current patterns and process of costly urban decline and change, and alternatively, to create a technology and systems more in line than presently exists;
- (3) to increase national control over macro-determinants of urbanization; and,
- (4) to guide values associated with an improved environment.

In this context, it was realized that each level requires greater information since it potentially affects an increasingly irreversible situation. With each objective serving as a prerequisite to the next,

¹⁴ See Richard Sennet, "The Uses of Disorder". The Babbs-Merril Company, N.Y., 1970.

it was believed a number of presently isolated programs could start to fall into place in efforts to promote municipal information systems and citizen participation, to develop new communities less dependent on automobile transportation and to control economic growth and the distribution of population. While each prerequisite was to be less amenable to immediate change in view of current investments, it nevertheless provided a plausible action framework over the next ten years.

The framework, of course, assumed the long term objective for an urban policy was the creation of a multi-level system for urban guidance, the guidance being programs applying leverage to promote controlled urban change, the tools to shape that change, and the reversal of repressive and house-keeping ideologies of community and government. In this context, the participation of governments and urban guidance was predicated not only on constitutional powers narrowly defined, but on the capacity to contribute to problem resolution in the problem's terms.

The framework required two additional concepts. First, the government needed to shift its programs from current efforts in maintaining the existing system to one of increasing emphasis on the extension and conscious alteration of system dynamics and patterns.¹⁵ Secondly, it was necessary to realize the definition of problems over time. Some issues would remain. Substandard housing would likely never be eradicated, but rather the nature of deficiencies may vary.

¹⁵ Most Federal programs maintained the extant system, mainly supportable by the Federal expenditure on social security and welfare, the latter being the largest expenditure.

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Summary

The urban assistance programs were regarded as a hypothesis about urban change and as a partial aid to the total system. In terminating Urban Renewal and seeking new objectives, the Federal government recognized the need for intervention (assistance) to be controlled and relevant to new values. Moreover, the government stated that renewal was not to be used primarily as a support for municipal services and a generator of the urban tax base. Hence, any program was not to be open-ended, but related to identified problems and objectives, and subject to a built-in reassessment. It was obvious that other avenues would need to be pursued to improve municipal finances.

In formulating a policy framework, successive refinements to programs and policy would be required in order to build a rationale for elements such as:

- (1) different considerations for new transfer and transfer mechanisms for funds versus the injection of funds into the urban system;
- (2) for improving local planning processes and responsiveness via community assistance, this being the first step toward an improved intergovernmental capacity;
- (3) for developing more extensive programs for change in regional-urban relationships;
- (4) for initiating an open-ended and continuing dialogue for long term goals and policies for urban guidance; and,
- (5) for relating programs and their mechanisms such as an evaluation moratorium to a tentative schedule for start-up, full program operations and reassessment for wind-down.¹⁶

¹⁶ R.A. Garrod, C.M.H.C., P.P.D., Positions on the Replacement of Urban Renewal, (Confidential), Ottawa, 1971.

Of course such a rationale would continue to function in an environment of issues expected to continue through the decade.

In reviewing the more important government perspectives underlying the choice and framework for Federal action, the final initiative was to proceed to the hard core options. As noted previously, two courses of action were identified. The first option was to adapt a wide range of assistance programs and, in turn, to choose between the alternatives of either a research and planning approach allowing for considerable flexibility in moving toward a rewrite of N.H.A., or a defined first phase of firm long term policy. The second alternative was limiting action for the present to the adoption of a replacement for the Urban Renewal Program which effectively deals with past criticisms and increases support for area rehabilitation, citizen involvement in planning, and provides for manageable federal costs. In short, a replacement for renewal could be either a modification of the present program or an entirely new concept with a different set of principles.

PART D

CHAPTER VII

DEVELOPING A NEIGHBOURHOOD IMPROVEMENT PROGRAM

Introduction

In the late 1960's and early 1970's, C.M.H.C. attempted to simultaneously broaden the range of assistance programs available and modify renewal in line with criticisms made of it since the early 1960's. The direction before and after the Hellyer Task Force reflected the underlying philosophy different in degree but not in kind from the present thinking expressed in the Lithwick report.¹ Amendments proposed but not adopted in late 1967 included an entire part of the N.H.A. (1964) devoted to urban and regional planning in New Communities and Urban Development Corporations. However, these provisions were dropped in the final Bill.

The problem in developing programs for replacing renewal was the changing operational values. For broad urban assistance programs, a variety of equally good delivery and funding conditions could be applied. Firstly, the task at hand was reviewing factors to be dealt with in creating either a modified Urban Renewal Program or a replacement, including: (a) whether assistance for C.B.D. redevelopment was to be included; (b) the level and type of support for big cost items under renewal (streets, utilities, land acquisition and clearance); (c) the

¹ L.B. Smith, Housing in Canada, Urban Canada: Problems and Prospects, Vol. 2, Ottawa, 1971.

process of area selection and the way it relates to Provincial expropriation powers; and (d) the planning approaches to be used in their relationship to systematic involvement of citizens.²

In the early sessions of program development, differing opinions of central issues for program thrust and organization were apparent. Initial support came for the physical area-based change oriented to the renewal format, albeit modified and under a different set of operating principles. However, upon further investigation, three viewpoints developed regarding the scope or replacement for renewal.

The Milne Report advocated a program which would provide funds for the creation of Community Development Councils which have a broad range of functions in lower income neighbourhoods.³ The Urban Assistance Group called for a Community Assistance Program (C.A.P.) which had a more limited focus on residential deterioration and an emphasis with N.H.A. funds on a porous of primarily physical improvements.⁴ The third alternative developed by the Sector Team introduced a range of programs including (1) Community Assistance for low to moderate income inner city residential areas; (2) Non-Residential Area Revitalization Assistance covering improvements in industrial, institutional and commercial areas; and (3) Urban Amenities Assistance covering matters

² C.M.H.C., Urban Assistance Study, Community Assistance, Volume 3, (Internal Document), 1972.

³ J. D. Milne, C.M.H.C., Urban Assistance Policy Study, Pilot Program of Urban Assistance Projects, (Confidential), September 1970.

⁴ C.M.H.C., Urban Assistance Study, Community Assistance; Volume 3, Internal Document, 1972.

associated with central city beautification..

Essentially, the choice was either a major intervention to establish new organizations for the poor and a fairly modest program geared to the kinds of neighbourhood improvement efforts in several cities, or a series of programs which avoids the need to load community assistance for other than residential improvement purposes, and which has an affect on their own.

The Team agreed that C.A.P. was the first priority, the rationale being that: (1) the program was of manageable size; (2) it met the immediate requirements for action; (3) it was closely related to the trends of Provincial and municipal thinking; (4) it was related to the kinds of proposals made by citizen groups; and (5) it provided a first step in the direction of wider planning models and changing values.⁵

Program Scope

As noted earlier, the redefinition of federal spending power required federal involvement being strategic, that is, affecting critical points for change. C.A.P. was to be limited in scope. As a leverage type program, C.A.P. was to be primarily but not exclusively directed to the lower end of moderate income residential areas of cities where prospects and hope for improvement existed, and to the extent that communities could express their priorities and aspirations and help effect their plan of action.

⁵ C. D. Crenna, Director, P.P.D., Personal Interview, February 1974, Ottawa.

The Objectives

In the context of program scope, a number of key objectives were established. Firstly, the assistance program was to contribute to the conservation of relatively stable neighbourhoods and mixed residential areas in central cities and smaller communities. The concern revolved around an emphasis on conservation and stabilization. It was believed that change should be promoted, but ensuring that such a change permits people to have more control and choice in the future of their community.

The second goal was minimizing the social costs of change and improving the quality of services in transitional areas to help residents to adapt to change. It was recognized social conflict is associated with transitional areas and C.A.P. could be part cause of such conflict by improving the prospects of those who wish to remain. Improving socially transitional areas from a lower to a higher status required provision and improvement of lower rental housing stock to ensure residents were not forced out of the area.

Thirdly, the program had to break the cycle of events leading to area deterioration by increasing the confidence of residents in their area's future. Broad support was given to improving municipal services, affordable rehabilitation assistance and increased community facilities and amenities. Fourth, the program had to support the community in order to define themselves together for strong constructive pursuits.⁶ Fifth, there was a need to promote new municipal approaches

⁶ The Winnipeg Community Council structure recognized this with Resident Advisory Groups representing their respective Ward.

to community and city planning, including tactical planning, interest based planning, neighbourhood planning and the promotion of citizen involvement in these strategies. Different planning models would need to be instituted either in an approach of a comprehensive plan, one best plan or an objective of a public interest plan. Finally, the program had to promote conservation of history and concurrently, to encourage a diversity of cultures and age groups in the central city.⁷

Based on these intents, the following operational objectives were devised:⁸

- (1) To limit ahead of time, the costs of the Federal Government;
- (2) To provide mandatory citizen involvement in setting community priorities;
- (3) To remove the Federal Government from detailed administration of projects;
- (4) To provide regular monitoring--an evaluation process which checks performance against objectives, and avoids abuse of program funds;
- (5) To strictly limit the use of expropriation under the program to individual sites for definable or agreed upon purposes; and,
- (6) To support and encourage locally developed initiatives under way prior to announcement of the program.⁹

⁷ Peter Bennard, op. cit., p. 30.

