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WHY CAN'T THESE PEOPLE BUY A HOUSE?

An angry, coast-to-coast report on our most frightening national hang-up—and what could be done about it

PLUS: Movie-star Peter Kastner—by his sister
Fashion: Canadian clothes for Arabian nights
Food: Crash course on dinner parties

sweet it is bound to lure private investment into housing; that is what the government has done by raising the mortgage rate to 8¼ per cent, and the move will undoubtedly attract new capital to bolster the CMHC loan funds.

It will not, however, solve some of the other problems.

Government policy has decreed the use of housing as an economic tap. When the economy is slack, more money is poured through the CMHC to provide construction jobs; when it becomes overheated, the government draws back on housing to dampen things down. Construction firms, who try to plan six months ahead, find their market bouncing like an india-rubber ball, and the number of houses built has nothing to do with Canada's needs; rather, it is a function of how often the government chooses to fiddle with the tap. Last year, Toronto's population grew by 90,000, but housing starts declined by 40 per cent.

The cost of serviced land has soared in metropolitan areas, to $10,000 or $12,000 a lot. With each rise in price, land speculators have jumped in looking for profits, forcing the price upward once again. Labor costs and the cost of building materials have also increased; so has the reluctance of most municipalities to approve new housing projects. New subdivisions mean more children, more schools, more sewers, streets, police and hospitals. A nice new factory, on the other hand, means less expense and more assessment. What city father wouldn't prefer the factory? In one Toronto suburb, the municipal council will not approve subdivisions where the homes cost less than $30,000, because the canny politicians have figured that below that level the tax returns available from the new assessment will not pay for the new services required.

Behind these surface reasons for our predicament there is another and fundamental flaw, which involves our whole approach to housing. Bryce Mackasey, parliamentary secretary to the minister of labor, told me, "You have to remember that there are terrific constitutional difficulties here. Under the BNA Act, housing is a provincial responsibility. While there are things we can do — and I'm not saying we shouldn't be doing more — we can't do anything more than the other levels of government ask us to."

Mackasey points out that loan funds exist to support public housing, if the provinces will only ask for them; outright grants are available to cover 75 per cent of the cost of certain projects, if the province and municipality can find the other 25 per cent; low-cost loans will be advanced to build apartments for indigent and elderly Canadians, in areas where local authorities will undertake to run them.

The trouble is, while the federal government makes these projects feasible, it doesn't make them work.

At Fort McMurray, Alta., for instance, a survey showed that 119 out of 190 houses in the town were unfit for habitation; most were tar-paper shacks occupied by Indians. A partnership was arranged between Ottawa, Alberta and the local council to establish a housing authority. The CMHC put up 75 per cent of the cost, Alberta 15 per cent and Fort McMurray 10 per cent to erect 44 low-cost rental units. But the local housing authority rented the homes to middle-class workers coming in to take jobs on the nearby tar sands, while most of the Indians are still in the shacks they occupied before the exercise began.

In Toronto, in another burst of generosity, the CMHC provided low-interest loans to build apartment houses under a limited-dividend arrangement. Private builders erected the apartments, rented them at a fixed rate to low-income families, and agreed to earn no more than five per cent per annum on their capital. The theory is fine: low-rent accommodation for needy families and a risk-proof, moderate return for the builder. But what happened, as The Toronto Daily Star discovered, is that the units are often rented to elderly couples, who may occupy only one bedroom of a three-bedroom suite in a city that has 25,000 people on the waiting list for public housing. One couple The Star talked to uses an empty bedroom to store suitcases in, and pays $98.50 a month for accommodation that would bring $170 on the open market. The building manager told The Star, "I'm looking for all the older people I can get. They don't have domestic arguments. They're quiet, they don't cause trouble."

