

OWNERSHIP UNITS WITHIN CONVERTED HOUSES AND APARTMENT
BLOCKS: A STRATEGY FOR LOW-INCOME HOUSING

BY

BLAIR MURDOCH

A thesis
submitted to the University of Manitoba
in partial fulfillment of the
requirements for the degree of
Master of City Planning
in the
Department of City Planning
University of Manitoba



Winnipeg, Manitoba, 1985

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ABSTRACT

The purpose of this thesis is to devise a housing strategy which makes a new supply of adequate housing available to low-income people. Five principles form the framework of the proposed strategy. These principles are: to renovate existing housing, to direct at inner city neighbourhoods, to emphasize individual initiative, to aim at homeownership, and to use two unconventional forms of homeownership units - units in older apartment projects and units created by converting single-family dwellings to multiple-family use. The proposed strategy aims at encouraging low-income people to pursue homeownership opportunities within inner city neighbourhoods by providing the necessary incentives for purchasing, renovating, and/or converting the two unconventional forms of homeownership units outlined above.

The proposed strategy is put forth as an idea or hypothesis which is tested within the constraints and opportunities existing in the present housing market. Winnipeg is used as the primary study area.

The methodology for testing the proposed strategy follows five logical steps which are: testing the strategy's general legitimacy in today's market; determining the potential availability of the two forms of housing advocated; examining the costs, physical alterations and legal procedures of producing these forms of housing to determine their economic viability; outlining any constraints facing the strategy; and considering all of

the above, designing a specific program to make the proposed strategy functional.

The results of testing the proposed housing strategy are positive. Considering the direction of present housing policy and the literature on conversions, the proposed strategy is shown to have general legitimacy in today's housing market. An examination of the Winnipeg housing market revealed that the potential availability of the two forms of housing is excellent. Interviews with private contractors and building inspectors, and costs figures generated from sales data and 26 case studies resulted in a positive finding in terms of economic viability. A number of constraints facing the proposed housing strategy are identified, however realistic solutions are offered which lead to the formulation of a specific program. The terms of the program make the opportunity to purchase, renovate and/or convert the two forms of housing advocated available.

In conclusion, the proposed housing strategy could have a number of positive impacts on inner city residents and inner city neighbourhoods generally. Low-income people would have the opportunity to improve their overall housing situations through homeownership. This would not only reduce the reliance on public initiative, but would also help bury the negative stereotypes applied to social housing. Furthermore, it would do all this within a strategy which would stimulate extensive upgrading and maintenance of housing, contributing to the preservation of inner city neighbourhoods.

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CHAPTER 1 INTRODUCTION

1.1 Purpose

The purpose of this thesis is to devise a housing strategy which makes a new supply of adequate housing available to low-income people. The proposed strategy will differ from previous housing initiatives both in focus and in scope. The focus of the strategy is centred around five basic principles, which are not new to Canadian housing policy, but when combined into a strategy exclusively for low-income households they take on a new orientation. The five principles which form the framework of the proposed strategy are:

1. to renovate existing housing rather than the construction of new housing to take advantage of lower overall costs
2. to direct at inner city neighbourhoods where lower cost housing exists and where lower income people live
3. to aim at homeownership rather than rental to maximize the impact on both low-income households and neighbourhood preservation
4. to use two unconventional and potentially inexpensive types of homeownership units
 - a) housing units in older apartment projects
 - b) housing units created by converting older single-family dwellings to multiple-family use
5. to emphasize individual initiative as opposed to public initiative

Based on these principles, the proposed housing strategy aims at providing the stimulus to encourage low-income people to individually initiate their own efforts towards improving their housing situations. It aims at encouraging these people to pursue homeownership opportunities within inner city neighbourhoods by providing the necessary incentives for purchasing, renovating and/or converting the two unconventional forms of homeownership units outlined above. In terms of scope the strategy is intended to be developed for wide-scale use so that immediate and long term impacts will be made on the housing conditions of low-income inner city residents.

The strategy outlined above is presented as an idea. The mechanisms needed to make this idea functional, such as financial incentives or a delivery system, cannot be realistically devised until the basic idea is tested. That is what potential exists for low-income households to purchase and renovate the two forms of inner city housing advocated in the strategy. The method by which this is tested will be presented later in the chapter. Before doing this a discussion of what makes this strategy new and different from other housing strategies will be presented followed by the rationale for developing the proposed housing strategy.

1.2 What is New About This Housing Strategy?

The five principles that form the framework of the proposed housing strategy are not new to Canadian housing policy. Each principle has formed a part of Canadian housing policy at one

time or other, but they have never been put together into one program to improve the availability of adequate housing to low-income people.

The two most notable Federal housing programs directed at low-income people have been the Public Housing Program and Non-Profit Housing Program. Neither of these programs has employed the five principles in the way the strategy proposed here will.

The Public Housing Program made no effort at utilizing existing housing and seldom used sites located in inner city neighbourhoods. The program has come under considerable criticism for creating large segregated projects.¹ The Non-Profit Housing Program comes closer in focus to the proposed housing strategy. This program has utilized both new and existing housing. Furthermore, both older apartments and converted single-family dwellings have been used. A conscious effort has also been made to locate projects within inner city neighbourhoods. The Non-Profit Housing Program has been criticized for assisting people not in need in order to achieve income integration.²

The primary difference between the proposed housing strategy and the two Federal programs is that neither of these programs employ the principles of homeownership and individual initiative. The emphasis has been on subsidized rental tenure initiated by the public sector.

The five principles of the proposed housing strategy have also been employed in a number of Federal housing programs not exclusively designed to assist low-income people. In most cases only one or two of the principles have been used within any

one program. In addition, most of these programs have had little impact on low-income households.

The Federal Government has encouraged the renovation of existing housing through its Residential Rehabilitation Assistance Program (RRAP). In conjunction with this, the Neighbourhood Improvement Program (NIP) has designated improvement districts to help remedy the deteriorating conditions in inner city neighbourhoods. These two programs did not ensure that the benefits of rehabilitation would be passed on to those households who were being affected most by deteriorating conditions. In fact, it has been argued that these programs have often made inner city neighbourhoods more attractive to middle and upper middle income people resulting in the displacement of a significant number of low-income households.³ Unlike RRAP and NIP the proposed housing strategy aims at achieving neighbourhood preservation by assisting low-income households to purchase and renovate existing inner city housing.

Federal housing policy has also employed the principles of homeownership and individual initiative. Programs such as the Assisted Homeownership Program (AHOP) and the Canadian Homeownership Stimulation Plan (CHOSP) were designed to make homeownership more accessible. These programs provided financial assistance and left it to individuals to initiate their own efforts towards purchasing a home. Because of the way these programs were designed virtually no assistance was given to low-income households.⁴ The proposed housing strategy unlike the above efforts, is put forth exclusively to assist low-income people to become homeowners. If successful the proposed strategy would represent the first

real effort at making this form of tenure accessible to low-income households.

The two unconventional forms of homeownership units advocated in the proposed strategy are not new to Canadian housing policy. The conversion of rental apartments to homeownership units (condominiums) has been supported by the Federal Government. Mortgage insurance has been issued by CMHC on the conversion of whole projects as well as on the individual purchase of such units.⁵ No efforts, however, have been made to make this form of housing accessible to low-income households. The conversion of single-family dwellings to multiple-family dwellings is also not new to the Federal government. In fact from the 1920's to the 1940's this form of housing was encouraged to meet short term deficiencies in housing supply.⁶ In more recent years numerous renovation loans (RRAP) have been approved on such conversions.⁷ Although the usefulness of this form of housing has been acknowledged, there has been no exploration into the potential for making such units available to homeowners, and certainly no effort at directing them towards low-income households.

The description of the various Federal housing programs illustrates how the principles which form the framework of the proposed housing strategy are being employed in Canadian housing policy. Furthermore, it clearly shows that no real efforts have been made to incorporate all of the principles into a strategy to assist low-income households. To summarize, the proposed housing strategy will employ the principles of renovation, inner city

neighbourhoods, homeownership, individual initiative and unconventional homeownership units. By employing these principles the proposed housing strategy aims at creating a new supply of adequate housing for low-income people as well as improving the general conditions of inner city neighbourhoods.

1.3 Rationale - Why This Type of Housing Strategy?

It is not the intent of this section to provide justification for devising a new housing strategy. Deficiencies in past and present Canadian housing strategies have been documented by many authors. In addition a continuing incidence of low-income households experiencing housing problems is identified throughout the literature on housing. These references⁸ provide ample justification for devising an alternative housing strategy.

What this section does intend to do is identify the rationale that has gone into developing the type of housing strategy proposed in this thesis. The rationale is made up of the reasons behind choosing each fo the five principles that form the framework of the strategy. Each of these principles will be discussed below.

1.3.1 Homeownership

The principle of homeownership is an integral part of the proposed housing strategy. Because this form of tenure is unavailable to most low-income households the benefits associated with it are also unavailable. It is the benefits and the potential

they have at improving the overall housing conditions of low-income households which have provided the rationale for including this principle in the proposed housing strategy. Homeownership would improve low-income households housing situations in three ways:

1. expand housing choices
2. improve housing security
3. give homeowners better control over their housing conditions.

The majority of low-income people must depend on rental housing to meet their housing needs. The opportunity of homeownership would greatly expand their housing choices. In the long term as equity is built up, it would also give them an improved opportunity to afford a better quality of accommodation.

Improved housing security is another benefit associated with homeownership. Owning, rather than renting gives a person independence from eviction notices and unreasonable rent increases made by landlords.

Homeownership also provides people with better control over their housing conditions. Owners are able to make improvements to their property and see a return either in increased value or simply in greater satisfaction with the condition of their property. Renters, on the other hand have no incentives to make improvements as there is no return to them. They must depend on their landlords to make any necessary improvements which often results in the deterioration of the property.

1.3.2 Individual Initiative

Individual initiative is also an important part of the proposed housing strategy. It is an alternative to Canadian housing strategies which focus on publicly-initiated rental housing for low-income households. By encouraging homeownership, the proposed strategy will allow low-income households to initiate their own efforts towards obtaining adequate housing and will therefore give them greater independence from government assistance. Although initial government incentives will almost certainly be required in the proposed strategy, over time the costs of these incentives will be far less than the continuing costs incurred in many publicly-initiated rental housing schemes.

1.3.3 Renovation of Existing Housing

Renovation of existing housing rather than the construction of new housing, lowers costs and upgrades existing housing. This provides the rationale for employing this principle in the proposed strategy.

The cost of purchasing and renovating an existing house is generally lower than purchasing a new one. For example the cost of purchasing a very modest new single-family home is approximately:

\$20,000 for lot

\$40,000 for home (1000 sq.ft. @ \$40/sq.ft.)

Total purchase price \$60,000

On the other hand, the cost of purchasing and renovating an older house can be much lower than \$60,000. For example, the

average-priced inner city house in Winnipeg sold for \$38,000 in 1984.⁹ Although renovation costs can vary significantly, \$10,000 has been targetted by the Federal government as a basic cost to renovate such houses.¹⁰ Furthermore, there was a large number of houses in Winnipeg's inner city which sold for significantly lower than \$38,000 in 1984. (See Table 2 in Chapter 2).

With respect to apartment construction the same conclusions can be drawn. For example the appraisal department in CMHC-Winnipeg estimates that the cost to purchase an existing apartment block (older and located in the inner city) with under 20 units ranges from \$5,000 to \$20,000 per unit.¹¹ Once again the total costs (including renovation) can vary significantly, however, when compared with the average cost of constructing new apartments (\$60,000 per unit according to CMHC) it is fairly safe to conclude that existing apartments are lower in cost.

The second reason for applying the principle of renovation is to upgrade the conditions of the existing housing stock. Unlike Federal renovation initiatives the proposed strategy aims at doing this in conjunction with assisting low-income people. The rationale for wanting to upgrade the existing stock will be explained further in the section below.

1.3.4 Inner City Neighbourhoods

The decision to target inner city housing in the proposed housing strategy was prompted by a number of factors. First, any realistic attempt at expanding the opportunity of homeownership to low-income households must make special consideration of costs.

Because inner city housing is generally the least expensive housing in a city, it has the greatest potential of being affordable to low-income households.

A second reason for targetting inner city neighbourhoods in the proposed housing strategy is the need to address the deteriorating physical conditions that predominate these neighbourhoods. Winnipeg provides a good example of the scale to which deterioration has progressed. It has been estimated that almost 50% of Winnipeg's inner city housing stock is in poor condition.¹² The proposed housing strategy addresses this problem indirectly by encouraging low-income households to purchase and renovate inner city housing. The homeownership and renovation components will have both short-term (immediate upgrading) and long-term (maintenance) effects on the physical preservation of inner city neighbourhoods.

A recent trend threatening the social character of inner city neighbourhoods has also influenced the decision to target these neighbourhoods in the proposed housing strategy. A renewed interest in inner cities has been developing resulting in a significant number of middle and upper income households moving back to inner city neighbourhoods. These households purchase inexpensive housing and renovate them to meet their needs. This move, known as gentrification, has been viewed as having positive impacts on inner city neighbourhoods. Neighbourhood stability, physical improvement, and increased property values are the most commonly cited impacts. Gentrification, however, has a number of negative impacts on low-income inner city residents. Housing once rented to low-income households is lost to these new inner city residents

(displacement). Furthermore, the increases in property values in many instances have made rents generally less affordable in inner city neighbourhoods. Here are three examples showing the extent to which gentrification is affecting low-income inner city residents.

A report done by the Ottawa Community Development Department found that 400 moderately priced rental units per year are being lost in Ottawa's inner city due to gentrification.¹³ Similarly, a research bulletin put out by the City of Toronto's Planning and Development Department suggests that a significant proportion of the 5000 rental units lost in Toronto between 1976 and 1979 was the result of gentrification.¹⁴ Finally, Novia Carter found that gentrification has started or is fully underway in 71% of Canadian cities over 50,000 population.¹⁵

Making homeownership of inner city housing more available to low-income households would combat some of the negative effects of gentrification. If a greater number of low-income inner city residents owned their own homes there would be fewer opportunities for middle and upper income households to purchase inner city housing. In addition homeownership would give low-income people greater security and reduce the chances of displacement.

1.3.5 The Two Forms of Housing

Once again the two forms of housing proposed for ownership in the housing strategy are:

- a) housing units in apartment blocks
- b) housing units created by converting single-family dwellings.

These forms of housing have been chosen for three reasons:

- 1) potentially lower housing costs
- 2) appropriate type of unit considering population trends, especially among low-income households
- 3) its potential energy savings

One of the basic premises of this thesis is that the two forms of housing outlined above have the potential for being less expensive than more conventional homeownership units. Although no solid proof of this has been presented yet, some casual observations can be made to provide at least some initial support for this contention.

It seems reasonable to assume that if two or more households can share the use of one house the housing costs would be reduced. For example, if two households were able to purchase one house for \$40,000 and spend \$20,000 to make it into two units, the per unit cost (\$30,000) would be relatively affordable. In addition all of the other associated costs such as insurance, taxes, utilities, etc. would also be shared.

In regards to apartment units, it is also reasonable to assume that if a number of households got together and purchased a whole apartment block the per unit costs would be fairly low. For example, if ten households got together and purchased a 10 unit apartment for \$150,000 and renovated it for another \$150,000 the per unit cost (\$30,000) would be relatively affordable. Once again all of the other associated costs would be shared.