⁸ Objectives were crystallized in light of the Vancouvers' revised approach in Strathcona, where citizen opinions were garnered, from advocate planners' and architects' opinions concerning the Inglewood-Ramsay district in Calgary being threatened by an expressway, and in Toronto, the active concern of citizen involvement and city support in preserving neighbourhoods.

⁹ Urban Assistance Study, Vol. 3, op. cit., p. 127.

In view of these objectives, the study team was now faced with either modifying urban renewal or creating a new set of operation principles. The contrast of these approaches was the planning approach used.

A modified renewal approach would tend to retain the designation of areas as the only suitable means of controlling program impact and cost. It would also require retention of the Scheme preparation process as a way of allowing planning and investment decisions to be linked, particularly with regard to basic infrastructure. Moreover, citizen involvement would be via the municipal planning process rather than providing them with federal resources.

For the program study group, the concept advanced would eliminate a prior area designated by a municipality as a method of defining future intentions and limiting program costs. An area was to be defined by residents and then indicated as such by the Province. Secondly, the legislation would eliminate the reference to blighted or substandard terms and remove any grounds for blanket expropriation powers over an area. Thirdly, Scheme preparation, as a prerequisite to area action, would need to be dropped and, instead, base the Scheme on a municipal-citizen view of the area's future which would become increasingly well defined as planning progressed. Only on major investment items would municipal implementation be essential, but with cooperation from residents being desirable. Fourth, it was also determined that citizen involvement in the planning process be one of initiative in fields normally open to actions by private and voluntary organizations in rehabilitation, social services and clean-ups. Fifth, the program must provide for implementation of area improvement proposals as fast as both parties to the

process are able and willing to act in concert. Finally, federal costs would be controlled by making the budget known via legislation, and by providing for a one-year cessation of funding commitments at the conclusion of the program.

Community Assistance Areas:

Four options were proposed in selecting target areas. The urban renewal approach designating areas based on physical blight would clearly set limits as to what is to be done. However, this strategy could cause acceleration of decline by inducing a low morale among residents and laying them open to general expropriation under Provincial legislation defining renewal as a public purpose. A second option was element designation on a city-wide plan of action. Area designation is avoided and allows for a wide range use of funds geared to components such as rehabilitation. The problem is resulting pressures on budgets by diffusion of improvements over large areas. A third option was using the entire municipality as a basis for action, particularly for smaller centres where greater control is possible. The final and preferred option was self-designation of areas on the basis of resident proposals for action generated through a city wide proposal call either at the city or national level. This approach supported mandatory citizen involvement and set the stage for greater resident trust of municipal intentions.

Community Assistance Functions

Other than local development proposals, the team saw four main elements of community assistance, namely: (1) planning; (2) rehabilitation of buildings; (3) improvement of basic infrastructure

services; and, (4) provision of community facilities and services as they relate to the planning and improvement process, and including temporary or permanent relocation assistance and coordination of the areas' social services beyond those associated with physical improvement.

Planning would necessarily include aids to citizen planning, municipal site offices, resource surveys and training of staff. The planning process would be conducted on a workshop or committee basis but also utilizing consultants and municipal staff for advice and ideas.

Rehabilitation would include a grant/loan system for individual units. Low interest loans would apply to non-residential rehabilitation and conversions, spot acquisition and clearance. Temporary relocation assistance due to clearance/rehabilitation was envisioned.¹⁰

For basic infrastructure improvements, grants for rehabilitation of services and loans for construction and/or upgrading services for future redevelopment were considered. The main concern was controlling costs and avoiding program distortion to gain maximum funds.

Community Assistance--Planning Process

The planning process models considered by the team were (1) a planning approach similar to renewal but with a conscious effort to involve citizens; and (2) a planning approach based on a new program concept.

¹⁰ Removal of non-conforming uses, technical advice, enforcement of standards, housing surveys and staff training were included in this element.

It was agreed that the former approach was conceptually and administratively tight. The favoured strategy was where action and planning proceeded simultaneously.¹¹ The basis for this tactical planning was as follows:

- (1) The municipality and residents are jointly involved throughout the program;
- (2) The two parties operate on the basis of a minimum common program;
- (3) Certain items can proceed rapidly, while others require review in the context of the area's present and future needs (a community development plan);
- (4) The plan is a continuing record of cooperation between the municipality and its residents; and,
- (5) The legal device for agreements and funds is under a phased contract within which a known dollar amount over a specified period of time is subject to successive action plans-- investment of any magnitude requires an overall concept.¹²

The first objective of the process was to define area needs and to ensure that the municipalities' future actions will be governed by the improvement process. This step was considered to be the key to improvement actions. From this point--the skeleton of what is proposed--there was then the question as to the nature of citizen involvement, the provision of planning assistance mechanisms by which funds are controlled at the federal level, and the level of support by individual elements.

¹¹ Urban Assistance Research Group, Vol. 5, op. cit., p. 81.

¹² Ibid., pp. 121-159.

Models for Citizen Involvement

Drawing on the American experience of maximum feasible participation, the team decided on a structured 'in' option involving the provision of planning funds to both the participants and municipalities, unless a community development corporation was instituted. Citizen input was viewed as primarily one of specific proposals.

The adoption of one of many participation models was envisaged. These included:

- (1) A citizen advisory council as advocated by the Community Assistance Group;
- (2) Municipal workshops similar to those used in the Strathcona and Trefann Court projects;
- (3) A joint planning committee;
- (4) A proposal call technique followed by a citizens' community plan or joint committee;
- (5) Citizen community plan jointly developed by area residents and, possibly, in association with a non-profit corporation.¹³

With these two elements of the program, the funds could be provided on an initial seed basis to the groups via the federal or municipal level.¹⁴

In essence, the proposal called for certain fundamental principles, namely: (1) that different approaches be taken, depending on local conditions and needs; (2) the controls came in various stages of agreement signing; (3) development of either a sophisticated or fairly

¹³ C.M.H.C., P.P.D. Positions on the Replacement of Urban Renewal (Confidential), Ottawa, 1971.

¹⁴ It was considered critical that a direct federal-citizen link be retained, and that to reduce conflicts, leaders must be able to secure agreement from residents before action commenced.

simple neighbourhood plan; and, (4) if citizens wish action but cannot secure municipal involvement, they have recourse to support those elements which any private group can carry out on its own.

Only mandatory citizen involvement proposals could cause difficulty in the government sphere. This aspect was based on the assumption that a program worth developing should not conflict with the interests of affected residents, and that people requiring action do not wish the plans made in their absence. Citizen involvement from the outset would avoid useless conflict and confrontation.

Community Assistance--Federal Control

The prime concern was keeping federal contributions within reasonable limits. This raised the question as to whether or not a shared cost formula be employed, that the type and amount of support be varied by element, how the funds were to be delivered by the Province and municipality, and, finally, how total funds were to be limited by conditions and budget control.

Financial controls, that is, insuring funds are spent as intended, were to be clearly linked with Performance controls which meet program objectives. Mechanisms for the former would necessarily provide leverage for the latter. Within each, two controls were considered: first, a pre-audit role where government participates in decisions as to what is to be done, and, second, a post-audit role, where what has been done is checked as a guide to future action.¹⁵

¹⁵ A financial post-audit would mean the conduct of the program is left entirely in provincial-municipal hands. A full range--from performance pre-audit to financial post-audit would have been similar to the urban renewal level of control.

The proposed direction was a flow of funds going from performance post-audit to check the previous year's activities on a project by project basis, and a financial pre-audit to review on a Province-wide basis, the plans for the coming year (and check for misuse of funds). This would allow for an inter-annual and inter/Provincial shift in funds over the five-year term of the Program. Finally, there would be a financial post-audit linked to the performance post-audit to provide a basis for financial accountability and program evaluation. The controls could then be linked by a Federal/Provincial partnership, or by a block grant/loans approach.

Two alternatives for Provincial-municipal financing participation were possible--(1) to require shared program costs; or, (2) to provide block grant/loans without the shared cost requirement. The former offered the advantage of ensuring municipal and Provincial participation and make certain kinds of pressures less likely to appear than if a 100% dollar is provided. However, the renewal program indicated that shared costs were no guarantee against commitment escalation. The alternative was to fix a total five-year budget which could only be altered inter-annually. This gave the advantage of allowing a variable Provincial-municipal contribution depending on capacity, and, for poor Provinces, a chance to participate around the Federal contribution. The possibility of a shared cost formula of varying the federal contribution was discounted in favour of a 50-50 split, thereby avoiding any other arbitrary figure. Yet this option necessitated a grant/loan schedule.

