JUNE 1981

BMR In Review

RECREATION — A VITAL MUNICIPAL SERVICE

The Bureau's latest publication entitled "The Benefits and Costs of Recreation" is an essential guide to understanding the function of recreation at the municipal level. The Ministry of Culture and Recreation has in fact agreed that it is so vital that they are distributing it to every municipality in Ontario as well as associations and government organizations across Canada as part of their Ministers' Conference on Recreation.

The Bureau study brings together many divergent views on recreation. It presents information and ideas on how to bridge the gap between the benefits of recreation on the one hand and the costs on the other.

Recreation not only fulfills the traditional role of providing physical activities but also serves a vital social and economic role in a municipality. These social and particularly economic benefits are rarely considered in the overall budget debate. Because of this lack of understanding of the role of recreation, many recreation departments have been faced with more extreme financial cutbacks and budgetary constraints than would have otherwise been the case.

The report presents a series of recommendations which are aimed at bringing the philosophy and finances closer together. Among the recommendations are: recreation must be accepted as a legitimate service; recreation departments must define their goals and gain a common agreement with council on the role of recreation in the municipality; the economic benefits should be fully documented; and departments must develop criteria for the use of user charges.

BMR COUNCIL MEMBERS & EXECUTIVE COMMITTEE

At the BMR Annual Meeting on May 7, 1981 three new BMR Council members were elected. The new members are: W. Kent Newcomb, Stelco Inc.; G. L. (Jed) Purcell, Bank of Montreal; and Dr. Cope Schwenger, University of Toronto.

The Bureau Executive Committee for 1981-1982 was elected as follows: President - David Freeman, Freeman, Mutrie, Architects; Past President - Eric Hardy, Eric Hardy Consulting Limited; Treasurer - Lorne Almack, Price Waterhouse; Chairman of Policy Committee - Leon Kentridge, Marshall Macklin & Monaghan; Vice-Presidents - Dr. Murray Frum, Group R; Russell J. Morrison; Dick Van Aelst, Royal Bank; and Member-at-Large - Jack Fraser, Bell Canada.

We would like to express our appreciation of the past work done by those members who are retiring from Council this year. They are: Mary Anne Miller of the Association of Women Electors and former head of the Bureau Policy Committee; Jay Moreton, Canadian Imperial Bank of Commerce and the former Chairman of the Bureau Advisory Board; Arthur Langley, Royal Trust Corporation and Reverend Richard Jones both of whom are transferring from the Bureau Council to the Bureau Advisory Board; Mac Chown, Q.C., St. Catharines; and Alan Scott, Costain Estates. The contribution that each of these individuals have made to the Bureau over the years has been vital to the Bureau's success.

A complete listing of Bureau Council members, the minutes of the Annual Business Meeting, the audited financial statement from 1980-1981 as well as the annual reports reviewing the Bureau's work over the past year are available from the Bureau offices.

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PREDICTING HOUSING DEMAND AT THE MUNICIPAL LEVEL

In an attempt to understand and predict the local housing market, municipalities across the Province have undertaken housing demand studies in the last few years. These studies have been based on projections of additional household formation along with an analysis of the existing housing stock in the area.

The rate of household formation has been regarded as a good indicator of economic climate. It reflects unemployment, the local economy as well as life style changes. For example, if unemployment takes a sudden jump, the number of new households forming will decrease as people share accomodation to save money.

The use of existing housing stock as a measurement takes into account new housing starts as well as the quantity and quality of existing stock. It gives a picture of supply and together with population trends, the gap between supply and demand.

Until recently, these two traditional indicators have proven fairly accurate in determining housing demand. This is changing, however. The complexity of the present economic situation suggests that municipalities should look directly at the individual factors such as unemployment and monitor the effects and correlations between various factors. This direct approach would allow a better ongoing understanding of a fluctuating housing market.

Individual Factors

In 1974 there was a sudden drop in the number of housing starts across the Province (Table 1). This drop was mainly attributed to severe escalation in land and construction costs and a sharp increase in interest rates. The result was a slowdown in new construction and a slow build up of unmet demand over the past 5 years.

A number of organizations predicted that housing starts would increase in 1981 to fulfill this unmet need. In fact, HUDAC projected a 25% increase in starts for Ontario in 1981. Although the first quarter of the year looked promising, it is doubtful that there will be such a substantial increase. The economic factors which promoted the 1974 slump are still present and even more acute. When these are combined with unemployment and the economics of local areas, the prospect of starts increasing dramatically this year is unlikely.

Although it is difficult to separate the exact influence each of these factors has on starts, two are starting to have an increased influence. There is a logical relationship in most municipalities between the level of unemployment and the number of housing starts with a one year lag period as shown on Table 1. In some cases where unemployment has been climbing for a number of years - for example St. Catharines and Windsor - there is also a statistical correlation which allows a certain degree of prediction in the drop of housing starts due to unemployment.

Economics of an area can also be seen in the number of starts. In those areas which have been experiencing plant shutdowns and slow industrial growth, the housing market is stagnant. This one factor is not quantifiable in terms of predicting an exact number of future starts but it does serve as a barometer for the future market and real demand.

Table 2 indicates the change in housing stock between 1971 and 1976. Ranging from a high of 32% (Kitchener and Ottawa) to a low of 5% (London) these figures give a rough estimation of actual supply. The 1981 Census data for total housing stock will provide some insight into the present situation. With fewer housing starts, increased demolitions and a trend toward deconversion, the net increase in the stock will be fairly low in most areas. When this is combined with the quality of the existing stock and the buildup of demand, a truer picture of the market will emerge.