Although the above examples are not based on actual cases, the per unit costs are not unrealistic given the prices to purchase

existing housing outlined in Section 1.3.2. The actual cost to create these two forms of homeownership units will be tested later in the thesis.

The two forms of housing advocated in this thesis are somewhat smaller than more conventional homeownership units. A number of recent demographic trends contributing to declining household size would suggest that the demand for such units may be strong. Divorce rate (40% of all marriages in Manitoba)¹⁶ and decisions to have children out of wedlock have resulted in a high number of single parent families (23,645 single parent families in Winnipeg).¹⁷ These trends, along with the growing number of elderly people and the increasing number of people deciding to have smaller families, have contributed to the decline in household size. For example, the average Manitoba household contained 3.7 persons in 1961 compared with 2.8 in 1981.¹⁸

These statistics do not describe the economic characteristics of these smaller households, however, it can be surmised that many single parent families and elderly people have relatively low-incomes. In fact a recent study has identified that these households are the two population groups most in need of adequate and affordable housing.¹⁹

The potential energy savings from these two forms of housing is also an important factor in the proposed housing strategy. The renovation component of the strategy could include upgraded insulation and an improved heating system. In the case of a converted single-family dwelling, two or more families would be sharing the heating costs, thus resulting in a more efficient

use of energy.

1.4 Summary

This section has provided the rationale for developing the proposed housing strategy. Below, is a brief summary of the rationale.

- . Homeownership expands housing choice, improves housing security and provides better control over housing conditions.
- . Individual initiative provides greater independence from government assistance.
- . Renovation provides lower cost housing and upgrades existing housing.
- . Inner city neighbourhoods are targetted to take advantage of lower costs, address the problem of deterioration and combat the negative effects of gentrification.
- . The two forms of housing proposed will lower overall housing costs, be appropriate in terms of population trends, and have potential energy savings.

1.5 Methodology

It is not the intent of this thesis to examine the theoretical foundation for government intervention in the housing market. Rather this intervention is accepted as a necessary measure to adjust for inequities that exist in this market.

Within this framework a housing strategy has been proposed to meet certain social objectives. More specifically, the strategy aims at assisting those people most severely affected by the

inequities in the market; namely the poor. The proposed strategy is being put forth as an idea or hypothesis which will be tested within the constraints and opportunities existing in the present housing market. Winnipeg will be used as the primary study area.

The methodology for testing the proposed housing strategy follows five logical steps. First the strategy's general legitimacy in today's market will be tested. Secondly, the potential availability of the two forms of housing advocated in the strategy will be examined. Thirdly, the costs, physical alterations and legal procedures of producing these forms of housing will be examined to determine their economic viability. Fourthly, the constraints facing the proposed strategy will be presented and some possible policy solutions offered for each constraint. And fifthly, considering all constraints and possible solutions within the framework of the proposed housing strategy, a specific program will be presented to make the strategy functional.

A number of research techniques were used in the steps outlined above. To determine the housing strategy's general legitimacy in today's market, the direction of housing policy at the Federal, Provincial (Manitoba) and Municipal (Winnipeg) levels was contrasted with the general theme of the proposed housing strategy. In addition, three government sponsored studies on the conversion of single-family dwellings to multiple-family dwellings were reviewed to test the acceptance of this form of housing.

To determine the potential availability of the two forms of housing advocated in the strategy three sources were consulted. The first source, a Federally sponsored study, estimated the

potential supply of single-family dwellings suitable for conversion in Winnipeg. The second, an inventory of single-family dwellings and converted single-family dwellings located in Winnipeg's inner city, was compiled using the Multiple Listing Service of the Winnipeg Real Estate Board. The third, an inventory of older inner city apartments sold between 1982 and 1984, was compiled from information provided by CMHC-Winnipeg.

To determine the economic viability of producing the two forms of housing advocated, the associated costs, alterations and legal procedures were examined. Sales data from the Winnipeg Real Estate Board and CMHC-Winnipeg provided an approximation of the initial costs associated with the two forms of housing. The literature on conversions provided general information on the municipal by-laws that would affect this form of housing (ie. zoning, building codes, etc.). Interviews with building contractors and building inspectors revealed more specific information on the legal procedures. In addition the typical alterations and their associated costs were outlined by those people interviewed. Finally, actual case studies involving the two forms of housing were conducted. The case studies include thirteen cases from two non-profit corporations, ten cases from the Federal RRAP files in Winnipeg and three cases from private individuals. These cases show the actual alterations done and their associated costs.

The constraints facing the proposed housing strategy were identified for the most part throughout the research steps outlined above. The solutions to the constraints, although subjective,

are offered within the parameters of accepted housing policy. Considering the constraints and solutions within the framework of the proposed housing strategy, a specific program to make the strategy functional is presented. Once again this is done within the general parameters of accepted housing policy.

1.6 Organization of The Thesis

The remainder of the thesis will consist of four chapters. Chapter 2, The New Housing Strategy: A Legitimate Housing Alternative, will provide an overview to demonstrate the proposed strategy's general legitimacy today. It will also outline the potential availability of the two forms of housing advocated.

The third Chapter, Conversions and Apartment Rehabilitation: Some Case Studies and Interviews, will test the economic viability of the two forms of housing.

Chapter 4, Constraints, Policy Statement and Program Design, will consider the information of the preceding chapters and formulate a specific housing program.

The final chapter, Conclusion, will summarize the findings, outline the potential impacts of the strategy (program) and will make suggestions for future research.

FOOTNOTES

- 1 M. Dennis and S. Fish, Programs in Search of a Policy: Low-Income Housing in Canada, (Toronto: Hakkert, 1972), p.10.
- 2 CMHC(A), Section 56.1 Non-Profit and Cooperative Housing Program Evaluation, (Ottawa: Program Evaluation Division, 1983).
- 3 N. Carter, Making Man's Environment: Housing, (Waterloo: University of Waterloo, 1979), p.70.
- 4 AHOP was designed to assist low and moderate income people to purchase homes. It provided a mortgage subsidy for five years to bring mortgage payments down to 25% of income. At the end of five years the mortgage subsidy had to be paid back (added to remainder of mortgage). The program assumed that incomes would rise enough to afford repayment. Because incomes of most low-income people did not rise as expected, and interest rates increased significantly, a large number of defaults occurred. See the 1981 CMHC Annual Report for the level of defaults.

CHOSP was also designed to make homeownership more affordable. It provided \$3,000 forgivable grants to first time homebuyers. No efforts were made to insure that low-income people could take advantage of this grant.
- 5 CMHC(B), Canadian Housing Statistics-1984, (Ottawa: Statistical Services Division, 1985), p.70).
- 6 Advisory Committee on Reconstruction. Housing and Community Planning: Final Report of the Subcommittee, (Ottawa: Edmund Cloutier, March, 1944), pp.25-27.
- 7 See Table 4.6 in Chapter 3.
- 8 Deficiencies in Canadian housing policy and the incidence of low-income households experiencing housing problems are documented in the following:

Dennis, op.cit.

CMHC(A), op.cit.

Carter, op.cit.

Albert, Rose, Canadian Housing Policies - 1935-1980, (Toronto, Butterworths, 1980).

N.H. Lithick and S. Sadeque, Shelter Policy as an Instrument of Federal Social Policy, (Carleton University, 1980).

- 10 Under the Residential Rehabilitation Assistance Program a \$10,000 grant/loan for renovation purposes is available to people owning homes in inner city neighbourhoods.
- 11 Interview with Bill Hoffer, Acting Chief Appraiser, CMHC-Winnipeg September, 1985.
- 12 50% of Winnipeg's inner city housing stock was estimated in poor condition using City of Winnipeg's Area Characterization Study, Environment Planning Department, 1979.
- 13 City of Ottawa, Instability and Tenant Displacement Within The Inner City Rental Market, (Ottawa: Community Development Department, March, 1981). p.30.
- 14 City of Toronto, Housing Deconversion, (Toronto: Planning and Development Department, September, 1980).
- 15 Carter, op.cit., p.43.
- 16 Statistics Canada, 1981 Census Data.
- 17 Ibid.
- 18 Ibid.
- 19 CMHC(A), op.cit.

CHAPTER 2 THE NEW HOUSING STRATEGY: A LEGITIMATE HOUSING ALTERNATIVE?

The purpose of this chapter is to demonstrate that the proposed housing strategy in general, and converted houses and renovated apartment blocks as homeownership units in particular, have some legitimacy in today's housing market. Government housing policy (Federal, Manitoba, Winnipeg) is briefly outlined to show that the proposed housing strategy is consistent with the general direction of Canadian housing policy. Three studies on converting single-family dwellings are summarized to provide some indication of the legitimacy of this form of housing. And finally, the availability of inner city apartment blocks and houses suitable for conversion in Winnipeg are estimated to provide an idea of what scope the proposed housing strategy could have.

2.1 The Strategy and Government Housing Policy

The proposed housing strategy is consistent with the housing policies of the Federal Government, the Manitoba Provincial Government, and the Winnipeg Municipal Government. Like the proposed strategy all three levels of government support efforts towards preserving inner city neighbourhoods and delivering adequate and affordable housing to low-income households.

2.1.1 Federal Housing Policy

In the past few decades the Federal government has demonstrated its desire to improve the housing conditions of Canadians. Community improvement efforts such as the Neighbourhood Improvement Program¹

and the Residential Rehabilitation Assistance Program² have attempted to improve the housing conditions in inner city neighbourhoods. The Public Housing Program³ and Non-Profit Housing Program⁴ were designed designed to deliver adequate housing to low-income people. Programs such as the Assisted Homeownership Program⁵ and the Canada Homeownership Stimulation Plan⁶ attempted to expand the opportunity of homeownership to a greater number of Canadians.

It was mentioned in the first chapter that many of the Federally-initiated programs have not been very effective at improving the housing conditions of low-income people. Despite this the fact remains that the Federal government has and continued to recognize the need to assist low-income people in finding adequate housing. This recognition, along with the Federal government's commitment to neighbourhood improvement and the expansion of homeownership opportunities, could make the proposed housing strategy attractive to Federal policy makers.

2.1.2 Manitoba Housing Policy

The Manitoba Provincial Government through its housing agent, Manitoba Housing and Renewal Corporation (MHRC) has initiated a number of programs aimed at assisting low-income households and improving older housing stock. Subsidies to reduce housing costs have been offered to elderly renters (Shelter Allowances for Elderly Renters⁷), low-income renters (Shelter Allowances for Family Renters⁸), and homeowners (Mortgage Interest Rate Reduction Program⁹). The Provincial government has offered grants to upgrade older housing (Critical Home Repair Program¹⁰), and

favourable terms under which homebuyers can purchase and renovate older homes (Buy and Renovate Program¹¹).

These efforts, particularly the Buy and Renovate Program, suggest that the proposed housing strategy might gain support from the Provincial government.

2.1.3 Winnipeg Housing Policy

Plan Winnipeg recognizes that the City needs to:

...commit itself to the maintenance and revitalization of older neighbourhoods as a priority in meeting the local government responsibility to housing and community development.¹²

The conclusions were drawn after finding that:

- 1) a significant proportion of inner city housing stock were in poor condition;
- 2) inner city residents were less than satisfied with the conditions of their neighbourhoods;
- 3) approximately one in every three inner city households were experiencing an affordability problem; and
- 4) private and third sector construction (non-profit) has been seriously lacking in addressing the problems of low-income households.¹³

The City of Winnipeg has become involved in dealing with these problems through the Core Area Initiative. Specifically, in the Home Repair component of the Initiative the City has become partners with Federal and Provincial governments to assist homeowners and landlords to make key repairs and upgrade their properties.¹⁴

The problems identified along with the City's efforts to correct them would suggest that the new housing strategy fits

in with their housing policy, and might gain support from this level of government.

2.2 The Strategy and Other Studies

Three studies related to the new housing strategy were found. These studies examined the potential of creating additional housing units from converting single-family dwellings. Although they did not deal with making homeownership of such units available to low-income households, they did find a number of benefits in this form of housing. These studies, along with providing some examples of criteria used for judging a dwelling's conversion potential, outline a number of constraints facing conversion.

The first report Residential Conversion Policy Study, was done in 1980 by the Community Planning and Development Division of the City of Thunder Bay's Policy and Long Range Planning Department. The study "...focuses on examining the extent of residential conversion activity in Thunder Bay, its possible contributions to the improvement of housing stock, and the ways in which this activity can be controlled for the greatest benefits for all residents."¹⁵

The study was done in two parts, a background report and a policy section, and the findings are summarized below:

a) Background Report¹⁶

- conversions should be allowed only for single-detached buildings constructed prior to 1945.
- buildings should be of a height of 1½ storeys or more.
- minimum gross floor area of 1500 square feet.

- minimum lot frontage of 33 feet
- based on above criteria, an estimated 1559 dwellings would qualify in Thunder Bay

b) Policy Section

- advantages:
 - creates additional units at a low construction cost
 - extend usefulness of existing housing stock
 - preserve character homes which are a part of our heritage
 - more efficient use of existing infrastructure
 - increased density may generate need for more commercial services
- disadvantages:
 - increased density may result in the need for upgrading of soft and hard services
 - parking requirements may create a traffic problem

The findings of this study provided enough support for conversions for the City's planning department to recommend its wider use. As a result, conversions have been included as a part of Thunder Bay's zoning by-law.

The second study, Rehabilitation and Conversion of Existing Housing Stock, done by the Ontario Ministry of Housing in 1979, examined ways of encouraging the private sector to enter the rehabilitation and conversion market. According to this study, rehabilitation and conversion offer the opportunity to preserve existing housing stock, improve the utilization of inner city municipal services, improve the viability of core areas, increase

the supply of small dwellings to meet the rising demands of smaller households, and provide employment opportunities in the renovation business.¹⁸ The study also asserts that in order to attract builders into this field, building codes, fire codes, and zoning by-laws, should be re-examined as to their appropriateness to conversions.¹⁹

The third study was done by Damas and Smith Ltd. for CMHC in 1980. The study, Residential Conversions in Canada, was aimed at determining the potential supply of dwellings in Canada which might have conversion potential. The study, according to its authors, arose out of a number of trends which seemed to be changing the traditional housing market. Demographic trends towards smaller households, the high cost of new housing, high mortgage rates, increased energy costs, and the increasing attractiveness of inner city living, provided the impetus for CMHC to sponsor this study.²⁰ Damas and Smith estimated the potential conversion stock by employing two assumptions:

- 1) only non-apartment dwellings built before 1960 would likely be considered for conversion by the private sector; and
- 2) only dwellings over 1200 square feet in area could feasibly be converted for multiple occupancy.

Based on these criteria Damas and Smith estimated that there were 1,324,390 potential dwellings that could be converted in Canada.²¹ The study also identified a number of constraints which would limit the actual number of dwellings that could be converted such as building conditions, design, cost, zoning, owner attitudes, municipal attitudes, and financing.²² Despite this, Damas and Smith

suggested that the benefits from preserving older housing stock and creating smaller housing units might justify efforts towards eliminating some of these constraints.²³ In addition, they indicate that a more effective method of examining the potential for residential conversions might be to conduct interviews with owners and occupants of such units to form case histories.²⁴

The studies discussed above, in spite of their different objectives, conclude that the conversion of single-family dwellings to multiple-family dwellings has merit. Despite the constraints identified in each study, they all supported the idea based on its potential advantages, which provides further support for the new housing strategy.