More to the point, they don't have children. At Lake Wilcox, 20 miles north of Toronto, The Star found a couple who could well do with a three-bedroom apartment. Don and Catherine Lyons live in a tiny cottage; their five children sleep in a single 12-by-6-foot bedroom and are washed in the kitchen sink, because there is no bathroom. Lyons, who has a steady job with a Toronto steel company, put his name on the city's public-housing list five years ago, when he was living in a rented house. That house was renovated, and he was moved out, but could find nowhere to go in the city; now he is beyond Toronto limits, and off the public-housing list.

Even so energetic a hell-raiser as Bryce Mackasey hasn't been able to beat the system. Two years ago, some constituents came to him to outline the need for a housing project for the elderly in his Verdun, Que. riding. Mackasey called a public meeting, enlisted the aid of service clubs and convinced the city fathers that they should apply for federal aid. "They agreed to do it 18 months ago," Mackasey told me, "but I am still waiting for the city of Verdun to pass a resolution to get the thing started."

Apparently, even where we have the legislation to improve housing, we can't make it work.

What can be done?

A number of concrete suggestions came from both sides of the House of Commons during the recent parliamentary debate on housing. Among them were a capital-gains tax, to curb land speculators; cancellation of the 11 per cent sales tax on building materials, to lower construction costs, and subsidization of the interest on mortgage loans, to help middle-income families buy a home. The government could absorb three per cent of mortgage interest at a cost of about $9,000,000 a year, a subsidy that would be as easy to justify and much cheaper than current subsidies on coal, freight, or butter.

But these suggestions are merely a patch on the gaping hole that is our housing plight and, like the recent boost in mortgage rates, mean more to the upper and middle-income brackets than to the Canadian whose need is not for status, or an extra room for baby, but for a roof over his head.

It is in our basic approach that Canada must make changes. The time has come to treat housing as a public utility, planned and co-ordinated with other utilities, so that we don't have new housing projects swamping schools with unexpected pupils; so that we don't spend thousands of dollars in welfare funds to rehabilitate a family, only to watch it sink in a stinking slum; so that new houses are built when we need them, at prices people can afford to pay.

It is nothing short of stupefying to sit in the House of Commons and listen to cabinet ministers and backbenchers — most of whom own a house and a cottage, and rent an apartment in Ottawa — solemnly warn that the day of the single-family dwelling is past. It is stupefying to hear that a woman must be torn apart from her children because we wouldn't want to interfere with private enterprise, or that a man and his family must squat in a comfortless cottage because of delicate constitutional issues, or that elderly people must continue to live in cramped hovels because there doesn't seem to be any way around the red tape that binds them there.

In other countries, the government buys huge blocks of land and sells it below cost to provide cheap lots; in other countries, private enterprise serves the housing needs of the well-to-do and public enterprise the needs of the rest; in other countries, the government absorbs part of the mortgage interest rate, or pays outright subsidies to aid housing.

We have chosen to follow the U.S. approach to housing, an approach that has provided that country with nice homes for the affluent and slums for the poor. Michael Harrington, author of The Other America, wrote, "Postwar America's greatest single social scandal has been its failure to provide adequate housing for its low-income groups."

In following this U.S. lead, we have not done even as well as the Americans, who are at least able to provide middle-income families with adequate housing, because of a greater pool of available capital.

The brutal truth is that our housing policy has failed us, and should be scrapped. Canada, the second richest nation in the world, stands twelfth among Western nations in the ratio of housing starts to population growth; we are far behind Britain, Sweden and West Germany, and not even up to Italy or France.

The present crisis must be tackled by the federal government, the only government with the money and the power to tackle it. It is pointless for Ottawa to offer a province 75 per cent of the cost of housing developments if the province cannot afford the other 25 per cent, or if its cities cannot afford the schools, streets and sewers new housing makes necessary.

A first requirement is a full-time minister of housing and urbanization, a job today handled as a part-time chore by Labor Minister Nicholson. He doesn't want the change made, according to his confidants, because it would reflect on his handling of the portfolio; so it would, and so it should, as even Liberals are coming to admit.