Affordability has become the most urgent issue across the Province. The increase in mortgage rates and house prices may result in many people having to give up their present homes. Given the current rental market this problem will not be easily solved. Table 2 shows the average house prices and carrying costs in April 1980 & 1981 in the nine major centres. The average house price in Ontario for April 1980 was $62,314. With a 16.75% mortgage and a 10% downpayment, the monthly payments would have been $795. In April 1981 the average price

TABLE 1 — UNEMPLOYMENT AND HOUSING STARTS

	1972	1973	1974	1975	1976	1977	1978	1979	1980
Hamilton									
unemployment	4.7%	4.5%	3.8%	6.9%	5.4%	5.9%	6.7%	6.2%	6.4%
hsg starts	8,263	8,708	5,968	6,720	5,490	3,956	2,531	1,885	1,698
Kitchener									
unemployment	3.9%	2.5%	2.8%	5.9%	5.9%	6.1%	9.1%	7.5%	8.2%
hsg starts	5,349	5,054	4,085	3,380	3,926	3,466	2,074	2,129	1,025
London									
unemployment	4.5%	4.4%	4.1%	7.1%	6.7%	5.7%	6.3%	6.5%	7.2%
hsg starts	4,755	3,872	3,311	3,783	3,318	4,193	4,819	2,828	1,430
Metro Toronto									
unemployment	4.6%	3.9%	3.6%	5.5%	5.4%	6.6%	6.2%	5.0%	5.0%
hsg starts	34,546	37,697	29,580	26,457	26,555	28,081	26,051	21,379	20,204
Ottawa-Hull									
unemployment	5.2%	3.3%	3.6%	6.8%	7.1%	8.5%	8.6%	8.6%	7.8%
hsg starts	14,200	15,511	9,709	7,156	7,059	7,302	7,592	4,777	2,590
St. Catharines									
unemployment	6.1%	6.5%	6.9%	8.6%	8.6%	9.0%	9.7%	9.3%	9.4%
hsg starts	-	3,937	3,233	3,195	4,167	2,459	2,383	1,165	671
Sudbury									
unemployment	7.7%	4.3%	4.8%	-	-	7.5%	11.0%	10.6%	8.5%
hsg starts	1,624	933	449	922	1,058	1,262	512	659	328
Thunder Bay									
unemployment	7.4%	6.9%	4.3%	-	-	3.8%	-	-	-
hsg starts	-	1,355	874	919	1,491	1,526	1,133	677	313
Windsor									
unemployment	3.5%	4.3%	7.9%	9.7%	7.7%	7.6%	8.2%	9.6%	14.3%
hsg starts	2,610	2,033	2,602	1,643	2,002	1,805	2,511	2,714	1,255
Ontario									
unemployment	5.0%	4.3%	4.4%	6.3%	6.2%	7.0%	7.2%	6.5%	6.9%
hsg starts	102,933	110,536	85,503	79,968	84,682	79,130	71,710	56,887	40,127

Source: Statistics Canada publications #71-001 and #64-002

TABLE 2 — HOUSING STOCK AND AVERAGE PRICES

	Total Housing Stock			Average House Prices			
	1971	1976	% inc.	April 80	Mthly* Payment	April 81	Mthly* Payment
Hamilton	146,315	172,510	18%	$55,524	$709	$60,018	$ 802
Kitchener	66,585	87,880	32%	$60,269	769	$79,937	1,068
London	87,230	91,770	5%	$54,713	698	$60,202	805
Metro Toronto	774,465	909,530	17%	$73,923	943	$87,535	1,170
Ottawa/Hull	171,040	225,105	32%	$60,954	778	$62,635	837
St. Catharines	88,995	97,395	9%	$50,767	648	$48,084	642
Sudbury	39,430	45,710	16%	$43,319	552	$48,259	645
Thunder Bay	32,215	37,270	16%	$60,581	773	$52,051	696
Windsor	74,235	80,190	8%	$58,872	751	$56,687	758
Ontario	2,228,160	2,634,62	18%	$62,314	795	$72,296	966

* - with a 10% down payment

Source: Housing Stock - Statistics Canada publications #93-743 and #93-801
Housing Prices - Canadian Real Estate Association, "Statistics Report"

rose to $72,296, with a 17.6% mortgage and carrying for $966.

The house prices reflect some of the market conditions in certain areas. It is interesting to note that the boom in house prices has not been consistent across the Province. Increases have been tied to the local economy.

Comments

Thus the ability to monitor and predict the current housing market is more complex than ever. The result is that municipalities must take a closer look at their local markets and try to determine an accurate way of understanding these factors. Some areas are beginning to do this. Some are even deciding to take a more active role in the housing market. For example, 71 municipalities are considering the development of municipal nonprofit corporations to encourage and directly provide housing.

Adequate monitoring of the housing situation in each area will rely heavily on developing adequate data and constant updating. There is also room for innovative techniques to be developed. For example, the Province and the Region of Peel have done a pilot project in Peel to develop a new method to determine the need for assisted housing in the Region. The methodology involved the use of a number of surveys as well as analysis of the housing markets through more traditional means. The material on the project will be available to all municipalities in the near future. The method of determining need and demand is a new one and has applicability to not only assisted housing needs but overall needs of municipalities.

BMR IN REVIEW

BMR in Review is published on a periodic basis. It serves as both a newsletter on Bureau activities and a vehicle to provide information on various issues. If there is an area that you feel should be covered in future editions please contact the Bureau office. Any comments are welcome.

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