2.3 The Potential Availability of The Two Forms of Housing In Winnipeg

In order to gain some knowledge of the potential availability of inner city apartment blocks and inner city single-family dwellings suitable for conversion in Winnipeg, three sources were consulted. These sources include the Winnipeg Branch of CMHC, the Winnipeg Real Estate Board, and the Damas and Smith study cited in the previous section.

Tables 2.1 and 2.4 provide details on the potential conversion stock in Winnipeg; the number and prices of inner city single-family dwellings sold in 1984; the number of converted single-family dwellings built before 1945 and sold and listed in 1984, and their average price and average size. Table 2.5 provides information on the number and prices of inner city apartment blocks built before 1945 and sold since 1982.

A number of observations may be deduced from these tables. There appears to be a significant supply of inner city housing stock suitable for conversion. Table 2.1 identifies some 34,442 Winnipeg dwellings which might have conversion potential. Moreover, if one assumes that the dwellings built before 1940 are situated in Winnipeg's inner city, there might be some 14,229 inner city dwellings suitable for conversion.

Table 2.3 and 2.4 outline the number of duplexes, triplexes, and four-plexes listed and sold in 1984. Although there was no practical means of determining exactly how many of these houses were originally single-family dwellings, a personal familiarity with the area, and a number of discussions with different realtors, suggest that the majority of these houses were converted. Such houses could provide an excellent source of supply for the proposed housing strategy.

The price range of single-family dwellings, duplexes, triplexes and four-plexes built before 1945 (the price range for each type are similar) appears to be between \$20,000 and \$60,000 within Winnipeg's inner city. In addition, the price range for recently sold apartment blocks built before 1945 (Table 2.5) was found to be between \$5,000 and \$20,000 per unit. Both of these price ranges suggests that the forms of housing advocated in this thesis have a good chance of being affordable to low income households. The availability and price range of the two forms of housing in Winnipeg suggests that the scope of the new housing strategy could be wide.

TABLE 2.1

WINNIPEG
POTENTIAL CONVERSION STOCK

Period Of Construction	Single & Semi-Attached Area in Sq. Ft.			Row & Attached Area in Sq. Ft.			Total
	1201-1500	1500-2000	2000+	1201-1500	1500-2000	2000+	
1940 or before	5794	3925	1700	159	0	0	11,668
1941-1950	2375	1987	1392	69	0	0	5,823
1951-1960	4368	4549	1772	63	0	0	10,752
Total:	12,537	10,461	4,954	291	0	0	28,243

To adjust for a 82% sample, the full potential for Winnipeg is $28,248 \times \frac{1}{0.82} = 34,332$.

Potential for Winnipeg Inner City is: $11,668 \times \frac{1}{0.82} = 14,229^*$

* assuming houses built before 1940 are located in inner city.

Source: Damas & Smith, Residential Conversions in Canada 1980

TABLE 2.2 WINNIPEG INNER CITY SINGLE-FAMILY DWELLINGS: SOLD IN 1984

WINNIPEG INNER CITY NEIGHBOURHOODS	SINGLE-FAMILY DETACHED		
	<u># Dwellings</u>	<u>Average Price</u>	<u>Total Value</u>
1A	179	\$42,225	\$7,558,812
1B	187	45,197	8,451,539
2A	65	40,900	2,658,500
2B	118	51,220	6,043,960
3A	229	33,455	7,661,195
3B	150	44,465	6,669,750
4A	208	25,304	5,263,232
4B	50	38,390	1,417,450
4C	203	37,350	7,582,050
5A	163	28,349	4,620,887
5B	149	43,751	6,518,899
5C	313	39,618	12,400,434
9A	6	19,583	117,498
TOTAL	2020	38,000 (average price)	76,700,000

SOURCE: Winnipeg Real Estate Board
Sold and Withdrawn Listings - 1984

TABLE 2.3 WINNIPEG INNER CITY SALES BY SELECTED UNIT TYPE - 1984

ZONE	# SOLD	DUPLEX				# SOLD	TRIPLEX				# SOLD	FOURPLEX			
		TOTAL VALUE	AVERAGE PRICE	AVERAGE SIZE	AVERAGE PRICE SQ'		TOTAL VALUE	AVERAGE PRICE	AVERAGE SIZE	AVERAGE PRICE SQ'		TOTAL VALUE	AVERAGE PRICE	AVERAGE SIZE	AVERAGE PRICE SQ'
1A	4	122,500	30,620	1392	22	-	-	-	-	-	2	106,500	53,250	2219	24
1B	24	216,680	50,695	2204	23	13	567,047	43,619	2180	20	3	254,700	84,900	3144	27
2A	8	262,400	32,800	1490	22	6	334,800	55,800	2232	25	1	56,000	56,000	1931	29
2B	8	322,056	40,257	1677	24	-	-	-	-	-	2	107,000	53,500	1845	29
3A	9	431,892	47,985	2181	22	-	-	-	-	-	-	-	-	-	-
3B	12	727,392	60,616	2424	25	-	-	-	-	-	2	66,900	33,450	1520	22
4A	26	598,988	23,038	1536	15	17	451,741	26,573	1771	15	6	171,498	28,583	1588	18
4B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4C	27	1,003,644	37,172	1616	23	3	96,199	20,733	1250	23	1	58,800	58,800	2450	24
5A	27	906,687	33,581	1600	21	18	565,488	31,416	1848	17	10	389,000	38,900	2300	17
5B	28	1,061,085	37,896	1698	23	12	574,728	47,894	1842	26	7	291,025	41,575	1808	23
5C	14	625,800	44,700	2031	22	3	109,500	36,500	1460	25	-	-	-	-	-
9A	1	32,000	32,000	1778	18	1	29,000	29,000	1263	19	-	-	-	-	-
TOTAL INNER CITY	188	7,311,127	38,889	1803	25.56	73	2,713,503	37,171	1956	19	34	1,501,423	44,160	2077	21.26

SOURCE: Winnipeg Real Estate Board, sold and withdrawn listings - 1984

TABLE 2.4 WINNIPEG INNER CITY LISTINGS BY SELECTED UNIT TYPE - 1984

ZONE	DUPLEX			TRIPLEX			FOURPLEX		
	TOTAL # LISTED	TOTAL VALUE	AVERAGE PRICE	TOTAL # LISTED	TOTAL VALUE	AVERAGE PRICE	TOTAL # LISTED	TOTAL VALUE	AVERAGE PRICE
1A	6	\$237,500	\$39,583	1	\$ 69,900	\$69,900	--	--	--
1B	18	823,900	45,772	3	143,900	47,967	4	\$234,400	\$ 61,350
2A	8	274,900	34,362	3	119,400	39,800	--	--	--
2B	3	160,400	53,467	1	65,900	65,900	1	51,900	51,900
3A	6	292,400	48,733	1	49,900	49,900	--	--	--
3B	3	133,800	44,600	--	--	--	1	49,900	49,900
4A	53	1,618,900	30,545	18	623,500	34,639	16	638,500	39,906
4B	1	39,950	39,950	--	--	--	1	55,900	55,900
4C	22	935,550	42,525	1	38,500	38,500	--	--	--
5A	45	1,627,500	36,167	30	1,102,900	36,763	16	695,500	43,469
5B	34	1,416,900	41,674	11	501,200	45,563	8	407,300	50,913
5C	6	210,500	35,083	3	156,900	52,300	--	--	--
9A	6	225,500	37,583	1	42,900	42,900	2	79,800	39,900
Inner City	211	7,997,700	37,904	73	2,914,850	39,929	49	2,224,200	45,392

SOURCE: Winnipeg Real Estate Board, sold and withdrawn listings - 1984

TABLE 2.5 A INNER CITY APARTMENT BLOCKS SOLD BETWEEN 1982-1984: WINNIPEG

LOCATION	AGE	SALE DATE	SALE PRICE	# UNITS	PRICE PER UNIT
277 Arbuthnot	1912	1983	\$135,000	21 (6-2BR) (15-1BR)	\$ 6,429
105 Clarke	1912	1982	\$284,000	22 (22-2BR)	\$12,909
336/338 River	1907	1983	\$ 75,000	8 (2-Bach) (1-1BR) (5-2BR)	\$ 9,375
395/397 River	1927	1984	\$350,000	26 (23-1BR) (3-2BR)	\$13,461
441 Henderson Hwy.	1945	1984	\$120,000	10 (7-1BR) (3-2BR)	\$12,000
326 Broadway	1912	1982	\$885,000	43 (13-1BR) (29-2BR) (1-Bach)	\$20,581
531 Furby	1913	1983	\$175,000	21 (14-1BR) (7-2BR)	\$ 8,333
55 Hargrave	1905	1983	\$135,000	19 (15-1BR) (4-2BR)	\$ 7,105
622 Langside	1912	1983	\$161,000	14 (8-1BR) (6-2BR)	\$11,500
161 Langside	1910	1982	\$402,007	47 (13-Bach) (25-1BR) (9-2BR)	\$ 8,553
421 Maryland	1910	1982	\$ 90,000	14 (6-1BR) (8-2BR)	\$ 6,429

TABLE 2.5 B INNER CITY APARTMENT BLOCKS SOLD BETWEEN 1982-1984: WINNIPEG

LOCATION	AGE	SALE DATE	SALE PRICE	# UNITS	PRICE PER UNIT
426 Maryland	1914	1983	\$147,000	29 (14-Bach) (15-1BR)	\$ 5,069
722 Maryland	1914	1983	\$ 84,712	14 (6-1BR) (5-2BR)	\$ 6,051
136 Spence	1930	1984	\$355,000	26 (5-Bach) (11-1BR) (7-2BR)	\$13,654
185 Vaughan	1928	1984	\$245,000	27 (21-Bach) (6-1BR)	\$ 9,074
505 Victor	1915	1983	66,500	14 (3-Bach) (11-2BR)	\$ 4,750
730 Victor	1911	1982	\$100,000	20 (3-Bach) (10-1BR) (7-2BR)	\$ 5,000
729 Wellington Ave	1914	1982	\$155,000	21 (10-1BR) (11-2BR)	\$ 7,381
951 Westminister	1914	1983	\$115,000	18 (14-1BR) (4-2BR)	\$ 6,389
247 Young	1925	1983	\$205,000	28 (10-Bach) (18-1BR)	\$ 7,321
Inner City			\$4,285,219	442	\$ 9,695

SOURCE: CMHC: Winnipeg Branch

Note: This represents 50% of the pre-1945 inner city apartments sold since 1982.

2.4 Conclusion

This chapter has demonstrated that the new housing strategy has some legitimacy in today's housing market. The direction of government housing policy suggests that a strategy aimed at encouraging homeownership, assisting low-income households, and preserving inner city neighbourhoods would be supported. The three studies identified in this chapter conclude that the conversion of single-family dwellings to multiple-family dwellings is a legitimate housing alternative. Finally, there appears to be an adequate supply of the two forms of housing targeted in the new housing strategy.

In the next chapter some additional information on the typical costs of converting and renovating the two forms of housing will be given. These costs, along with the price ranges shown in section 2.3 will form the basis from which to judge the economic viability of the two forms of housing.

FOOTNOTES

- 1 CMHC, Annual Report, (Ottawa: CMHC, 1977).
- 2 Ibid.
- 3 Ibid.
- 4 CMHC, Annual Report, (Ottawa: CMHC, 1979).
- 5 CMHC, Annual Report, (Ottawa: CMHC, 1976).
- 6 CMHC, Annual Report, (Ottawa: CMHC, 1983).
- 7 MHRC, Annual Report, (Winnipeg: MHRC, 1983).
- 8 Ibid.
- 9 Ibid.
- 10 Ibid.
- 11 Ibid.
- 12 City of Winnipeg, Plan Winnipeg: Summary And Recommendations Of The Study Team, (Winnipeg: Department of Environmental Planning, July, 1980) p.10.
- 13 Ibid., p.8.
- 14 Core Area Initiative Agreement, June, 1981.
- 15 City of Thunder Bay, Residential Conversion Policy Study, (Thunder Bay: Community Planning and Development Division, 1980), p.6.
- 16 Ibid. pp.3-5.
- 17 Ibid., pp.52-59.
- 18 Ontario Ministry of Housing, Rehabilitation and Conversion of Existing Housing Stock, (Toronto: Ministry of Housing, 1979), p.5.

- 19 Ibid., pp.10-14.
- 20 Damas and Smith Ltd., Residential Conversions in Canada, (Ottawa: CMHC, 1980), pp.1-2.
- 21 Ibid., p.9.
- 22 Ibid., pp.15-25.
- 23 Ibid., p.49.
- 24 Ibid., p.54.

CHAPTER 3 CONVERSIONS AND APARTMENT REHABILITATION: SOME CASE STUDIES AND INTERVIEWS

Central to the success of the new housing strategy is the total per unit cost of the two forms of housing advocated. If these costs are too high government incentives to bring costs down may be unrealistic. In order to obtain some idea of the total cost per unit of these forms of housing, and hence the viability of the proposed housing strategy, two research techniques were used - interviews and case studies. Under the heading Public Sector, interviews with managers of two non-profit housing corporations will be outlined. Both managers provided a number of actual case studies involving rehabilitated apartment blocks and converted single-family dwellings. Interviews with three Federal building inspectors will also be included under this heading. The inspectors provided a number of cases involving converted houses which they inspected.

Under the heading Private Sector, interviews with six private contractors will be outlined. In addition, three groups of individuals owning and living in either converted single-family dwellings or rehabilitated apartment blocks will be included as case studies.

The interviews and case studies outlined above and discussed in detail below provide information on the costs associated with the two forms of housing. In addition these sources will provide valuable information on the type of work required to convert and rehabilitate, the type of dwellings more suitable to convert and rehabilitate, the government procedures that must be followed, and some examples of legal co-ownership agreements.

3.1 Public Sector

Two Winnipeg Non-Profit Housing Corporations agreed to provide some examples of converted houses and apartment blocks which they have completed. The corporation managers, Stan Fulham of Kinew Housing and Paul McNeil of Winnipeg Housing Rehabilitation Corporation (WHRC), also provided some valuable insights on the steps they must follow to complete a project.

Kinew Housing is a private non-profit housing corporation which was formed in 1970 to meet the urgent housing needs of native people in the City of Winnipeg. They were originally funded under Section 44.1 of the National Housing Act, but since 1978 have received funds under Section 56.1 of the same act.¹

The corporations' objectives are to buy single detached, structurally sound older homes requiring minimum repairs from all over the core area, and to make them available to low-income native families. The corporation has also attempted to provide employment for native people through its home repairs and renovations program.²

An additional objective of the corporation was to provide a rental-purchase option to tenants who lived in a unit without creating any problems to the corporation for a period of four years. This objective, however, has never been realized because CMHC has insisted that any houses sold must be sold at present market value which has been too high for Kinew tenants to afford.³

Kinew Housing has some 250 houses in its inventory to date (February 1985). Most of these houses are between 40 to 60 years old. The corporation spends between \$5,000 and \$30,000 on renovations,

and about \$20,000 for acquiring a house. The average income of the tenants is \$7,500 per year; the average rent per unit is \$196/month; the average subsidy per unit is \$180/month; and the average economic rent is between \$350 and \$380/month.

