

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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October 1979

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ACKNOWLEDGEMENTS

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

¹See 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.