Bryce Mackasey, his parliamentary secretary, told me, "Mr. Nicholson won't like this, but you can quote me as saying that the time has come for a full-time minister, as long as you add that I mean no reflection on the present minister, who has done a wonderful job."

That full-time minister will have to make it clear to the provinces that Ottawa will not only support housing projects, it will initiate them, and will follow them up to make sure they work. Most provinces would jump at the prospect of more housing help, and even those who might bridle at interference from the central government can be persuaded, as they were persuaded with hospital insurance and will be persuaded with Medicare, to follow Ottawa's lead.

But there must be a lead from Ottawa. Reid Scott, NDP MP for Toronto Danforth, and perhaps parliament's most serious student of housing, told me, "There are no easy solutions to the mess we're in, but there are solutions, and they must be found. Government spokesmen keep saying the job can't be done by us, or it can't be done now, but if not by us, by whom, and if not now, when?" ●

See the following pages for a lawyer's advice on what to do if you have to buy now.

Canada's housing problem is "deep, nation-wide and ingrained." To the people in these pictures, it means hardship and endless frustration

HAROLD BARKLEY

TORONTO

Cover: Unless Colin Merriam, a successful commercial artist, and his wife Jan can save $7,000, he must pay $180 a month for the maximum NHA mortgage of $18,000, *plus* monthly payments on a loan for the down payment for the $25,000 house the Toronto Real Estate Board estimates would be the cheapest suitable for their four small boys.

BILL BISHOP

WINDSOR

Although Mr. and Mrs. Tom Bates' combined income is over the national family average, it was classed "inadequate" by the NHA for the $19,251 house they wanted for their five-member family. They are now in an older home with $150-per-month carrying charges, because they couldn't afford the 30 per cent of gross income that was demanded by the Windsor Housing Authority.

WALTER PETRIGO

EDMONTON

This house was adequate for Peter and Jo Young until their fifth baby turned out twins. Five years later they have nine children and no larger a home. A surveyor, Peter makes $7,500 a year — too little for a CMHA mortgage on the $21,000 house that would meet their minimum needs.

HANS BLOHM

OTTAWA

When Roland and Rosa Dussiaume (he earns $75 a week as a truck driver) were burned out of their apartment in October, they and their eight children lived with in-laws and friends before finding these $90-a-month quarters. But the building is to be demolished soon, so they'll start the house-hunting nightmare once again.

But what if you <u>have</u> to buy a house now?

The best advice, probably, is to wait until the current crisis is over. But there are thousands of Canadians who simply can't – who have to close a deal this fall. What should they do? Are there any special rules? Answer: Yes. Here

A lawyer tells you what you can do to get around the crisis

by HARRY MALCOLMSON

■ It's curious. Statistics tell us – if we didn't know already – that people are moving far more frequently than their parents did. And, you might think, as buying and selling become more frequent, the trauma of buying would diminish; people would just get more *used* to it. But in my work as a lawyer I find just the opposite has happened: The more buying and selling that goes on, it seems, the more complex and confusing the whole business becomes. And, of course, the more work we lawyers get to do.

There was a day, for instance, when people thought they were being imposed on when their lawyer insisted they bring the offer to purchase to him before they signed it. Now, at least in Metropolitan Toronto, where I practise, that attitude has disappeared. Most couples today realize they are involved in a major business transaction. The price they have agreed to pay is far more than they wanted or expected to agree to; and, as a result, they tend to be more scared than excited when their offer is accepted. They want every protection their lawyer can give them.

This fall, in the middle of Canada's major housing crisis, the house-buyer's problems are more severe than they have ever been before. The first part of this crisis, as it hits the prospective buyer, is what I call the Great Mortgage Scare. A great deal has been written to the effect that it's impossible to get a mortgage any more. I think the picture is more subtle than that. In fact, the mortgage situation varies from community to community and it changes from month to month. Given all that, though, my informal survey indicates the situation is serious but not impossible. Not everyone ever could get an institutional mortgage, and the 75 per cent mortgages we heard about a couple of years ago are defunct. But the new higher interest rates *are* attracting lenders to the mortgage market. Loans are available.