Kinew Housing has only recently been involved in the conversion of single family houses and the rehabilitation of smaller apartment blocks. Mr. Fulham felt that since families were becoming smaller, especially with the higher incidence of single parent families, the need for smaller housing units was increasing. Mr. Fulham also stated that increasing energy costs also make conversions and smaller apartment blocks a viable housing alternative. Kinew, therefore, has recently completed 3 conversions and two apartment blocks to meet this growing demand.⁵ Table 3.1 will provide details on renovations and associated costs for each one of the five cases.

Besides receiving assistance through Section 56.1 of the NHA, (a mortgage writedown to 2%), Kinew Housing, like all non-profit housing corporations, can take advantage of the Residential Rehabilitation Assistance Program (RRAP). To qualify for this assistance the corporation must do all work prescribed by the Federal building inspectors. Mr. Fulham said that because inspectors tend to set their standards too high it is most often not feasible to undertake a project under the RRAP guidelines. He felt that he could rehabilitate a housing unit to a very acceptable standard without doing a complete renovation. If he were to try and meet the standards expected by these inspectors, the economic rents would be too high, even with substantial subsidies, to be supported

TABLE 3.1 KINEW HOUSING CASE STUDIES

CASE	ADDRESS	# UNITS	TOTAL CAPITAL COSTS	CAPITAL COST/UNIT	RENOVATION WORK	TAXES (1984)	UTILITIES	INSURANCE	MAINTENANCE FEE
1 (1984)	631 William	9 2 - 2BR 7 - 1BR	Acquisition = \$140,000 Renovation = $\frac{12,100}{152,100}$	\$16,900	-smoke detectors, fire alarms -painting -kitchen & bathroom fans	\$6,500	Gas = \$2900 Hydro= 380 Water= 800 \$4080	\$670	\$1,600
2 (1983)	196 Nassau	8 4 - 2BR 4 - 1BR	Acquisition = \$138,000 Renovation = $\frac{14,000}{152,000}$	\$19,000	-smoke detectors -fire rated doors -painting	\$6,800	Gas = \$2610 Hydro= 1680 Water= 680 \$4500	\$650	\$1,600
3 (1982)	3 Flora	2 2 - 2BR	Acquisition = \$ 10,000 Renovation = $\frac{20,000}{30,000}$	\$15,000	-upgraded wiring and plumbing -repaired roof -exterior repairs -interior restructuring -fridges & stoves	N/A	N/A	\$150	\$ 800
4 (1982)	376 Alexander	2 2 - 2BR	Acquisition = \$ 1 Renovation = $\frac{30,000}{30,001}$	\$15,000	-replace wiring,plumbing -exterior repairs -interior restructuring -fridges & stoves	\$ 880	Gas = \$ 500 Hydro= 480 Water= 180 \$1160	\$150	\$ 800
5 (1978)	Alverston	2 2 - 2BR	Acquisition = \$ 24,000 Renovation = $\frac{4,300}{28,300}$	\$14,150	-partially upgrade wiring & plumbing -general repair work -fridges & stoves	N/A	N/A	\$150	\$ 800

SOURCE: Kinew Housing - Winnipeg

by native families.⁶

One out of the three Kinew conversions received RRAP assistance. Mr. Fulham decided to go with RRAP in this one instance because he was able to obtain the house for \$1 from the City of Winnipeg. The house, 376 Alexander, was brought up to what Mr. Fulham described as present day standards.⁷ The total cost of the conversion was \$30,000. This included gutting the house, restructuring the interior, replacing wiring and plumbing, installing separate servicing, doing minor exterior repairs, and installing fridges and stoves in each unit. Kinew received a \$10,000 (\$5,000 per unit) forgivable loan, and a \$10,000 (\$5,000 per unit) repayable loan. In addition to this, their labour costs estimated at \$10,000, were provided free through a core area program. 376 Alexander, therefore, was converted for a total cost to Kinew of \$10,000.

The first conversion that Kinew did was in 1978. Unlike the house on Alexander, this house (on Alverston) was already partially converted. It was acquired for \$24,000 and renovated for \$4,300. Improvements were made to the wiring and plumbing, along with some general repair work.

The most recent Kinew conversion was done on 3 Flora. This house was purchased from CMHC for \$10,000 and converted for a cost of \$20,000. Like the house on Alexander, extensive repairs were done.

Kinew bought and converted the three houses described above for about \$30,000 or \$15,000 per unit. Mr. Fulham felt that he can readily find houses in Winnipeg that can be bought and converted for between \$30,000 and \$35,000. He cautioned that

one must be very careful to select structurally sound houses, and houses that need as few repairs as possible. Mr. Fulham also indicated that a single-family dwelling should be large enough so that two bedroom units and one bedroom units would be a minimum of 700 square feet and 600 square feet respectively.⁸

Kinew Housing has also found that small inner city apartment blocks are suitable for the growing demand for small units. Within the last two years they have purchased and rehabilitated two apartment blocks for under \$20,000 a unit. The first case, 196 Nassau (4-1BR & 4-2BR), was purchased for \$138,000 and renovated for \$14,000. Renovations included smoke detectors, painting, and installing fire rated doors.

A nine unit (2-2BR & 7-1BR) apartment block located at 631 William St., was purchased by Kinew for \$140,000 and renovated for \$12,100. Renovations included smoke detectors, fire alarms, painting, fire doors, and kitchen and bathroom fans to control humidity.

Mr. Fulham anticipated that Kinew Housing will continue to move towards providing smaller housing units via conversions and small apartment blocks. He also hopes that someday they will be able to work out a method so that their clients can have the opportunity to purchase.⁹

The second non-profit housing corporation which agreed to share some information on projects it had completed, was the Winnipeg Housing Rehabilitation Corporation (WHRC). The board of directors for WHRC was appointed in the fall of 1978, and the corporation became active in the fall of 1981. Besides the

funds available under Section 56.1 of the NHA, WHRC receives some funds from the municipal (Winnipeg) and provincial governments to cover part of their administrative costs.¹⁰

WHRC started out with the intention of restoring smaller projects, renting them out to low-income households, and eventually making them available for purchase to these households. The direction of WHRC, however, has changed since its initial formation. Mr. McNeil (project manager) stated that they must move towards projects that provide a large number of housing units because a significant proportion of their funding is dependent upon the number of units produced. Specifically, WHRC has to produce a minimum of 80 units per year to break even. This fact has made them concentrate on larger apartment block projects.¹¹

WHRC has completed 157 units to date, and has another 27 under way (February 1985). Approximately one third of the units in their inventory have been rehabilitated, with the remainder being newly constructed. Their average economic rent for a rehabilitated, 2 Bedroom unit is \$700/month, and for a new 2 Bedroom unit \$900/month. Mr. McNeil says that they can buy and renovate for about \$40,000 per unit (2 BR). The renovations they do are complete, and bring the housing unit up to present day standards. They rely heavily on the funds made available through RRAP, and consequently must meet the standards prescribed by the Federal inspectors.¹² Because the renovations are complete, the economic rents are significantly higher than those found within Kineo Housing (\$700/month as compared to \$350 to \$380/month), resulting in a higher income client group. Approximately 25% of WHRC tenants

have household incomes over \$15,000 per year and 75% under \$15,000 per year. Mr. McNeil says that his average tenant has a household income of between \$10,000 and \$15,000 per year.¹³

Tables 3.2 and 3.3 describe the various costs and work done on eight projects initiated by WHRC. The projects include one apartment block, two five-plexes, two tri-plexes, and three duplexes. In all cases extensive renovations were done, bringing the condition of housing up to present day standards. Sizes of the units created were not available, however, Mr. McNeil indicated that a two bedroom unit and one bedroom unit require a minimum of 700 square feet and 600 square feet respectively.¹⁴

The apartment block, located at 853 Sherbrook St., originally had twenty one suites and 2000 square feet commercial area on the main floor. The configurations of several suites were changed allowing for the development of two additional suites. Other renovations included an exterior retrofit, renewed heating, plumbing, and electrical systems, and new doors and windows. The commercial area was also renovated and leased back to the original lessors. The total renovation costs were \$383,645, resulting in a capital cost per dwelling unit of \$27,512.

The two five-plexes, 377 Burrows and 401 Burrows, were completed in 1984. Both buildings had extensive renovations to the interior, and fully comply with current residential standards. The capital costs per unit ended up being \$36,435 and \$43,536 respectively.

Both tri-plexes were bought for under \$20,000. 134 Chestnut was rehabilitated for a cost of \$93,497, resulting in a capital cost per unit of \$39,496. The William St. tri-plex was rehabilitated

TABLE 3.2 WINNIPEG HOUSING REHABILITATION CORPORATION CASE STUDIES

CASE	ADDRESS	# UNITS	TOTAL CAPITAL COSTS	CAPITAL COST/UNIT	RENOVATION WORK	TAXES (1984)	UTILITIES	INSURANCE	MAINTENANCE FEE
1 (1983)	853 Sherbrook	23	Acquisition = \$163,105 Renovation = \$383,645 Landscaping = \$ 3,879 Appliances = \$ 18,915 Soft Costs = \$ 63,227 \$632,772	\$27,512	-exterior retrofit -insulation -replace heating, wiring plumbing, doors, windows -interior restructuring	\$9,829	Gas = 0 Hydro=\$4990 Water=\$3065 \$8055	\$1,320	\$3,680
2 (1983)	377 Burrows	5	Acquisition = \$ 45,131 Renovation = \$124,260 Landscaping = \$ 1,210 Appliances = \$ 4,683 Soft Costs = \$ 6,895 \$182,180	\$36,435	-replace heating,wiring plumbing, doors, windows -insulation -interior restructuring	\$1,268	Gas = \$ 500 Hydro=\$1300 Water=\$ 480 \$2280	\$ 290	\$1,095
3 (1984)	401 Burrows	5	Acquisition = \$ 8,161 Renovation = \$189,529 Landscaping = \$ 2,470 Appliances = \$ 4,869 Soft Costs = \$ 12,653 \$217,682	\$43,536	-replace heating,wiring plumbing, windows -insulation -interior restructuring	N/A	N/A	N/A	N/A
4 (1982)	134 Chestnut	3	Acquisition = \$ 18,315 Renovation = \$ 93,497 Landscaping = \$ 581 Appliances = \$ 2,898 Soft Costs = \$ 3,197 \$118,489	\$39,496	-replace heating,wiring plumbing, windows, doors -insulation -interior restructuring	\$2,284	Gas = 0 Hydro=\$ 866 Water=\$ 380 \$1256	\$ 560	\$ 405

SOURCE: Winnipeg Housing Rehabilitation Corporation

TABLE 3.3 WINNIPEG HOUSING REHABILITATION CORPORATION CASE STUDIES

CASE	ADDRESS	# UNITS	TOTAL CAPITAL COSTS	CAPITAL COST/UNIT	RENOVATION WORK	TAXES (1984)	UTILITIES	INSURANCE	MAINTENANCE FEE
5 (1984)	623 William	3	Acquisition = \$ 16,300 Renovation = \$146,703 Landscaping = \$ 4,671 Appliances = \$ 2,928 Soft Costs = \$ 12,507 \$183,111	\$61,037	-replace heating, wiring plumbing, windows -insulation -interior restructuring -1 suite made wheelchair accessible	\$1,867	Gas = \$ 900 Hydro = \$ 900 Water = \$ 500 \$2300	\$480	\$900
6 (1983)	260 Balmoral	2	Acquisition = \$ 15,284 Renovation = \$ 37,233 Landscaping = \$ 2,706 Appliances = \$ 1,820 Soft Costs = \$ 3,270 \$ 60,314	\$30,157	-replace wiring, plumbing windows -insulation -interior restructuring -exterior stuccoed	\$ 900 (est.)	N/A	\$200	N/A
7 (1982)	449 Langside	2	Acquisition = \$ 12,125 Renovation = \$ 24,739 Landscaping = \$ 780 Appliances = \$ 1,831 Soft Costs = \$ 442 \$ 39,917	\$19,959	-improvements to wiring & plumbing -insulation -interior restructuring	\$ 900 (est.)	N/A	\$200 (est.)	N/A
8 (1983)	109/111 Disraeli	2	Acquisition = \$ 12,119 Renovation = \$ 50,035 Landscaping = \$ 3,970 Appliances = \$ 1,820 Soft Costs = \$ 7,522 \$ 75,466	\$37,773	-replace wiring, heating plumbing, windows, doors -insulation -interior restructuring -exterior stuccoed	\$ 900 (est.)	N/A	\$200 (est.)	N/A

SOURCE: Winnipeg Housing Rehabilitation Corporation

for \$146,703, making the capital cost per unit \$61,037. The latter tri-plex was more expensive because the units created were bigger, and special construction was done to make one unit wheelchair accessible. Once again, both properties were brought up to current residential standards.

Two of the three duplexes were bought from the City of Winnipeg at a cost of about \$12,000 each. The renovation costs, however, were significantly different. The Langside house was renovated for \$24,739, resulting in a capital cost per unit of \$19,959, while the Disraeli St. house was renovated for \$50,035 making the capital cost per unit \$37,773. Although both houses were brought up to current standards, the original conditions of the houses had a significant affect on the renovation costs. The third duplex, located at 260 Balmoral St. was purchased for \$15,284 and renovated for \$37,233. The capital cost per unit ended up being \$30,157.

The capital cost per unit in the examples above vary significantly. The difference in cost lies in the original condition of the buildings, the original design, and the level of renovation undertaken. In most cases the acquisition costs were extremely low, and therefore had less affect on the overall capital costs than the renovation costs.

Mr. McNeil feels that WHRC will continue to supply smaller scale projects in the future; however, most of their efforts will concentrate on larger projects, not because smaller projects are less attractive, but rather the numbers required to keep the corporation active force WHRC to pursue these larger projects.¹⁵

3.2 Private Sector

Three private sources were consulted in order to obtain additional information on conversions and rehabilitated apartment blocks. These sources include private contractors, RRAP assisted private dwellings, and three privately-initiated projects.

Six Winnipeg construction firms were interviewed with a standard questionnaire; the results are in tables 3.4 and 3.5. The outcome of this exercise revealed that a complete conversion involving total interior gutting and remodelling would cost about \$23 a square foot (average of the six estimates). All the contractors indicated that high standards could be reached without doing a complete conversion. A partial conversion could be achieved for about \$12.50 a square foot according to the average of the six cost estimates.

In order to determine the total capital expenditures, the firms were asked what minimum gross floor area would be required to convert a home into two fully self-contained 2 bedroom units. If the average minimum gross floor area (1500 square feet) is multiplied by the cost figures above, the results are \$35,250 for a total conversion, and \$18,750 for a partial conversion. Although there are many factors which could affect the price of conversion (building condition, building design, construction quality, etc...) the above exercise does provide some indication of what costs might be expected and what changes might be required.