The proposed direction was a variable Provincial-municipal

contribution, committed prior to federal funding to a project for the non-infrastructure elements. Infrastructure elements would be supported on a 50% grant basis with the possibility of a further 50% loan at C.M.H.C.'s discretion. While possible administration problems could result, it would nevertheless provide a 'check' situation.

In essence, a federal cost control route was paramount. The conditions serving this objective were as follows:

- (a) by function performed under the program;
- (b) by actions (e.g. planning) carried out by other governments;
- (c) by the extent to which the process is being used (e.g. to bring citizen values into consideration);
- (d) by the extent other governments pass enabling and supportive legislation (e.g. municipal occupancy and maintenance codes);
- (e) by the extent to which money from other sources is being provided (e.g. C.M.H.C. funds introduced following a tapping of Provincial and municipal resources);
- (f) by the extent of municipal financial capacity to undertake proposed plans; and,
- (g) by total budget commitment control (as noted above).¹⁶

Finally, for allocating federal funds among the Provinces, a number of options were possible, namely: (a) per capita; (b) a formula based on fiscal capacity and extent of need; (c) negotiated on the basis of projected Provincial program activity; (d) a per capita maximum depending on program activity; and, (e) on demand following program submissions. The proposed route, in view of cost control and flexibility, was one which set an initial five year per capita maximum, subsequently adjusted interannually depending on program activity.

¹⁶C.M.H.C., P.P.D., Vol. 2, op. cit., p. 175.

Community Assistance - Delivery

The program would necessarily require a number of prerequisites for participation. At the municipal level, it was obvious that a trade-off be made between setting requirements which maximizes program effects on institutional change, but which may be generally attainable by the municipality, and setting such low requirements that the main objectives of the program itself and where the viability of investments made under it, are jeopardized.

The realistic direction was to provide more relaxed standards barring major administrative and political problems. Thus, the preferred prerequisites included the existence of a nucleus for a delivery mechanism, and the recognition and subsequent allocation of resources for viable community level planning and interaction. No one model was to be adopted. A choice of mechanisms included community and neighbourhood development departments, a social development section, a system of neighbourhood city halls, and a community development corporation. A further prerequisite was the existence of an enforcement system such as maintenance and occupancy bylaws. As an adjunct to these aspects, there was need of a basis for ensuring reasonable stability within residential areas over a reasonable time frame either by an official plan or overall zoning bylaw.

Critical in obtaining these objectives was the political commitment of municipalities measured in the passage of enabling legislation to finance its part of the program and to develop its organizational capabilities to participate.

Summary

From the Federal standpoint, the major advantage of the community assistance proposal is that it formed a manageable response to the real social needs beyond political consideration. Moreover, the municipal planning process and resident expectations in many locales were being geared for such a program. Properly launched, the strategy could be the centrepiece for reversing the deterioration process. However, program impact would vary. Smaller communities, given the role of regional economic forces, would not benefit as well. But, at the minimum, the quality of life for the remaining years of the community's existence was expected to improve.

The main question at hand was whether or not the program was at the edge of or answering many of the root problems of urban centres. In essence, program impact in larger centres could be as much symbolic as physically and socially noticeable.

CHAPTER VIII

THE RESIDENTIAL REHABILITATION ASSISTANCE PROGRAM

Introduction

C.M.H.C. has historically favoured mechanisms and subsidies geared to new construction and renewal. Policies relating to improvement, rehabilitation and preservation were less in number and poorly promoted.

As early as 1960, government at all levels realized that existing housing could be used for low and moderate income households. However, the N.H.A. was not amended until 1966 in order to permit direct loans to existing housing (Section 40). Amendments to the Urban Renewal section of the Act in 1968 allowed C.M.H.C. to provide grants to municipalities in order to acquire and improve residential units. However, the 1964 amendments, giving the opportunity to raise the cities' tax base through redevelopment, continued to be an overriding priority. Even in more stable renewal areas, the opportunity for rehabilitation met with little success. This was not a fact of resident disinterest, but rather their inability to cope with the financial burden of rehabilitation standards required by renewal authorities. Public housing programs also failed to emphasize use of existing housing despite the lower cost (including subsidies) compared to new units.¹

¹ Less than four percent of the low income units produced in the past twenty-five years were comprised of existing units. Sections of the N.H.A. dealing with the production of low income housing were amended at times to allow for acquisition and improvement of existing units.

In the late 1960's and early 1970's, C.M.H.C. viewed rehabilitation with increasing concern, a response generated, in the main, by pressures from other Federal departments, and the attitudes of citizen groups involved in renewal actions. The A.R.D.A. and F.R.E.D. programs, aimed at comprehensive rural development plans, were the first initiatives C.M.H.C. responded to. In 1968, C.M.H.C. announced they would seek legislation to permit residential improvements in F.R.E.D. centres. However, the recommendations did not result in legislation. Additional pressure came from the activities of the Canada Assistance Plan (C.A.P.) This plan allowed the Federal government to enter into an agreement with the Provinces to share 50% of the cost of providing a person in need with shelter. However, the majority of funds were directed to the rural areas and small centres in Newfoundland and New Brunswick. Funds for upgrading units, while not geared to N.H.A. standards, proved to be a successful stop-gap measure and, initially, served to reduce pressure on C.M.H.C. to design a comprehensive rehabilitation program.

A key source of pressure was neighbourhood opposition to public and private redevelopment. Over a relatively short time frame, citizen activity was most evident in areas such as Strathcona (Vancouver), Urban Renewal Area #2 (Winnipeg), Napier Place, St. James, Trefann Court and Don Mount (Toronto) and Milton Park (Montreal). In response to these pressures, several rehabilitation projects were funded under the Federal government's 1970-1971 \$200 million Innovative Housing Program. However, any measurable success of the program was due to project loans not being geared to N.H.A. standards. Yet, success was limited, and only then, to renewal areas. Where funding was possible,

the Act required the Corporation obtaining a first mortgage on the property. The fact that C.M.H.C. would not lend on second mortgages indicated the Federal government's desire to maintain a minimum risk position.

In a study rehabilitating efforts across Canada, a number of crucial conclusions affirmed these and other issues and problems, namely:

- (1) The greatest interest in rehabilitation results from citizen opposition to clearance, redevelopment and group interest in preservation and conservation.
- (2) Even when governments prefer to support rehabilitation, legislative limitations for funding below market rates of interest restricted response from low income owners who could not (or were unwilling to) enter further into debt.
- (3) For those accepting loans, lending terms and conditions weakened the program's effectiveness (e.g. first mortgage necessitates most funds being used to refinance existing debt, N.H.A. standards raising the cost of repairs, etc.).
- (4) A resident's low income was significant reason for failure to make repairs. Of equal importance was the municipality's lack of confidence in the area's future--governments relied of redevelopment and not enforcing codes.
- (5) In reacting to these conditions, the institutional lenders refused to make loans in deteriorating areas. Fire insurance companies followed suit.
- (6) Despite the 35,000 N.H.A. Home Improvement loans made since 1955, the attitude was that the government still talked in terms of pilot and demonstration rehabilitation projects.
- (7) Most projects focused on rehabilitation problems of the homeowner, and not those of the tenant. There was an administrative and political unwillingness to compel landlords to increase their investment without an increase in profit. No mechanism existed to deal with the increase in rents which would ensue. The problem was accentuated since older buildings could not be written off on the basis of depreciation.³

³See Peter Bernard and Associates, op. cit. The conclusions were based on investigations in Quartier St. Edward (Montreal), North End (Hamilton), Alexander Park and Trefann Court (Toronto), City of Toronto Demonstration Project, Strathcona (Vancouver), North Point Douglas (Winnipeg), Central Neighbourhood House (Toronto) and case studies in Great Britain and the U.S.A.

The 1961 Census revealed some 255,000 units in need of major repairs and 726,000 requiring minor repairs.⁴ By 1970, the figures likely increased; Section 24 (N.H.A.) loans had decreased substantially and local monitoring indicated two percent of new housing built since 1960 required major repairs.

Program Scope

The Federal Government's definition of what rehabilitation entailed was to prove critical in developing policy. In this context, it was obvious that any strategy would need to complement community improvement objectives.

The team evolved a rather broad concept of rehabilitation with the following principles in mind:

- (1) Essentially, rehabilitation was to be a physical program to provide basic facilities such as plumbing, heating, electrical and structural repairs.
- (2) Qualitative improvements were to be made beyond basic facilities to local standards based on the life of the dwelling.
- (3) It was necessary to ensure an equitable balance of social costs and benefits of physical change involving demolition and redevelopment as they affect the community and those conserving existing stock.
- (4) The strategy should ensure that the potential qualitative benefits of rehabilitation will be available to all socio-economic groups in both urban and rural areas.
- (5) The program ensures maximum initiative and choice, compatible with residential health and safety standards, and is left to residents on a group or individual basis.
- (6) The program should promote technical research and upgrading development standards, inspection, guidance and administrative procedures.