As for paying 8 per cent on your borrowing, that can sound worse than it is. The interest on $10,000 for a year is $700, and the interest at 8 per cent is $800. Because we are conditioned to 7 per cent money, 8 per cent sounds usurious. But the difference, on a mortgage of $10,000, is a real but not punishing $8.33 a month.

Still – and especially this fall – it is far too easy to pay too much for a house. Because of the scarcity of suitable houses and the glut of buyers, a buyer will put in a panic offer to be sure of getting *something*. A panic bid today can hurt you more than it once would have. In a stable suburban area, an experienced real-estate agent can tell within a few hundred dollars what the price for a given property should be, but in some downtown areas where neighborhoods are in transition, prices are extremely volatile. Even your agent can go wrong.

Don't, for instance, necessarily regard the asking price as a proper range. The asking price less 10 per cent is generally a good rule of thumb, but now that rule of thumb can get you in trouble. Take what real-estate people call the "teaser." The teaser is the real-estate world's version of the professional virgin and he is an even more common phenomenon of the current housing crisis. The teaser likes every so often to waste an exasperated real-estate agent's time and tantalize purchasers by putting his house up for sale at a price thousands of dollars more than it's worth. He doesn't really expect to sell his house and often he doesn't want to.

Sometimes though, an inexperienced buyer will be fooled by a teaser's asking price of $40,000 for a $30,000 house and offer $35,000, thinking he is saving money. In fact, he's losing; he is paying $5,000 more than he should.

But even on a straight, non-teaser deal, the purchase of a home becomes more complicated, partly because there are more things to consider, and here a little clarification may be handy. Twenty years ago, the only thing your lawyer would want to discuss with you would be questions of title and survey. A survey is the drawing that indicates where your house, garage and fences sit in relation to the boundaries of your lot. Survey problems and title problems can be serious, but the offer-to-purchase form you sign is a document that has evolved throughout the life of the Common Law. It is designed to provide a breathing space between the signing of the offer and the closing of the deal when the purchaser hands over his cheque and takes possession; to solve in fact, title and survey problems. Even if you have signed the offer to purchase, your lawyer can generally solve these problems. But this isn't true of two other matters potentially as disastrous to your purchase as a title defect. They are zoning and expropriation.

Zoning has assumed important dimensions only since World War II. The offer to purchase says nothing about zoning. You accept whatever zoning is in force, whether it is suitable for your purposes or not. The big problem I find in advising clients on zoning matters is enforcement.

"Oh, maybe it is zoned against basement apartments," would-be purchasers are sometimes told, "but the city never enforces it." The buyer may be sceptical, but then he sees everyone on the block is renting basement apartments and that the expected revenue from their rental is one reason the vendor demands the price he does. Furthermore, enforcement in the big cities is arbitrary – a hit or miss affair. The inspectors are swamped with their task and tend to act only on specific complaints, rather than going out on patrol like a cop.

Unlike problems of title and survey, difficulties of zoning and proposed expropriation are irredeemable once the offer is signed. Expropriation is a particularly grim situation. If the expropriation is current, the expropriating bylaw will show up on title, but what if the expropriation is at an indefinite period in the future?

I know someone, (not a client of mine), who bought a property unaware that his house, and five others on the same street, were situated just where the access ramp to a proposed expressway was to be built in four years' time. He had intended to remodel and improve his purchase, but the expropriating authority would not offer him more in compensation than he had originally paid. His wife couldn't bear to live in the property in the condition it was in and the new owner thought it morally reprehensible to pass his problem along to another unsuspecting buyer. The city wasn't prepared to buy the property ahead of its acquisition schedule and the only solution was a new purchase and the rental of the old home.