Three Winnipeg-based Federal housing inspectors, responsible for inspecting houses under the Residential Rehabilitation Assistance

TABLE 3.4 ESTIMATED COST OF CONVERSION

	BESTVIEW BUILDERS	BUDGET CONSTRUCTION	DALGLIESH CONSTRUCTION	HUDSON-MACK CONSTRUCTION	JOHNER'S HOME IMPROVEMENTS	ALAMO CONSTRUCTION
<u>TOTAL COSTS</u>						
Complete Conversion	\$15/sq'	\$35/sq'	\$30/sq'	\$25/sq'	\$30/sq'	\$15/sq'
Partial Conversion	\$10/sq'	\$15/sq'	\$15/sq'	\$10/sq'	\$15/sq'	\$10/sq'
<u>TYPICAL RENOVATION AND COSTS</u>						
Rewiring (2 circuits)	\$1500-\$2000	N/A	\$3000	\$1200	\$ 800	\$4000
Heating	\$1600	\$1500	\$2500	\$1000	N/A	\$1000
Plumbing	N/A	\$2000	\$4000	\$1800	N/A	\$1700
Staircase	\$1200	\$ 500	\$1000	\$1500	\$1500	\$2500
Kitchen Cabinets (for 1 additional suite)	\$ 800	\$1400	\$1500	\$1000	\$1200	\$1000

SOURCE: Interviews with private contractors

TABLE 3.5 RESIDENTIAL CONVERSIONS - SPECIAL CONSIDERATIONS

	BESTVIEW BUDGET	BUDGET CONSTRUCTION	DALGLIESH CONSTRUCTION	HUDSON-MACK CONSTRUCTION	JOHNER'S HOME IMPROVEMENT	ALAMO CONSTRUCTION
Minimum Sq.Ft.	1600	1500	1500	1600	1200	1600
Best House Design	Two Storey	Two Storey	Two Storey	Two Storey	Two Storey	Two Storey
Worst House Design	Cottage Roof	None	None	Complicated Roof	Poor Building Conditions	None
Extended Life Expectancy With Complete Conversion	25 Years	20 Years	N/A	25 Years	25 Years	25 Years
Can High Standards Be Reached With Partial Conversion	Yes	Yes	Yes	Yes	Yes	Yes

SOURCE: Interviews with private contractors

Program, provided some information on the physical changes required to convert a house to meet current building standards and government regulations. They also provided ten cases of converted houses funded by RRAP. All these cases involved individuals who applied for RRAP assistance to upgrade previously converted single-family dwellings. Since there is a significant number of these type of houses in Winnipeg's inner city, they may provide an additional source for low cost housing.

The three inspectors interviewed were Peter Nedecky (Daniel McIntyre Site Office), Cliff Smith (Chalmers Site Office), and Fred Ulrich (William Whyte Site Office). The information received from each inspector was very similar, therefore an account of the aggregated information will be given below.

According to the inspectors the first step in converting a house is to check the zoning. If the house is located in a R2 or R3 zone only a building permit is required but if the house is located in a R1 zone a variance must be obtained. Once a variance is obtained, the owner must apply for a building permit and submit a set of drawings which include details on the structure, electrical, plumbing and lot description. A city inspector will then determine whether or not a permit should be granted.¹⁶ Like the city's inspection, a house inspected for RRAP purposes must have five major areas checked out; structure, electrical circuits, heating, plumbing and fire safety. All these areas must meet the standards set out in the national building code.

When a converted house is inspected careful consideration is given to fire rating, fire alarms, entrances, and plumbing.

All walls between suites must be fire rated for one hour. The main floor separating the basement from the first floor must be fire rated for one hour as well. All doors opening into common hallways must be fire rated at twenty minutes.¹⁷ A duplex or triplex must have an electrically interconnected fire alarm with a heat detector in each suite, so that if one is triggered the alarm will go off in both suites.¹⁸ Smoke detectors are also required in both suites. Under the national building code a second or third floor suite must have one enclosed staircase and a secondary egress not necessarily enclosed. Both City of Winnipeg inspectors and RRAP inspectors recognize a door or window to an outside landing as a secondary egress.¹⁹ The final item given special consideration is plumbing. Any lines going through fire walls must be made of a non-combustible material such as copper.²⁰

The RRAP inspectors also have some discretionary powers that they can enforce. For example, if they see that the interior walls are in poor shape, the roof needs repair, windows and doors need replacing, or insulation should be upgraded, they can stipulate that these items have to be improved in order to get the RRAP assistance.²² The inspectors also have a silent agreement with CMHC in regard to the standards they enforce. For example, if the applicant has a very low income they will make sure major items are improved and overlook what they can in order to minimize the costs.²²

RRAP applicants are entitled up to a maximum of \$10,000 per unit in the form of a loan. Depending on the occupying homeowner's household income, up to \$5,000 of this can be forgiven. The

remaining loan amount is written down by the Provincial government to a maximum of 0% depending on the income of the applicant. Assistance is also available to landlords, with a maximum forgivable loan of \$3,500 and a maximum repayable loan of \$6,500.²³

Each unit is eligible to receive \$10,000 from RRAP, therefore, a duplex or triplex could be eligible for up to \$20,000 to \$30,000 worth of assistance respectively. Moreover, if each unit were owner occupied by a low-income household, one half of the loan amount would be forgivable and the other half written down to 0%.

The ten cases provided by the RRAP inspectors were all located within the inner city, and were all converted prior to making application for RRAP assistance. Table 3.6 and 3.7 provides a description of each case, including location, costs of rehabilitation per unit, and household income of applicant.

It appears from this information that a converted house can be rehabilitated to an adequate standard for between \$5,000 and \$10,000 (based on costs incurred between 1978 and 1982). Because the household incomes of the owner occupants are quite low (between \$5,000 and \$10,000 annually), it might be argued that the inspectors have used their discretionary power to keep costs down. Regardless of this the inspector still has to ensure that the major items such as electrical, plumbing, structure, fire safety, and heating are adequate.

The market value of these rehabilitated duplexes could not be obtained from the owners. A fairly reliable price range for these types of units, however, can be obtained by looking at the

TABLE 3.6 COSTS TO RENOVATE CONVERTED SINGLE-FAMILY DWELLINGS

CASE	LOCATION	# UNITS	TENURE	COSTS OF RENOVATION	INCOME OF OWNER OCCUPANT
1 (1981)	689 Selkirk	2	1 owner occupant 1 renter	\$2745 (lower unit) \$4085 (upper unit) \$6830	\$7025
2 (1978)	696 Pritchard	2 (2-3BR)	1 owner occupant 1 renter	\$3050 (lower unit) \$ 830 (upper unit) \$3880	\$9843
3 (1978)	176 Powers	2 (2-2BR)	2 renters	\$20,000	
4 (1981)	255 Pritchard	2	1 owner occupant 1 renter	\$3438 (lower unit) \$1409 (upper unit) \$4847	\$9721
5 (1980)	294 Charles	2	1 owner occupant 1 renter	\$4295 (lower unit) \$2897 (upper unit) \$7192	\$5219
6 (1982)	155 Machray	2	1 owner occupant 1 renter	\$7125 (lower unit) \$2769 (upper unit) \$9894	\$9333

SOURCE: Residential Rehabilitation Assistance Program files - Winnipeg

TABLE 3.7 COSTS TO RENOVATE CONVERTED SINGLE-FAMILY DWELLINGS

CASE	LOCATION	# UNITS	TENURE	COSTS OF RENOVATION	INCOME OF OWNER OCCUPANT
7 (1980)	400 Aberdeen	2 (2-3BR)	1 owner occupant 1 renter	\$4970 (lower unit) \$4097 (upper unit) \$9067	\$6930
8 (1982)	646 Talbot	2	1 owner occupant 1 renter	\$5137 (lower unit) \$3105 (upper unit) \$8242	\$8365
9 (1980)	644 Simcoe	2	1 owner occupant 1 renter	\$4495 (lower unit) \$4335 (upper unit) \$8830	N/A
10 (1982)	125 Lipton	2 (2-2BR)	1 owner occupant 1 renter	\$1476 (lower unit) \$2240 (upper unit) \$3716	N/A

SOURCE: Residential Rehabilitation Assistance Program files - Winnipeg

selling prices of converted houses in Winnipeg's inner city. Based on 1984 sales, prices of inner city duplexes ranged from \$23,038 to \$60,616. (See Table 2.3). An expected price per unit, therefore, might be somewhere between \$12,000 and \$30,000 depending on the condition and location of the dwelling. Taking inflation into consideration, the higher end of the cost to rehabilitate based on the RRAP data, might be around \$15,000 in 1984. If this cost is added to the purchase price, the price range per unit might be between \$20,000 and \$37,500 per unit.

The above analysis on its own is not terribly reliable. However, if one considers the average cost estimate of \$18,750 for a partial conversion given by the contractors previously, this \$15,000 estimate using RRAP figures is not too far out of line. Moreover, the price range of \$20,000 to \$37,500 per unit given above is comparable to the duplexes completed by Kinew Housing and WHRC, which range from \$15,000 to \$38,000 per unit.

The first of three privately-initiated projects involved the purchase and subsequent renovation of a six unit apartment block located at 544 Wardlaw. The apartment block was purchased in 1982 from the landlord by the six occupying tenants for a total cost of \$190,000, or \$31,666 per unit. The average liveable square feet per unit is 1,629.²⁴ The buyers formed a holding company to purchase the building so that the original owner could receive payments (as he held the mortgage on the property) from one legal entity. This eliminated the added complications of receiving mortgage payments from six owners. Since its purchase the owners have obtained condominium status.²⁵

Rather than doing renovations on the building all at once, the owners decided to set up a maintenance program which allocated \$10,000 a year to cover repair work and building maintenance. Each owner, therefore, is responsible for approximately a \$140 a month maintenance charge. Since the purchase, the maintenance fund has been sufficient to meet all repairs with the exception of installing pilings and doing some concrete work in 1984. In this case a \$20,000 loan was taken out by the owners to cover the costs of repairs.²⁶

A legal contract was drawn up to outline a number of provisions of ownership. These provisions include the following:

- 1) buy-sell provision - holding company has first option to buy at an appraised fair market value.
- 2) cost of repair work done to common property (exterior facing - four inches in from exterior walls, common hallways, boiler, roof etc...) is shared equally.
- 3) individual owners responsible for interior repairs, with the exception of repairs necessitated by exterior building conditions, ie. roof leaks which create damage to a unit, wall cracks, caused by installation of pilings.
- 4) repairs necessitated by building conditions have upper \$ limit, and a specified time limit to be acted upon.
- 5) no advertising in common areas without consent of all owners.
- 6) no additions to exterior of building (ie. awnings) without consent of all owners.
- 7) no activities allowed which create a fire hazard.

- 8) pets allowed as long as no one complains, and as long as they do not damage the common area.²⁷

The owners of 544 Wardlaw meet several times a year to discuss proposed renovations and any other problems that might arise. To date any problems that have arisen have been resolved.²⁸

Each of the final two case studies involves the purchase of a converted house by two households. These cases are being presented not so much for their contribution to the cost of conversion, but rather they give an indication of the arrangements required to purchase and occupy a converted house.

The first case involves a converted house located at 1018 Grosvenor. The house, built in 1916 and converted in the 1930's was bought in 1978 by Barry Trute and Bob Van Der Krabben for \$50,000 (no renovations were required). The house contains two 2 bedroom dwellings. They bought the house as co-owners, with Mr. Trute assuming 40% of the mortgage payments (living in the smaller upstairs suite), and Mr. Van Der Krabben the remainder. A legal contract was drawn up which specifically outlines the responsibilities of each owner. The responsibilities include:

- 1) if one co-owner decides to sell the other co-owner is given first option to buy.
- 2) if one co-owner decides to rent out his unit applicants are screened by the other co-owner.
- 3) any exterior renovations are shared at 60-40.
- 4) interior repairs not affecting the other co-owner, are paid individually.
- 5) equal access to the yard.

6) utilities shared 60-40.

7) basement shared equally.²⁹

During the time Mr. Trute and Mr. Van Der Krabben have lived at 1018 Grosvenor, they have not experienced any problems in their living arrangements. Both men feel that their compatibility has been an important factor in their successful living arrangements.³⁰

The second converted house bought in 1982 by two couples, Len Schilchting and Liz Coffman, and Peter and Isabel Dueck, is located at 106 Ethelbert. The house, built in 1910, was converted to a five-plex in the 1960's. The new owners have deconverted it to a duplex. They bought the house for \$70,750 and estimate that they will spend another \$10,000 on renovation. Like the Trute-Van Der Krabben case, a legal contract was drawn up outlining the responsibilities of each co-owner. They were almost identical to the first case, with the exception of costs being shared at 50-50.³¹

An important factor determining their choice of house was that the Ethelbert house could easily accomodate a third household. This option could provide additional income to both owning households, and therefore reduce their effective rental payments.³²

Table 3.8 summarizes the various costs associated with each of the three cases described above.

TABLE 3.8 PRIVATELY-INITIATED CASES

CASE	ADDRESS	BUYING PRICE	# UNITS	PRICE OF RENOVATION	TAXES	UTILITIES	INSURANCE	MAINTENANCE
1 (1982)	544 Wardlaw	\$190,000 (\$31,666/unit)	6	\$20,000 pilings & concrete work	N/A	\$10,000/yr (\$140/mo/unit)	N/A	\$10,000/yr (\$130/mo/unit)
2 (1978)	1018 Grosvenor	\$ 50,000 (\$25,000/unit)	2	\$ 0	N/A	N/A	N/A	N/A
3 (1982)	106 Ethelbert	\$ 70,750 (35,375/unit)	2	\$10,000	\$1000	Gas = \$1000 Hydro = 500 Water = 200 \$1700	\$250	N/A

SOURCE: Case 1 - Don Ellis
 Case 2 - Bob Van Der Krabben and Barry Trute
 Case 3 - Len Schilchting, Liz Coffman, Peter and Isabel Dueck

3.3 Conclusions

The main purpose of this chapter has been to determine whether the form of housing advocated in the new housing strategy is viable from an economic perspective. Before this is addressed, a number of other factors discussed in this chapter will be summarized. These factors include the type of dwellings more suitable to convert and rehabilitate, the renovations required to convert and rehabilitate, and the importance of conditions of co-ownership.

All the contractors interviewed agreed that the best type of house to convert is one with two or more stories. Two fully self-contained units, one located on the main floor (including the basement), and one located on the second floor (and additional floors if they exist), can be created with few problems. The contractors also indicated that a minimum 1200 to 1600 square feet is required to create two fully self-contained two-bedroom units. They added that additional units can be created if the house is large enough.

Information on size was not available for the case studies on conversions provided by Kinew, WHRC, and RRAP files. All three sources, however, indicated that a minimum of 700 square feet per unit would be required to create two fully self-contained two-bedroom units. Similarly, two sources from the previous chapter, Damas and Smith, and the City of Thunder Bay, indicated that a minimum gross floor area of 1200 square feet and 1500 square feet respectively, would be required to successfully convert a single-family dwelling. Also from the previous chapter, it

was found that the size of converted dwellings sold in Winnipeg's inner city, ranged from 1200 square feet to 3000 square feet. In addition, the vast majority of these dwellings have two or more stories.