⁴ D.B.S. Annual Report, 1961.

- (7) The prime concern was the urban area where population pressures, high land costs and intensity of redevelopment projects forced low income people to relocate in lower quality housing, or public projects. Since the low income sector was restricted on the open market, rehabilitation could increase the quantity and quality of lower cost housing, as well as realize a cost saving viz-à-viz new housing.
- (8) Where neighbourhoods were caught in the cycle of deterioration, rehabilitation could serve as the prime element of community assistance to revitalize and bring confidence and stability to the neighbourhood.
- (9) Rehabilitation would create a wider economic impact, including employment generation. This of course would be dependent on the amount of funding and the nature of work undertaken.⁵

Policy Orientation

The problem was the lack of investment in renewing older units. The cause was primarily a lack of money and/or incentive devoted to repair and maintenance. Accentuating this situation were the original deficiencies of the units prior to the introduction of building codes.

The program envisioned would be directed to increasing the supply of housing stock as well as upgrading the quality of the unit without dislocation of its residents. Financial incentives would therefore be geared to reach the needs of lower income occupants without causing increasing debt or rents and without requiring subsidies as heavy as public housing. "In essence, the program is geared to reach those locales unable to take advantage of subsidies which public housing offered. Moreover, if the average subsidy required was \$2,000.00 capitalized over eight years, this represented \$20.00 per month or one-fifth of the \$100.00 per month subsidy cost of a new public housing unit."⁶

⁵ C.M.H.C., P.P.D., Residential Rehabilitation, Internal Document #3, Ottawa, 1972, pp. 7-15.

⁶ Ibid., p. 27.

The rehabilitation effort in the near and mid-term was to begin slowly in order to provide sufficient lead time for local actors to gain the necessary resources and skills. The program would reach its peak in the third year of operation and then wind down and phase out in the early 1980's. If the impact proved positive, then long term policies could look to increasing the demand capabilities of lower income householders.⁷ Moreover, long term policy could address itself to new and future stock built in compliance with performance codes and, possibly, uniform construction controls. Maintenance could then be assured through conservation measures which are less costly in economic and social terms (that is, avoiding high capital improvement costs and disruption of families). Techniques such as plug-in replacements would also facilitate the conservation process.⁸

Policy Related to Competence

If rehabilitation was to be universally available, then the socio-economic and administrative dimension of the problem would prove critical. Thus, the abilities of the three main actors--government, the public and industry, in these matters had to be questioned.

At the federal level, some innovative design, organizational and

⁷ Similar recommendations were presented in the Dennis and Fish Report. See Michael Dennis and Susan Fish, Programs in Search of a Policy - Low Income Housing in Canada. Hakkert, Toronto, 1972.

⁸ Not discounted was the philosophy that the life of the stock may be shorter than previously due to population mobility, the desire of choice among clients, functional obsolescence, and rapidly changing technologies in design and construction.

funding experience was gained with the 1970-1971 Innovative Housing Program. However, technical information was still lacking. At the local level, where the main responsibility would be in terms of administration, technical skills relating to surveys, inspections, standards, program operations and resident guidance/self-help, there was little expertise. The public was also suspect. Studies indicated owner-occupiers had the initiative despite financial handicaps. Improvements were made on an incremental basis when they could afford it. This was a preferable route compared to incurring loan debts. Landlords, too, were deterred from improvements, realizing the tenant could not absorb higher rents. A further constraint was the increase in property taxes as a result of the improvements to the building.⁹

For the building industry, its representative, the Housing and Urban Development Association of Canada (HUDAC) admitted little experience or interest in the rehabilitation field. Their reasoning was based on numerous factors, the more important ones being: (1) the absence of a sustained program; (2) the impetus and greater profit of new development; (3) the unpredictability of rehabilitation; (4) the organization trades making rehabilitation teams difficult; (5) the lack of opportunities for economies of scale; (6) the difficulties with residents in the entry and timing of work; and (7) the limited costing experience and published rehabilitation technology.¹⁰ Given this situation, it was likely more

⁹ Some municipalities adopted a policy which did not increase taxes following genuine maintenance measures (viz-à-viz improvements and additions) Ontario presently suspends such increases for a three-year period.

¹⁰ Report on Canadian Conference on Housing Rehabilitation. Report to A.S.Dye, C.M.H.C., from M. Andrassy, Program Manager, Urban Renewal and Public Housing Division, C.M.H.C., 145-3-3/4-3, November 16, 1973.

appropriate to train general trades and smaller builders who found it difficult to compete in the new product market. Moreover, the industry would need to apply specific research to producing replacement components at an affordable cost in order to serve the needs of the client group.

In view of the rehabilitation thrust recommended, the options available to the Federal government were threefold. The first option considered was postponing aid pending implementation of universal programs to close competence gaps. This would be sympathetic to budget constraints and lead time requirements, but raised the question of fulfilling immediate needs. Yet, as the U.S. and U.K. experience demonstrated, the skills and organization could progress as the program developed. However, the low profile would not prove politically appealing; the strategy would likely give the appearance of more studies than action, and, thus, fail to give support to governments who have taken rehabilitation actions.

The second option was ignoring the gaps, introduce a program, and allow gaps to fill as the program developed. However, this route could have an adverse effect on the thrust and creditability of government as well as an unclear cost impact.

The third option was introducing on a universal basis competence aids and substantive program aids concurrently, thereby requiring integration of the rehabilitation thrust with community assistance. This would prove a positive response to those governments (e.g. Province of Quebec, the cities of Montreal and Vancouver) who had taken the initiative. As the Team noted:

"A staged closing of competency gaps will establish a controlled momentum to the costly substantive aid program and thus, fit in with desire to limit the program's expense initially."¹¹

The staging would also complement urban assistance and act as a lever for implementing such policy. In total, this option was preferred.

Geographic Distribution

A second policy issue was whether or not the thrust of the program should be in rural and urban areas or urban areas only. A related question was should the program favour one region over another?

There were obvious reasons for justifying rural assistance. Statistics revealed that approximately one-half of the one million units in a state of 'fair' repair were in small communities and rural areas.¹² The Lawson Rehabilitation Study (Ontario) indicated the percentage of substandard buildings in rural areas is higher than in urban areas, the income is lower and the need the greatest. However, rural problems are compounded by a lower level of competence by local governments than urban governments. In unorganized areas, governments may not exist and, thus, the responsibility falls to the Province.¹³ A further consideration is the different life styles and expectations in rural areas. Minimum standards would need to be determined locally in order

¹¹ C.M.H.C., Residential Rehabilitation Policy, Working Paper #3, Ottawa, p. 20.

¹² C.M.H.C., Annual Report, 1971.

¹³ Ministry of State for Urban Affairs, Developing Effective Housing Programs, Unpublished Report, August 1972, p. 61.

to fit the needs or protect diverse life styles in different areas. It was clear that if rural areas were to be assisted, a universal program would have to allow flexible interpretation of local standards.

With respect to a rural and urban thrust on a universal basis, the question of disposition of limited resources was critical. The government realized it could not afford a policy that every inadequate dwelling in Canada deserved aid. On the other hand, the thrust, if directed toward need, would benefit the poorer Provinces. Similarly, there was little doubt the program should cover older urban areas, especially those which received special urban assistance and where the demand existed. Moreover, rehabilitation assistance would be desirable when contributing to conservation. However, the problem presented in rural areas was the situation of rural abandonment and the poor condition of buildings. How much money was to be invested given an unclear return? While a comprehensive program could be delayed to assess this picture, it was obvious, in view of need, to provide assistance, but with a condition that units have an expected future occupancy life of (say) fifteen years.

With a universal rural and urban thrust, the options to be considered regarding the geographic format were: (1) pilot demonstration projects in selected urban areas, towns and rural areas; (2) universal distribution; and (3) universal priority where certain areas would be excluded based on evidence of lack of confidence, but modified where rural areas could be placed at a disadvantage.¹⁴ Option 1 was rejected

¹⁴ C.M.H.C., Residential Rehabilitation Policy, Working Paper #5, Ottawa, 1972, p. 50.

due to it posing an image of inaction, and lacking a response to initiatives taken by other governments. Option 2, while presenting a high profile and response, would likely exceed local competence levels, thereby necessitating high budget costs resulting in rationing and possibly frustrating program objectives.

Option 3 was the preferred route since it could be mounted while limiting initial costs. Moreover, the scope of the program would comply with objectives of universality and also generate incentives to develop local government confidence, and direct resident pressures at local governments to respond to Federal initiatives. Equally important was its ability to control budget demands as well as convey a high program profile and complement urban and rural assistance programs.