Another major problem buyers don't think enough about is not how much to pay, but how to pay it. There was a period when offers to purchase were prepared by a kind of rote; so much down, assume the first mortgage, and give a second mortgage back. The pattern of offers for suburban homes hasn't greatly changed because the long-term large mortgage doesn't leave much room for manoeuvre, but the opportunities for fiscal ingenuity in a non-suburban purchase are considerable. Here are three offers for the same property:

Offer	Manner of Purchase		Total
No. 1	Cash:	$ 22,000	22,000
No. 2	Cash:	3,000	
	Assume mortgage	15,000	
	Second mortgage back at 8%	6,000	24,000
No. 3	Cash:	5,000	
	Assume mortgage	15,000	
	Second mortgage back at 7%	5,000	25,000

The asking price, which is reasonable, is $25,000 and there is a $15,000 open first mortgage on the property. At first sight, the vendor will accept the third offer, but what if the vendor is a garage mechanic who had decided to invest the equity in his home in his own business and to move to an apartment? The offer he will accept is No. 1. He doesn't want to hold a second mortgage; if he has to take a mortgage back, he will sell it. Offer No. 1 nets him $7,000 in cash (he must pay out the $15,000 first mortgage, on closing) out of the money he gets from the purchaser. Offer No. 2 nets him the $3,000 down payment, plus whatever he realizes when he sells the $6,000 second mortgage, say $3,500, a total of $6,500 in cash. The first offer appears to be $2,000 less than the second but is clearly a more rewarding and less troublesome offer than the second.

But what if the vendors are a retired couple, no longer able to cope with home ownership, who plan to live with their children? The offer they will accept is No. 2. There is not so much cash involved, but these vendors are inexperienced in money matters. What they want is a safe investment, such as the home they know. The higher interest rate attracts them and again No. 3, still submitting the highest offer, doesn't get the property.

The moral is, don't offer to buy property, offer to buy from people. Find out from the agent, or ask the owner if you can talk to him, why he is selling and what he intends to do. Then, based on the age, income and intentions of the vendor, design an offer to suit his needs.

A word or two more on mortgages. If I am right that mortgage loans *are* being made, and that the right offer involves arranging a new first mortgage, instruct your lawyer to draft a conditional offer to purchase. The offer will bind you to buy only if you can obtain a mortgage by a certain date.

After it receives your application, the mortgage company will inspect the home and then decide to loan or not to loan, depending on the age of the property, the reputation and prospects of the district and your ability to make the payment.

Don't forget that trust companies, life insurance companies and fraternal organizations are not the only lenders. The chartered banks at the moment are the sleeping giants of the mortgage field. Prior to recent revisions of the Bank Act, a bank could hold a mortgage only as collateral security on a loan that was in default. Now the banks can make mortgage loans. Because of the intense pressure from their regular customers for money and because they are not yet administratively organized, the banks are not making conventional mortgage loans to their savings-account customers.

Finally, I want to mention the second mortgage trap. (A lawyer somehow can't avoid closing on anything but a gloomy note.) The way to avoid the trap is to know in advance how you will handle an existing mortgage when it comes due. You may have given back a second mortgage on your purchase of say, $7,000 at 7 per cent. When it comes due, normally five years after it was made, there may be $4,000 still owing. Unless the money is otherwise available it may be necessary to re-mortgage. The new mortgage will not be at the 7 per cent you have been paying, but at the going second-mortgage rate of 20 per cent or more. If the interest rate is lower there is liable to be a bonus involved; that is, you will receive $4,000, but the mortgage will say you received $6,000 and that is the sum you must repay. Either way, it can suddenly seem very difficult for the discouraged mortgagor to make any dint at all in the principal. Five years may pass and then exactly the same situation presents itself.

The second mortgage trap was the bane of the 1950s when money was tight and lenders still thought of second mortgages in depression terms as a risky investment. There is a real danger that the scarce money and high interest rates of 1967 may revive the problem. ●

NEXT WEEK

Pop Singer Susan Jains

as her friends see her