From the opinions of individuals knowledgeable on house construction, and the sizes of actual converted dwellings, there appears to be some consensus on the minimum house size range suitable for conversions. This range is between 1200 square feet and 1500 square feet. Furthermore, a two story house appears to be the most suitable design for potential conversions. In order to convert and rehabilitate a single-family dwelling and to rehabilitate an apartment block, the five physical components previously listed should be inspected.

The final cost of purchasing and renovating will be significantly affected by the original condition of each one of these components. It is critical to choose a dwelling with components that need as few repairs as possible. If careful selection is not made municipal building inspectors may find that extensive work is required to each component in order to bring them up to an adequate standard.

The final three case studies outlined in this chapter indicated the importance of having a document outlining the conditions of co-ownership. By clearly identifying all conditions of ownership, the individuals involved have not experienced any problems.

The main objective of this chapter has been to get some idea of the costs involved in the form housing advocated in this thesis, and to make a judgement on its economic viability. The case

studies, along with the estimates from the private contractors, suggest that conversions and rehabilitated apartment blocks can be produced at relatively low prices. The examples from the Public Sector all show low initial buying prices:

- duplexes - between \$5,000 and \$12,000 per unit
- triplexes - between \$5,000 and \$6,000 per unit
- fiveplexes - between \$1,500 and \$9,000 per unit
- apartment blocks - between \$7,000 and \$16,000 per unit

The conversion and renovation costs, on the other hand, were very inconsistent. Examples from Kinew Housing indicate that total capital costs per unit (purchase price and renovation costs) for their duplexes were about \$15,000, and their apartment blocks between \$17,000 and \$19,000 per unit. WHRC on the other hand, had total capital costs per unit of \$20,000 to \$38,000 for their duplexes, \$40,000 to \$60,000 for their triplexes, \$36,000 to \$44,000 for their fiveplexes, and \$27,000 for their apartment block. The inconsistencies, particularly between the WHRC and Kinew units, are the result of the level of renovation done. WHRC in all cases have brought each dwelling unit up to present day building standards. Viewed in this light, these units have been produced inexpensively in comparison to newly constructed units of similar form. Kinew Housing, on the other hand, generally does not attempt to bring their dwellings up to present-day standards. They feel that they can produce adequate accommodation by doing partial conversions and limited renovation work. Examples from the private sector tend to support the conclusions drawn by Kinew Housing. The cases assisted under RRAP had average renovation

costs of \$15,000 per duplex (taking inflation into consideration). Similarly, the average estimates given by the private contractors for a partial conversion on a 1500 square foot house was \$18,750. Both the RRAP inspectors and private contractors concur that adequate standards can be reached by doing partial renovation work.

The buying prices provided by the two non-profit housing corporations, along with the prices of single-family dwellings, conversions, and apartment blocks outlined in the previous chapter indicate that the initial cost to purchase inner city dwellings suitable for conversion, and inner city apartment blocks, is generally low. Houses suitable for conversions, and houses that have already been converted, range in price between \$20,000 and \$60,000. If the costs to partially renovate and/or convert are added to the houses in the above price range, it is reasonable to conclude that there is potential for creating low-cost housing units from converted dwellings. Even if one considers the higher cost of total conversion (\$35,250 per duplex), the same conclusions can be reached. Furthermore, if the above analysis, along with the case studies provided in this chapter, is considered, it appears that the price range for creating a fully self-contained two-bedroom unit from a converted dwelling is in the neighbourhood of \$15,000 to \$40,000. In addition, the information supplied in the previous chapter on the price range of smaller inner city apartment blocks (\$5,000 to \$20,000) and the four apartment block case studies provided in this chapter, indicates that one-bedroom to three-bedroom units can be bought and renovated for between \$20,000 and \$30,000.

What do these price ranges mean in terms of being affordable to low-income households? The best way to determine the relevance of these price ranges is to compare them with the price range that is affordable to low-income households. This has been done in Table 3.8 by utilizing some of the criteria used by the Manitoba Housing and Renewal Corporation (MHRC). This criteria includes an upper low-income limit of \$20,000 per annum, a 25% Gross Debt Service Ratio, an 11% interest rate (currently used in the Buy and Renovate Program), and a 25 year amortization period. In addition a typical property tax and heating cost was included in the table.³³

By comparing the results in Table 3.9 to the price ranges stated above, it appears that households with incomes between \$10,000 and \$20,000 could afford a mortgage on a dwelling typical of the form advocated in this thesis. For example, a household earning \$10,000 per annum could afford a \$15,000 mortgage (the bottom end of the price range), and a household earning \$20,000 per annum could afford a \$37,000 mortgage (near the upper end of the price range). In both cases no subsidy would be necessary to make the mortgage payments affordable.

From this analysis it appears that an opportunity might exist for low-income households to purchase and renovate apartment units and purchase, renovate and convert single-family dwellings. Although this analysis is encouraging, there are still a number of constraints which may limit this opportunity. The constraints and some possible solutions will be discussed in the following chapter.

TABLE 3.9 THE AFFORDABILITY RANGE OF LOW-INCOME HOUSEHOLDS

Income Range	Eligible GDS Ratio (@ 25%) (monthly)	Eligible Principal & Interest(monthly) (GDS-Taxes & Heating)	Eligible Mortgage
\$ 20,000 (\$1,667/mo)	417	417 - 60 = 357	\$37,090
19,000 (\$1,583/mo)	396	396 - 60 = 336	\$34,908
18,000 (\$1,500/mo)	375	375 - 60 = 315	\$32,726
17,000 (\$1,417/mo)	354	354 - 60 = 294	\$30,544
16,000 (\$1,333/mo)	333	333 - 60 = 273	\$28,362
15,000 (\$1,250/mo)	313	313 - 60 = 253	\$26,285
14,000 (\$1,167/mo)	292	292 - 60 = 232	\$24,103
13,000 (\$1,083/mo)	271	271 - 60 = 211	\$21,921
12,000 (\$1,000/mo)	250	250 - 60 = 190	\$19,740
11,000 (\$ 917/mo)	230	230 - 60 = 170	\$17,662
10,000 (\$ 833/mo)	208	208 - 60 = 148	\$15,376
9,000 (\$ 750/mo)	188	188 - 60 = 128	\$13,298
8,000 (\$ 667/mo)	167	167 - 60 = 107	\$11,117
7,000 (\$ 583/mo)	146	146 - 60 = 86	\$ 8,935

FOOTNOTES

- 1 Interview with Stan Fulham Manager, Kinew Housing, February, 1985.
- 2 Ibid.
- 3 Ibid.
- 4 Ibid.
- 5 Ibid.
- 6 Ibid.
- 7 Ibid.
- 8 Ibid.
- 9 Ibid.
- 10 Interview with Paul McNeil, Manager, Winnipeg Housing Rehabilitation Corporation, February, 1985.
- 11 Ibid.
- 12 Ibid.
- 13 Ibid.
- 14 Ibid.
- 15 Ibid.
- 16 Interviews with Peter Nedecky, Cliff Smith, and Fred Ulrich, Building Inspectors with RRAP, January, 1983.
- 17 Ibid.
- 18 Ibid.
- 19 Ibid.

- 20 Ibid.
- 21 Ibid.
- 22 Ibid.
- 23 Ibid.
- 24 Interview with Don Ellis, 544 Wardlaw, February, 1985.
- 25 Ibid.
- 26 Ibid.
- 27 Ibid.
- 28 Ibid.
- 29 Interview with Bob Van der Krabben, 1018 Grosvenor, November, 1982.
- 30 Ibid.
- 31 Interview with Len Schilchting, Liz Coffman, Peter and Isabel Dueck, 106 Ethelbert, November, 1982.
- 32 Ibid.
- 33 Taxes and heating costs were estimated using the Case Studies as a reference point and calculated based on two or more households sharing the costs.

CHAPTER 4 CONSTRAINTS, POLICY STATEMENT AND PROGRAM DESIGN

The housing strategy put forth in this thesis so far has received a positive evaluation. There are, however, a number of constraints that face this strategy. The purpose of this chapter is to identify these constraints, offer solutions, and formulate a Policy Statement and Program that would make the proposed housing strategy functional.

4.1 Constraints

4.1.1 Financing

The most severe constraint facing low-income households when purchasing a house is their access to capital, which is normally determined by the households ability to service the debt. A mortgage will not be approved if the principal, interest, taxes, and heating costs exceed 32% of households gross income (called gross debt service ratio). While this factor would severely limit a low-income households ability to purchase under normal buying conditions, if different conditions were produced allowing two or more households to combine their incomes, their access to capital could be greatly improved. Although this is not a common practice, it is acceptable to most banks and lending institutions.

Another factor which is considered by a lender when a loan application is made, is the borrowers work history and present job security.² Because low-income people frequently have unstable employment records due to the nature of work they must take, they are viewed as high risks by lenders. This factor, therefore may reduce a low-income persons access to capital.

The downpayment requirement associated with mortgage financing

is another factor which severely limits a low-income households access to capital. The lender usually requires a 25% downpayment on houses and apartment blocks they finance. This requirement can be reduced to 10% if mortgage insurance is obtained. Normally this is available as long as the lender approves the loan and the dwelling is appraised at or above the purchase price.³ Even if two or more households combine their incomes to qualify for a mortgage, the downpayment requirement (10% to 25%) is a major stumbling-block for most low-income households.

Low-income households would also be more sensitive to fluctuations in interest rates. If these households are borrowing at or around the 32% gross debt service (GDS) ratio, even a small increase in interest rates would have a significant affect on their ability to manage the payments.

One last financing problem, which is directly associated with the form of housing advocated in this thesis is the inability of obtaining a mortgage covering the cost of purchase, renovation, and/or conversion. Lenders will only approve a mortgage based on the dwellings current appraisal. They will not include renovation costs in the mortgage because they cannot be assured that the new appraisal price will meet the mortgage amount.⁴ A separate personal loan, which is typically more expensive (higher interest rates and shorter amortization period), must be obtained, which makes the costs of purchase, renovation, and/or conversion considerably higher, and therefore more restrictive to low-income households.

Policy Response

The problems identified above are major constraints facing the housing strategy presented in this thesis. A number of things could be done, however, to help ameliorate these problems. The lenders association of higher risk with low-income households, is an attitude which cannot be changed easily and in order to begin changing this attitude low-income households must be given an opportunity to prove themselves. This opportunity will not be given unless certain guarantees are made to the lender. Under the National Housing Act homebuyers can get mortgage insurance if the property is assessed at or above the buying price and the lender approves the loan. The use of this insurance should be expanded in order to encourage lenders to approve loans to households who might not otherwise qualify because of blemishes on their employment records.

The requirement of a downpayment is a major constraint to low-income homebuyers. In order to improve access to capital this requirement needs to be reduced or eliminated. It is not conceivable that lenders would eliminate this requirement, however, if government policy makers are receptive to the strategy, a number of possibilities exist. To eliminate the downpayment a direct government loan covering the downpayment amount at the same interest rate and amortization period as the mortgage could be provided. Alternatively, mortgage insurance could be issued covering the total purchase price, therefore eliminating the need for a downpayment. In either case there would be no subsidies involved.

The strategy could be more viable if low-income households were protected from fluctuations in interest rates. Some protection is already available to homeowners from the Federal government,⁵ however, the premium requirements and other terms of this protection could be improved to favour low-income households. For example, the premium requirement could be geared to income to ensure that the homeowner's GDS ratio is maintained below the 32% level. Currently the interest rate has to rise by at least 2% before the interest rate insurance will come into effect. This could be changed so that the insurance would come into effect at a 2% increase or at any increase which puts the homeowner over a 32% GDS ratio. In addition to mortgage insurance a direct reduction in interest rates payable by low-income households could widen the scope of homeownership significantly. For example, the Federal government could write down the private mortgage to a specific level, or provide direct loans and take advantage of their own preferred borrowing rates.

The final problem that would have to be addressed regarding financing, is the inability to include rehabilitation costs into the mortgage. If a government loan could be provided to cover the renovation costs at the same terms (interest rate and amortization period) as the private mortgage, the viability of low-income households purchasing, renovating, and/or converting dwellings would be improved. Further, if this is done on a wide enough scale, more appropriate appraisal practices for such dwellings could be established, and bench marks to judge future rehabilitated units developed. If this could be achieved, private lenders might

be more willing to provide mortgages covering the purchase price and renovating costs.

4.1.2 Building Conditions and Design

The condition and design of a dwelling will affect the feasibility of renovating and/or converting it. The purchase price of the dwelling will determine the extent of renovations that can be made without going over the budget affordable to the buyers. The problem that arises, therefore, is how to determine whether the cost of purchase and renovation is affordable. In this case the renovation costs are the unknown variable; to discover what these costs might be, one must be able to assess the building conditions and the associated costs of bringing them up to adequate standards. In the case of converting a single-family dwelling some knowledge of design is required to determine what costs might be expected. The average homebuyer does not have the technical expertise to make such judgements possible. Unless a homebuyer can obtain technical assistance before purchasing, a bad choice could be made. Even if technical assistance can be found, the vendor may refuse to have the dwelling inspected for this purpose.

Policy Response

Low-income households, when buying a converted house, a house to be converted, or an apartment block that needs renovations need to clearly know what costs they should expect. Because they are more susceptible to costs than higher wage earners, some method of determining the costs before purchasing a dwelling is needed.

A method that could be employed would be to recruit the services of a building inspector for a preliminary appraisal, and if this person sees no major problems, one or more contractors could be consulted for a cost estimate. To protect the vendors interests a inspector, who has no legal jurisdiction over the building conditions, could be utilized.

4.1.3 Zoning

Zoning is a factor which specifically affects residential conversions. Single-family houses located in zoning districts which allow for duplexes or housing of greater density, will not require a zoning amendment when being converted. A variance might be required depending on the extent to which the conversion affects the exterior dimensions of the house. In a district where only single-family dwellings are allowed a zoning amendment or a variance is normally required.⁶ This requirement will cause time delays, which could pose financial problems on low-income homeowners. Further, if municipal policy is opposed to such zoning changes (specifically conversions), at best time delays would increase and at worst the amendment or variance would be denied. Low-income homebuyers, therefore, should be aware of this constraint before purchasing a house in a single-family district.

Policy Response

If the housing strategy, particularly in reference to residential conversions, is accepted by municipal policy makers, efforts should be made to either make zoning regulations more permissive or clearly

identify zones where conversions would be an acceptable activity. Moreover, the delays associated with having this use approved, should be reduced. If the concept is not generally accepted by municipal policy, then efforts should be made to ensure low-income households are purchasing in areas least restrictive. Further, efforts should be made to encourage such buyers to make their offer to purchase, subject to approval of any zoning changes required.

A new housing agency, or part of an existing one (ie. MHRC) could provide this type of assistance to low-income homebuyers.

4.1.4 Building Codes

Once it has been determined that a dwelling complies with the zoning by-law, a building permit is required if any major renovation work is proposed. In order to receive a building permit a proposed renovation and/or conversion, must comply with the building code. Building codes are enforced to ensure that structural, electrical, heating, plumbing, and fire safety standards are met. More specifically, building codes have been designed to control the standards and quality of new construction. Theoretically a proposed conversion or renovation is judged on whether or not it meets current standards; if these standards were strictly enforced, the costs of doing such work would be extremely high. This would severely limit a low-income households ability to obtain ownership of existing dwellings. These standards, however, are generally not strictly enforced because this would not create incentives to rehabilitate. City and Federal building inspectors (Federal for ⁷RRAP purposes), use some discretion and recognize equivalencies

when inspecting renovated properties.