The question of what decision criteria are to be used and who is to apply them was obviously a matter to be negotiated with other Federal departments, the Provinces and municipalities. Criteria for rural areas would not likely be universal or rigid, but based on need if occupancy is sufficiently long term and depending on the nature of the improvements. In urban areas, the criteria were to be more complicated, although tying assistance, initially, to community assistance simplified the problem (i.e. N.I.P. areas designated as a result of local resident initiation and with municipal concurrence). "Sufficient criteria may be present if the municipality was willing to undertake infrastructure improvements, rezoning etc. to ensure the prolonged life of an area and its units"¹⁵ Eventually, the program at its mid range would be available

¹⁵ Ibid., pp. 79-80.

outside N.I.P. areas and, again, the expected future life of the unit would (likely) be the ultimate criterion. More detailed criteria and regulations would be orientated toward this aspect.

Standards and Physical Controls

In Canada, investigations concerning occupancy and maintenance bylaws revealed the following commonplace situations:

- (1) Not all Provinces have enabling legislation for these standards;
- (2) In Provinces with enabling legislation, few municipalities have adopted such standards;
- (3) Municipalities with such standards do not enforce them except on a complaint basis, or where an Urban Renewal Program exists;
- (4) Municipalities interpret minimum standards differently than C.M.H.C. (e.g. 1970-1971--Special Program).¹⁶

The problem was the extent of control over standards and the extent of standards. The solution was a compromise between the need to determine absolute housing standards for all residential rehabilitation which will assure the health and safety of residents, and a need to reflect municipal-based responses to urban change, as well as resident initiatives, choice and aspirations. At the time of program development, federal controls over standards did not offer a choice to local residents or respond to their initiatives. This situation would not only contradict participating objectives of community assistance envisioned, but also require high subsidies to implement.

¹⁶ G. D. Milne, Urban Assistance Review, Vol. 6, C.M.H.C., 1971, pp. 67-73.

For political and technical reasons, C.M.H.C. would take a low profile with respect to standards. However, "the Corporation will adopt minimum standards to ensure safety/health conditions, the economic viability of rehabilitation, and facilitate economies of scale in relation to the mandatory nature of standards."¹⁷ The standards developed by municipalities would facilitate the opportunity to respond to local lifestyles, and to lease the initiative and responsibility with a level of government best suited to apply standards as well as relate to the competence option under community assistance.

The responsibility for local control and administration would also be favoured given standards developed at the local level and in their relation to planning and development policies facilitating direct resident involvement. Certainly, if C.M.H.C. played a dominant role, conflicts with regional or local differences would prove a costly and complex situation for the Corporation. As the Urban Renewal Program aptly demonstrated, C.M.H.C. dominance created complexities eventually leading to delays and organizational difficulties.

Funding Mechanisms

From the outset, the necessity for subsidies was established. "This is a key response to and thrust of rehabilitation."¹⁸ However, different mechanisms had been tried in Canada and with questionable results.

In Toronto, loans were provided with interest rates geared to income. The plan proved undesirable since it assumed residents can in

¹⁷ G. D. Crenna, Memorandum 176/71, C.M.H.C., 1972, p. 2.

¹⁸ G. D. Crenna, Personal Interview, February 1974.

all cases afford to repay the capital outlay for work. Many people did not have the resources to afford the higher rents or place themselves in greater debt.

In Montreal, the three levels of government established a grant equivalent to forty percent of the necessary work. This formula assumed a transfer of ownership of properties involved. Properties were acquired by private individuals and/or non-profit groups and rehabilitated to the standards of the Montreal Minimum Housing Occupancy Bylaw. Unfortunately this process had to be undertaken in one season, thereby limiting the use of the program.

The Vancouver option offered a flat cash grant, the amount not exceeding the amount of work done. This option proved costly and uncontrollable. Moreover, the grants did not relate to federal priorities regarding minimum federal standards of health and safety.

The problem was creating a funding mechanism which encouraged a national standard of housing quality, but without actually dictating a standard to local and Provincial governments. This was the rationale for Federal involvement.

A number of routes were possible. The first option was providing full grants to all homeowners, non profit and community development organizations to cover the cost related to all rehabilitation measures which fulfill local minimum standards. This had the advantage of avoiding the stigma of a means test as well as simplicity of operation for C.M.H.C. The disadvantage was that it could limit financial participation by other governments, thereby creating a high federal subsidy cost. Moreover, it could also act as an incentive to the

rehabilitation industry to raise costs. Finally, the option would require a major amendment to Federal legislation and, in particular, the Federal Income Tax Act.

The second route considered was universal loans at market rates of interest for a fixed term. The term would relate to the future life of the property with the loans providing an annual adjustment forgiveness feature subject to a means test for all or part of the capital repayment and/or for all or part of the annual interest payments. This option offered the advantage of a forgiveness subsidy which had a lower welfare profile and, moreover, no hidden subsidy in relation to the cost of money. While the annual flexibility/forgiveness feature was a direct response to resident needs, the inherent administrative complexities and major changes to N.H.A. were obvious problems to contend with.

A third alternative was selective income geared grants to all homeowners and non-profit and community development groups to cover costs up to local minimum standards, with an income geared preferred loan for the balance of rehabilitation work. In this case, moderate budgeting demands and income geared subsidies were more politically acceptable. The disadvantage was a minimum choice range for low income residents.

A preferred route was providing limited grants to all homeowners and non profit groups to effect repairs and/or deficiencies related to critical minimum standards established by C.M.H.C. The remainder of the work would be financed by income geared grants and/or subsidized loans in meeting specified C.M.H.C. standards. This allowed for the elimination of high cost universal grants, but still retained administration complexities.

The next logical route was selective income geared grants to all homeowners and non-profit and community groups on a fixed sum basis or on the cost of improvements according to local minimum standards. This had the advantage of providing subsidies in areas with permissive standards, thereby giving residents an element of choice. In addition, the control over budget demands and deterring industry in raising costs were critical advantages.

In weighing these options, the main criteria in governing choice were ease of administration, preference of individuals (or client groups), particularly those of limited income, the individuals' means of interaction with their government(s) and, paramount, the control over program costs.¹⁹ In this context, the latter two options were preferred.

The mechanism was to work simply. To ensure grants were utilized for rehabilitation projects which have a high federal priority, it was proposed rehabilitation be divided into two classes: (1) Class "A" work which provides certain basic minimum standards of decent, safe and sanitary housing, and (2) Class "B" work geared to making more convenient and livable housing and in meeting local occupancy bylaws.²⁰

¹⁹ A. S. Dye, to M. Andrasy, Memorandum 37-5, C.M.H.C. Ottawa, November 16, 1972, pp. 2-3.

²⁰ Class A included repair and preservation of the house (roof, foundation, exterior walls, staircases, drainage, etc.) (2) plumbing (hot/cold water, toilet, sink) (3) heating system and insulation (4) electric wiring. Class B includes improvement, extension and maintenance of plumbing, heating and electrical system (2) improvement of exterior (painting, verandas, brickwork and changes in interior layout).

Class A work, with predetermined costs (labour and materials) would be covered by grants. A maximum grant of \$2,000.00 was suggested. The requirement for a grant entailed that the recipient inhabit the unit for at least five years. To avoid windfall profits, the grant would be recoverable progressively should the unit be sold within five years following improvements. In order to receive grants, it was determined that the existing unit must have a useful life of at least 15 years. The grant covering the costs could vary (75% to 90%) depending on the area of concern or priority.²¹ The key was that the percentages were variable based on the situation at hand.

Class B work, fulfilling a family's need, comfort, convenience and livability via maintenance viz-à-viz decoration or personal taste, could be implemented by grants and loans. The choice was dependent on administrative ease to the recipient. Requirements of future occupancy would be more strict since the loan was subject to repayment.

It was estimated that from one-half to two-thirds of the needed rehabilitation in urban areas would be for rental properties. The program envisioned saw the possibility for non-profits, cooperatives and community development groups to replace the landlord in some cases.²²

²¹In rural areas, the recipient could provide his own labour while 75% of the grant would cover the cost of materials. In high priority areas (N.I.P. areas), the grant could be as high as 90%.

²²This philosophy was considered in light of the Income Tax legislation before Parliament which would deny capital writeoff on rental investments. The enforcement of Occupancy Bylaws would also prove a burden to the landlord. Either factor could be an inducement to sell the property.

The dilemma posed in reaching tenants is that money invested in the property expected a return and, hence, a raise in rents for many lower income tenants.

Given these matters, two general options were considered. First, market rate loans could be provided to all landlords together with tenant rental supplements to cover increased rents in relation to costs up to critical components or a full range of minimum standards. This would obviously appeal to the landlord and to a lesser extent for tenants. This alternative would also prove costly given the need to cover past disinvestment in the property. Moreover, administration would prove complex.

The more viable option considered was the fixed sum grant to all landlords to cover critical minimum standards, but conditioned upon no rent increases as a result of these improvements for a fixed number of years. This route facilitated budget control, i.e. limited subsidies. Moreover, it would appeal to tenants for the period of rent control, although possible tenant/landlord problems could arise following the control period. While the incentive to the landlord under this option was unclear, the program envisioned would provide grants to the landlord on the same basis as the homeowner, and including the landlord agreeing to some form of rent control for a period of five years.²³ Limited rental increases would be allowed for normal maintenance and operating costs.