Policy Response

As discretion and the use of equivalencies are already being used when inspecting existing buildings, this should be encouraged particularly when inspecting dwellings under the strategy proposed in this thesis. Such discretion could ensure that major items needing upgrading are done, while at the same time keep costs down by ignoring items that appear adequate. In addition if such an inspection was undertaken before purchasing, the risks of buying problematic dwellings could be reduced.

It has been suggested by the Ontario Ministry of Housing that the appropriateness of existing building codes for rehabilitated and converted dwellings should be examined. The Ministry feels that a safe, realistic, and less expensive version could be developed for Canada.⁸ If such a code could be developed associated costs (renovation) would be more consistent.

4.1.5 Other Municipal Constraints

There are three other factors related to municipal policy which may be constraints to the strategy's success. These factors are higher demands on soft and hard services, increased traffic and parking problems, and the threat of destroying the character of the single-family environment, leading to a reduction in property values.

Any increase in population density will place greater demands on soft and hard services. With respect to hard services, increased

demands could lead to premature upgrading of sewer and water lines. The strategy presented in this thesis, however, does more for changing the form of tenure than increasing the population density. Our inner cities are already filled with houses that have been converted by absentee landlords. In addition most Canadian inner cities are in need of upgraded physical infrastructure, not because of increasing demands, but rather because of deteriorating systems.

Inner city soft services, such as schools, would benefit if any population increase did occur. The declining inner city school enrollment forcing many school closures would welcome an increase in population density. Increases in population density could also aggravate parking and traffic problems. As mentioned above, the strategy probably would not effect a significant change in population density, therefore this problem would be minimal.

Municipal governments have an obligation to protect the property values of its citizens. A change in the character of the single-family environment might affect land values. Because the strategy is being aimed at inner city neighbourhoods where this single-family environment has become less common, the adverse effects on property values would be at a minimum. Moreover, in neighbourhoods where deteriorating housing stock and absentee landlords are prevalent, any attempt at increasing owner occupants and encouraging rehabilitation would be welcomed by inner city homeowners.

Policy Response

The above discussion refers more to the benefits that can be created rather than to the constraints that might exist. The

three factors could be significant constraints if the housing strategy was applied to a location other than the inner city, but choosing a location where conversions are common, increased demands on services, parking, and traffic corridors would be minimal. In addition, property values would have as much chance of increasing as decreasing. For these reasons the strategy should be encouraged in inner city neighbourhoods. Municipal policy might even identify specific inner city locations where the strategy would be more favourable.

4.1.6 Lack Of Awareness

Another constraint that this housing strategy faces is low-income households lack of awareness of homeownership opportunities that may exist, and their unfamiliarity with the responsibilities that go along with this form of tenure. If a low-income household examines their ability to purchase a home from a traditional perspective, that is, buying a single-family dwelling, the limitations become all too obvious. If, however, the potential of purchasing a dwelling in cooperation with one or more households is examined, a low-income household might find that their ability to own is greatly improved. As this opportunity does exist, it may be that such households are not aware of it.

The unfamiliarity with responsibilities of homeownership may be a constraint to the willingness of low-income households to obtain this form of tenure. As the majority of low-income individuals are accustomed to rental tenure, and may not, therefore be well informed about such things as house insurance, property taxes,

utility payments, mortgage financing, and legal fees.

Policy Response

In order for this strategy to become operational the awareness of the opportunities that exist should be improved. Similarly, low-income households need to be educated on the responsibilities of homeownership.

An agency could be set up to advocate the opportunities that exist and provide information on all aspects of owning a home, and specifically on owning a converted dwelling or an apartment unit. Further, such an agency could also provide technical assistance and potential homebuyers could be assisted in choosing an appropriate house or apartment to purchase. The agency could help arrange for estimates on renovation costs before a purchase is made. The household(s) would then go into a purchase with full knowledge of the responsibilities entailed in homeownership.

This agency could also provide information on the various responsibilities associated with homeownership. Things such as house insurance, property taxes, utility payments, mortgage financing, and legal fees could be discussed so that the potential homeowner knows exactly what to expect when purchasing a dwelling. In addition, technical advise on simple home repairs could be made available to help these households keep their costs down.

4.1.7 Compatibility

Finding two or more households to enter into a co-ownership arrangement might be somewhat difficult. Moreover, the compatibility

of the co-owners will undoubtedly affect the success of such an arrangement. Problems involving sharing various responsibilities such as utilities, exterior maintenance, and house repairs, could arise.

Policy Response

In order to minimize compatibility problems an agency could provide a referral service to assist households, who have the same desires of homeownership, to get together. Furthermore, a standardized legal format for specifically identifying the responsibilities of each co-owner could be developed.

4.2 Policy Statement and Program Design

The housing strategy put forth in this thesis has been shown to have considerable merit. The demonstrated potential for creating low cost homeownership units from residential conversions and rehabilitated apartment blocks has been demonstrated. The subsequent benefits of widening the housing choices of low-income households, improving the maintenance of inner city neighbourhoods, supplying smaller units for the increasing number of smaller households, and complimenting recent shifts in housing policy, makes this strategy a serious housing alternative.

The constraints outlined in the previous section indicate that some form of government involvement is necessary so that the full extent of the benefits of this housing strategy can be realized. In the next two sections a proposal to ameliorate these constraints and make the new housing strategy functional will

be presented. It is suggested that the Manitoba Housing and Renewal Corporation (MHRC) adopt the following Policy Statement and Program.

4.2.1 Policy Statement

The first step towards making this housing strategy functional is to improve low-income households access to capital. The policy response given to this constraint in the previous section suggested that either private lenders be encouraged to make funds available, or direct government lending be used. For a number of reasons it is proposed that the latter form of financing be used. First of all, the experience with MHRC's Buy and Renovate Program, has shown that direct government financing is more effective at providing loans for existing inner city housing. During the first year of this program when private financing was used, MHRC officials found that private lenders were "red lining" (refusing mortgages) to certain inner city neighbourhoods. In addition to this many lower income applicants who appeared to meet the lenders borrowing criteria, were being refused loans. MHRC, therefore, decided to take on the lending role so that they could have more control over approving applications for the program. This move has proved to be successful as only 2 out of approximately 90 mortgages financed by MHRC under the Buy and Renovate Program have defaulted.⁹

Direct government lending also has the advantage of providing loans to clients at preferred rates. For example, the Manitoba Government's double A credit rating allows them to borrow at 2½% below market mortgage rates.¹⁰ These lower rates can be passed on to clients without having to provide any subsidies. Direct

government lending also gives better control over the terms of financing. For example, a mortgage covering the purchase price and renovation cost, a practice lenders do not approve of, could be made more available through direct government lending. The downpayment requirement when purchasing a home, which significantly restricts low-income households opportunity to purchase, could be more easily eliminated if direct government lending was used. This form of financing, therefore, would improve a low-income households chances of obtaining homeownership. In addition, it would give these households the opportunity to establish their credit ratings, and thus improve their future access to capital.

The second step towards making this housing strategy functional, is for the Provincial government to rally the support of municipal governments. If this type of support could be secured, special arrangements could be made to identify in the zoning by-law specific inner city neighbourhoods more suitable for this housing strategy. For example, neighbourhoods that are deteriorating, that are experiencing displacement, and where conversions are common, could be targeted for this type of activity.

The final step towards making this housing strategy functional is to create a specific program and have it administered by the Manitoba Housing and Renewal Corporation (MHRC). MHRC would be responsible for advocating the opportunities to potential clients, providing technical assistance to ensure appropriate housing is selected, provide a referral service to find compatible co-owners, educate potential homebuyers on the responsibilities of homeownership, and approve loans to qualified homebuyers. Details of a proposed

program and its delivery are offered below.

4.2.2 Program Design

The housing strategy introduced and discussed in this thesis has followed the general theme of homeownership and rehabilitation that has been central to the Provincial Government's Buy and Renovate Program. Although this general theme has been followed, the new strategy takes the Buy and Renovate Program a few steps further. Specifically, this strategy aims at expanding homeownership opportunities to low-income households by utilizing less expensive converted single-family dwellings and apartment blocks located in inner city neighbourhoods. It is proposed that a new program encompassing these components be put forth as an extension of the Buy and Renovate Program. Before doing this, the original terms of the Buy and Renovate Program will be outlined below. This will show what changes are being proposed to the Buy and Renovate Program to accommodate the new strategy and will also provide a realistic foundation for the new program.

Buy and Renovate Program

The terms of the Buy and Renovate Program are such that they encourage households to purchase and renovate existing housing stock. Specifically, direct government mortgage loans covering the purchase price and renovation costs are available to any household who wishes to purchase a house as their principal residence as long as it is a minimum of 30 years old, is priced under \$35,000 needs a minimum of \$10,000 worth of repairs, and the total costs do not exceed \$64,000. The loans are available for a five year

term at an 11% interest rate, and amortized over 25 years. Following the five year term the mortgage has to be refinanced by a private lender. During the five year term the mortgage can be assumed by a qualified purchaser.¹¹ In order to qualify for a mortgage under these terms, the purchaser's Gross Debt Service ratio (principal, interest, taxes and heating) must not exceed 32%, if their income is above \$20,000, and must not exceed 25%, if their income is below \$20,000. Under this program subsidies are also available to assist homebuyers to keep their GDS ratio down to these levels. For households with incomes below \$20,000 a maximum subsidy of \$192.50/month is available, and for households with incomes between \$20,000 and \$27,000 a graduated subsidy is available.¹²

In addition to the terms above, the house selected must be upgraded to meet National Housing Act and local building code standards. To this end a MHRC inspector meets with the client and discusses the extent of repairs required before the house can be purchased under the program. If the purchase and renovation costs are not affordable to the client (under the terms discussed above) the application for mortgage will be denied.

New Program

The terms of the new program will also encourage households to purchase and renovate existing housing stock. The terms of this program, however, will only be available to households earning under \$20,000 per year.¹⁴ Direct mortgage loans covering the purchase price, conversion costs and renovation costs, will be available to these households when purchasing pre-1945 single-family dwellings suitable for conversion, and pre-1945 apartment blocks under 10

units in size.¹⁵ Further a one-bedroom unit must be a minimum of 600 square feet and a two-bedroom unit must be a minimum of 700 square feet (sizes found appropriate in chapters 2 and 3). Mortgage loans will be limited to housing located in inner city neighbourhoods, with special consideration made to areas recommended by municipal governments. There will be no stipulation on the original purchase price or on the minimum renovation costs.

Mortgage interest rates will be set at $2\frac{1}{2}\%$ below rates offered by private lenders, and shall never exceed 13%. Financing will be for a five year term, amortized over a maximum of 25 years. Refinancing under this program will be available at the end of each five year term provided the household can demonstrate its inability to secure private financing. The normal downpayment requirement will be waived for all qualified applicants under this new program.

In no cases will households be granted a mortgage if their GDS ratio exceeds 25%. The Buy and Renovate mortgage subsidy available to households earning under \$20,000, will also be applicable to this new program. The Provincial Government will also provide emergency funds for home repairs to households that cannot afford a conventional loan. The terms of such loans will be the same as the original mortgage, and will be amortized over the remaining life of the mortgage or for 10 years whichever is more.

The renovation work must bring the building up to a standard found adequate by MHRC inspectors. Improvements will be aimed at meeting existing building codes, however, inspectors will be encouraged to use a certain amount of discretion so that repairs

done ensure adequate standards but at the same time do not inhibit the property's chances of being rehabilitated. Inspection will be done prior to purchase so that the total costs can be determined before a commitment is made.

Applicants will also be encouraged to take advantage of all other government rehabilitation programs. For example the Residential Rehabilitation Assistance Program, offering a \$5,000 grant and \$5,000 loan, can be utilized. Further, the loan portion of this grant will be assimilated into the Provincial mortgage terms.

MHRC will not only be responsible for administering the program, it will also provide a number of other services that are not generally available under the Buy and Renovate Program. The agency will counsel applicants on the responsibilities associated with homeownership. Responsibilities such as insurance premiums, utility payments, property taxes, and legal fees will be discussed with each client, and a brochure outlining these responsibilities provided. A referral service will also be set up to assist interested applicants to find compatible co-owners. Potential co-owners that are brought together will be counselled on their shared responsibilities. Furthermore, a legal co-ownership contract will be offered by the agency.

Technical assistance to applicants will be provided by MHRC building inspectors. These inspectors will clearly outline all of the renovations that are immediately necessary, along with advising the clients on what renovations might be expected in the near future. This will all be done prior to purchase.

MHRC will also employ the services of an experienced realtor

to actively seek out potentially appropriate dwellings. An inventory of such dwellings will be helpful to applicants and will speed up the approval process.

To summarize, this program is aimed at improving the opportunity for homeownership to low-income households by providing favourable terms for buying, converting, and renovating single-family dwellings and apartment blocks. Many of the terms put forth above are similar to the Provincial Buy and Renovate Program but a number of changes and additions to these original terms were necessary in order to meet the new housing strategy's main objective of expanding homeownership opportunities. Table 4.1 will contrast the terms of the Buy and Renovate Program and the new program put forth here. In addition to expanding homeownership opportunities to low-income households, it is anticipated that the terms of the new program will assist in maintaining the physical and social character of inner city neighbourhoods.