²³ A further enticement to landlords was the possibility of a deferred repayment of additional rehabilitation loans.

Delivery Systems

A major issue was the provision of a delivery system which minimized procedural complexities, permitted individual government initiative, and which was receptive to the recipient. The strategies considered were: (1) intergovernmental subsidy cost sharing and (2) the subsidy delivery mechanism, including the responsibility for physical controls and related administration.

(1) Subsidy Financing:

The two alternatives for financing were (1) Federal-Provincial and/or municipal cost sharing agreements, or (2) exclusive federal funding. Cost sharing provided the advantage of reduced costs to any one level of government as well as being responsive to those Provincial or municipal governments who were already providing subsidies. However, the disadvantages were inequities resulting from the inability or unwillingness of other governments to agree to a uniform subsidy, the inequities resulting from need for different unit amounts, and the conflicts of intergovernmental priorities. Moreover, the inability of those Provinces to share the costs would (likely) lead to negotiation of a cost sharing formula.

This option was not favoured initially. It was recognized that previous projects such as those in Vancouver and Montreal, and rehabilitation under the Canada Assistance Plan were on a cost sharing basis. The question was whether or not governments would tolerate this feature again, particularly in the Atlantic and Prairie Provinces where the need was greatest and, thus, the cost burden to them would be more severe. This rationale was of course dependent on local/provincial

actions which complemented rehabilitation.

Exclusive federal funding had the advantage of easier budget control, and in relation to other federal priorities, a high profile and impact. This route would assure equity of aid to all residents in all regions, and would not exclude aid initiatives by other governments if treated as a separate program, or disrupt budget priorities of each level of government. The approach could also facilitate subsequent distribution of aid as well as avoid inter-governmental negotiations concerning the level of aid. On the other hand, the main concern was the higher cost imposed entirely on the Federal government. However, it was considered the more preferable route as a positive response to objectives on a universal basis.

(2) Subsidy Delivery:

If financing of subsidies and loans were to be a federal responsibility, it was not necessarily desirable that the delivery or program be exclusive of provincial and municipal roles. Quebec for example, preferred bulk annual grants which allowed simplicity and avoided duplication of delivery costs to the ultimate recipients.²⁴ However, it was envisioned that the development of a delivery mechanism would vary amongst the provinces and between urban and rural areas. Thus, a variety of mechanisms were to be available. Large municipalities with the necessary resources would be the main vehicle, while in other cases, C.M.H.C. would play the key role.²⁵

²⁴Bulk grants to municipalities were considered. This had the advantage of delivery by a body closest to the recipient, and relatively easy administration for the senior government. The disadvantages were the Provinces likely objecting to the direct federal-municipal link and the capability of small municipalities to develop viable mechanisms.

²⁵The same strategy would also be applied to the administrative function.

Summary

R.R.A.P. was a vital element in the community assistance strategy. The upgrading of housing units as well as public facilities was a practical approach in answering the needs of the community. However, there were a number of key decisions which could ultimately determine the impact and success of R.R.A.P..

From a political viewpoint, the first issue was the extent of funding and method of subsidy financing. Unit rehabilitation was construed as a costly objective and one which had to be severely controlled, but without restricting demand and/or limiting basic improvements to the unit.

The related issue was controlling demand by limiting subsidies to either urban or rural communities. In the case of urban areas, the demand and cost could be controlled by limiting rehabilitation assistance to N.I.P. areas only. Although this approach would satisfy Federal government concerns, it would no doubt result in public criticism.

The initial policy had to reach a fair compromise. To this end, the Federal government would make a cautious decision. Initially, R.R.A.P. would be limited to N.I.P. designated communities and 'special districts'. A concentrated and comprehensive effort was considered the best approach since it would respect budget constraints as well as improve the overall success of N.I.P. and R.R.A.P..

CHAPTER IX

LEGISLATIVE IMPLICATIONS OF N.I.P. AND R.R.A.P.

Introduction

As noted previously, the N.H.A. had provided little assistance in upgrading housing for low income groups. A number of Sections clearly indicated this problem:

- (1) Part I (N.H.A.) applied to insured N.H.A. loans. Under Section 7, a loan from an approved lender may be insured by C.M.H.C. if it is used for the purpose of assisting in the purchase of or improvement of an existing house, or for the alteration of an existing residential structure to add one or more units thereto.²⁶ The loans open to owner-occupied and rental properties were infrequent since the loan must be secured by a first mortgage and most properties were already mortgaged.
- (2) Part IV, Section 14 (N.H.A.) permitted C.M.H.C. to guarantee home improvement and home extension loans made by approved lenders at market rates for up to 10 years. A building for which a loan is made need not conform to C.M.H.C. standards for existing structures. However, the number of loans under this Section has dwindled considerably, the prime reason being rising interest rates.
- (3) Under Sections 15, 40 and 43 (N.H.A.), C.M.H.C. may assist in the financing of rehabilitation of existing housing for low income persons. However, first mortgages are required and the project may only be rental, although under Section 40, the houses may be sold.

N.H.A., then, gave little provision or encouragement for rehabilitation. Similarly, the Urban Renewal Program recognized rehabilitation under the Act, but gave little assistance for it. For example:

²⁶ N.H.A., Part I, Section 7, 1964.

- (1) The 1964 amendments to Section 23 gave emphasis to the social and economic advantages of rehabilitation as opposed to the exclusive strategy of clearance and redevelopment. But the wider scope of renewal aid fell short. Municipalities influenced by pressure for change and an opportunity to raise the tax base tended to give priority to strategic areas in or adjacent to urban cores. Areas containing marginal housing and those worth saving were cleared for higher economic land uses.
- (2) In renewal areas considered 'stable' and where rehabilitation was implemented to promote confidence of residents, the success of the strategy was limited not so much due to resident disinterest but rather the inability of residents to cope with the added financial burden of rehabilitation to standards required by renewal authorities. This was due to substandard housing usually inhabited by the poor, and with no aids other than market interest rates and the requirements of a first mortgage.

Greater access to rehabilitation aids may have been possible under Section 23 (1) (a), N.H.A. where C.M.H.C. could contribute up to fifty percent of the cost of acquiring, clearing or improving land or buildings in an Urban Renewal area. The Section is interpreted to exclude grants to individuals and organizations. A more liberal interpretation, as applied to the Vancouver Strathcona Renewal area, could have allowed grants to private individuals. Additional authority under the Act would be necessary to bring this to larger scale and outside renewal areas.

Legislation--The Options

Three major objectives to be met by legislation for rehabilitation under the N.H.A. were as follows:

- (1) to provide scope for increased rehabilitation on a continuing but cost controlled basis;
- (2) to permit differing subsidy levels and incentives to be tested for use in further legislative development; and,

- (3) to offer a balanced range of approaches so subsidy levels to low income users are comparable or complementary among programs.²⁷

A number of legislative options were considered in achieving these objectives.

Alternative I: Modify Urban Renewal

Since 1970, Section 24, N.H.A. was interpreted to permit the costs of grants to individuals for rehabilitation to be shared by Provinces and municipalities. The need for immediate action in Vancouver resulted in the Minister allowing this interpretation, albeit, alone, as a case study. With the type of assistance proposed, some modification of the existing renewal legislation was necessary to complement the program. However, a number of factors were to be weighed, namely:

- (1) contradictory efforts of renewal and rehabilitation (C.A.P.) by C.M.H.C. in adjoining or similar areas;
- (2) if rehabilitation assistance were provided without checking the possibilities of using renewal funds, the municipalities formulating rehabilitation schemes would receive little or no funds over those emphasizing clearance;
- (3) for the first two years, community assistance programs will compare with the budget of the Urban Renewal Program.²⁸

If renewal was to continue as part of urban assistance until its commitments were made, then the legislative options considered in

²⁷C.M.H.C., Residential Rehabilitation Policy, Working Paper No. 4, Ottawa, p. 11.

²⁸As of 1973, some three years after the wind-down of the Urban Renewal Program, C.M.H.C. was committed to complete some 77 renewal schemes totalling some \$35 million in grants and loans, annually allocated under the 'B' budget. An additional \$20 million would be required over time due to the inflated costs of implementation.

building in rehabilitation the component were either Cabinet permitting an interpretation of Section 24 allowing homeowner grants within existing fund allocations and approved projects, or to amend the Section to specifically permit grants and loans to be made on a shared cost basis within Urban Renewal areas. In modifying renewal legislation, the former alternative was considered more viable; the latter suggested a re-opening of the Urban Renewal program.

Alternative II: Home Improvement Loans

If utilizing scheme funds was not acceptable, then rehabilitation assistance would need to explore other N.H.A. sources. This would include insured personal loans. For low and moderate income owners, it was feasible to amend Part IV, N.H.A., (Sections 2, 28 and 34). This option considered C.M.H.C. becoming an approved installment credit agency for purposes of Home Improvement Loan sections, and to allow the Corporation to become a direct lender. Moreover, C.M.H.C. would be permitted to set interest rates on funds down to an amount just above the borrowing rate, depending on the work to be carried out. It was envisioned that C.M.H.C. would not be competition with banks, but rather filling the need for the residents in the \$5,000 to \$10,000 income range, and as a priority to areas where Home Improvement Loans were not being made.

Alternative III: Basic Rehabilitation Assistance

The main building block for rehabilitation was home improvement grants and loans. They would act as a platform in which other provisions of the act could be used to meet varying local conditions.

Legislative provisions in this goal were as follows:

- (1) A new Section or modified Home Improvement Loan section to permit C.M.H.C. to make grants for basic facilities in units subject to the following conditions:
 - (1) the grant is not to exceed \$2,000 for basic facilities;
 - (2) the grant is to be used to cover specified items;
 - (3) the amounts for any item are limited;
 - (4) grants are made in the context of C.A.P. (N.I.P.) areas or in rural areas where occupant income is below \$3,000, and,
 - (5) where units will be occupied for at least five years.
- (2) A new Section would permit the Corporation to make loans on a sliding scale, that is, geared to income for items beyond the basic minimum. This would be subject to a number of conditions, namely: (1) grants available to urban and rural areas for Class A and B items as noted previously; (2) the maximum loan of \$5,000 is subject to Provincial or municipal supplementation with a possible forgiveness of up to \$2,000 based on the income of the household; (3) that the amount be provided to owner occupiers of multi-family units for low income people if the landlord agrees to rent regulations over a five-year period and continues to serve low income tenants; (4) that in the event of a sale within five years of completion of work, the loans will be recoverable by the Corporation at just above or market rates (the recipient can earn forgiveness at a rate of 1/5th per year).

These provisions would supplement other Sections of the Act such as Section 58 (Assisted Home Ownership), with a provision to permit a promissory note to be taken rather than a first mortgage. Section 15 could also be applied to non-profits to reduce the loan amount needed to be spent prior to rental.

In addition, and on an experimental basis, 'bulk loans' to municipalities or non-profits could be made on a revolving basis for redistribution to local projects. Collateral could be via debentures or promissory notes, with set deferral payments, preferred interest rates and maximum loans.

In developing organization abilities for non-profits to carry out work, grants could be made to cover training, consulting advice, etc.

under Part V, N.H.A. In the case of rental situations, the options to be developed would consider rent controls, rewards for maintenance, enforcement or code provisions, sale recovery of subsidies and the landlord's income and revenue situation.

Budget Controls

As a universal thrust, the cost was ultimately dependent on conditions of the program and built-in cost controls. Certainly, the more liberal the program, the better the response for those who needed help. In effect, the Federal government could vary the response by adjusting controls.

In the near term (two to three years), it was expected some 8,000 to 10,000 units would be rehabilitated annually at a cost of \$20 to \$25 million. In the mid-term, some 20,000 to 25,000 units could be improved at a cost of \$50 to \$60 million. The budget for loans would be equivalent.

A number of factors suggested this figure could be subject to change. First, and paramount in affecting budget projections was the ability of the Provinces and municipalities to participate financially in their share of the cost. In many cases, it was expected the areas most in need could not afford the expenditure, and, hence, further skew the geographic distribution of funds. A second concern, unknown at the time of budget projections, was the potential change in government priorities affecting annual budgets. Certainly demand for additional funds due to the success of the programmes or government cutbacks due to economic constraints could affect budgeting levels.

CHAPTER X

CONCLUSION

The concept of housing rehabilitation and the upgrading of declining residential neighbourhoods has long been advocated as an indispensable element of a comprehensive approach to the renewal of urban areas. However, it has been readily apparent that more words than deeds, more plans than product, have been produced in this field. Undoubtedly, there was lacking a solidarity and capacity for collective thought and action concerning the economic, political and social feasibility of community and housing rehabilitation.

The difficulty in implementing rehabilitation programs in Canada has been the direct result of a biased interpretation of previous N.H.A. amendments in order to justify renewal-clearance and redevelopment, as a humane, economic and aesthetic objective. Unfortunately, the objectives were unable to aid wide areas of decline which were not so depreciated as to warrant demolition and reconstruction. This situation is aptly demonstrated in the 1964 N.H.A. amendments which opened up the possibility for federally aided rehabilitation in areas where blight was widespread but where maximum social disruption and the high cost of total redevelopment could not be accepted. Unfortunately, 'grey areas' continued to decline and to a level which could justify no action other than clearance. The rationale for renewal's failure could be summarized as a strategy which successfully eliminated the conditions which characterized decline but that unsuccessfully dealt

with the forces that created such conditions.

N.I.P. and R.R.A.P. may be heralded as the federal government's first concerted effort to have rehabilitation play a leading role in rejuvenating the still viable neighbourhood. However, success would also need to be measured in terms of the programs' ability to control forces which cause decline or, in other words, to effect a continuous, if not controlled, process of community and residential revitalization. The effort of identifying deteriorating communities would not be sufficient to inspire the improvement process. The fact that such areas are characterized by a sense of frustration and impotence (including financial) on the part of the homeowners, the lack of longterm neighbourhood goals, and the lack of incentives for absentee landlords to make repairs, to name only a few issues, indicates that the rehabilitation thrust will need to effectively answer these problems in the problems' terms.

In this context, the program would need to introduce a number of key conditions in order to maximize its success.

First, a neighbourhood plan is required to spell out the needs, course of action and end result as perceived by its residents. Second, the local government would need to demonstrate its faith by providing resources to improve public infrastructure and facilities in the neighbourhood. The owner must be assured that the neighbourhood will improve and hence, an incentive for the owner to conduct an improvement program for his property. Third, selective spot clearance of areas which cannot be rehabilitated must be undertaken. It is important that the scale of renewal and reuse of lands be in keeping with community objectives. Similarly, non-conforming uses that make the area a less

desirable place in which to live are to be removed. Fourth, the success of the program would be dependent upon a combination of public and private investment and community organization.

These are appreciably two critical elements in measuring the success of the program. To inspire confidence in the area requires provision for meaningful involvement of residents in the planning and action framework, and creating an investment formula which provides an economically feasible situation for the resident to undertake repairs, and that encourages outside private investment in the community.

Fifth, it is necessary that the property owner, who is ultimately responsible for unit rehabilitation, be provided with sufficient assistance in the financing and technical intricacies of repairing his property. Sixth, implementation and enforcement of building and occupancy codes are essential in order to assure improvement of the unit to a minimum standard. Finally, the success of the program will be determined by achieving the standards established by the plan and housing codes. It is important that the standards relate to the situation at hand, that is, they are sensitive and flexible in terms of the clients' needs.

The task then is blending objective and subjective considerations to create the proper framework. This entails inducements in physical and financial terms, as well as creating an atmosphere--a positive attitude, among residents and landlords--in laying the basis for a successful rehabilitation program.

N.I.P. and R.R.A.P., representing the senior government's first concerted effort in introducing a viable alternative to renewal, may present a new hope for the deteriorating community. In essence, the aforementioned elements required in making a successful program are provided in these new strategies. However, it is the nature, blending and implementation of these elements which will prove the viability and success of the programs. Although the programs have yet to be put into practice, it is nevertheless worthwhile to review and evaluate some of the key decision-making choices which may affect the performance and impact of N.I.P. and R.R.A.P.

The initial concern is whether or not N.I.P. and R.R.A.P. will provide sufficient assistance in terms of funds, policy direction and related programs to have a catch effect. There is no doubt that the economic, social and political conditions at all levels would need to be in concert with the tools provided in order to achieve this objective.

With respect to financing, the concept of pre-budgeted assistance, while controlling government costs, could effectively deter individual residents, landlords and developers in initiating improvement projects. Similarly, pre-budgeting at the selection, planning and implementation stage may result in the community not being able to answer a broader range of issues defined as key community objectives. Moreover, there is the question whether or not policy direction is sufficiently flexible to answer these objectives. The complications of local decision-making, participation, differing community values and trends would require flexible guidelines in order to maximize the effectiveness of the program. But in preparing a financial plan along with a physical plan, it appears

that if the latter is limited by agreement, then key elements of the process will also be restricted.

A third concern relates to the need for complementary programs. Given the dynamics and changing nature of a community, it is not intended that N.I.P. and R.R.A.P. satisfy all problems of the neighbourhood. Most obvious is the need for a strategy to provide new and affordable inner city housing. The rehabilitation and clearance of units will be a fact of life for such areas. Hence, there is a need for a replacement program, otherwise the risk of depleting the overall supply will result in a corresponding increase in the cost of housing, including rental units, for those least able to afford it.