TABLE 4.1 A COMPARING PROGRAMS

PROVINCIAL BUY & RENOVATE PROGRAM	NEW PROGRAM
<u>What Are The Objectives?</u>	<u>What Are The Objectives?</u>
<ul style="list-style-type: none"> - to encourage homebuyers to purchase and renovate existing housing - to encourage preservation of existing housing stock 	<ul style="list-style-type: none"> - to encourage low-income households to purchase, convert, and/or renovate existing housing stock - to preserve the physical and social character of inner city neighbourhoods
<u>Who Qualifies?</u>	<u>Who Qualifies?</u>
<ul style="list-style-type: none"> - anyone 	<ul style="list-style-type: none"> - households with incomes below \$20,000/annum
<u>What Type Of Dwelling Qualifies?</u>	<u>What Type Of Dwelling Qualifies?</u>
<ul style="list-style-type: none"> - a dwelling that is at least 30 years old, is bought for under \$35,000 and needs a minimum of \$10,000 worth of repairs - total costs must not exceed \$64,000 	<ul style="list-style-type: none"> - pre-1945 single family dwellings suitable for conversion and pre-1945 apartment blocks under 10 units in size - no stipulation on purchase price and renovation costs
<u>What Are The Location Restrictions?</u>	<u>What Are The Location Restrictions?</u>
<ul style="list-style-type: none"> - there are none 	<ul style="list-style-type: none"> - inner city neighbourhoods
<u>What Type of Loan is Available?</u>	<u>What Type of Loan is Available?</u>
<ul style="list-style-type: none"> - direct provincial loan covering the purchase price and renovation costs 	<ul style="list-style-type: none"> - direct provincial loan covering the purchase price, conversion and/or renovation costs

TABLE 4.1 B COMPARING PROGRAMS

PROVINCIAL BUY & RENOVATE PROGRAM	NEW PROGRAM
<u>What Are The Terms of the Loan?</u>	<u>What Are The Terms of the Loan?</u>
<ul style="list-style-type: none"> - currently 11% (2½% below market rates) - 25 year amortization period, mortgage term 5 years (non-renewable), mortgage can be assumed - GDS must not exceed 32% for households earning over \$20,000/annum, must not exceed 25% GDS for households earning less than \$20,000/annum - mortgage subsidy available 	<ul style="list-style-type: none"> - 2½% below market rates, not to exceed 13% - 25 year amortization period, mortgage term five years, renewable if cannot support private financing - mortgage can be assumed only by a low-income household - loan available to cover emergency repairs - GDS must not exceed 25%
<u>Can Other Government Programs be Piggybacked?</u>	<u>Can Other Government Programs be Piggybacked?</u>
- yes	- yes
<u>What Level of Upgrading is Required?</u>	<u>What Level of Upgrading is Required?</u>
- meet NHA and local building code standards	<ul style="list-style-type: none"> - aimed at meeting NHA and local building code standards - discretion is encouraged
<u>What Other Government Services are Provided?</u>	<u>What Other Government Services are Provided?</u>
- advertising, technical assistance	<ul style="list-style-type: none"> - advertising, technical assistance, counselling referral service, realtor to identify suitable dwellings

FOOTNOTES

- 1 Interview with Loans Officer, Royal Bank, Grant and Oxford, February, 1985.
- 2 Ibid.
- 3 Ibid.
- 4 Ibid.
- 5 CMHC, Annual Report, (Ottawa: CMHC, 1984).
- 6 Interview with Ben Franklin, Department of Environmental Planning, February, 1983.
- 7 Equivalencies refer to the use of building materials and standards deemed acceptable substitutes for new construction.
- 8 Ontario Ministry of Housing, Rehabilitation and Conversion of Existing Housing Stock, (Toronto: Ministry of Housing, 1979), pp.10-14.
- 9 Interview with Blair Bingeman, Planner, Manitoba Housing and Renewal Corporation, March 1985.
- 10 Ibid.
- 11 Ibid.
- 12 Ibid.
- 13 Ibid.
- 14 \$20,000 per annum has been chosen for two reasons:
 - 1) this level has been adopted by MHRC in the Buy and Renovate Program.
 - 2) this level corresponds with CMHC's definition of low-income - those renter households whose incomes fall below the second income quintile boundary - 1985 boundary is \$19,500.

- 15 Pre-1945 housing stock has been targetted for two reasons:
- 1) most of Winnipeg's inner city housing stock was built before 1945.
 - 2) the objective of neighbourhood preservation will be better achieved by targetting housing that is in most need of repair - namely older housing.

CHAPTER 5 CONCLUSION

5.1 Summary

The purpose of this thesis has been to put forth a new housing strategy which aims at improving low-income households opportunity for homeownership as well as supporting the preservation of the social and physical character of inner city neighbourhoods. The five principles of this new housing strategy are:

- 1) to renovate existing housing
- 2) to direct at inner city neighbourhoods
- 3) to aim at homeownership
- 4) to use converted houses and apartment blocks
- 5) to emphasize individual initiative

The intention of the second chapter was to test the housing strategy in terms of being a legitimate housing alternative. This was done by examining the strategy in reference to government housing policy, other studies, and the availability of inner city housing in Winnipeg suitable for the proposed strategy. The commitment by Federal and Provincial governments to expand homeownership opportunities, and the commitment to inner-city preservation by all three levels of government, makes this new housing strategy attractive from a policy perspective. The form of housing advocated in this strategy, particularly residential conversions, has gained a considerable amount of support from other studies. Although the perspective of each study was somewhat different from one another, and different from the housing strategy put forth here, they all conclude that residential conversions have a number of

benefits. These benefits along with others, include:

- 1) creation of inexpensive housing affordable to low-income households
- 2) better utilization of housing stock
- 3) creation of small units for increasing number of small households
- 4) better utilization of municipal services
- 5) energy savings from shared accommodation and upgraded heating systems
- 6) neighbourhood improvement - preservation of physical and social character of inner city neighbourhoods
- 7) reduction in loss of housing units from demolition
- 8) reduction of loss of housing units from gentrification; and
- 9) advantages of homeownership - security, independence etc...

The second chapter also included some data from Winnipeg on the availability of inner city apartment blocks and inner city single-family dwellings suitable for conversion. The data indicated that there is no shortage of suitable dwellings and that the prices of such dwellings are relatively inexpensive. This data along with the positive conclusion that was drawn on the strategy's legitimacy, as an alternative form of housing, justified a closer examination of the economic viability of this form of housing.

Apart from determining the economic viability of the form of housing advocated in this thesis, Chapter 3 also provided information on the types of dwellings suitable for conversion, the type of renovations required, and the conditions of co-ownership

that should be observed. From information provided by two non-profit housing corporations, six private contractors, three RRAP inspectors, and the three studies identified in Chapter 2, it was found that two-storey houses (or larger) between 1200 square feet and 1600 square feet are the most appropriate type of housing for conversion. It was also found that five physical components are important when converting and renovating single-family dwellings and apartment blocks. The condition of each component (electrical, plumbing, heating, structural, and fire safety) will have a significant effect on the overall renovation costs. Finally, the contracts of co-ownership provided by the owners of the three privately-initiated projects, indicated the importance of specifically outlining all conditions of ownership so to prevent future problems.

The information on costs provided by the two non-profit housing corporations, the ten RRAP cases, the six private contractors, and the data from Chapter 2, confirmed that from an economic perspective, the form of housing advocated in this thesis is relatively inexpensive. Specifically, it was found that a two-bedroom unit can be created from a single-family dwelling for between \$15,000 and \$40,000. Furthermore, it was found that a one-bedroom to three-bedroom apartment unit can be purchased and renovated for between \$20,000 and \$30,000. In terms of being affordable to low-income households, Table 3.8 showed that households with incomes between \$10,000 and \$20,000 per annum could afford to purchase a dwelling typical of the form advocated in this thesis.

The positive findings in support of the housing strategy presented in Chapters 2 and 3, were not totally conclusive. That is to

say, there were a number of constraints identified in Chapter 4 which indicated that some form of government support would be required to make this housing strategy functional. The constraints that were identified include, access to capital, building conditions and design, zoning, building codes, other municipal constraints, lack of awareness, and compatibility. A Policy Statement providing solutions to these constraints was offered. It was proposed that the Manitoba Government adopt the housing strategy as part of their housing policy. Three steps towards making the housing strategy functional were identified. These steps were:

- 1) to improve low-income households access to capital by providing direct Provincial government loans covering the cost of purchase and renovation (no downpayment requirement).
- 2) to rally support of municipal government.
- 3) to create a specific program administered and delivered by MHRC.

Following this Policy Statement, a program to deliver the new housing strategy was proposed. This program followed the same theme as the Provincial Buy and Renovate Program, however, expanded the theme of homeownership and rehabilitation by modifying a number of terms. These new terms aimed exclusively at assisting low-income households to obtain homeownership by making converted pre-1945 single-family dwellings and pre-1945 apartment block units located in inner city neighbourhoods more available to them. Further, emphasis is placed on preserving the physical and social character of inner city neighbourhoods by making the program applicable only to these neighbourhoods. Under this program direct government

loans with favourable terms covering the costs of purchase, renovation and conversion are made available to households earning under \$20,000 per annum. Under the program high building standards are aimed at, however, some discretion is encouraged to ensure the rehabilitation is not inhibited by unreasonable renovation costs. In addition, MHRC would provide advertising, technical assistance, counselling, a referral service, and the services of a realtor.

5.2 Impacts

The implementation of the housing program outlined in the previous chapter would have a number of impacts on individual households, inner city neighbourhoods, and the community in general. The extent of the impacts would depend on the level of commitment the Provincial government gives to the program. Assuming a commitment is made to finance 1000 units per year on a continuing basis, the impacts would be significant. Based on this assumption the potential impacts will be discussed below.

Implementation of this program would immediately affect low-income households by widening their housing choices. Homeownership, which is seldom available to these households, would become available to them under this program. With homeownership a number of benefits would follow, such as independence from the decisions made by landlords, the security of knowing that shelter is guaranteed, and a sense of pride from owning a piece of real property. Homeownership, and the subsequent realization of equity, puts a household in a better position when making future housing choices; moreover,

with a equity stake in real property, a greater awareness of neighbourhood issues and government decisions will be developed. This awareness has broader implications on the preservation of the social and physical character of inner city neighbourhoods.

The proposed program has the potential for preserving the character of inner city neighbourhoods. The homeownership and renovation components of this housing program could serve both to improve the houses themselves and preserve the authentic appeal of inner city neighbourhoods in general. The allocation of funds to support loans for 1000 units a year would significantly affect the level of upgrading done on inner city housing stock. Moreover, the increased number of owner occupants would also improve the continuing maintenance of existing inner city housing. In addition to this, the collective effect of a greater number of owner occupants could result in increased neighbourhood pressures to improve inner city hard and soft services, and prevent incompatible developments. If the physical character of inner city neighbourhoods are improved, a new wave of business investments might also be expected.

The proposed program also has the potential of preserving the social character of inner city neighbourhoods. These neighbourhoods, which have historically been occupied by low-income households, have recently been experiencing changes caused by increased demolition and gentrification. Many older dwellings have been demolished and replaced by higher priced units or other uses. This has not only displaced low-income households, but has forced them to look to a decreasing supply of inner city housing for accommodation. This problem has been further aggravated by an increasing number

of upper middle income households moving into inner city neighbourhoods. Because the proposed program aims at expanding homeownership to low-income inner city residents, thus giving them more security and independence, the incidence of demolition and gentrification could be reduced.

Not only would the character of the inner city housing market be changed from one of absentee landlords to owner occupants but the character of the housing stock would be changed as well. It might be argued that this would adversely affect the character of the single-family environment, however a better utilization of the existing housing stock would be achieved. Moreover, a good number of such dwellings have already been converted to multiple-family use by landlords who care little for the condition of the buildings and more for how much profit they can make.

This housing program could result in the development of a new housing market. Whereas low-income households have really never played a part in the homeownership market, under this program they would. Moreover, the number of ownership units created from conversions and apartment blocks, would significantly widen the scope of the inner city housing market. In essence the housing market would see the entrance of a new sector of the population, and the inclusion of a new form of housing. These changes to the housing market would have a number of positive impacts on the economy. First of all, with an increased number of potential homeownership units, real estate sales would increase. This in turn would generate a higher number of clients for legal consultations. Secondly, a significant amount of renovation work would be generated

by this program, thereby, creating employment opportunities and increasing the demand for building materials.

This program could also initiate a number of changes to the lending practices of banks and other financial institutions. The provision of government loans to low-income households could be viewed by lenders as test cases to establish the credit ratings of these households. A positive finding could result in broader lending practices. Further, the practice of making mortgage loans available to cover purchase and renovation costs could be established. Finally, the physical preservation of inner city neighbourhoods could improve the environment for investments resulting in the elimination of "redlining" practices.

Ultimately, if this program proves to be a successful method of providing adequate housing for low-income households, a move towards relying less on public initiative could be achieved. Moreover, if private lenders come to modify their lending requirements a further step towards private initiative could be reached.

5.3 Imagine If

The above discussion of the potential impacts was done from a policy makers perspective. These same impacts if put forth in a more idealistic or visionary form, become somewhat more appealing.

Imagine if low-income households eventually had stronger ties to real property. If they had the rights of ownership generally available to more fortunate households. What if they had independence from landlords who charge too much for too little? What if low-income households could remain in their neighbourhoods without

the threat of displacement? Just imagine if they could remain there in housing that had high standards. What if low-income households did not have to depend on government housing for adequate and affordable shelter? Imagine if they had a place to get assistance - a place where they could get advice on the responsibilities of homeownership and assistance to guide them through the financing and legal ends of homeownership. What if all this could be made possible? What impacts would be felt?

The proposed strategy attempts to make these things a reality. It was not put forth to be a short term plan. It was formulated with greater things in mind than just providing shelter. This housing strategy is aimed at giving low-income households the opportunities of homeownership that are available to the rest of Canadians. It attempts to change the face of inner city neighbourhoods by stimulating extensive upgrading and maintenance without having to depend on the gentrifying affects of middle and upper income groups. The strategy is intended to transform inner city neighbourhoods from their more recent rental character to one of widespread homeownership character. This new character could breed a greater awareness and genuine concern for neighbourhood issues, thus giving the people in the neighbourhood more confidence in their political voice, and the ability to make their demands heard. This stronger voice could help preserve both the physical and social character of inner city neighbourhoods.

What if this program was implemented with serious commitments? Not only would the face of inner city neighbourhoods be changed but the character of social housing could be turned around. A

move from reliance on public initiative to one of greater individual initiative would help bury the negative stereotypes applied to social housing. Unlike the old Federal Public Housing Program, class segregation would be avoided, and unlike the new Non-Profit Housing Program integration could be achieved without subsidizing households that do not require assistance.

What if this housing concept and proposed program had a broader application? That is, what if it was adopted as a Federal initiative. This would not only affect the character of all inner city neighbourhoods, it could create a better balance in our cities and in our society generally. Imagine if?

5.4 Limitations and Further Research

5.4.1 Limitations

The research done in this thesis had a number of limitations. First of all the strategy was tested only in Winnipeg. The costs and availability of the form of housing advocated could be quite different in other parts of Canada. Therefore no conclusions could be drawn on the strategy's broader applications.

Secondly, the author's knowledge of housing design and construction practices was limited to relying on the experiences of others. Moreover, the author's understanding of building codes was from a layman's perspective.

There was also no attempt to determine what administrative costs might be expected from the implementation of the proposed program. It was assumed that the majority of the administrative machinery could be found within the existing structure of MHRC.

Finally, it was beyond the scope of this thesis to determine the actual housing desires of low-income households.

5.4.2 Further Research

From a social perspective the housing strategy presented in this thesis could apply to any Canadian city. The housing strategy's goals of preserving inner city neighbourhoods and providing adequate and affordable housing to low-income households, are goals common to most provincial and municipal governments. From an economic perspective, however, the form of housing advocated in this thesis has been studied only as it would apply to Winnipeg. To determine this housing strategy's broader application, it would have to be examined on a provincial or municipal level throughout Canada. Because housing characteristics, housing supply, and housing prices, can differ significantly from place to place, such an examination could result in different findings. This may affect the strategy's wider use.

An examination of current building codes to determine how appropriate they are for rehabilitated and converted dwellings would also be a useful exercise. Such an examination could be undertaken with the cooperation of building inspectors familiar with this type of activity. In addition, a review of building codes throughout North America could identify cities, provinces, or states that have developed codes appropriate for assessing rehabilitated and converted properties.

Finally an examination of the attitudes of homeowners and potential clients towards the housing strategy, could prove to

be a useful exercise. One way this could be done is by distributing questionnaires to homeowners and renters throughout inner city neighbourhoods.

5.5 Final Statement

The housing strategy put forth in this thesis has the potential of changing the way we look at inner city neighbourhoods. Improvements to the physical and social character of these neighbourhoods, together with the hope of creating more stable and balanced communities, will not occur without a serious government commitment in both economic and social terms. A challenge is put forth here to all levels of government to examine the potential of the strategy outlined in this thesis, and make a serious commitment to its goals.

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