Although N.I.P. and the Site Clearance Program provide grant assistance of up to 50 percent of the cost of acquisition and clearance of land for low and medium density housing for the lower and moderate income residents, it is questionable whether this provision will effectively add new units to the existing stock. The high cost of inner city land, and, hence, a higher component cost for lower density schemes, may result in depleting the stock of affordable housing. Without subsidization, private investment would be minimal. Only by providing higher density development schemes, or alternatively, building for the higher income markets, could private investment be justified. The latter approach is obviously undesirable since it would force an increasing number of lower income families to eventually relocate. The former option--higher density residential uses--is the more realistic objective in terms of its compatibility (scale) with existing transportation and employment services provided in the inner core.

A related concern is that N.I.P. does not define the scale of redevelopment for community and residential purposes. While clearance of large tracts of land is to be avoided, it is still conceivable that uses such as major recreational centres could be introduced into the area. It is vital that sufficient design controls and project scale be in harmony with the needs of the neighbourhood rather than the community at large.

With respect to unit rehabilitation, the program has repeated a major problem inherent in urban renewal, that is, the matter of relocation assistance. While N.I.P. requires the Province or municipality to define the manner of compensation and demonstrate alternate accommodation available, it does not specify where or when the accommodation will be available. This could deter the resident in undertaking rehabilitation measures. Where forced relocation is involved, the economic and social hardships would not be dissimilar to those experienced under Urban Renewal.

For the tenant, the possibility of forced relocation is even greater. The provision under R.R.A.P. allows the landlord to receive loans with a maximum forgiveness feature of \$2500 per unit. However, the landlord must agree to either rent controls for a period of five years, or not to sell his property in the next twenty years. The controls may prove excessive. It is likely where N.I.P. improvements are increasing depressed property values that the landlord will opt for private financing in order to retain the right to increase rents or sell his property without penalty. In any event, enforcement of maintenance and occupancy bylaws would result in the upgrading of rental units in

N.I.P. areas. In the end, the tenants, particularly those with a low income, stand to be the most adversely affected.

The final point of criticism is the public participation process, likely the key element, together with the funding mechanism, in governing the ultimate success of the programs. The legislation requires that the Province advise C.M.H.C. of the manner in which the local government proposes to obtain the participation of residents of the neighbourhood in planning and carrying out projects. However, while local government can determine the effective means for ensuring participation, there are no guidelines for carrying out the participation process. Conceivably, if resident involvement fails, the program can still proceed. Thus, improper action and improvements may occur which do not necessarily suit the needs of the neighbourhood.

Despite the apparent weaknesses of the program, it nevertheless has the framework for taking a new direction designed to minimize family displacement and economic dislodgement. The programs were inspired by economic necessity as well as social policy and political expediency. In this context, the opportunity relates to the lower income family and troubled community and not to the goal of building primarily for the upper middle class family and maximizing tax returns to the city. Renewal has hopefully reconciled and broadened its stated and imputed objectives, recognizing that it must be concerned with social and economic returns.

The advent of neighbourhood improvement will likely reduce the volume of private expenditure and most certainly the amount of tax revenue for urban areas. To supplement revenue via urban renewal, it

was obvious that the senior government should propose a grant formula for neighbourhood facilities. It is a direct route and more effective in assisting the provision of facilities and services because they provide immediate financial relief without reducing the tax revenue over the short term. Direct grants will not only improve the local tax situation, but support the economic base of the neighbourhood, upgrade the quality of housing and serve to arrest blight. The grants assist the disadvantaged provided the needs are identified and politically acceptable.

The objective of providing lower income housing should play an important role. It is suggested that efforts to meet this need be initiated by introducing favourable market-interest rates mortgages either by utilizing the Assisted Home Ownership Program (A.H.O.P.) or a specific program geared to the rather unique situation of building infill units in the inner city core. Capital grants to cooperative and non-profit groups are not to be discounted. Both additions to and rehabilitation of the housing stock must be cost conscious. It is an economic problem which will be difficult to achieve given the previous objectives of investors, landlords and the local bureaucracy when the Urban Renewal Program existed. Change will take time and involves repudiation of past commitments.

If the programs are realistic, then they can only serve as a contribution rather than an economic and social saviour of the inner city. It must be realized that one cannot cite program defects as a basis for abandoning it entirely. The programs should be construed as evolving strategies to be constantly evaluated, modified and improved in order

to maintain desired flexibility and performance.

The ground rules for the future life of N.I.P. and R.R.A.P. have been set. If they are to be construed as a realistic grasp in taking a more effective action, then leadership must be continuous, comprehensive and practical. To this end, the programs will hopefully represent a new long term attitude in dealing with the urban environment.

EPILOGUE

In May 1978, some five years following the introduction of N.I.P. and R.R.A.P., the Federal government announced a series of changes in housing policies. In addition to ensuring a continued high level of housing production, the government intended to increase the amount of housing available to meet the needs of the lowest income people and to simplify the arrangement under which community services programs had been operating.

The new objectives and initiatives directly affected neighbourhood improvement and residential rehabilitation strategies. N.I.P. legislation was terminated and replaced with a new global approach under the Community Services Contribution Program (C.S.C.P.)¹ The new program would seek to expand and consolidate assistance to Provinces and municipalities for neighbourhood improvement, the treatment of water and sewage, and to encourage the construction of moderately priced housing, cultural and recreational facilities. The programs would seek to provide improved flexibility and less cumbersome administrative procedures in using Federal funds, thereby ensuring a better response to local needs and conditions.

C.S.C.P. funding would still be allocated to each Province and by the Province, to the municipalities. However, the municipalities

¹ Bill C-29 amending the National Housing Act. Royal Assent was given on March 16, 1979.

would now be able to choose from a broader list of eligible services as defined in Federal-Provincial agreements. Moreover, the Provinces may use the funds for cost-sharing purposes without the provision of a Federally defined cost sharing formula or detailed administrative criteria.

The Program started in 1979 with a funding level of \$150 million and, as of January 1, 1980, it will increase to a long term funding level of \$250 million.

The termination of N.I.P. was not due to its failure to stimulate neighbourhood regeneration. During the five year life of N.I.P., some \$202 million of Federal contributions and \$64.4 million of Federal loans commitments were dispersed.² The program resulted in the provision to 319 municipalities of social and recreational amenities and the improvement or replacement of sidewalks, roadways, street lighting and sewers.

The objective of neighbourhood improvement under C.S.C.P. indicated that conservation must be a continuous process. To this end, N.I.P. proved to be a very successful program for all parties concerned.

The amendment to N.H.A. enabling R.R.A.P. to continue was further evidence of a successful program in action. For the years 1974 through 1978, some \$233 million were committed for the rehabilitation

² C.M.H.C., 1978 Annual Report, p. 26.

of 55,634 units.³ In 1978, some \$90 million were committed for the rehabilitation of 20,552 dwelling units.⁴

Two important policy changes for R.R.A.P. were implemented in 1978 and 1979. The first was the geographic expansion of the program by the designation of new "rehabilitation areas". This policy will remove all restrictions regarding areas where the program applies.

The second major policy decision was the termination of direct C.M.H.C. loans to landlords for residential rehabilitation as result of budget reductions. Rental property owners in urban areas would be asked to secure private market loans for carrying out rehabilitation. To facilitate this process, the new legislation provided two new avenues in securing loans, in addition to conventional financing. One option is the landlord obtaining an N.H.A. insured first mortgage on an existing rental property. This will enable them to consolidate existing debts into a single loan, often at a more favourable interest rate, at the same time as they finance their rehabilitation work. The second option is the owner of rental property seeking a C.M.H.C. guaranteed Home Improvement Loan, provided the existing financing is at a low rate of interest or if other mortgages exist on the property. This policy is perceived to make the program more attractive to lenders and borrowers. The amount of money which can be borrowed on each unit has been raised to \$10,000 and the maximum time period for repayment has

³ Ibid., p. 28.

⁴ Ibid., p. 28.

been extended to 25 years. The interest rates for these loans, which can be secured by a promissory note or a mortgage, will be at market rates, rather than a rate fixed by regulation. Experience showed fixed rates lagged behind market rates, and thus decreased the appeal of this program for lenders. Moreover, the rental entrepreneur generally has tax advantages not open to the individual homeowner.

C.M.H.C. will continue to provide complementary subsidies to a maximum of \$2500 per unit. This aid will be a forgivable loan, written off over a ten year period in return for adherence to a rent control agreement.

Legislation also provides for the first time N.H.A. mortgage insurance for the purchase and improvement of existing rental properties. Existing non-residential buildings which can be converted into residential uses will also qualify for assistance.

When we speak of livability, it is most often in terms of the need to improve it. Livability means more than merely existence and survival; it is a combination and accumulation of personally satisfying elements from the house, neighbourhood, community, city and beyond. It is both our physical and social environment and it is of concern to everyone. But the mechanisms by which decision are made and policies implemented will play a vital role in improving livability. In this context, neighbourhood improvement and residential rehabilitation will continue to be key elements in the Federal housing strategy.

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